



INFRASTRUCTURE FUND MANAGERS

# Environmental, Social and Governance Management System (ESGMS) Policy Manual

February 2024

## Document History

### Document title: ARMHIF ESGMS Manual

Version	Date of issue	Authorised by	Nature of Revision/Changes
1.0	21 July 2016		Developing the ARMHIF contractual ESG Policy document into an operating manual.
1.1	June 2017		Corrections and updates to better align ESGMS Policy Manual with ARMHIF formation agreements and operations.
1.2	August 2018		Presentational – adjustments to improve clarity and readability.
1.3	September 2021		Updating ESG implementation practices and aligning with stakeholder requirements.
1.4	14 <sup>th</sup> February 2024	Jobalo Oshikanlu, Deputy CEO	<ul style="list-style-type: none"> <li>• Updated <b>section 1.4</b>, applicable requirements, and guidelines</li> <li>• Updated <b>section 4.5</b>, reporting to investors.</li> <li>• Updated <b>table 3</b>, ESGMS procedure for the Investment Cycle</li> <li>• Corrections and clarity</li> <li>• Updated <b>section 1.2.5</b>, Operational application of our ESG Policies</li> </ul>

## List of Acronyms

AfDB	African Development Bank
ACT Fund	AFRI Climate and Transition Fund
ARMHIF or the Fund	The ARM-Harith Infrastructure Fund (ARMHIF-1) or a successor fund as the context may require
ARMHIL or Fund Manager	ARM-Harith Infrastructure Investments Limited (incorporated in Mauritius) and/or ARM-Harith Infrastructure Investment Limited (incorporated in Nigeria)
E&S	Environmental and Social
ESDD	Environmental and Social Due Diligence
ESG	Environmental, Social and Governance
ESGMS	Environmental, Social and Governance Management System
EU	European Union
GIIP	Good International Industry Practice
IC	Investment Committee
IFC	International Finance Corporation
ILO	International Labour Organisation
IRR	Internal Rate of Return
PPE	Personnel Protective Equipment
PAI	Principle Adverse Indicator
TCFD	Task Climate-related Financial Disclosure
UN	United Nations
UNPRI	United Nation Principles of Responsible Investment
WB	World Bank
EU SFDR	EU Sustainable Finance Disclosure Regulation

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# 1. Introduction

This Environmental, Social and Governance Management System (ESGMS) Manual documents the ESGMS of ARM-Harith Infrastructure Investments Limited (ARMHIL) for investment funds managed by ARMHIL (including ARMHIL Nigeria), including the policy, procedures, reporting requirements, and review process that will be followed by ARMHIF and all successor or follow-on Funds. This ESGMS will be implemented through the Fund Manager, ARMHIL. Applying the ESGMS to all potential investments, ARMHIL will assess investment opportunities using relevant Environmental, Social and Governance (ESG) criteria to make its decision. In addition, the ESGMS will enable ARMHIL to conduct ongoing monitoring of the ESG performance of its portfolio companies.

The ESGMS Manual outlines how the Fund Manager, ARMHIL, will implement its commitment to promote ESG management and sustainability by using its reasonable commercial endeavours to:

1. Build brand recognition with respect to ESG Management;
2. Source pipeline;
3. Source different sources of capital leveraging our ESG credentials;
4. Save costs associated with ongoing operations;
5. Grow sustainable revenue streams;
6. Build skills in ESG risk analysis and improved investment management by considering among others:
  - IFC performance standards,
  - IFC and EIB exclusion lists,
  - AfDB ESG Guidelines,
  - Global warming,
  - Sustainable use of natural resources,
  - Human rights and protection,
  - Climate risk
  - Gender parity, diversity, equity, and inclusion (DEI)
  - ESG aspects driving growth in the markets of investment e.g., rapid urbanisation, lack of access to utilities, import-substitution, access to skills, access to natural resources,
  - Poor productivity due to difficult physical working conditions or impact on worker morale,
  - Reputational damage due to media coverage of accidents and incidents,
  - Loss of or inability to secure contracts with major and international partners due to poor ESG performance, and
  - Fines and other penalties levied by local regulatory authorities.
7. Achieve superior investor performance through sustainable ESG compliant operations;
8. Build resilience within the business;
9. Establish a competitive advantage in the markets we operate in;
10. Ongoing improvement of corporate governance processes;
11. Manage the operational E&S risks inherent in investment, through the process of ESG risk identification, categorisation, assessment, reporting and management; and
12. Maximise economic development and improve the quality of life in the communities we operate in.

To achieve these objectives, ARMHIL has adopted a comprehensive ESG Policy (Section 1.2 below), which informs the development, implementation, and maintenance of its ESGMS. This ESGMS defines,

enforces, and monitors the implementation of ESG best practices within ARM-Harith's portfolio companies. This ESGMS Manual contains:

- An overview of the social need for investment in infrastructure in West Africa, particularly Nigeria;
- A summary of the environmental and social risks and impacts typically associated with investments in infrastructure, as well as associated opportunities;
- A description of how the ESGMS addresses E&S risks, and how it should be integrated into the Fund's investment process;
- A description of how ESGMS maximises desired outcomes at the investee company level as well as societal impact;
- Details of the applicable E&S requirements against which all potential investments made by the Fund will be evaluated;
- A description of the social and environmental due diligence process to be carried out before any investment;
- ESG quarterly, semi-annual, and annual reporting schedules and requirements; and
- A description of the procedure for the review of the ESGMS.

As part of the ESGMS, relevant forms, tools, templates, and checklists are developed for appropriate use during the investment cycle. These are provided in the Appendix Section of the Manual.

### 1.1. Background – ARMHIF

ARM-Harith Infrastructure Investments Limited (ARMHIII), specializes in infrastructure investments across Africa particularly in West Africa, with a primary focus on sectors like energy, transportation, telecommunications, utilities, and investments focused on addressing climate change through mitigation and adaptation. As a joint venture between Asset & Resource Management Holding Company Limited (ARM) and Harith General Partners, ARMHIII brings extensive expertise in African infrastructure investing.

ARMHIF, the first fund, was established and domiciled in Mauritius and Nigeria and is managed by ARMHIII (Figures 1 and 2 below depict the structures of ARMHIF and ARMHIII, respectively). The West African-focused Fund targets investments across a wide variety of infrastructure assets in sectors such as Transport, Energy and Utilities. The sectors and sub-sectors of interest to ARMHIF are listed in Table 1. The Fund targets investments in greenfield and brownfield projects across West Africa, with a particular focus on Nigeria. It seeks to pursue a balanced investment strategy that targets a net base case after-tax equity return in every single project, of at least 18%.

Table 1: ARMHIF targeted Sectors and Sub-sectors

Transport	Energy	Utilities
<b>Roads</b>	<b>Electricity</b> <ul style="list-style-type: none"> <li>• Generation</li> <li>• Distribution</li> </ul>	<b>Water</b> <ul style="list-style-type: none"> <li>• Treatment</li> <li>• Distribution</li> </ul>
<b>Bridges/Tunnels</b>	<b>Gas</b> <ul style="list-style-type: none"> <li>• Transmission</li> <li>• Storage</li> </ul>	<b>Sewage and Drainage</b> <ul style="list-style-type: none"> <li>• Collection</li> <li>• Treatment</li> </ul>
<b>Sea Port</b>		<b>Telecoms</b>
<b>Airports</b>		
<b>Rail</b>		
<b>Parking</b>		

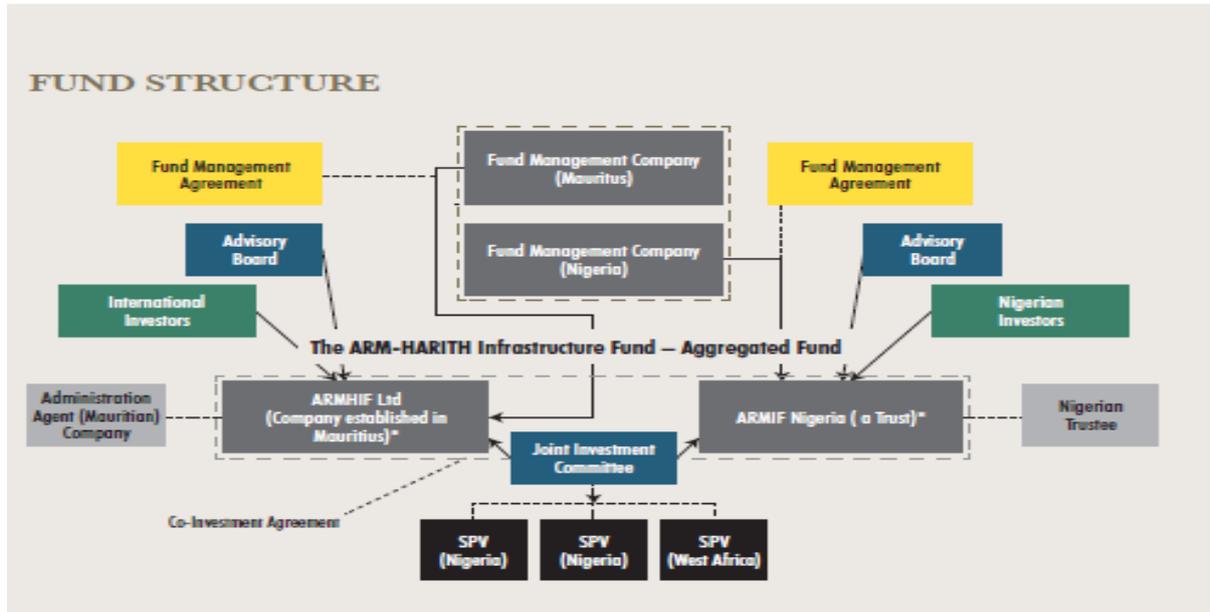


Figure 1: ARMHIF Structure

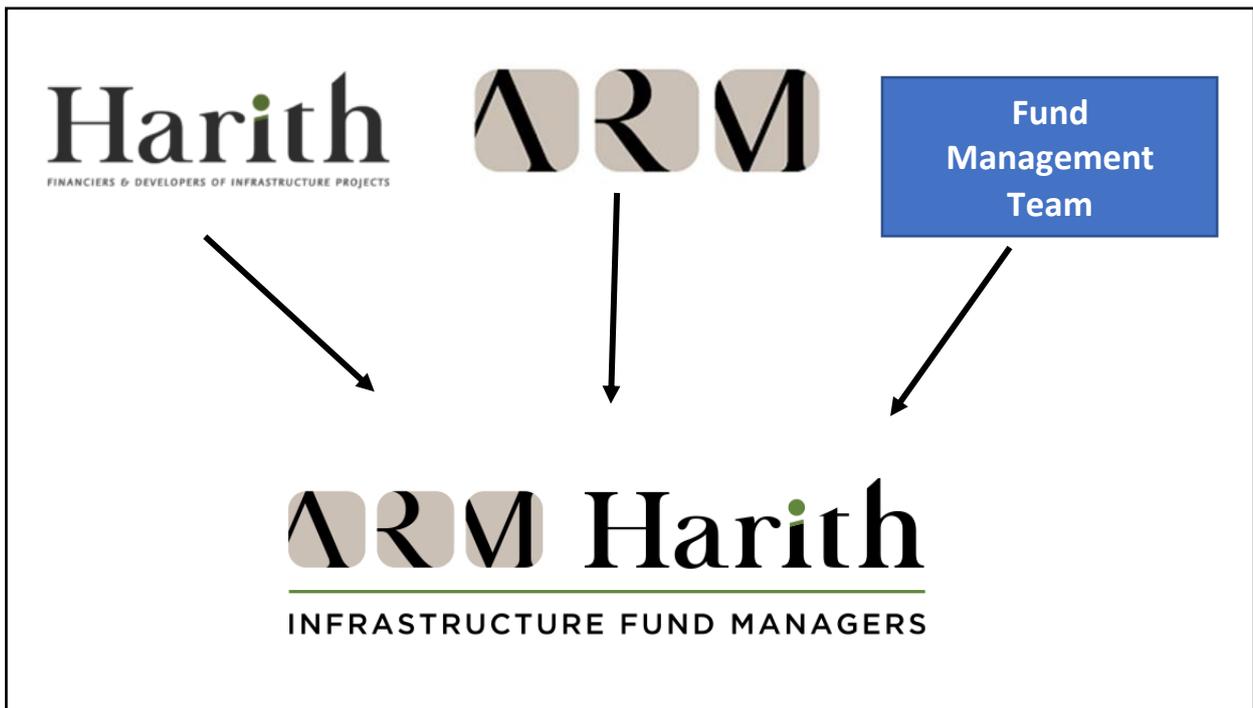


Figure 2: ARMHIF Structure

The Fund will:

- Invest in infrastructure projects and companies across West Africa, with a particular focus on Nigeria;
- Invest equity in infrastructure projects;
- Seek to deliver an attractive return consisting of dividends, portfolio appreciation, and other income consistent with the relatively predictable returns and hence, relatively low-risk nature, of economic infrastructure;
- Seek to invest in projects that have revenues correlated to inflation;

- Seek to make investments in projects with a high level of cash flow generating ability;
- Seek to make investments in projects with low operating costs;
- Seek to make investments in assets with low correlation to other asset classes; and
- Seek to make investments in states/countries that are economically and politically stable and have a tax and legal system, and a regulatory framework in place (or underway) that are business/investor-friendly, and where governments are keen to promote private investment by providing an appropriate enabling environment.

The following Fund specific measures will apply:

- Invest no more than 25% of the total Fund in any one project or organization;
- Invest no more than 55% of the total Fund in any target sector;
- Invest no more than 20% of the total Fund in any project or organization outside the target sectors and sub-sectors;
- Invest no more than 20% of the Fund in any one country in West Africa, except for Nigeria;
- Invest no more than 15% of the Fund in any Nigerian State other than Lagos State where the investment limit is 35%.

## 1.2. Vehicles under ARMHIF Management

### 1.2.1. ARMHIF Fund 1

The ARMHIF Fund 1 is a targeted closed-ended specialist private equity fund. The fund focuses on investing in infrastructure projects across Africa, particularly in sectors such as energy, transportation, telecommunications, and utilities.

Guided by its investment mandate and objectives, ARMHIF Fund I consider factors such as risk-adjusted returns, diversification, and environmental, social, and governance (ESG) criteria in its investment activities. The fund's performance, strategy, and terms adhere to its offering documents, including the private placement memorandum and limited partnership agreement, which outline its structure, fee arrangements, and governance framework.

### 1.2.2. ARMHIF Fund 2

The successor fund to Fund 1, the AFRI Climate and Transition Fund (ACT Fund), represents a strategic evolution in driving investments towards climate friendly infrastructure solutions across the West African sub-continent. With an initial emphasis on critical sectors such as renewable energy, energy storage, urban mobility, water, and waste management. The ACT Fund is poised to catalyse sustainable development and climate resilience in the region.

With a maximum investment capital of US\$300 million, the successor fund comprises of three distinct vehicles: ARM-Harith Infrastructure Fund II (ARMHIF II), established in Nigeria as a Trust; ARM-Harith Infrastructure Fund for Nigeria (ARMHIF-N), also established as a Trust in Nigeria; and the ACT Fund itself.

### 1.3. ARMHIF ESG Policy

All Funds managed by ARMHIL will abide by the following ESG Policy:

#### 1.3.1. Purpose of Policy

To describe the ARMHIF philosophy and approach to integrating ESG factors into its investment operations, thereby mitigating ESG risks and impacts, while also maximising ESG opportunities, at both company and portfolio levels.

#### 1.3.2. Overview

ARMHIL has adopted and adheres to a sound ESG policy, which is the basis for this ESGMS. ARMHIL is committed to developing, implementing, and continuously improving the management of ESG issues. Furthermore, it is committed to providing investments with the policies, governance structures, targets and reporting systems to manage the risks and opportunities that are associated with sustainable development.

It is intended that the Fund investors will receive regular reports on the ESGMS implementation and compliance by the Fund and its investments.

#### 1.3.3. Philosophy

Sustainable development is core to delivering on our growth objectives. Underpinning our corporate philosophy and growth path is an appreciation that our growth drivers cannot be achieved effectively without a committed focus on sustainable development.

This ESGMS provides guidance during the investment decision-making process and for the ongoing management of portfolio companies. Compliance with the ESGMS is a condition for all investments.

#### 1.3.4. Principles

The principles set out below shall be applied by ARMHIL to all portfolio companies from the initial stages of the investment process through to the post-investment period, monitoring progress on ESG matters and portfolio companies' compliance with the guidelines contained in this ESG policy.

In line with this commitment, ARMHIL will ensure that for every opportunity it is engaging with, whether Greenfield project, Brownfield project or Investee Company, it will endeavour to:

- Comply with local, regional and international environmental regulations in all countries in which funds will be invested and/or its portfolio companies operate;
- Require an environmental and social assessment of investments, and ensure that these will be in line with IFC risk categorization, to ensure that the investments are environmentally and socially sound and sustainable;
- Comply with IFC exclusion lists by not investing in projects listed;
- Undertake its activities in line with applicable international standards and industry good practice;
- Communicate and work closely with investee companies to ensure that management and employees understand the significance of and have a shared commitment to conform with this policy;
- Prevent or mitigate all Environment, Social and Governance risks and impacts;

- Incorporate, where relevant the Nigerian Sustainable Banking Principles 2012, especially the principles espoused in the Power Sector and Oil & Gas Sector guidelines;
- Adhere to fair labour practices including adherence to best practices in terms of labour relations, minimum wages, benefits, training, gender equity and human rights (including child labour);
- Source from sustainable sources or compliant means of production, and which have where practicable, been assessed for the environmental and social impacts of their means of production;
- Ensure that procurement and hiring policies will promote localization, skills development, corporate governance and Small, Micro, and Medium Enterprises (SMME)-Development;
- Promoting safe working conditions for all employees and contractors and complying with all international guidelines, local country Health and Safety laws (as an absolute minimum);
- Implementing adequate processes for assessing health and safety risks, and for ensuring appropriate protection measures are in place, in line with IFC or in-country requirements, whichever is greater;
- Maintaining records and reporting of workplace accidents and establish appropriate processes for the investigation of, and identification of future mitigation measures;
- Develop and maintain emergency preparedness and response plan appropriate to their business activities;
- Implementing systems and approaches to ensure all employees and contractors are provided with the necessary training and appropriate equipment to carry out their duties safely;
- Seek to enhance the economic development of the state/countries/local community in which the Fund invests;
- Adopt responsible practices to ensure that good governance will enhance and maintain the reputation of the Fund at all times;
- Provide transparent and accountable E&S performance information (including reporting to the UNPRI) on investment activities; and
- Reporting on SDG and Global compact KPIs in terms of ARMHIL developmental impact targets.

In terms of the ESG requirements of the Funds' investors, ARMHIL undertakes to:

- Commit to identifying and assessing ESG impacts, both adverse and beneficial, in ARMHIL's area of influence;
- Avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, stakeholders and the environment;
- Ensure that stakeholders are appropriately engaged on issues that could potentially affect them;
- Promote improved ESG performance of portfolio companies through the effective use of management systems and legally binding action plans; and
- Target investments that facilitate the establishment of societal impact through a focus on:
  - Equity in access to economic resources;

- Women full and effective participation;
- Universal Access to affordable and reliable modern energy services;
- Increase sustainably the share of renewable energy in the global energy mix;
- Increase global rate of improvement in energy efficiency;
- Increase in per capita growth in GDP through improved access to electricity, movement of goods and services, digital growth;
- Provision of enhanced financial, technological and technical support;
- Increasing access to the poor and vulnerable to basic services;
- Enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement, urban planning and management;
- Through energy provision enhance access to renewable energy solutions, combating the risks associated with climate change.

This policy and other elements of the management system shall be reviewed bi-annually and updated to ensure its continued applicability to the activities of ARMHIL's Funds and its portfolio companies. The ultimate responsibility and oversight of the policy lies with the Managing Director/CEO while the day-to-day implementation shall be carried out by the Fund Management Team.

### **1.3.5. Operational application of our ESG Policies**

To meet the above objectives, the Fund will perform the following:

- Actively supporting the development and transformation of businesses in our Funds' target geographies and the suppliers of goods and services in the supply chains of portfolio companies;
- Screen our portfolio companies for ESG impacts and benefits before approving any investment through a process of ESG due diligence;
- Require the adoption of ESG standards and transformation policies by our portfolio companies and, where reasonably practicable, by the supply chain of our portfolio companies;
- Monitor and report on portfolio companies in a transparent, credible and timeous manner to all stakeholders;
- Ensure compliance with the IFC Performance Standards by our portfolio companies through implementing the relevant management systems based on IFC Performance Standards (Appendix 1);
- Ensure the mainstreaming of climate considerations using the technical screening criteria outlined in the EU Taxonomy and TCFD for climate risk into various aspects of our investments.
- Incorporate considerations related to human rights into various aspects of our decision-making in line with the international bill of human rights, the UN Global Compact, the OECD guidelines for multinationals, etc.
- Addressing diversity, equity, and inclusion (DEI) issues in the fund's investments and operations as well as extend to supply chain
- To continuously be aware of any governance issues that could impact the business and operations of our portfolio companies. Implement a management system to ensure that conflicts of interest and other governance issues are well understood and dealt with at each stage of the Funds' investment process.

### **1.3.6. Governance Aspects of our ESG Policies**

- To conduct all our business dealings with honesty, integrity, fairness and respect, due skill, care and diligence to enhance the good reputation of ARMHIL;
- To comply with all applicable laws governing our transactions and investments, and to deal with regulators openly and cooperatively;
- Prohibit all employees from making or receiving gifts that violate the Code of Conduct/Ethics of ARMHIL at any material time in the course of business, and to use the information received from our partners in the best interests of the business relationship and not for personal financial gain by any employee;
- Prohibit the making of payments as an improper inducement to confer preferential treatment on the company, its agents or advisers;
- Properly record, report and review financial and tax information;
- Clearly define responsibilities, procedures and controls, and
- Prohibit contributions to political parties or political candidates.

#### 1.4. Scope and Boundary of ESGMS

This ESGMS and its appendices apply to all the activities of ARMHIF.

In determining the extent of influence, i.e., the scope and boundary, of this ESGMS, the practical limitations and implications of imposing this ESGMS on Portfolio Companies need to be considered. ARMHIF should remain a competitive funder of choice in West Africa for infrastructure investments.

ARMHIL, therefore, needs to exert an appropriate level of influence and control over its Portfolio Companies to facilitate compliance with this ESGMS.

Through a process of education and advisory support, the Fund ESG officer, in conjunction with the appointed consultant, will work with portfolio companies and the supply chain to improve their ESG performance over time.

#### 1.5. Applicable Requirements and Guidelines

ARMHIF shall comply with all applicable laws, rules and regulations of any government, regulatory body or organisation, licensing agency, or professional association having jurisdiction over Portfolio Companies and standards in the country where it operates. In the event of an absence of national standards in the country where the Fund will be disbursed, or a conflict between the Fund's Codes & Standards and that of the country concerned, Portfolio Companies must comply with the stricter law, rule or regulation.

The Fund Management Team ensure that all Portfolio Companies are reviewed and evaluated against the following applicable requirements and guidelines:

##### REQUIREMENTS:

- International Finance Corporation (IFC):
  - IFC Performance Standards (Appendix 1);
  - IFC General EHS guidelines
  - IFC Industry Sector EHS guidelines, including but not limited to:
    - Airports (2007),

- Ports, Harbours and Terminals (2017),
- Railways (2007),
- Telecommunications (2007),
- Toll Roads (2007),
- Waste management facilities (2007),
- Water and Sanitation (2007),
- Electric Power Transmission and Distribution (2007),
- Geothermal Power Generation (2007),
- Thermal Power (2008),
- Wind Energy (2015).
- IFC Investment Categorisation (Appendix 3);
- IFC Exclusion List, (2007) (Appendix 2);
- EDFI “Requirements for Environmental and Social Due Diligence” (Appendix 3);
- EDFI “Harmonized Exclusion List” (Appendix 3);
- African Development Bank (AfDB) ESG requirements;
- Applicable national laws, international conventions, and standards on environment, occupational health, safety and social issues;
- International Sustainability Standards Board (ISSB) International Financial Reporting Standards (IFRS) S1 and S2.
- 2X Challenge Framework;
- International Labour Organization Core Labour Standards:
  - No. 29 Protection against forced labour,
  - No. 87 Protection of the right to collective bargaining,
  - No.100 Equal remuneration for men and women,
  - No. 105 Abolition of forced labour,
  - No.111 Non-discrimination concerning employment and occupation,
  - No. 138 and 182 Protection against child labour.
- ARMHIF Investment Policy; and
- ARMHIF Responsible Investment Policy (Appendix 21).
- GUIDELINES: [Applicable ISO Standards \(including, ISO 14000, ISO 45001, ISO 26000 and ISO 5000\)](#);
- International Bill of Human Rights
- The United Nations (UN) Global Compact
- The OECD guidelines for multinational enterprises
- The European Union (EU) Sustainable Finance Disclosure Regulation (SFDR) (align their performance indicators to the Principle Adverse Indicators)
- The EU Taxonomy Regulation
- The US SEC Climate Change Disclosure Rules
- The United Nations Principles of Responsible Investment

Other standards and guidelines may be included in the management system at a later stage dependent on future Fund's investor requirements.

### **1.6. Restriction on Activities**

All ARMHIL funds will refrain from investing in any activities listed on the IFC and AfDB Exclusion list. This restriction applies across all investments managed by ARMHIL. ARMHIL will ensure they avoid financing and/or carrying any activity mentioned on these Exclusion lists (Appendix 2).

## 2. Organisation

### 2.1. Internal Roles and Responsibilities

Figure 3 below describes the roles and responsibilities for the implementation of the ESGMS, which are further discussed below.

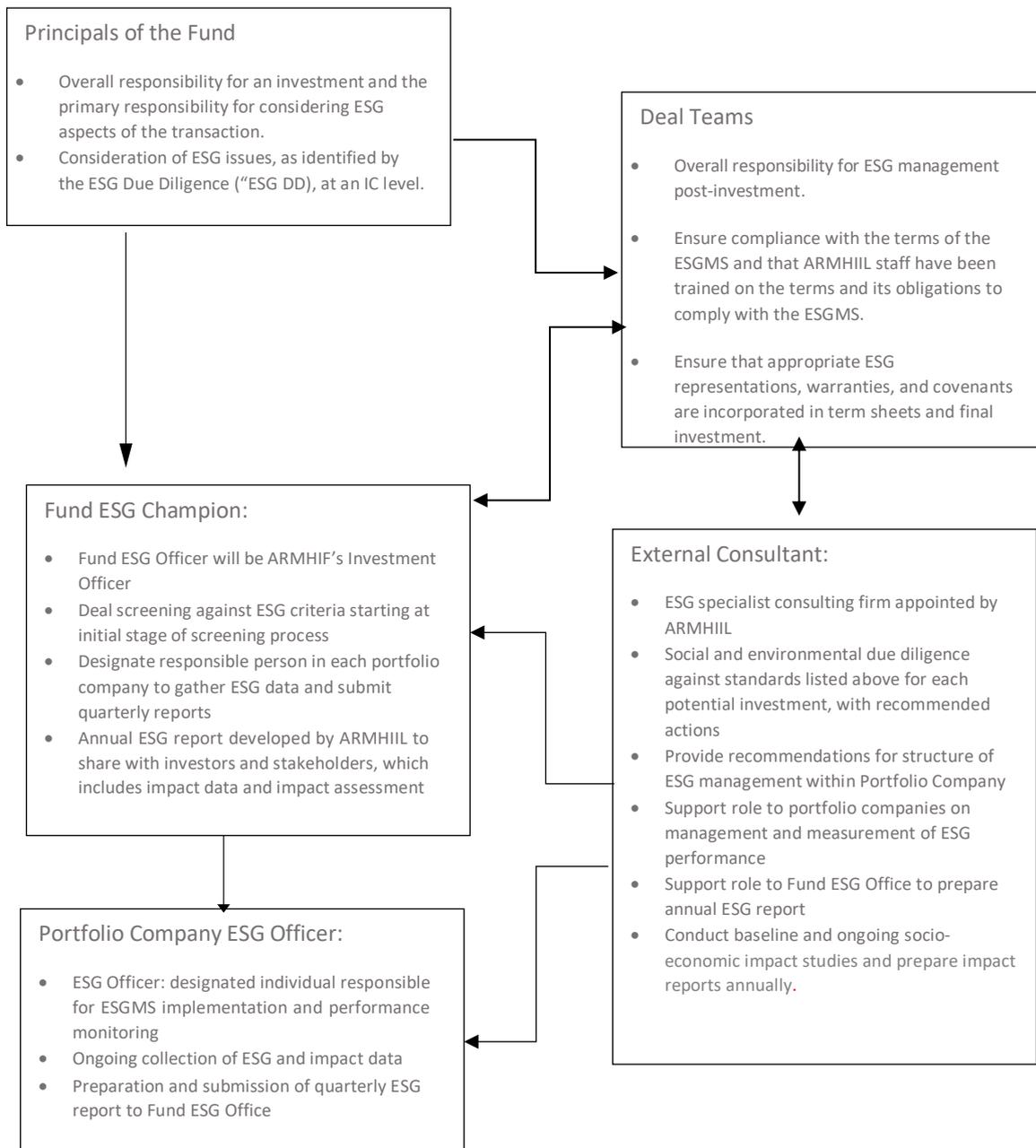


Figure 3: Roles and Responsibilities for ESG Management

i. The **Fund Principal's**

Responsibilities will include:

- Consideration of ESG issues, as identified by the ESG due diligence;
- Ensuring that all Investee Companies, third party contractors and suppliers and other Partners are fully aware of the ESGMS;
- Obtain the Investee entity's agreement to carry out Environmental and Social Impact Assessments (ESIA) and implement Environmental Management Plans (EMP), where necessary;
- Ensuring that ARMHIF's ESG Champion participates in Deal Pipeline meetings and other appropriate forums to be able to contribute to the investment process;
- Ensuring that all investment decisions are supported by appropriate due diligence documentation (including, but not limited to, an ESG section in each final Investment Memorandum presentation to the Investment Committee (IC) and the attachment of the Environmental and Social Due Diligence (ESDD) Summary Report to the Investment Memorandum; and
- Ensure the setting of ESG performance and development impact targets, reporting performance against these quarterly.

Accountable for:

- Notifying the ESG Managers of ARM Holding Company, Harith General Partners and other major stakeholders when any major environmental or social incidents or ESG non-compliance occurs;
- Report on achievements made in meeting ESG performance and development impact targets quarterly; and
- Publish an annual ESG performance report and a development impact report. Liaise with Marketing and Communications to facilitate this process.

ii. The **Deal Team's**

Responsibilities will include:

- Conducting ESG due diligence studies for category C investment opportunities and managing the appointed consultant for all category A and B projects,
- Provide ESG related documentation to the AfDB (and any other investor requesting the same) as part of the drawdown notice,
- Overall responsibility for ESG management post-investment,
- Ensure that appropriate ESG representations, warranties, and covenants are incorporated in term sheets and final investment agreements with portfolio companies (see Appendix 5 and 12 for example clauses),
- Monitoring portfolio company adherence to ESG action plans developed during the ESG due diligence,
- Report portfolio company ESG issues/infringements to investors and ensure that all serious incidents are appropriately addressed, and risks remedied, where possible,

- Ensuring that the Fund observes and complies with the terms of the ESGMS and that ARMHIL staff have been educated on the terms and obligations to comply with the ESGMS,
- Prepare quarterly ESG reports, in partnership with the portfolio company ESG officer, according to the format provided in Appendix 14 and complete AfDB's Development Outcomes Report on an annual basis (see Appendix 18),
- Maintain ongoing liaison and correspondence with the portfolio company's ESG Officer and guide on any ESG issues that arise during the investment.
- Ensure compliance with the terms of the ESGMS and that ARMHIL staff have been trained (induction and on an annual or biennial basis) on the terms and its obligations to comply with the ESGMS.

Accountable for:

- Ensure ongoing engagement and communication with the ESG Managers of ARM Holding Company, Harith General Partners and other major stakeholders;
- Submits an annual Environmental and Social Performance Report and Development Impacts Report to aforesaid stakeholders; and
- Monitor and implement the ARMHIL Environmental, Social and Health and Safety Policies.

iii. **The Fund Manager** (as represented by the ESG Champion)

Responsible for:

- Participating in Deal Pipeline meetings and other appropriate forums to be able to contribute to the investment process;
- Reviewing the updated or revised versions of the Fund's ESGMS from time to time;
- Appointing a qualified Portfolio Company ESG Officer;
- Inviting the External ESG consultant to participate in appropriate deal pipeline meetings and other appropriate forums to contribute to the investment process as described in Section 3 of this ESGMS;
- Ensuring that all investment decisions are supported by appropriate due diligence documentation (including, but not limited to, an ESG section in each final Investment Memorandum to the Investment Committee) (See Appendix 10);
- Ensuring that resources are available at the Portfolio Company level for ESG and occupational health and safety management processes;
- Having the overall responsibility for the Fund's compliance with its ESG Policy, and the compliance of each Portfolio Company for the same;
- Signing ARMHIF's annual Environmental and Social Performance Report and Development Outcome Report according to the format provided in Appendix 16 and 17;
- Reviewing, evaluating, investigating and reporting on possible violations of the ESG Policy by Investee Companies and/or Contractors and other Partners;
- Taking proactive or recommending remedial measures in relation to the activities of the Fund, its Investee Companies and/or Contractors and Partners to ensure compliance with the ESGMS;

- Receiving complaints, orders, directives, claims, citations or notices from any authority under any applicable law and local requirements;
- Receiving complaints, claims, memoranda, threatened action or notice from community/ community leaders;
- Engaging with all affected communities via workshops, facilitated stakeholder engagement sessions, questionnaires or commentary feedback mechanisms;
- The ESG Officer shall report on the implementation of mitigation and management measures (ESAP and ESMS) specified by ARMHIL when investing in or partnering with a project;
- Monitor the development of investee company ESG performance, in compliance with country-specific and legal requirements;
- Develop and maintain a climate action policy and data protection policy for ARMHIL;
- Set ESG performance, Development Impact and Resource Efficiency KPIs and Targets to track ARMHIL's performance;
- Monitor and record ESG performance, Developmental Impact Indicators and Resource Efficiency objectives required by key stakeholders and LPs;
- Ensure the setup and management of complaints and grievance mechanisms. Liaise with Human Capital Management to address employee concerns, and marketing and communication to address concerns raised by other external stakeholders to facilitate this process; and
- Review the ESG Policy and ESGMS bi-annually and update them if required. Liaise with key stakeholders to facilitate this process.

Accountable for:

- Submitting an annual Environmental and Social Performance Report and Development Impacts Report to key stakeholders;
- Preparing and ensure the signing off and distribution of the Annual Environmental and Social Performance Report and Development Impacts Report;
- Monitoring and recording developmental impact indicators;
- Monitoring and implementing the Environmental, Social and Health and Safety Policies.
- Reporting on the implementation of mitigation and management measures (ESAP and ESMS) specified when investing in or partnering on a project; and
- Monitoring the development of investee company ESG performance, in compliance with country-specific and legal requirements.

iv. **The Appointed External Consultant**

Responsible for:

- Ensuring, on an ad-hoc bases, that all ARMHIL's staff have been educated on the terms and obligations to comply with the ESGMS;
- Ensuring Portfolio Companies comply with the Fund's ESG Policy and Action Plans, within the limits of the Scope and Boundary. Specifically, this shall involve the execution of the ESGMS actions listed in Section 3, including:

- Undertake an ESDD for all Category A and B Investments;
- Evaluate environmental and social compliance and impact generated by a Portfolio Company through assessment against prescribed fund requirements during the ESDD;
- The consultant shall submit a draft ESDD Report within two weeks of a site visit to the Fund's ESG Champion. The final report shall be submitted within two weeks after receiving comments from the Fund's ESG Champion on the draft report. All reports will be written and prepared in English and delivered in electronic and hard copy;
- A predefined framework is to be developed to report on all ESDD issues (Appendix 9), including a Findings and Corrective actions summary (Appendix 11);
- Work with the Fund ESG Champion and Portfolio Companies to ensure that adequate resources are committed to allowing effective and appropriate implementation of the ESGMS policy and procedures;
- Develop and maintain a watch list of ESG risks and impacts per Portfolio Company and regularly provide status updates to the Fund ESG Champion;
- Provide guidance and assistance to the Fund ESG Champion and Portfolio Company ESG Officers on maximising the impact of the investment;
- Ensure that each Portfolio Company submits a quarterly ESG Performance Report to the Fund ESG Champion;
- The Consultant, in partnership with all parties, will prepare and distribute the Annual Environmental and Social Performance Report following the format provided in Appendix 16; and
- The Consultant, in consultation with all parties, will also assist in conducting independent impact analyses, including at entry to establish baselines, and will provide Impact Reports of its investment at 2.5-year intervals (mid-investment phase at 2.5 years; end of investment phase at 5 years; mid-divestment phase at 7.5 years; and exit at 10 years).

Accountable for:

- Prepare the Annual Environmental and Social Performance Report and Development Impacts Report according to the format provided;
  - Monitor and record required developmental impact indicators required by ARMHIL;
  - Report on the implementation of mitigation and management measures (ESAP and ESMS) specified by ARM-Harith;
  - Monitor the development of investee company ESG performance, in compliance with country-specific and legal requirements.
- v. **The Portfolio Company ESG Officer** will ensure that the above-stated responsibilities and procedures are implemented at each Portfolio Company and that environmental and social reviews are maintained via:
- Evaluations, investigations and reports on possible violations of the Fund's ESG Policy. Report possible violations to the Fund ESG Champion;
  - Taking proactive measures or recommend remedial measures to the Consultant or Fund ESG Champion to ensure compliance with the ESGMS;

- Receive complaints, orders, directives, claims, citations or notices from any authority under any applicable law or local requirements;
- Receive complaints, claims, memoranda, threatened action or notices from communities, community groups and community leaders;
- Engage with all affected communities via workshops, facilitated stakeholder engagement sessions, questionnaires, or commentary feedback mechanisms (where necessary); and
- Monitor compliance with the regulatory requirements, as well as ARMHIF's ESG policies.

Accountable for:

- Ensure ongoing engagement and communication with ARM-Harith;
- Report incidents to ARMHIL and detail what actions have been taken to remedy the situation using the Major Incident Reporting Form in Appendix 13; and
- Monitor and implement the ARM-Harith Environmental, Social and Health and Safety Policies.

ARMHIL will ensure that appropriate environmental, social representations, warranties, and covenants are incorporated in each investment agreement (see Appendix 12).

## 2.2. ESGMS Training

ARMHIL shall continuously raise the awareness of its staff regarding the environment and social impact, and the policies and standards shall be taught to new staff during their induction or training programme:

1. There shall be wide briefings on the Fund Policies and the ESGMS (Table 2);
2. Investment Managers and their Officers shall be trained in the application of the checklist on environmental standards;
3. The following policies will be included as part of awareness training:
  - ESG Policy;
  - Responsible Investment Policy;
  - Community Engagement Policy;
  - CSR Policy;
  - Health and Safety Policy;
  - Gender Policy;
  - Code of Conduct and Conflict of Interest Policy
  - M&CC Engagement Policy;
  - Human Rights Policy;
  - Human Resource Policy;
  - Procurement Policy;
  - Climate Action Policy;
  - Business Continuity Plan; and
  - Data Protection and cyber security Policy.

An External ESG consultant will conduct comprehensive training for all employees of ARMHIL on

the ESGMS document. The training scope is highlighted in Table 2 below.

Table 2: ESGMS training for employee

Category of employees	Training focus
Principles	Policies and Standards ESGMS implementation.
<b>Key deal team</b>	Policies and Standards <b>ESGMS and its potential application to a particular project or investment.</b>
ESG Champion	Policies and Standards ESGMS implementation Specialist ESG training aligned to sector-specific risk factors and fund level impact focus areas.
Portfolio ESG Officer	Policies and Standards ESGMS implementation Specialist ESG training aligned to sector-specific risk factors and fund level impact focus areas.
<b>New employees</b>	<b>Mandatory training on ESGMS (including contents of any DFI investment agreements and side letters).</b>
<b>Relevant staff members</b>	<b>Ad-hoc ESGMS training</b> focused on improvement of efficiencies, risk management protocols and maximisation of impact.

### 3. ESGMS Procedures for the Investment Cycle

In this section, ESGMS procedures relating to specific phases of the investment process (Figure 4), from deal origination through to exit, are described in detail in Table 3 below.

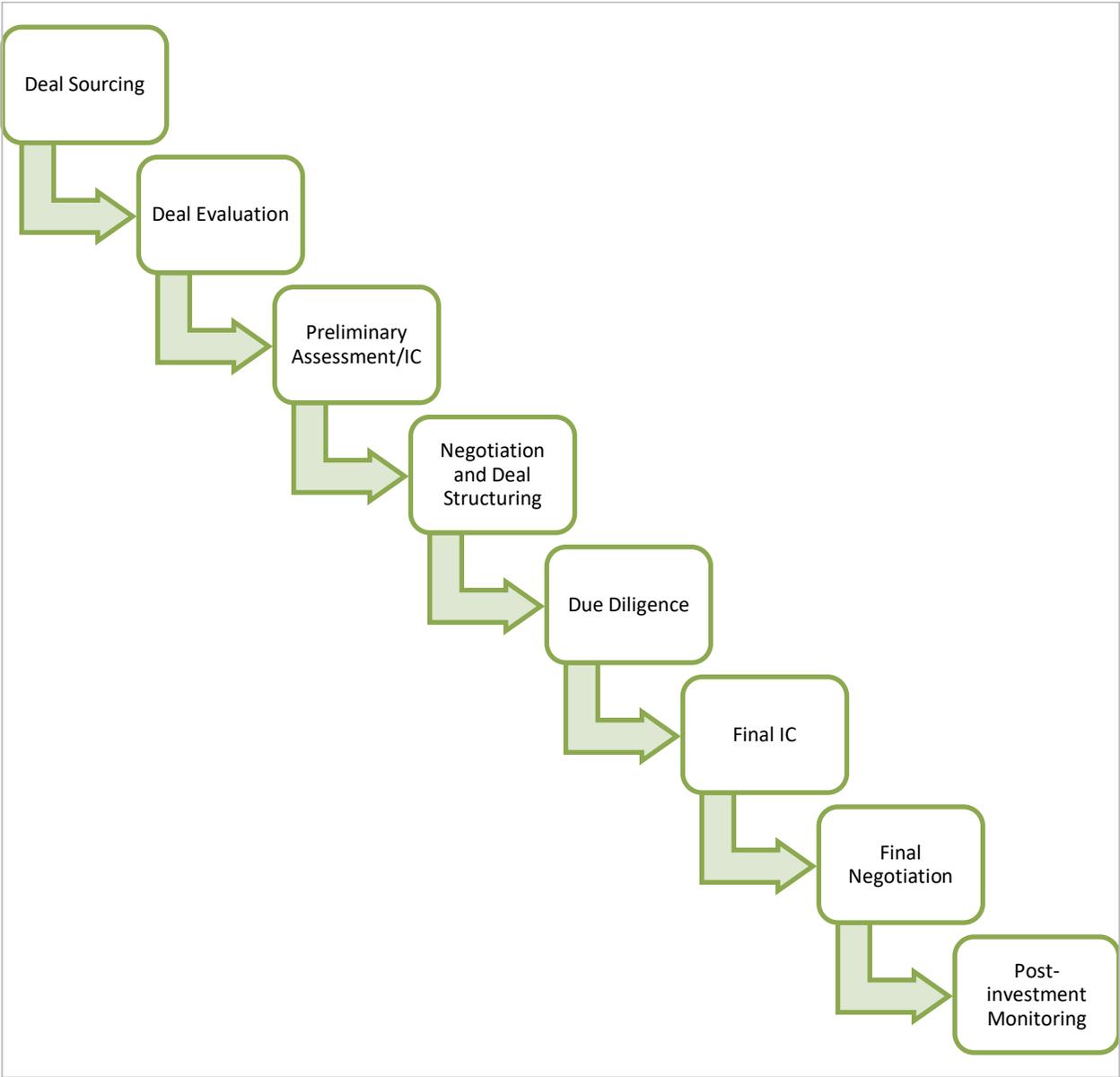


Figure 4:ARMHIII Investment Process

Table 3: ESGMS Procedure for the Investment Cycle

Stage	ARMHIL Activity	ESGMS Measures	Responsibility
<b>Deal Sourcing</b>	ARMHIL has established extensive networks across West Africa (particularly Nigeria) to identify and attract deal flow for the Fund. The principals are established and well-respected executives with a history of concluding successful private equity deals.	Sensitise the Deal Team on ESG requirements for potential investment opportunities through appropriate training. Specifically, training should focus on the requirements of the IFC exclusion list (Appendix 2), as well as the principles defined in the ESG Policy and Responsible Investment Policy (Appendix 21) all potential investments.	ARMHIL Team
<b>Deal Evaluation</b>	During the initial engagement with the target company, the screening form is completed, and the target is reviewed against the preliminary review checklist. Based on this information the Screening Committee meets to discuss the investment and decide on whether to proceed to the preliminary assessment stage.	Make the management team of the portfolio company aware of the ESG requirements of the Fund. Ensure that the investment opportunity meets the Fund's investment criteria. Also, consider the impact that the investment will have on stakeholders. Deals should also be screened under the EU Taxonomy Regulation (EU) 2020/852) to preliminarily determine their eligibility as economic activities under the regulation.	ARMHIL Deal Team and Fund ESG Champion (anoversight capacity)

<p><b>Preliminary Assessment/ Investment Committee</b></p>	<p>If a prospective project is deemed to be of sufficient merit, a preliminary assessment (such as Site Visit and initial Due Diligence) is conducted.</p> <p>If the deal team judges that the opportunity is suitable, the Deal Team will prepare a succinct deal summary, known as a Screening Paper, for consideration by the Investment Committee (IC). The Screening Paper will highlight the investment opportunity, initial recommendations, and a due diligence plan (costs, time frames etc.).</p> <p>An IC meeting is convened to consider the opportunity and to give sign-off to advance to the next stage of the investment process.</p>	<p>Perform an initial evaluation and prepare a Screening Paper after identifying any issues or risks associated with the investment opportunity (see Appendix 6 for a template for the E&amp;S component of the screening paper). Assign a project category A, B or C (see Appendix 3) depending on the significance of the issues and risks and provide the rationale for this categorisation. Address the potential and/or known issues and risks associated with the potential Portfolio Company, using information from a desktop review. The external ESG consultant should be consulted to assist with categorisation and identifying any high-level ESG risks.</p> <p>Propose a Social and Environmental Due Diligence (ESDD) if no Fatal Flaws exist. If Fatal Flaws are identified, the investment opportunity shall be either amended or rejected in accordance with Section 4.1 below. For all category A projects, the ESDD should be conducted at the same time as the commercial due diligence, as the findings from the ESDD are likely to influence the term sheet.</p> <p>Ensure ESG clauses (Appendix 5) are included in the memorandum of understanding with the investee company's management team.</p>	<p>ARMHIL Deal Team and Fund ESG Champion (anoversight capacity)</p>
<p><b>Negotiation and deal structuring</b></p>	<p>A capital structure for the transaction is determined with appropriate levels of gearing. The investment returns will be modelled based on the capital structure, taking cognisance of the Fund's required return, and the likely timeframe for the investment. Once an agreement is reached in principle with the management team of the potential portfolio company, the due diligence phase of the investment process can commence.</p>	<p>ESG clause (Appendix 5) must be included in the initial term sheet.</p> <p>The Deal Team should address the potential and/or known ESG issues associated with the potential investment opportunity through a desktop review. If Fatal Flaws are identified, the investment opportunity shall either be amended or rejected in accordance with Section 4.1.</p> <p>For prospective investments, an ESG Due Diligence terms of reference is developed based on the ESG risks identified during the Deal Evaluation phase.</p>	<p>ARMHIL Deal Team</p>

<p><b>Due Diligence</b></p>	<p>ARMHIL will conduct a significant aspect of the due diligence through the use of its in-house expertise, although where necessary external experts will be utilised (e.g. legal, tax, commercial, technical)</p>	<p>For all category A and B projects, ESG due diligence studies will be performed by external expert consultants. For all category C projects, the ESG due diligence will be conducted internally by the Fund ESG Officer, with the support of the Deal Team.</p> <p>Regardless of who is responsible for conducting the ESG due diligence, the following steps will be taken:</p> <p><b>Environmental and Social Considerations</b></p> <ul style="list-style-type: none"> <li>▪ Review all relevant ESG documentation and information provided by the potential investment opportunity</li> <li>▪ Search and review information in the public domain regarding any historical incidents that have had adverse social and environmental impacts on local communities or adverse social, and environmental risks associated with the potential investment opportunity's activities</li> <li>▪ Conduct a site visit(s) to observe the potential investment's operations. During the visit, the due diligence questionnaire (Appendix 8) is expected to be used as a guide for discussing and identifying E&amp;S issues and risks associated with the operations.</li> <li>▪ Verify (by inspecting documents or discussing with relevant authorities) that the investment opportunity holds all relevant permits and is in compliance with applicable national ESG Laws and Regulations, as well as IFC Performance Standards and other guidelines listed in Section 1.4</li> <li>▪ If an ESIA is required in terms of national legislation, then a local consultant and proposal shall be sourced</li> <li>▪ Investigate and resolve specific E&amp;S issues identified during the deal sourcing, deal evaluation and deal structuring phases</li> <li>▪ Quantify, as practicable, all ESG risks and liabilities</li> <li>▪ An action plan will be developed to address any areas of non-compliance with the Performance Standards or the ESG</li> </ul>	<p>ARMHIL Deal Team and External Consultant (where applicable) ESG</p>
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		<p>requirements of the Fund. Agree on actions required as pre-conditions of investment and/or actions post-investment (to form part of the two-year plan)</p> <ul style="list-style-type: none"> <li>▪ The ESG due diligence studies should include as part of its scope a comprehensive assessment of the proposed project to determine its compliance with: <ul style="list-style-type: none"> <li>○ the technical screening criteria detailed in the delegated regulations that supplement the EU Taxonomy Regulation to demonstrate that the Project will (a) make a significant environmental contribution, and (b) will not cause significant harm in relation to the defined environmental objectives and where applicable, an overview of the project sponsors’ current efforts and practices to identifying, managing, measuring and disclosing the climate risk associated with its existing projects and operations in line with TCFD recommendations be provided in the diligence report.</li> <li>○ the technical screening criteria provided by the UN Global Compact for human rights assessment and/or OECD guidelines for multinationals.</li> </ul> </li> <li>▪ For all category A and B projects, if a do no significant harm trigger is identified during screening, a robust climate risk, and vulnerability assessment aligned with the technical screening criteria detailed in the Delegated Taxonomy Regulation ((EU) 2021/2139) supplementing the EU Taxonomy Regulation ((EU) 2020/852) should be conducted in addition to other specialist E&amp;S assessments that may be required (i.e., an ESIA) before the project development to provide an independent opinion on the existing and future climate-related risks for the project and advise on the strategic and specific measures to reduce vulnerability and improve project resilience.</li> </ul> <p><b>Governance Considerations</b></p>	
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		<ul style="list-style-type: none"> <li>▪ Review relevant documentation</li> <li>▪ Review and assess the performance of the target against the relevant corporate governance codes and standards</li> <li>▪ Conduct management interviews</li> <li>▪ Evaluate the level of governance compliance with applicable corporate governance codes and standards</li> <li>▪ Ensure no conflicts of interest exist between the Fund and the potential portfolio company</li> <li>▪ Investigate governance issues identified during the deal sourcing, deal evaluation and deal structuring stages</li> <li>▪ Quantify, as much as possible, all governance risks and liabilities into a governance action plan (to form part of the two-year plan)</li> <li>▪ An action plan will be developed to address, where applicable, any areas of non-compliance with applicable codes and standards</li> <li>▪ The Deal Team will be responsible for completing the ESG Due Diligence Summary Report (Appendix 10).</li> </ul>	
<b>Final IC</b>	The IC meets to discuss the findings from the due diligence studies and make a final decision on the investment.	The Deal Team will ensure that the completed ESG Due Diligence Report and ESG DD Summary Report are attached to the Final Approval Investment Papers for the IC's review.	ARMHIL Deal Team and Fund ESG Champion (an oversight capacity)
<b>Final Negotiations</b>	Once the IC has approved an investment, the relevant share subscription, shareholders, loan and/or other financing agreements ("Legal Documentation") will be entered into. Thereafter, a drawdown notice is sent to investors in time for paying away.	<p>The Deal Team will:</p> <ul style="list-style-type: none"> <li>▪ Provide all ESG-related documentation to the AfDB (and any other investor who requests same) for review as part of the drawdown notice</li> <li>▪ Discuss the results of the ESG DD with the management team of the potential investment opportunity</li> <li>▪ Reach an agreement on the completion of item(s) contained in the Action Plan from the ESG DD. Items in the action plan should form part of the two-year plan for the portfolio company</li> </ul>	ARMHIL Deal Team

		<ul style="list-style-type: none"> <li>Ensure inclusion of appropriate ESG Action Plan clauses in Investment Agreements (see example clauses in Appendix 11)</li> </ul>	
<p><b>Post-Investment Monitoring</b></p>	<p>ARMHIL will adopt an active, hands-on management approach to its portfolio companies. ARMHIF will add value to portfolio companies through board representation where it will provide strategic input and monitor the portfolio company’ performance on behalf of the Fund.</p> <p>ARMHIL may also support the company by introducing industry experts to provide input to the portfolio company.</p> <p>In addition, ARMHIL representatives will perform regular site visits to the operations of the portfolio company.</p> <p>ARMHIL will monitor its investments closely to ensure that key targets are met and periodically update its investors and other relevant stakeholders through annual reports and the AfDB Development Outcome Reporting template (Appendix 18)</p>	<p>ESG related investment management activities will include:</p> <p><b>Environmental and Social Considerations</b></p> <ul style="list-style-type: none"> <li>Provide guidance, where required, to portfolio companies on the implementation of ESGDD recommended corrective actions</li> <li>Monitor portfolio company ESG performance and include summaries of performance in the semi-annual (or for successor funds, quarterly) reports to investors</li> <li>Ensure that portfolio companies have the appropriate insurance policies in place</li> <li>Monitor portfolio company’s compliance with government and local government requirements, as well as the Fund’s ESG policies</li> <li>Ensure that adequate resources are committed to allow effective and appropriate implementation of the ESG Management System’s policies and procedures at portfolio companies.</li> <li>Ensure appropriate action is taken on complaints, orders, directives, claims, citations or notices from any authority under any applicable law or local requirement</li> <li>Ensure appropriate action is taken on complaints, claims, memoranda, threatened action or notices from communities and community leaders</li> <li>Reporting emergency incidents to the Fund’s investors</li> <li>Ensure the completion of quarterly Reports and the AfDB’s Development Outcome Reporting Template. The development outcome report should be provided to the AfDB within 30 days of the end of each accounting period.</li> </ul> <p><b>Governance Considerations</b></p> <ul style="list-style-type: none"> <li>Ensure that the board for each portfolio company meets on</li> </ul>	<p>ARMHIL Deal Team and Fund ESG Champion (in oversight capacity)</p>

		<p>a quarterly basis</p> <ul style="list-style-type: none"> <li>▪ Ensure that all governance, management and financial reports are delivered to the board members on time</li> <li>▪ Ensure that the agenda of Board meetings cover all aspects of governance relevant to each portfolio company</li> <li>▪ Ensure that the Fund’s Approvals Framework is followed at all times.</li> </ul>	
<p><b>Exits</b></p>	<p>A clear exit strategy will be integrated into the deal structure during the ‘pre-investment’ phase of the investment, and will be continuously monitored by the investment committee and the board.</p> <p>To initiate an exit from a Portfolio Company, the deal team member responsible for monitoring the Portfolio Company prepares a realisation paper for discussion and approval by the IC. The alternatives available are presented and discussed prior to approval being granted by the IC for the realisation to proceed. When considering exit alternatives, the IC will remain sensitive to its co-investors in the portfolio company</p>	<p>ARMHIII will:</p> <ul style="list-style-type: none"> <li>▪ Continually work to ensure an optimal final valuation of the portfolio company through the consideration of ESG issues and consistent monitoring of them throughout the investment</li> <li>▪ Identify potential E&amp;S issues requiring attention prior to exit (either internally or by engaging third-party experts)</li> <li>▪ Obtain additional assurance about the readiness of the Portfolio Company to withstand close scrutiny by a potential new investor (where applicable)</li> <li>▪ Conduct a review of the Portfolio Company’s ESG performance and impacts.</li> <li>▪ At the end of the Fund’s life complete a final social impact report</li> </ul>	<p>ARMHIII Deal Team and Fund ESG Champion (in oversight capacity)</p>

## 4. Reporting

ARMHIIL will require portfolio companies to report on ESG policies and procedures at crucial stages, pre-and post-investment, as follows:

### 4.1. Screening Paper

If a prospective investment is deemed to be of sufficient merit, a Screening Paper (see Appendix 6) is prepared for the IC. This paper shall cover the following:

#### **Category of the potential investment opportunity:**

An assessment of the prospective investor needs to be conducted to determine the ESG impact it will have on the surrounding communities and receiving environment. A fatal flaw analysis is also conducted at this stage.

**A Fatal Flaw** is deemed to be:

- a foreseeable material breach of legislation, the Fund's ESG Policy and/or IFC Performance Standards;
- not mitigated reasonably and/or cost-effectively by the project as required by the Fund's ESGMS (i.e., through a Condition Precedent);
- source of a threat of significant reputational risk in national or local media.

Fatal flaw impacts/issues may include, but are not limited to, the following:

- Irreversible environmental damage to a sensitive habitat;
- Absence of required permits and/or authorisations required by the prospective investment;
- Absence of consultations and agreement with all affected parties on any resettlement action plans, land claims, issues of cultural and heritage sensitivity, etc.;
- Absence of any occupational health and safety and environmental management standards;
- History of negative and recent press coverage regarding the prospective investment.

Mitigation measures would be deemed to be appropriate if they can bring the ESG risk to within a reasonable level one-year post-investment. For clarity, therefore, it is not expected that ARMHIIL should implement an action plan before investing. Rather, ARMHIIL is allowed to implement an ESG action plan to mitigate the ESG risks as a result of its shareholding in the portfolio company.

## 4.2. ESG Due Diligence

ESG due diligence reports shall contain recommendations, which shall be categorised as either:

- **Conditions Precedent:** Pre-investment conditions which, in the opinion of the writer of the ESG due diligence, need to be completed before the occurrence of any investment. These recommendations would typically relate to significant non-compliances against this ESGMS, national legislation and/or the policies of the investors.
- **Management Actions:** Post-investment conditions which need to be completed within agreed upon timeframes post-acquisition. These would typically include any mitigation actions for any ESG risks identified during the ESG DD process, but which are not fatal flaws or conditions precedent. The timeframes, budgets, resources, and actions required must be agreed to between the management team of the prospective investment and ARMHIL as part of the Investment Agreement before any investment occurs.

The Due Diligence questionnaire and ESDD reporting sample format are listed in Appendices 8 and 9.

## 4.3. Reporting on Major Incidents

The Portfolio Company ESG Officer will be required to provide reports to ARMHIL for further reporting to the investors on significant incidents within three (3) business days of their occurrence which have, or could potentially have material impacts on the project operations, the welfare of employees, contractors or members of the public, or the environment, including, but not limited to:

- Fires or explosions,
- Significant fuel/chemical spills,
- Significant pollution discharges above limits of normal operation,
- Major work-related injuries (including injured employees, contractors, and members of the public),
- Work-related fatalities (including deaths of employees, contractors, and members of the public),
- Incidents significantly affecting the health of employees, contractors, or members of the public,
- Regulator enforcement actions/notices,
- Major security breaches,
- Strikes or employee unrest,
- Incidents requiring operations to be substantially curtailed or shutdown, and
- Significant community unrest or public relations incidents.

The portfolio company's ESG Officer should use the Major Incident Reporting Form in Appendix 13 to report incidents to ARMHIL and detail what actions have been taken to remedy the situation. The Fund ESG Champion is to compile a Major Incident report for submission to the Fund key stakeholders within five (5) business days of occurrence or of becoming aware, detailing the severity of an incident which have, or could potentially have material impacts on the Project's operations, the welfare of employees, contractors or members of the public, or the environment. Within seven (7) business days of occurrence or of becoming aware, the Major Incident Reports should be forwarded to the Fund's key stakeholders. Incidents are any social, labour, health and safety, security or environmental incident, accident, or circumstance with respect to any Project that may have any material adverse effect or a material adverse impact on the implementation or operation for the Project.

#### 4.4. Quarterly Reporting

The Portfolio Company ESG Officer will be responsible for completing quarterly reports on all ESG issues that have occurred during the period of review as well as provide an update on the implementation of any policy changes in the portfolio company's ESGMS. The Fund ESG Champion will be responsible for reviewing the quarterly reports and providing comments and guidance of corrective measures to be implemented to improve ESG management.

Quarterly reports must describe potential risks and practicable implementation of ESG standards during the investment. The reports will be presented to the portfolio company board at quarterly board meetings.

The Fund ESG Champion will be responsible for quarterly reports issued to the Fund key stakeholders, which detail:

- All ESG processes and changes enacted during the period.
- Description of possible foreseeable risks.
- Implementation of ESG standards within the investee companies.
- Major incidents reported during the period.
- ESG policy violations.
- Investments performance against ESG performance KPIs and Targets.
- Investments performance against set development impact KPIs and Targets.

#### 4.5. Reporting to Investors

ARMHIL will issue two semi-annual reports (or in the case of successor funds to ARMHIF-1, four quarterly reports) and one annual report to its investors/limited partners yearly. Each report will detail the practice of integrating ESG factors into the investment process and engagements with the various portfolio companies.

ARMHIL will also deliver an annual report to the investors, in addition to the Development Outcome report to AfDB within 90 days of the completion of the audited financial statements for the financial year or within such other timeframe as may be acceptable. This reporting will allow ARMHIL to review or adjust the ESG Policy and identify areas for improving Policy implementation as necessary. This will include reporting on:

- Implementation and operation of the ESMS;
- Environmental and Social performance of investment portfolio; and
- Status of Investee Company's respective Action Plans (if applicable)

Information obtained through the quarterly reports from portfolio companies will be used to complete the Development Outcome report. This will include reporting on:

- Implementation and Operation of the Responsible Investment Policy;
- Developmental Impact performance of the investment portfolio; and
- Status of Investee Company's respective Action Plans (if applicable)

Additionally, ARMHIL will provide reports as required by any other future investors. The report templates are available in Appendices 14 to 16.

The reporting template to LPs if European Based would facilitate reporting against the EU Sustainable Finance Disclosure Regulation (SFDR) reporting requirements for funds.

#### 4.6. Reporting under PRI

As a signatory to the UNPRI, ARMHIL is required to report under the UNPRI Reporting Framework. At present, the UNPRI requires annual reporting from ARMHIL at the end of April of every year on the Fund's responsible investment activities. The reporting is made against the UNPRI framework which includes mandatory public disclosure of some information.

The above reporting steps will allow ARMHIL to review or adjust the ESG Policy and identify areas for improving their implementation as necessary. This will include reporting on the following:

- Incorporation of ESG issues into investment analysis and decision-making processes;
- Increase active ownership and incorporate ESG issues into ownership policies and practices;
- Seek appropriate disclosure on ESG issues by the entities in which they invest;
- Promote acceptance and implementation of the Principles within the investment industry;
- Work together to enhance the effectiveness in implementing the Principles;
- Report on activities and progress towards implementing the Principles; and
- Development Impact Reporting (based on the Sustainable Development Goals) which ARMHIL have prescribed.

#### 4.7. Reporting on changes to the ESGMS

The ESGMS will be reviewed bi-annually by the Fund manager, informed by lessons learned across the portfolio as well as other good practices that ARMHIL becomes aware of. A review of the ESGMS may also be triggered by any change in the scope of the Fund constitutive documents or Shareholders Charter, any change in the operations which introduces or changes any material ESG or occupational health and safety risk.

The review will continuously track emerging environmental and social (E&S) risks that may affect

ARMHIL's activities in the future and will ensure that these are incorporated into the ESGMS. The findings from the following performance tools should be utilized to detect any poor ESMS performance:

- Major incident reporting;
- ESAP performance; and
- ESG performance and compliance (Quarterly and annual report findings).

#### 4.8. Summary of Reporting Requirements

A summary of ESG studies to be conducted and reports to be written at the relevant stage of the investment process are as follows:

Table 4: Summary of ESG Studies/Reports at each stage of the Investment Process

ESG Studies/ Reports	Purpose	Author	Review and Approval	Template
<b>Pre-investment</b>				
<b>Initial Evaluation &amp; Screening Paper</b>	To define the prospective portfolio company's category, feasibility, and possible Fatal Flaws for the IC to determine investment viability.	Deal Team	Fund Principal	Appendix 6
<b>ESG Due Diligence</b>	Evaluate and report ESG issues and report to the IC any recommendations.	External Consultants (Category A & B projects). Internal Resources (Category C)	Fund ESG Champion and Fund Principal	Appendix 8 Appendix 9
<b>Post investment</b>				
<b>Reporting on Major Incidents</b>	Report Accidents or Injuries that have occurred at a portfolio company.	Portfolio company	Fund ESG Champion and Fund Principal	Appendix 13
<b>Monthly / Quarterly Report</b>	Report on the monthly and quarterly ESG performance of portfolio company	Portfolio Company	Champion and Fund Principal	
<b>Quarterly ESG Report</b>	Report on the quarterly ESG performance of portfolio company and fund manager	Fund ESG Officer Fund ESG Champion	Champion and Fund Principal	Appendix 14
<b>Semi-Annual Report</b>	Report on the semi-annual ESG performance of portfolio company and fund manager	Fund ESG Officer Fund ESG Champion	Champion and Fund Principal	Appendix 15
<b>Annual ESG Performance Monitoring Report</b>	Report on the annual ESG performance of portfolio company and fund manager	Fund ESG Officer Fund ESG Champion	Champion and Fund Principal	Appendix 16
<b>Development Impact Report</b>	Report on the annual development impact of and fund manager	Fund ESG Champion	Fund Principal	Appendix 17
<b>Development Outcome Report</b>	Evaluate annual ESG performance	Fund ESG Champion	Investment officer	Appendix 18
<b>ESGMS Changes</b>	Evaluate ESGMS and applicability	Fund ESG Champion	Fund Principal	

## 5. Stakeholder Engagement, Information Disclosure and External Communication

ARMHIL recognizes that stakeholder engagement, information disclosure, and public participation are vital elements of the environmental and social performance of its investments. Therefore, the Fund Manager mandates that all investments uphold stakeholders' rights to be involved in decision-making processes regarding environmental and social matters that affect them. Acknowledging the significance of actively engaging with stakeholders and host communities, ARMHIF and each successor fund will ensure that all projects financed by the fund develops a stakeholder engagement plan tailored to the project's consultation needs and encompassing a stakeholder communication plan that includes information disclosure and public participation measures that is commensurate to the environmental and social risks and potential adverse impacts particular to each project.

### 5.1. External Grievance Redress Mechanism

ARMHIL is committed to providing a fair, transparent, and constructive process for handling external complaints. To facilitate this, a mechanism has been established on its website (<https://armharith.com/contact>) for external stakeholders to voice their complaints and provide feedback on the company's operations.

Additionally, ARMHIF and each successor fund mandates that its portfolios and investee companies establish an open, accessible, and transparent process for receiving and addressing complaints and concerns from affected individuals or groups throughout the duration of projects. As such, all portfolios and investments are required to develop a Grievance Redress Mechanism appropriate to the scale and impacts of their operations.

## 6. Emergency Preparedness and Response

ARMHIL mandates that each of its portfolio companies comprehensively addresses potential emergency events stemming from their projects. This requirement entails the development of an Emergency Preparedness and Response Plan (EPRP), wherein measures are articulated to safeguard the health and safety of both personnel and host communities. The EPRP should be designed to minimize and mitigate any adverse impacts that may arise, thereby ensuring proactive management of potential emergencies within the context of ARMHIL's investments.

## APPENDICES

## Appendix 1: IFC Performance Standards

The IFC applies to all the Projects it finances environmental and social standards to minimize their impact on the environment and on affected communities.

In February 2006 and subsequently updated in January 2012, IFC completed a rigorous process of updating its standards. The standards are stronger, better, and more comprehensive than those of any other international finance institution working with the private sector. They clearly define the roles and responsibilities of IFC and its clients.

The IFC's environmental and social standards are laid out in several documents:

**Policy on Social and Environmental Sustainability** - defines IFC's role and responsibility in supporting project performance in partnership with the Fund Manager. This document also describes IFC's relationship with its Financial Intermediaries.

**Performance Standards** - defines the Fund Managers roles and responsibilities for managing their Projects and the requirements for receiving and retaining IFC support. The standards include requirements to disclose information. A summary of each performance standard is included below.

**Guidance Notes** - companion documents to the Performance Standards providing guidance to the Fund Manager (and IFC staff) in meeting the standards.

**Glossary of Terms** - a reference to many of the terms included in IFC's Policy and Performance Standards on Social and Environmental Sustainability and IFC's Guidance Notes to the Performance Standards.

**Environmental, Health and Safety Guidelines** - technical guidance informing those parts of the new policy structure related to environmental, health and safety issues.

All of these documents can be found in full, and in their most up-to-date form, on the IFC website: [www.ifc.org](http://www.ifc.org)

### **Performance Standard 1: Social and Environmental Assessment and Management Systems**

Performance Standard 1 underscores the importance of managing social and environmental performance throughout the life of an investment (any business activity that is subject to assessment and management). An effective Environmental and Social Management System is a dynamic, continuous process initiated by management and involving communication between the Fund Manager, its workers, and the local communities directly affected by the operations of its Portfolio Companies (the affected communities). Drawing on the elements of the established business management process of "plan, implement, check, and act," the system entails the thorough assessment of potential social and environmental impacts and risks from the early stages of the project, and provides order and consistency for mitigating and managing these on an on-going basis. A good management system appropriate to the size and nature of a company's operations promotes sound and sustainable social and environmental performance, and can lead to improved financial, social, and environmental development outcomes.

Objectives

- To identify and assess social and environment impacts, both adverse and beneficial, in the Project's area of influence.
- To avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment.
- To ensure that affected communities are appropriately engaged on issues that could potentially affect them.
- To promote improved social and environment performance of companies through the effective use of management systems.
- To ensure that grievances from Affected Communities and external communities from other stakeholder and external communications from other stakeholders are responded to and managed appropriately.

**Performance Standard 2: Labour and Working Conditions**

Performance Standard 2 recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with protection for basic rights of workers. For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient to the sustainability of the enterprise. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention and can jeopardize an investment. Conversely, through a constructive worker-management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, ARMHIL may create tangible benefits, such as enhancement of the efficiency and productivity of their operations.

The requirements set out in this Performance Standard have been in part guided by a number of international conventions negotiated through the International Labour Organization (ILO) and the United Nations (UN).

Objectives

- To establish, maintain and improve the worker-management relationship.
- To promote the fair treatment, non-discrimination and equal opportunity of workers, and compliance with national labour and employment laws.
- To protect the workforce by addressing child labour and forced labour.
- To promote safe and healthy working conditions, and to protect and promote the health of workers.
- To promote compliance with national employment and labour laws.

**Performance Standard 3: Pollution Prevention and Abatement**

Performance Standard 3 recognizes that increased industrial activity and urbanization often generate increased levels of pollution to air, water, and land that may threaten people and the environment at the local, regional, and global level. On the other hand, along with international trade, pollution prevention and control technologies and practices have become more accessible and achievable in virtually all parts of the world. This Performance Standard outlines a development approach to pollution prevention and abatement in line with these internationally disseminated technologies and

practices. In addition, this Performance Standard promotes the private sector's ability to integrate such technologies and practices as far as their use is technically and financially feasible and cost-effective in the context of a project that relies on commercially available skills and resources.

#### Objectives

- To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from company's activities.
- To promote the reduction of emissions that contributes to climate change.
- To promote more sustainable use of resources, including energy and water.

#### **Performance Standard 4: Community Health, Safety and Security**

Performance Standard 4 recognizes that development activities, equipment, and infrastructure often bring benefits to communities including employment, services, and opportunities for economic development. However, Projects can also increase the potential for community exposure to risks and impacts arising from equipment accidents, structural failures, and releases of hazardous materials. Communities may also be affected by impacts on their natural resources, exposure to diseases, and the use of security personnel. While acknowledging the public authorities' role in promoting the health, safety and security of the public, this Performance Standard addresses the client's responsibility to avoid or minimize the risks and impacts to community health, safety and security that may arise from development activities. The level of risks and impacts described in this Performance Standard may be greater in Projects located in conflict and post-conflict areas.

#### Objectives

- To avoid or minimize risks to and impacts on the health and safety of the local community during the project life cycle from both routine and non-routine circumstances.
- To ensure that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security.

#### **Performance Standard 5: Land Acquisition and Involuntary Resettlement**

Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood) as a result of project-related land acquisition.<sup>1</sup> Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse land acquisition that results in displacement. This occurs in cases of: (i) lawful expropriation or restrictions on land use based on eminent domain; and ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons and communities, as well as environmental damage and social stress in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided or at least minimized. However, where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities should be carefully planned and implemented. Experience demonstrates that the direct involvement of the Fund in resettlement activities can result in cost-effective, efficient, and timely implementation of those activities, as well

as innovative approaches to improving the livelihoods of those affected by resettlement.

Negotiated settlements help avoid expropriation and eliminate the need to use governmental authority to remove people forcibly. Negotiated settlements can usually be achieved by providing fair and appropriate compensation and other incentives or benefits to affected persons or communities, and by mitigating the risks of asymmetry of information and bargaining power. The Fund is encouraged to invest in Portfolio Companies that have acquired land rights through negotiated settlements wherever possible, even if they have the legal means to gain access to the land without the seller's consent.

#### Objectives

- To avoid or at least minimize involuntary resettlement wherever feasible by exploring alternative project designs.
- To mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of land by: (i) providing compensation for loss of assets at replacement cost; and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.
- To improve or at least restore the livelihoods and standards of living of displaced persons.

#### **Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management**

Performance Standard 6 recognizes that protecting and conserving biodiversity - the variety of life in all its forms, including genetic, species and ecosystem diversity - and its ability to change and evolve, is fundamental to sustainable development. The components of biodiversity, as defined in the Convention on Biological Diversity, include ecosystems and habitats, species and communities, and genes and genomes, all of which have social, economic, cultural, and scientific importance. This Performance Standard reflects the objectives of the Convention on Biological Diversity to conserve biological diversity and promote use of renewable natural resources in a sustainable manner. This Performance Standard addresses how the Fund Manager can avoid or mitigate threats to biodiversity arising from their operations as well as sustainably manage renewable natural resources.

#### Objectives

- To protect and conserve biodiversity.
- To promote the sustainable management and use of natural resources through the adoption of practices that integrates conservation needs and development priorities.

#### **Performance Standard 7: Indigenous Peoples**

Performance Standard 7 recognizes that Indigenous Peoples, as social groups with identities that are distinct from dominant groups in national societies, are often among the most marginalized and vulnerable segments of the population. Their economic, social and legal status often limits their capacity to defend their interests in, and rights to, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. They are particularly vulnerable if their lands and resources are transformed, encroached upon by outsiders, or significantly degraded.

Their languages, cultures, religions, spiritual beliefs, and institutions may also be under threat. These characteristics expose Indigenous Peoples to different types of risks and severity of impacts, including loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and disease.

Private sector developments may create opportunities for Indigenous Peoples to participate in, and benefit from development-related activities that may help them fulfil their aspiration for economic and social development. In addition, this Performance Standard recognizes that Indigenous Peoples may play a role in sustainable development by promoting and managing activities and enterprises as partners in development.

#### Objectives

- To ensure that the project fosters full respect for the dignity, human rights, aspirations, cultures and natural resource-based livelihoods of Indigenous Peoples.
- To avoid adverse impacts of Projects on communities of Indigenous Peoples, or when avoidance is not feasible, to minimize, mitigate, or compensate for such impacts, and to provide opportunities for development benefits, in a culturally appropriate manner.
- To establish and maintain an on-going relationship with the Indigenous Peoples affected by a Project throughout the life of the Project.
- To foster good faith negotiation with and informed participation of Indigenous Peoples when company's operations are to be located on traditional or customary lands under use by the Indigenous Peoples.
- To respect and preserve the culture, knowledge and practices of Indigenous Peoples.

#### **Performance Standard 8: Cultural Heritage**

Performance Standard 8 recognizes the importance of cultural heritage for current and future generations. Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage, this Performance Standard aims to protect irreplaceable cultural heritage and to guide the Fund Manager on protecting cultural heritage in the course of their business operations. In addition, the requirements of this Performance Standard on a Project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.

#### Objectives

- To protect cultural heritage from the adverse impacts of development activities and support its preservation.
- To promote the equitable sharing of benefits from the use of cultural heritage in business activities.

## Appendix 2: Exclusion List

ARMHIIIL will screen its potential investments opportunities with the IFC and AfDB exclusion lists.

### **Exclusion List: IFC (2007)**

IFC Exclusion List defines the types of projects that IFC **does not** finance. IFC does not finance the following projects:

- a) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES<sup>1</sup>.
- b) Production or trade in weapons and munitions.<sup>2</sup>
- c) Production or trade in alcoholic beverages (excluding beer and wine).<sup>2</sup>
- d) Production or trade in tobacco.<sup>2</sup>
- e) Gambling, casinos and equivalent enterprises.<sup>2</sup>
- f) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- g) Production or trade in un-bonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- h) Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

A reasonableness test will be applied when the activities of the SPV would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

All financial intermediaries (FIs), except those engaged in activities specified below\*, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour<sup>2</sup>/harmful child labour.<sup>3</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

When investing in microfinance activities, FIs will apply the following items in addition to IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labour<sup>3</sup>/harmful child labour.<sup>4</sup>

<sup>1</sup> CITES - Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available on this [link](#).

<sup>2</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>3</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>4</sup> Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

**African Development Bank: Exclusion List**

The Fund and its portfolio companies will endeavour not to be involved or to finance activities that are identified in the African Development Bank (AfDB)'s Exclusion List. AfDB's Exclusion List includes the following prohibited activities:

- a) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals pesticides/herbicides, ozone-depleting substances, PCB's, wildlife or products regulated under CITES.
- b) Production or trade in weapons or munitions.
- c) Production or trade in alcoholic beverages (excluding beer and wine).
- d) Production or trade in tobacco (except where the industry makes a significant contribution to a country's GDP).
- e) Production or trade in narcotic and banned substances.
- f) Gambling, casinos and equivalent enterprises.
- g) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where AfDB considers the source to be trivial and/or equally shielded.
- h) Production or trade in unbonded asbestos fibres. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- i) Drift net fishing in the marine environment using nets in excess of 2.5km in length.
- j) Production or activities involving harmful or exploitative forces.
- k) Production or activities involving child labour or forced labour.
- l) Activities occurring in biologically sensitive areas, such as sensitive wetlands and water bodies with coral reefs.

## Appendix 3: Risk Categorisations - Definitions and Requirements for Environmental and Social Due Diligence

According to the IFC *“Policy on Environmental and Social Sustainability”, (2012)*, and the EDFI *“Requirements for Environmental and Social Due Diligence”, (2011)* project categorisation is not intended to be a “once off” exercise and should typically be reviewed on a regular basis, at least annually or wherever changes to the project occur which could affect the level of Environmental and Social risk of a project. The guidelines acknowledge that categorising projects is a highly discretionary and inexact process.

### IFC ENVIRONMENTAL AND SOCIAL CATEGORIZATION, (2012)

The IFC Performance Standards on Environmental & Social Sustainability in 2012 (“IFC Performance Standards”) categorise investment into the following categories.

- Category A:** Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- Category B:** Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- Category C:** Business activities with minimal or no adverse environmental or social risks and/or impacts.

### EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS (2011),

The European Development Finance Institutions (EDFI), defines the following environmental and social categories for direct investments:

- High Risk (A):** Projects with significant potential adverse social or environmental impacts or risks that are diverse, irreversible, or unprecedented. This includes impacts that cannot be mitigated or remedied or only at significant costs.
- Medium-High (B+)** Projects with generally limited potential adverse social or environmental impacts or risks that are site-specific and readily addressed through mitigation measures but having some specific features which can have significantly larger adverse social or environmental impacts.
- Medium Risk (B):** Projects with limited potential adverse social or environmental impacts or risks that are site-specific and readily addressed through well-known mitigation measures.
- Low Risk (C):** Projects with minimal or no adverse social or environmental impacts or risks.

## Appendix 4: World Bank Environmental, Health and Safety Guidelines

The World Bank's EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP), as defined in IFC's Performance Standard 3 on Pollution Prevention and Abatement. Reference to the EHS Guidelines by IFC clients is required under Performance Standard 3. IFC uses the EHS Guidelines as a technical source of information during project appraisal activities, as described in IFC's Environmental and Social Review Procedure.

The EHS Guidelines contain the performance levels and measures that are normally acceptable to IFC and are generally considered to be achievable in new facilities at reasonable costs by existing technology. For IFC-financed projects, application of the EHS Guidelines to existing facilities may involve the establishment of site-specific targets with an appropriate timetable for achieving them. The environmental assessment process may recommend alternative (higher or lower) levels or measures, which, if acceptable to IFC, become site-specific requirements.

When host country regulations differ from the levels and measures presented in the EHS Guidelines, projects are expected to achieve whichever is more stringent. If less stringent levels or measures are appropriate in view of specific circumstances, a full and detailed justification for any proposed alternatives is needed as part of the site-specific environmental assessment. This justification should demonstrate that the choice for any alternate performance levels is protective of human health and the environment.

[Link](#) to the guidelines.

## Appendix 5: Example Clause for Term Sheet Agreements

When a prospective investment opportunity is proposed for financing, ARMHIF's appraisal team conducts a social and environmental review as part of its overall due diligence. This review will be appropriate to the nature and scale of the investment, and commensurate with the level of social and environmental risks and impacts.

The purpose of the review is to ensure that the Portfolio Company conforms to ARMHIF's Environmental, Social and Health and Safety Policies. This specifically includes compliance with:

- All applicable laws and regulations of the host country in which the Portfolio Company is located and operates
- IFC's "Performance Standards on Social and Environmental Sustainability"
- IFC Environmental, Health, and Safety General Guidelines (the "EHS Guidelines")
- ARMHIF's social and environmental review which shall form an integral part of ARMHIF's overall appraisal of the development, including the evaluation of financial risks.

To conduct its review, ARMHIF may request development-specific information be provided. This information will be treated as confidential in accordance with the terms of this agreement.

ARMHIF does not finance any new business activity that cannot be expected to meet with these requirements over the life of the investment.

## Appendix 6: Template for Initial Evaluation and Screening Paper

### Executive Summary

- Description of Project
- Project Category
- Potential Category Performance Standards
- Fatal Flaws Analysis
- Conclusion and Recommendation for ESDD

### Body

1. Introduction
2. Project Description
3. ESG risks and issues associated with the potential project site
4. Social and Environmental Categorisation Rationale
5. Fatal Flaw Analysis
6. Exclusions Analysis
7. Initial determination of ESG impacts and opportunities
8. Conclusion and Recommendation for ESG DD

## Appendix 7: Issues for Consideration during ESDD

*Issues for Consideration during ESDD*

Environmental	Social	Occupational Health and Safety
<ul style="list-style-type: none"> <li>• Emissions to Air and Ambient Air Quality</li> <li>• Energy Conservation</li> <li>• Wastewater and Ambient Water Quality</li> <li>• Water Conservation</li> <li>• Hazardous Materials Management Waste Management</li> <li>• Noise Contaminated Land</li> <li>• Protection and Conservation of Biodiversity</li> <li>• Management and Use of Renewable</li> <li>• Natural Resources</li> </ul>	<ul style="list-style-type: none"> <li>• Community Exposure to Disease</li> <li>• Emergency Preparedness and Response</li> <li>• Infrastructure and Equipment Safety</li> <li>• Hazardous Materials Safety</li> <li>• Environmental and Natural Resource Issues</li> <li>• Community Displacement, Resettlement Planning, and Implementation</li> <li>• Indigenous Peoples</li> <li>• Protection of Cultural Heritage in Project Design and Execution</li> <li>• Project's Use of Cultural Heritage</li> <li>• Visual Impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Facility Design and Operation (including housekeeping practices)</li> <li>• Health and Safety Communication and Training</li> <li>• Physical Hazards</li> <li>• Chemical Hazards</li> <li>• Biological Hazards</li> <li>• Radiological Hazards</li> <li>• Personal Protective Equipment (PPE)</li> <li>• Hazardous Environments Monitoring</li> </ul>

## Appendix 8: Due Diligence Questionnaire

This checklist questionnaire allows the Fund Manager to ensure that it has a clear understanding of the social, environmental and health and safety risks that may need to be associated with any Portfolio Company during the due diligence phase. It will be particularly relevant for Category C projects, where the due diligence study is performed in-house by ARMHIL. The questionnaire is based upon globally accepted standards for the due diligence process of debt, equity and quasi-equity investments carried out by Private Equity funds. ARMHIL will work with prospective Portfolio Companies to ensure that all details of social, environmental, health and safety standards are obtained with as much detail as possible.

Please observe the following points before filling in the checklist:

- Attach additional information or responses, as requested, when appropriate
- Please be as full and specific as possible in the responses
- Please complete a checklist for each site or operation related to the Fund Managers support

Any staff with specific responsibilities for environmental and social issues (for example an environmental coordinator, a health & safety officer or a public relations officer for social issues related to external stakeholders) should be involved in completing this form.

Please attach details of wastewater effluent quality, emissions into the atmosphere, waste disposal or other monitoring information (if this information is available).

Please note that the Fund Manager reviews its potential projects based on the IFC's environmental and social performance standards as well as other related requirements.

Please also note that projects not fully compliant with the IFC standards may still be financed provided an Action Plan detailing steps to bring the project to the required standards are developed.

**ENVIRONMENTAL AND SOCIAL CHECKLIST**

**1. Contact Information**

Name of Company:		
Address:		
Country		
	Director/Manager responsible for Environmental and Social Issues	
Name:		
Position:		
E-mail:		
Tel. no.:		
Fax no.:		
	Public Relations and/or Community Liaison Officer	Health & Safety Officer
Name:		
Position:		
E-mail:		
Tel. no.:		
Fax no.:		

**2. Portfolio Company Information and Site Description/Location**

<p><b>PLEASE ATTACH THE FOLLOWING INFORMATION TO THIS FORM:</b></p> <p><b>A brief description of the site facility and its surroundings</b></p> <p><b>A summary of the Portfolio Company’s operations (e.g., suppliers, processes, target markets etc.).</b></p> <p><b>If possible: a map showing the site of operations in relation to major features in the vicinity</b> (settlements, roads, railways, rivers, lakes, national parks and protected areas, other environmentally sensitive areas, local communities (including communal lands) or sites of cultural significance, etc.).</p> <p><b>A listing of all reports and documents available on environmental and social issues</b> (environmental and/or social impact assessment, environmental audit, corporate policy, monitoring reports, resettlement plans, public information schemes or plans for stakeholder consultation etc.).</p>
---

<b>Please specify site location/locations:</b> <input type="checkbox"/> Urban <input type="checkbox"/> Peri-urban <input type="checkbox"/> Rural		
<b>Please mark whether the site itself or the area around the site (1 km radius) contains:</b>		
	Distance to	If applicable, please specify:
	site:	
<input type="checkbox"/> Villages/housing structures		
<input type="checkbox"/> Small-scale agriculture		
<input type="checkbox"/> Large-scale agriculture		
<input type="checkbox"/> Grazing		
<input type="checkbox"/> Shops/stalls		
<input type="checkbox"/> Small-scale industry		
<input type="checkbox"/> Large-scale industry		
<input type="checkbox"/> Water bodies		
<input type="checkbox"/> Significant cultural property (sites of archaeological/prehistoric, geological, historical, religious or unique natural interest)		
<input type="checkbox"/> Indigenous/tribal groups or ethnic minorities		
<input type="checkbox"/> Natural habitats (forests/secondary forests, savannah/grassland, hills/low range of mountains, wetlands i.e. swamp, mangrove, fresh or saltwater tidal plain, coral reefs, other)		
<input type="checkbox"/> Other (please specify)		

**Performance Standard 1: Social and Environmental Assessment and Management System**

**Have environmental and/or social permits been granted to the Portfolio Company?**

YES  NO  UNKNOWN

If NO, has an application been lodged?

NO APPLICATION REQUIRED  NOT YET APPLIED  APPLIED

**Please indicate:**

Competent Authority:

Name of contact person:E-

mail:

Telephone number:

Fax number:

What kind of environmental and/or social reports have been conducted on the Portfolio Company's operation?

Environmental Impact Assessment  Environmental Audit

Social Impact Assessment  Resettlement Plan

Plan for Public Disclosure of Information  Other:

Does the Portfolio Company operate in accordance with any form of certified management system? If yes, please describe and attach certification certificates (e.g., ISO 9001, ISO14001, OSHAS 18001)

**Performance Standard 2: Labour and Working Conditions****Human Resources Policy and Management**

- Does the Portfolio Company have an HR policy? Is it clearly understandable and easily accessible to all employees?
- Does it provide information on rights under national labour and employment law?
- Has the Portfolio Company documented and communicated working conditions and terms of employment to all workers directly contracted?
- Does this include guidelines on working hours, overtime procedures, wages paid, and types of contracts, frequency of payments and sick and maternity leave?
- What is the language of communication with workers and employees?
- Are employment terms and conditions in accordance with any collective agreement with workers?
- Has the Portfolio Company implemented a grievance mechanism to review and address employee complaints?
- Is there a person responsible for reviewing employee complaints and following up on them in a timely and transparent manner?

**Workers' Organization**

- Does the Portfolio Company comply with national law in allowing workers to form and join workers' organizations and bargain collectively?
- Does it have a workers' organization or trade union? If yes, when was this formed?
- What percentage of the workforce are members? Are members entitled to special benefits?

**Non-Discrimination and Equal Opportunity**

- Does the Portfolio Company have documented transparent procedures with respect to discipline, performance, and grievance to ensure that employment decisions are not made on the basis of personal characteristics unrelated to job requirements?
- Does the Portfolio Company have any preferential employment policies in place?

**Retrenchment**

- Has the Portfolio Company experienced retrenchment in the past three years? If yes, is there a retrenchment procedure in place?
- Will there be retrenchment as a result of the investment?
- Will there be additional employment opportunities created as a result of the investment? If so, how many new jobs are anticipated to be created?

### Protecting the Work Force

- Does the Portfolio Company have procedures in place to ensure child or forced labour is not used directly, or through contractors and the supply chain?
- Does the Portfolio Company check the ages of all employees?
- Does the Portfolio Company ensure that young workers (18 years) are not employed in dangerous work?
- Does the Portfolio Company require commitment from contractors and suppliers to not use child or forced labour?

### Occupational Health and Safety

- Does the Portfolio Company have an occupational health and safety plan in place? Please provide details.
- Has an emergency preparedness and response plan been developed? Please provide details.
- Do the activities associated with Portfolio Company pose a serious risk of accidents such as fires, explosions, release of toxic or hazardous chemicals?  
-If **YES**, please provide details.
- Does the Portfolio Company provide its workers with a safe and healthy work environment?
  - Does this include providing workers with and mandating that workers use personal protective equipment (PPE)?
- Has the Portfolio Company taken steps to prevent accidents, injury, and disease by minimizing the causes of hazards?
- Have all electrical installations been:
  - Properly earthed?
  - Properly insulated?
  - Watertight (where applicable)?
  - Explosion-proof (where applicable)?
- Please specify what preventative measures are in place to deal with the risk of fire?
- Please specify what measures are in place to deal with the risk of explosions and in relation to the occurrence and handling of dust, volatile flammables, etc. (where applicable)?
- Does the Portfolio Company conduct appropriate monitoring and inspections to ensure worker safety?
- Does this include monitoring ambient and workplace exposure to noise, workplace illumination, air quality and temperature, as applicable?
- What preventive or protective measures are taken to prevent contact with hazardous substances (e.g., inhalation of toxic substances, prevention of eye damage, preventing toxic substances coming into contact with the skin, etc.)?

- What preventive measures have been taken to prevent exposure to radiation and electromagnetic fields (if applicable)?
- What preventive measures have been taken to safeguard employees against accidents from the use of machinery and other equipment?
- What preventive measures have been taken to safeguard employees from working under extreme conditions, such as working at height or underwater (if applicable)?
- Does the Portfolio Company track and report on rates of injury, occupational diseases, lost days, absenteeism, and the number of work-related fatalities?
- Does the Portfolio Company track staff turnover?
- Does the Portfolio Company have training programs in place for workers on occupational health and safety?

**Performance Standard 3: Resource Efficiency and Pollution**

**Prevention Resource Efficiency**

- Provide details of the Portfolio Company’s energy and water usage including sources and daily usage estimates?
- Does the Portfolio Company have measures in place to ensure energy efficiency and water conservation?
- Does the Portfolio Company monitor air and water emissions? Is ambient air quality monitored on-site?
- Does the Portfolio Company apply pollution prevention and control techniques?

**Energy Efficiency**

Does the Portfolio Company have energy-saving measures in place? <input type="checkbox"/> YES <input type="checkbox"/> NO	
Please specify energy-saving measures in place below	
<b>Description</b>	<b>Year of Implementation</b>

**Water Consumption**

Please classify water uses, amount consumed and the purpose for water consumption:

Source	Annual Consumption	Used for:
<input type="checkbox"/> Drinking water from public mains		
<input type="checkbox"/> Groundwater		
<input type="checkbox"/> Surface water (river, lake, swamp etc.)		
<input type="checkbox"/> Storm water		
<input type="checkbox"/> Other:		

**Please specify any deployed water-saving measures below (if applicable):**

Description	Year of implementation

**Are any of the above sources shared with other user groups (both formal and informal user groups)?**  
 YES    NO

If YES, please specify the types of user (map) and sources (map):  
 Has the Portfolio Company investigated or conducted a survey with regard to local water availability and usage?     YES     NO

**Waste Water**

Please specify the type of wastewater produced:

Type of wastewater	On-site treatment?		Discharge to:		Remarks
	YES	NO	Public sewage	Surface water	
<input type="checkbox"/> Septic wastewater	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Process wastewater	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Contaminated storm water	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**For wastewater other than septic wastewater, please specify below:**

Description of effluent	Source/sources	Pollutants	Monitoring?	
			YES	NO
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

**Please specify treatment techniques and preventive measures below (if applicable):**

Description	Year of implementation

**Waste Management**

- Are there demarcated solid waste storage, handling and disposal areas at the portfolio company’s site(s)?
- Does this include waste management techniques?
- Are effluents generated on site treated prior to safe disposal?

Please specify the kinds of waste produced:						
Name, description	Annual quantity	Destination:				
		Dumped	Burned on-site	taken to landfill	Re-used/ Recycled for:	Other:
		<input type="checkbox"/>				
		<input type="checkbox"/>				
		<input type="checkbox"/>				
		<input type="checkbox"/>				
Please specify measures with regard to prevention, re-use and correct disposal (if applicable) that are currently in place:						
Description					Year of implementation	

**Are substances with a potential health and/or environmental impact used on site (i.e. hazardous substances)?**

YES  NO

(Volatile, flammable, potentially contaminating soil or water, toxic, ozone depletive etc.) If YES, are MSDSs (Material Safety Data Sheets) available for each of these substances?

YES  NO

Please specify substances below:

Name, description	Method of storage	Max. quantity	Used for:

**Please specify protective measures for safe and environmentally sound handling and storage that are in place below (if applicable):**

Description	Year of implementation

**Performance Standard 4: Community Health, Safety and Security**

- Are there communities in close proximity to the Portfolio Company’s site(s)?
- What is the community’s opinion of the Portfolio Company?
- Have designated contact persons within the organization responsible for receiving and responding to questions, concerns or complaints raised by nearby communities or other stakeholders been identified?
  - If yes, are the contact details for these persons displayed prominently on the site signage?

**Emergency Preparedness and Response**

- Does the Portfolio Company’s emergency preparedness and response plan take into account risks and impacts from the Portfolio Company’s activities to local communities?
- Does this include the requirement to inform affected communities of significant potential hazards in a culturally appropriate manner?
- Does the Portfolio Company have an emergency prevention, preparedness, and response plan in place specific to its site(s) of operation?

**Security Personnel Requirements**

- Does the Portfolio Company engage security personnel to provide security services at their facilities?
  - If yes, do the contract provisions include guidelines on how security personnel shall interact with communities in close proximity to the facility?
- Are security personnel armed? If yes, has the Portfolio Company provided training on the appropriate conduct towards workers and the nearby communities? Have there been any allegations of unlawful and/or abusive acts by security personnel towards workers or nearby communities?

**Emergency Preparedness and Response**

Does the Portfolio Company have an emergency prevention, preparedness and response plan in place specific to its site(s) of operation?

**Performance Standard 5: Land Acquisition and Involuntary Resettlement**

Is land ownership disputed at the Portfolio Company’s site(s) of operation?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
If <b>YES</b> , please specify below:		
Is any part of the Portfolio Company site(s) in use or occupied by squatters?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
If <b>YES</b> , have they made any claims to this land?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Have any people previously been moved from the site?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
If <b>YES</b> , number of people moved: By whom? When?		
Did these people own land under formal land titles?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Did these people occupy land under ancestral/tribal or communal land rights?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Were land titles or ancestral/tribal or communal land claims disputed?	<input type="checkbox"/> YES	<input type="checkbox"/> NO

**Compensation and Benefits to Displaced Persons**

- Has there been any physical and/or economic displacement and resettlement as a result of land acquisition for the Portfolio Company?
  - If yes, provide detailed information with regard to the type of displacement and the displaced persons and communities.
- Has the Portfolio Company drawn up a resettlement action plan?
- Has the Portfolio Company engaged with the displaced persons and communities and/or provided opportunities to derive appropriate development benefits from the development?
  - If yes, provide details.

**Performance Standard 6: Biodiversity Conservation & Sustainable Natural Resource Management Protection and Conservation of Biodiversity**

- Has the Portfolio Company implemented a system to address the impacts its operations have on biodiversity?
- Are modified, natural and critical habitats impacted by the Portfolio Company's activities?
- In the case of natural habitat, has the Portfolio Company considered alternatives and planned adequately to mitigate any potential degradation?
- Does the Portfolio Company conduct any operations in legally protected areas? If yes, has the Portfolio Company addressed the requirements for legally protected areas outlined in PS 6?
- Has the Portfolio Company identified any alien species which may be intentionally or unintentionally introduced through its activities? If intentional introduction of alien species is planned, has this received appropriate government regulatory approval?

**Performance Standard 7: Indigenous Peoples Avoidance of Adverse Impacts**

- Does the Portfolio Company operate in areas where Indigenous Peoples, as defined by PS 7, are located?
- Are Indigenous Peoples adversely impacted as a result of the Portfolio Company's operations?
- Has the Portfolio Company compensated Indigenous Peoples in a culturally appropriate manner for identified impacts?

**Consultation and Informed Participation**

- Has the Portfolio Company established a process for Informed Participation through a process centred on mitigation measures, sharing of developmental benefits and opportunities and implementation issues?

**Impacts on Traditional or Customary Lands under Use**

- Has the Portfolio Company informed Indigenous Peoples of their rights according to national laws including those recognising traditional/customary rights?
- Has the Portfolio Company offered at least compensation and due process to those with full legal title to land together with culturally appropriate development opportunities?
- Has the Portfolio Company provided land-based compensation or compensation in-kind in lieu of cash compensation where feasible?
- Has the Portfolio Company entered into good faith negotiations with affected communities and documented their informed participation and the successful outcome?

**Performance Standard 8: Cultural Heritage**

**Protection of Cultural heritage in Development Design and Execution**

- Is the Portfolio Company site(s) located in an area of cultural or archaeological heritage?
  - If yes, has a Chance Find Procedure been established?
- Has the company had any documented impacts on cultural heritage as a result of its operations?

## Appendix 9: Social and Environmental Due Diligence Report Formats

### Category A and B Projects

1. **Prospective Portfolio Company Description:** (including the site and environmental and social setting, surrounding land uses).
2. **Identified Applicable Performance Standards:** specify Performance Standards that apply to the investment, according to the ESDD outcome and the kind of impacts that may be managed. These include the IFC Performance Standards and the EHS Guidelines.
3. **Environmental and Social Categorization Rationale:** specify the Category of the investment (e.g. Category B) according to the guidelines in Appendix 3 and give the basis for the rationale.
4. **Portfolio Company Environmental and Social Management Systems:** (the processes by which the Portfolio Company manages environmental and social performance, including community engagement activities). This includes how that Management is organized in the Portfolio Company.
5. **Significant Environmental and Social Impacts and Risks:** (summarized according to the topics covered by the applicable IFC Performance Standards – Labour and Working Conditions; Pollution Prevention and Abatement; Community Health Safety and Security; Land Acquisition and Involuntary Resettlement; Biodiversity Conservation and Sustainable Natural Resource Management; Indigenous Peoples; Cultural Heritage).
6. **Recommended Corrective Actions:** (for performance gaps, recommend corrective actions corresponding schedules, indicate priorities, and advise as to how to incorporate these into the Investment Agreement as either Conditions Precedent or Management Actions).

### Category C Projects

1. Prospective Portfolio Company Description: (i.e. brownfield, greenfield, construction, operation, expansion, etc.)
2. Status of Environmental and Social Corrective Action Plan Implementation
3. Environmental and Social Performance: (on-going compliance with applicable ESG laws, IFC Performance Standards)
4. Significant Incidents and Other Issues

## Appendix 10: Template for the Due Diligence Report to be attached to Investment Committee Final Approval Papers

### 1. Investment Description

Insert text containing a general description of the project.

### 2. Identified Applicable Performance Standards

Check relevant sources of ESDD information:

- Desk review
- Public domain information
- Company officials
- Regulatory/Government Officials
- Site visit
- Expert Opinion

### 3. Applicable Environmental and Social Performance Standards

The Fund has adopted the IFC Performance Standards as the guidelines for assessing all its investments on Environmental and Social Issues. While all Performance Standards are applicable to this investment, the environmental and social due diligence indicates that the investment will have impacts that must be managed in a manner consistent with the Performance Standards of the IFC.

No.	Item	Performance Standard: Infringement	Time to Completion	Approximate Cost	Risk Priority
1.	(e.g.) Non-attendance at Stakeholder Engagement Session	PS 1	6 months	USD6,000	Low
2.		PS 3	12 months	USD12,000	Medium
3.		PS 5	18 months	USD18,000	High
4.		PS 4			Requires Measurement

### 4. ESG Categorization Rationale

This is a Category [Insert Category here] project according to IFC's procedures for Environmental and Social Review of Projects because [insert rationale and justification for the chosen category].

### 5. Company Environmental and Social Management Systems

Insert text describing the Portfolio Companies Environmental and Social Management Systems, and the organization of the management of those issues in the Portfolio Company.

Based on the information above, state whether the Portfolio Company is:

- In compliance with all relevant national laws and regulations, and is in possession of all the required permits and approvals;
- In compliance with the IFC’s Performance Standards, and
- In adherence with ARMHIF’s anticorruption guidelines.

6. Significant Environmental and Social Impacts and Risks

Describe key impacts and risks by Performance Standard.

- *E.g. poor adherence to personnel protective equipment policies and procedures*

7. Recommended Corrective Action Plan

No.	Action Description	Deadline
1	Insert Actions	Insert Action Deadlines
2.		
3.		

8. ESG Covenants Proposed for Investment Agreement

State ESG Covenants proposed for the Portfolio Company (if any).

*E.g. Completion of an environmental and social impact assessment and receive subsequent environmental approval from the appropriate government authorities.*

## Appendix 11: Action Plan Format

This document should be used to record the recommendations of the ESDD report and form an Action Plan for each Portfolio Company. This Format should also be used to develop subsequent Action Plans.

<b>Portfolio Company:</b>			
<b>Client Contact:</b>			
<b>Date:</b>		<b>Date of next review:</b>	

<b>Performance Standard</b>	<b>Recommendation (write “None” if no recommendations have been identified)</b>	<b>Responsible Person and organisation</b>	<b>Date to be completed by</b>	<b>Status</b>
Social and Environmental assessment and Management Systems				
Labour and Working Conditions				
Pollution Prevention and Abatement				
Community Health, Safety and Security				
Land Acquisition and Involuntary Resettlement				
Biodiversity conservation and Sustainable Natural Resource management				
Indigenous Peoples				
Cultural Heritage				

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(Insert Name of Responsible Person at portfolio company)

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(Insert Name of Responsible Person at the Portfolio Company)

## Appendix 12: General Investment Agreement Clauses

ARMHIF undertakes to incorporate inter alia, the following terms or other terms that shall have a similar effect on its investment agreements:

1. The Portfolio Company has not received nor is it aware of any existing or threatened complaint, order, directive, claim, citation or notice from any authority under applicable [specify country] law and local requirements which have, or could reasonably be expected to have, a material adverse effect or any material impact on the implementation or operation of the development;
2. The Portfolio Company shall design, construct, operate, maintain and monitor the project compliance with the Government of [specify country] and local requirements, as well as ARMHIL's Environmental, Social and Health and Safety Policies;
3. The Portfolio Company shall use all reasonable efforts to ensure the social and environmental performance of the project is in compliance with ARMHIL's Environmental, Social and Health and Safety Policies;
4. The Portfolio Company shall implement the mitigation and management measures specified in the [Compliance Implementation Plan] [Specify any particular conditions of disbursement addressing certain corrective actions recommended for the Project];
5. Within [60] days after the end of each Financial Year, the Portfolio Company shall deliver to ARMHIL the Annual Monitoring Report consistent with the requirements of this Agreement confirming compliance with the Action Plan, the social and environmental covenants or, as the case may be, identifying any non-compliance or failure, and the actions being taken to remedy any such deficiency;
6. Within three (3) days after its occurrence, the Portfolio Company shall notify ARMHIL of any social, labour, health and safety, security or environmental incident, accident or circumstance having, or which could reasonably be expected to have, any material impact on the implementation or operation of the project in compliance with ARMHIL's Social and Environmental Policy or a Material Adverse Effect, specifying in each case the nature of the incident, accident, or circumstance and the impact or effect arising or likely to arise, and the measures the Portfolio Company is taking or plans to take to address them and to prevent any future similar event; and keep ARMHIL informed of the on-going implementation of those measures.

## Appendix 13: Major Incidents Reporting Form

This form is to be used by Portfolio Companies to report to ARMHIL any major incidents that takes place within 24 hours of occurrence. The following types of incidents should be reported:

- Fires or explosions;
- Significant fuel/Chemical spills;
- Significant pollution discharges above limits of normal operation;
- Major work-related injuries (including employees, contractors and/or members of public);
- Work-related fatalities (including by employees, contractors and/or members of public);
- Incidents significantly affecting the health of employees, contractors or members of public;
- Regulator enforcement actions/notices;
- Major security breaches;
- Strikes or employee unrest;
- Incidents requiring operations to be substantially curtailed or shut-down; and
- Significant community unrest or public relations incidents.

<b>Project name:</b>			
<b>Completed by:</b>	(name/role)		
<b>Contact:</b>		<b>Date:</b>	

<b>Type of event:</b>	(Based on list above)		
<b>Date of occurrence:</b>		<b>Time of occurrence:</b>	
<b>Brief Summary</b>	What happened? Who was involved? What remedial actions have been taken so far?		

<b>Was anyone injured or killed as a result of this event?</b>	
<b>If "Yes" provide details:</b>	
<b>Have the regulator, local authority government or emergency services been involved in or informed of this event?</b>	
<b>If "Yes" provide details:</b>	
<b>Detailed Description:</b>	
<b>What remedial action has been taken?</b>	
<b>What lessons can be learnt to prevent reoccurrence?</b>	
<b>Signed:</b>	
<b>Date:</b>	

## Appendix 14: Quarterly ESG Monitoring Report

<b>Project name:</b>			
<b>Location:</b>			
<b>Completed by (name):</b>			
<b>Position and contact information:</b>		<b>Date:</b>	
<b>Reporting Quarter</b>			

### Social & Environmental Performance

<b>Job Creation and DEI</b>
Total number of new jobs created (Direct jobs)
Total number of new jobs created (Indirect jobs)
Number of new permanent jobs created (Male vs Female)
Number of new temporary jobs created (e.g outsourced & contract) (Male vs Female)
Number and percentage females in the workforce
Number and percentage of women in executive management
Number and percentage of women in managerial level
Number of DEI training conducted
Employee retention rate
Employee grievance filed
Employee grievance resolved
<b>Training and development programs Implemented (Job related)</b>
Number of trainings provided
Number of internal trainings provided to employees (male/female)
Number of external trainings provided to employees (male/female)
<b>OHS Statistics</b>
Amount spent on trainings (NGN)
Number of HSE Trainings (#)
Number of Toolbox meetings (#)
Number of HSE Meeting (#)
Number of Incidents /nearmiss (#)
Number of accidents (#)
Work-related fatalities
<b>Environmental Sustainability</b>
Water Usage (Litres)
Water efficiency measure practiced
Waste generated (tons)/waste recycled (tons)

Estimated CO2 equivalent GHG emissions avoided or reduced (tCO2e)
Estimated CO2 Scope 1 GHG emission (tCO2e)
Estimated CO2 Scope 2 GHG emission (tCO2e)
Estimated CO2 Scope 3 GHG emission (tCO2e)
<b>Other ESG Issues</b>
Compliance with national legislation and regulations
Complaints from regulatory agencies, interest groups, or local communities
Strikes (with or without violence) or other labour disputes
Negative attention on the part of the media or NGOs (non- governmental organizations)
Other material environmental and social issues affecting your operations during the reporting period
<b>Community Engagement</b>
Number and nature of engagements with local communities
Any community development initiatives or projects supported
Records on social impact of its operations on local communities
<b>Supply Chain Management</b>
How do you assess and monitor ESG risks within the supply chain
What efforts are made to ensure responsible sourcing of materials and products?
Any collaborate with suppliers to improve ESG performance throughout the supply chain?

## Appendix 15: Semi-annual ESG Monitoring Report

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered 'Yes'.

<b>Project name:</b>			
<b>Location:</b>			
<b>Completed by (name):</b>			
<b>Position and contact information:</b>		<b>Date:</b>	

<b>Report Covering Period:</b>	
<b>From:</b>	<b>To:</b>

### Information on Exposures

Please list all new and existing exposures (please add rows as needed):

ESG issues at approval	Current ESG status/any changes since lastreport

### Social & Environmental Management System (ESMS) Information

Policies & Processes	Yes/No	
Have there been any updates to the Environmental and Social Policies adopted by your organization?		If yes, please provide a copy of the updated policies, including date when it was issued and reasons for the same.
Has senior management signed off on the updated policy/procedure?		If yes, please provide the date and internal communication indicating the same.
Has the budget for implementation of the policy/procedure been revised from the previous year?		If yes, please provide details of the budget allocated and reasons for the change.
Please describe any activities for the last FY for staff training and other internal communication.		
State any difficulties and/or constraints related to the implementation of the environmental procedures.		
Please describe how you ensure that you are operating in compliance with national laws and regulations and the IFC Performance Standards.		

Do you review the operational performance (non-financial) performance of industrial facilities?		If yes, please describe the process including any environmental and social considerations if applicable.
---	--	--

Over the past quarter have you continued to be in compliance with the relevant environmental, health and safety regulations of the host country?		If yes, please describe the process.
In the past quarter have your operations entailed acquisition of land in this period?		If yes, please explain the extent of land acquisition and any due diligence conducted by you.
Have there been any updates to your Social & Environmental Management System (ESMS) in the past quarter?		If yes, please explain frequency and indicate number of updates since start.
<b>Monitoring</b>	<b>Yes/No</b>	
Do you undertake any monitoring of non-financial performance?		If yes, please describe and provide supporting documents including any environmental and social considerations if applicable.
Please provide details of any accidents/litigation/complaints/regulatory notices and fines: Any incidents of non-compliance with Applicable Requirements. Covenants/conditionality imposed upon you as a result of any non-compliance.		
Please provide details of any security breaches that posed a threat to the security of the mall?		
<b>Reporting</b>	<b>Yes/No</b>	
Is there an internal process to report on environmental and social issues to senior management?		If yes, please explain process, reporting format and frequency.
In the past quarter have you prepared an environmental and social report for: Other stakeholders ESG reporting in the Annual Report Sustainability reports		If yes, please provide copies of these reports.
Do you have a process to inform clients of any material change of business?		
Have you informed ARMHIL of any reportable events during this period?		If yes, please give the date of report.

Reporting Topics	Yes/No	
Non-compliance with national legislation and regulations		
Complaints from regulatory agencies, interest groups, or local communities		
Work-related fatalities or serious work-related injuries		
Strikes (with or without violence) or other labour disputes		
Legal action		
Allegations or indications of corrupt practices		

Fines, penalties or increased permit charges		
<b>Reporting Topics</b>	<b>Yes/No</b>	
Negative attention on the part of the media or NGOs (non-governmental organizations)		
Other material environmental and social issues affecting your operations during the reporting period		
Cost savings through process efficiency, waste minimization or other schemes, energy savings, ISO certification		
Reduction of polluting emissions into the environment		
Introduction/switch to raw materials or processes with lower environmental impacts		
Reduction in insurance premiums, permit fees or other costs due to improved environmental performance		
Improved lost time accident record and/or number of injuries		
Increased diversity/gender balance in workforce and management		
Higher HIV/AIDS awareness in the workplace/community		
Facilitation of financing for less empowered groups		
Involvement in strategic partnerships with interested and affected parties		
Citations or awards		
Positive media or NGO attention		

## Appendix 16: Annual ESG Performance Monitoring Report

### Part A - ESG Performance Report

#### Introduction

The term “social & environmental” includes environmental and health & safety issues, labour rights and labour conditions, local community/cultural heritage, and governance impacts.

#### Report Information

Report period (month/year–month/year)

Name of institution

Report completed by (name)

Contact e-mail address

#### Employment Data

What is the number of persons employed across all projects?<sup>5</sup>

What is the number of women employed across all projects?

What is the number of outsourced/contract jobs within the Investment Manager?<sup>6</sup>

What is the number of jobs created through your financing?<sup>7</sup>

What is the number of female employees in your Portfolio Companies?

#### Taxes Paid

What are the total taxes paid by the projects for the last reported financial year?

What are the projects’ pre-tax profits?

Are any of the projects receiving government subsidies?

#### Social & Environmental Policy<sup>8</sup>

Does your institution have a formal Social & Environmental policy?

Yes  No (If yes, please attach a copy of the policy document to this report.)

<sup>5</sup> Permanent employees within the Investment Manager, including part-time employees measured in full-time equivalents. In this ESGMS document, “employees” is taken to refer to include the employees of the Portfolio Company, as well as the employees, labourers and workers, both permanent and long-term contract (i.e. 6 months or more) of the primary contractors on any given development.

<sup>6</sup> Outsourced/contract staff who earn their main income from the Investment Manager (in full time equivalents)

<sup>7</sup> Total employment figures in all Projects

<sup>8</sup> Social Policy may include documents on: 1) Code of Conduct, 2) Human Resource Management, 3) Health & Safety, 4) HIV/AIDS management, 5) Anti-discrimination 6) Equal opportunities/Gender strategy

What are the criteria for the environmental & social assessment of projects?

- World Bank Policies/IFC Performance Standards
- ILO or UN Conventions
- National environmental and labour legislation and regulations
- Other, namely: \_\_\_\_\_

Has any member(s) of staff a dedicated responsibility for Social and Environmental performance issues?

Yes  No

**Social & Environmental Appraisal Procedures**

Use the table below to specify how environmental & social issues are appraised.

Method	Yes	No	Comments
Documented procedure for environmental & social appraisal			
Use of checklist/document (specify)			
Informal assessment (for example verbal questioning of client)			
Use of consultants/specialist assistance			
Other (specify)			
We do not appraise environmental & social issues			

Please attach copies of appraisal procedures to this report

Did you commission – or request your client to commission – any of the following types of service from environmental and/or social consultants (or other specialists) in the past year? **Please provide the Portfolio Company name and any other relevant comments (for example, whether a report is available for review).**

Action	Yes	No	Portfolio Company Name/Names and Comments
Environmental & Social Impact Assessment (EIA)			
Compliance Evaluation			
Review of information submitted by client on environmental and/or social issues			
Environmental and/or Social Audit			
Major Hazard Assessment			
Other (please specify)			

Did your institution reject any potential investments for environmental and/or social reasons in the course of the past year? If yes, please provide a brief description of the Project and the reason or reasons for its rejection.

**Social & Environmental Portfolio Supervision**

How often do you conduct supervision visits to clients?

Monthly/Bimonthly/Quarterly /Biannually/Annually/Other (please specify)

Do you discuss environmental & social issues during supervision meetings?

Always  Sometimes  Never

Have you developed procedures for how to conduct supervision of social and environmental performance in projects?

Yes  No (If yes, please attach a copy of these supervision procedures)

If a Corrective Action Plan has been agreed with a project on how to improve social and/or environmental performance, does the supervision process include an assessment of progress in the light of the plan?

Yes  No  Uncertain

Does the General Partner have a gender policy/equal opportunity policy? Are working conditions for female employees investigated in Investee Companies?

Yes  No  Uncertain

Has any Portfolio Company been associated with the following issues? If yes, please specify which Development and attach further details (for example specific issue, actions taken, outcome).

Issue	Yes	No	Development
Non-compliance with national legislation and regulations			
Non-compliance with IFC performance standards			
Non-compliance with ILO and/or UN Conventions			
Non-compliance with covenants in the Articles and the Investment Management Services Agreement			
Non-compliance with Corrective Action Plan (CAP)			
Complaints from regulatory agencies, interest groups, or local communities			
Fatalities or serious injury			
Strikes (with or without violence) or other labour disputes			
Legal action			



Approved by:

.....

.....

.....

Senior management representative:

Signature

Date (mm/dd/yy)

Name and Title

## Appendix 17: Final Development Impact Report

In order to ensure that we measure our contribution to social capital in the areas where we operate, we will measure and report on the following indicators listed in the tables below:

	Development Indicators	Format	Definition
<b>1</b>	<b>Core Indicators / reported on Development basis</b>		
	Internal Rate of Return	Quantitative	Discount rate at which NPV of investment is zero
	Employment Generation	Quantitative	(i) number of jobs existing and sustained;
			(ii) Net employment creation. If relevant by gender + other indicators such as indigenous peoples, minorities and (previously) disadvantaged groups.
	Environmental Standards	Qualitative	Extent to which the Portfolio Company complies with local environmental laws and regulations. Corrective measures/action plan?
	Core Labour Standards*	Qualitative	Extent to which Projects comply with the Core Labour Standards of ILO related to child labour, forced labour, equal treatment and freedom of association & right to collective bargaining (in compliance with local laws). Corrective measures/action plan?
	Occupational Health and Safety*	Qualitative	Measures of the Projects to minimise risks and impacts on the health and safety of its workers and, if relevant, surrounding communities; safeguard the property in a legitimate manner; supports the promotion of programmes to reduce the spread of major communicable diseases (incl. HIV/AIDS, Tuberculosis and Malaria)
	Involuntary resettlement/impact on indigenous people*	Qualitative	Measures of the Portfolio Company to minimise or avoid the need for resettlement; mitigation of social impacts through adequate compensation; information and consultation process with affected people; assist displaced people to improve their former living standards.
<b>2</b>	<b>Economic Indicators</b>		
	Value chain linkages	Quantitative/qualitative	Details of products or services (e.g., description, volume, value) purchased from “local” suppliers; of those what proportion can be deemed to come from SMEs. Estimation of indirect job creation in value chain (local suppliers and sellers)
	Transfer of technology	Qualitative	Extent to which the financing is provided for the Portfolio Company to acquire and use new technology.
	Training	Qualitative/quantitative	To what extent does Portfolio Company train its staff; which areas; how many staff; what is the training budget?

Foreign Exchange Impact	Quantitative	To what extent does the Portfolio Company contribute to foreign exchange savings (import substitution) and/or earnings (export).
Diversification of local economy	Qualitative	To what extent does the Portfolio Company contribute to diversification of the local economy (new or underserved sector or industry)
Taxes paid to local and national government	Quantitative	Baseline tax payments compared to change

	Development Indicators	Format	Definition
	Local economic multiplier (LM3)	Quantitative	Local Economic Multiplier or LM3 is a tool to measure the effects of increased money flows in the local economy. The basic concept is that money is spent and re-spent in an area which has positive effects on the local economy. The three-phase approach of measuring LM3 includes (i) determining the financial value of local procurement, i.e. how much money is spent by the business on other local businesses; (ii) determining how local suppliers spend that money, i.e. do they also procure locally; and (iii) establishing how much of their salary employees of the business spend in the local area. A total value of the economic impact of increased local money-flows can thus be determined.
<b>3</b>	<b>Social Indicators</b>		
	Contribution to poverty alleviation	Quantitative/qualitative	The extent to which the Portfolio Company contributes to poverty alleviation by hiring poorer segments of the population (e.g., moving people from informal to formal employment); paying wages that are higher than local averages; provides health and education benefits to its employees, etc.
	Contribution to underserved regions	Quantitative/qualitative	Extent to which the Fund invests in “frontier markets” (including conflict zones) that have so far not or insufficiently been served by existing financial institutions.
<b>4</b>	<b>Capital Market Development</b>		
	Mobilisation of local capital	Qualitative/quantitative	Extent to which the Portfolio Company attracts local capital (commercial bank loans or equity investments) as a result of the investment by ARMHIF?
	Diversification of financial sector	Qualitative/quantitative	Extent to which the Fund contributes to financial sector diversification by providing new types of financial instruments (e.g., longer term financing, equity/mezzanine financing) or by targeting underserved classes and types of customers (e.g., SMEs, renewable energy investments etc.)

	Institution Building	Qualitative/quantitative	Extent to which the Fund adds value (either formally or informally) to improve Project’s management, business planning, financial reporting, environmental management capacity etc.
	Direct employment in Fund	Quantitative/qualitative	Employment in Fund offices/ higher/medium and lower skilled staffnumbers.
<b>5</b>	<b>Governance and accounting</b>		
	Contribution to enhancing governance	Qualitative	Extent to which the Fund investment contributes to enhancing the way the Portfolio Company operates in terms of business integrity/avoidance of bribes, money laundering; payment of taxes according to law;
	Contribution to improving financial standards and reporting	Qualitative	Extent to which Fund investment contributes to improvements in use of accounting standards (e.g., IFAS or US GAAP)

## Appendix 18 - Development Outcome Reporting Template

TYPE OF OPERATION: PRIVATE EQUITY FUND

**Project Name:**  
**OPSM Portfolio**  
**Officer: Time of**  
**Reporting:**  
**Sponsor**  
**Contact:**  
**Position:**  
**E-mail:**

INDICATORS AT THE LEVEL OF THE PRIVATE EQUITY FUND	As of (Date)
<b>Employment:</b> Number of permanent employees (Total) at the time of reporting	
<b>Female employment:</b> Number of permanent employees for women at the time of reporting	
<b>Government Revenue:</b> Net financial flows paid to African governments (including taxes, dividends, subsidies, grants and any other payment, net of any subsidies and investment received) over the reporting period.  <i>Please indicate unit and currency</i>	
<b>Business success:</b> Estimated IRR or Multiple	
<b>Number of exits made by the fund (as of reporting period)</b>	
<b>Number of exits made by the fund (as of reporting period) through IPOs (for each IPO please provide the size and market)</b>	

**FUND INVESTMENTS**

NAME OF PROJECT	TYPE OF INVESTMENT <sup>(1)</sup>	YEAR OF INVEST- MENT	COUNTRY	SECTOR	EXPECTED YEAR OF EXIT	AMOUNT INVESTED BY THE <sub>PEF</sub> (2)	% OF EQUITY HELDIN THE PROJECT	TOTAL COST OF THE PROJECT (CAPEX)

(1) Type of investment: start-up, expansion, restructuring,

(2) Please indicate unit and currency

**FILL ONE TABLE FOR EACH ACTIVE INVESTMENT** (i.e., for each line of the above table from which the Fund has not exited). Lines 5 to 8 should be filled only for investments in financial institutions while lines 9 to 11 should be filled only for investments in infrastructure projects).

	<b>PROJECT NAME:</b>	As of (Date)
<b>1</b>	<b>Employment:</b> Number of permanent employees (Total) at the time of reporting	
<b>2</b>	<b>Female employment:</b> Number of permanent female employees at the time of reporting	
<b>3</b>	<b>Government Revenue:</b> Net financial flows paid by the company to African governments (including taxes, dividends, subsidies, grants and any other payment, net of any subsidies and investment received over the reporting period	
<b>4</b>	<b>Value of sales</b> over the reporting period (please indicate unit and currency)	
<b>5</b>	<b>Value of loans</b> at time of reporting (please indicate unit and currency)	
<b>6</b>	<b>Number of loans</b> at time of reporting	
<b>7</b>	<b>Value of deposits</b> at time of reporting (please indicate unit and currency)	
<b>8</b>	<b>Number of depositors</b> at time of reporting	
<b>9</b>	<b>Outcome 1</b> (specify the outcome using the list below)	
<b>10</b>	<b>Capacity</b> (specify the outcome using the list below)	
<b>11</b>	<b>Output 1</b> (specify the outcome using the list below)	

Outcomes, Capacity and Output vary by type of infrastructure, as follows:

- Electricity
  - Outcome: Number of electricity connections to the grid at the time of supervision
  - Output1: volume of electricity (MWh) generated by the plant per year
  - Output2: length of transmission and distribution lines (km) at the time of supervision
  - Capacity: size power plant, MW at the time of supervision
- Transport
  - o Roads and rail
    - Outcome1: Number of users per year
    - Outcome2: Freight volumes (TMU) per year
    - Output: Length of new road or rail (km) at the time of supervision
    - Capacity: Maximum number of users (trips/year) at the time of supervision
  - o Ports
    - Outcome: Traffic (TMU) per year
    - Capacity: Maximum traffic (TMU/year) at the time of supervision
  - o Airports
    - Outcome1: Traffic (passengers) per year
    - Outcome2: Freight (TMU) per year
    - Capacity: Maximum traffic (passengers/ year) at the time of supervision
  - o ICT
    - Outcome: Number of users for ICT per year
    - Output: Volume of communications (MBs) per year
    - Capacity: Maximum volume of communications (MBs/year) at the time of supervision
  - o Water and Sanitation
    - Outcome: Number of connections to the grid at the time of supervision
    - Capacity: Maximum capacity of water production (m<sup>3</sup>/day) / water treatment facility (PE)
    - Output: Water production (m<sup>3</sup>/day) or Water treatment (PE)

## Appendix 19 – Industry-specific E&S guidelines: Infrastructure Development and Construction

This guideline applies to new and existing infrastructure development and construction activities that ARMHILL may decide to do business with. This includes activities associated with water, sanitation, solid waste management and telecommunications.

As this section deals with construction activities, this guideline can be used in conjunction with the other sector guidelines.

### Summary of ESG Risks and Opportunities

<b>Infrastructure Development and Construction</b>
<b>Environmental risks</b>
Impacts of inappropriate siting, design, planning and construction practices which may not consider local management plans and planning regulations, along with views from local businesses and communities.
Irreversible and extensive alterations to natural habitat, impacting on biodiversity and ecosystem services (including encroachment of invasive species as a result of disturbance to the ecosystem, and including areas required for maintenance access, servitudes or corridors). Associated with infrastructure sites/corridors and sources of construction materials and any other project related activities.
Impacts during construction activities and presence of construction workers camps, including habitat disturbance, soil erosion, increased vehicle movements, hazardous material spills, veld fires, noise and dust.
Water (surface and ground) contamination during construction and operation of facilities from water effluent discharges, hazardous materials handling, and waste handling.
Contamination of water, soil and air from storage, handling, use, treatment, and transport of hazardous materials (e.g., water treatment chemicals, hazardous waste including sewage, contaminated water, leachate, solid waste).
Air pollution from treatment chemicals, waste facilities and particulates and greenhouse gas emissions from vehicles and generators.
Impact of water abstraction on surface and groundwater resources.
Inefficient use of energy.
Waste management, including sludge, wastewater/ effluent, storm water, hazardous wastes including sewage and general wastes.
Impacts associated with the collection, transport, separation and management of solid waste (domestic), Including poor management practices (e.g., unreliable waste collection, loading, processing and control, which may lead to illegal dumping, littering etc.).
Impact of poor rehabilitation and revegetation practices, especially post-construction to allow for future land-use options (e.g., temporary construction sites, worker camps, site buildings/ structures, waste facilities etc.).
Risks associated with sub-contractors' practices (where applicable)
<b>Social risks</b>
Impact of inappropriate land acquisition and land take practices (both for project site and sites for associated activities such as sources of construction materials).

Impacts of inappropriate siting, design, planning and construction practices which may not consider local management plans and planning regulations, along with views from local businesses and communities.
Irreversible and extensive alterations to natural habitat and ecosystem services (e.g., water supplies) affecting local communities associated with infrastructure sites/corridors and also sources of construction materials and any other project-related activities.
Physical and/or economic displacement associated with land acquisition for new or expanding operations. Loss of access to land and natural resources with potential to impact on livelihoods of local communities (e.g. cropping, livestock grazing).
Employee exposure to hazardous working conditions. Non-compliance with occupational health and safety laws and regulations, including adequate training, maintenance of machinery and provision of appropriate protective equipment for workers.
Hazards to the community from construction activities (e.g., use of explosives, vehicle movements, air pollution, noise, odours, dust).
Hazards to workers and communities during storage, handling, use and transport of hazardous materials (e.g., treatment chemicals, sludge, contaminated wastewater, hazardous waste, petrol, diesel) including any leaks or overflows in wastewater/ sewage systems.
Child labour practices.
Forced or bonded labour practices.
Non-payment of minimum wages.
Lack of proper labour contracts.
Lack of workplace associations/unions.
Lack of employee accommodation and welfare facilities.
The influx of seasonal/migrant labour and associated impacts on social dynamics including risks such as the transmission of HIV/AIDS and pressure on existing services.
Impact of poor rehabilitation and revegetation practices, especially post-construction to allow for future land-use options and minimise safety risks (e.g., temporary construction sites, worker camps, site buildings/ structures, waste facilities etc).
Loss of cultural heritage, including destruction, disturbance, and reduced community access to sites of cultural significance.
The visual impact of infrastructure (e.g., cell phone towers).
Risks associated with sub-contractors' practices (where applicable)
<b>Governance risks</b>
Risk of corrupt payments to obtain approvals, licenses, permits, certificates, and concessions.
Risk of corrupt payments to obtain environmental approvals, permits and certificates.
Malpractice associated with land acquisition and planning permissions.
Management of challenging or controversial projects from a regulatory and/or planning perspective.
Risk of corrupt business practices, with non-registered and improper payments to sub-contractors.
Avoidance of tax payments.
Poor corporate governance.
<b>Business opportunities</b>
Provision of new and/ or improved infrastructure and associated services (telecommunications, water supply, sanitation, and waste management facilities) to existing and new market segments including remote rural communities and poor populations.
Transparent and accountable involuntary resettlement planning and implementation, including fair compensation for resettlement, loss of land, and disturbance to livelihoods.
Comprehensive effluent and waste management plan to minimise contamination of water, soil, and air.
Comprehensive post-construction/ closure plans including prompt rehabilitation and revegetation practices, to ensure areas are safe and allow for future land-use options (e.g., temporary construction sites, worker camps, borrow pits, quarries, site buildings/ structures, waste facilities etc).

Reuse and recycling of wastes (e.g., options for on-site biomass energy generation).
Comprehensive hazardous materials handling, storage, and disposal plan.
Comprehensive maintenance and management plans for infrastructure including any corridors/servitudes to minimise disturbance (e.g., fire risk, safety hazards, and encroachment of invasive plant species).
Decent labour practices, notably payment of minimum wages, non-discriminatory practices, and proper contracts for workers.
Proactive occupational health and safety practices.
Programmes that enable workers to combine family and work (e.g., through flexible working hours and childcare facilities for working mothers).
Positive relations with local communities and NGOs, including ongoing meaningful engagement with and contribution to local communities.
Development of sustainable business models. For example, inclusive business projects whereby corporates develop partnerships with low-income population (e.g., waste collectors, recycling schemes, local suppliers to construction projects).
Proper attention to cultural heritage matters.
Efficient energy/water management and energy/water use reduction strategies.
Zero corruption tolerance.
Improvements in good corporate governance.
Comprehensive environmental and social management system and sustainability reporting.

## Appendix 20 – Industry-specific E&S guidelines: Energy and Utilities

This guideline applies to new and existing **energy and utility activities** that ARMHIL may decide to do business with. This includes activities associated with power generation, power stations, electricity transmission & distribution, fuel distribution, solar energy, and energy from oil and gas<sup>10</sup>.

### Summary of ESG Risks and Opportunities

<b>Energy and Utilities</b>
<b>Environmental risks</b>
Irreversible and extensive alterations to natural habitat, impacting on biodiversity and ecosystem services (including encroachment of invasive species as a result of disturbance to the ecosystem, and including areas required for pipelines, utility servitudes and access corridors).
Impact of water abstraction on surface and groundwater resources, including reduced availability and quality for other users.
Water (surface and ground) contamination during construction, operation, hazardous materials handling, and waste management; and from non-point sources.
High energy consumption and poor efficiency of use.
Waste management, including wastewater, hazardous wastes, and general wastes (e.g., effluents, solid waste, oils).
Air pollution from greenhouse gas emissions, especially from combustion of fossil fuels and vehicle movements.
Contamination of water, soil, and air from storage, handling and transport of hazardous materials (e.g., petrol, diesel).
Impacts during construction activities and presence of construction workers camps, including habitat disturbance, soil erosion, increased vehicle movements, hazardous material spills, veld fires, noise, and dust.
Impact of poor rehabilitation and revegetation practices.
<b>Social risks</b>
Irreversible and extensive alterations to natural habitat and ecosystem services (e.g., water supplies, natural resources) affecting local communities.
Physical and/or economic displacement associated with land acquisition for new or expanding operations. Loss of access to land and natural resources with potential to impact on livelihoods of local communities (e.g., cropping, livestock grazing).
Non-payment of minimum wages.
Lack of proper labour contracts.
Lack of workplace associations/unions.
Lack of employee accommodation and welfare facilities.
Employee exposure to hazardous working conditions e.g., working at heights, explosion, and fire risks. Non-compliance with occupational health and safety laws and regulations, including appropriate training and provision of protective equipment for workers.
Hazards to workers and communities during storage, handling and transport of hazardous materials (e.g., petrol, diesel, oil, and gas).
Health and safety issues for workers and local community concerning electric currents, along with electric and magnetic fields.
Hazards to workforce and community from construction activities (e.g., use of explosives, vehicle movements, air pollution, noise, dust).
Worker and local community exposure to contaminated water, hazardous materials, and hazardous waste.

<sup>10</sup> These guidelines are supported by the Infrastructure Development and Construction Sector Guidelines.

Risks associated with sub-contractors' practices (where applicable).
In-migration and associated impacts on social dynamics including risks such as the transmission of HIV/AIDS and pressure on existing services.
Loss of cultural heritage, including destruction, disturbance, and reduced community access to sites of cultural significance.
<b>Governance risks</b>
Risk of corrupt payments to obtain licenses, permits and certificates.
Risk of corrupt payments to obtain environmental approvals, permits and certificates.
Risk of corrupt business practices, with non-registered and improper payments to sub-contractors.
Avoidance of tax payments.
Poor corporate governance.
<b>Business opportunities</b>
Efficient and safe distribution of energy to local communities with minimal energy wasted.
Provision of safe, clean, reliable and affordable alternative energy (e.g., solar power, hydroelectric power) to local communities.
Provision of electricity to new market segments including remote rural communities.
Transparent and accountable involuntary resettlement planning and implementation, including fair compensation for resettlement, loss of land, and disturbance to livelihoods.
Decent labour practices, notably payment of minimum wages, non-discriminatory practices, and proper contracts for workers.
Proactive occupational health and safety practices.
Programmes that enable workers to combine family and work (e.g., through flexible working hours and childcare facilities for working mothers).
Positive relations with local communities and NGOs, including ongoing meaningful engagement with and contribution to local communities.
Proper attention to cultural heritage matters.
Reuse and recycling of process and wastewater to ensure efficient use of resources (establish a water balance for the operation and develop a sustainable water supply management plan).
Efficient energy management and energy use reduction strategies.
Comprehensive waste management plans to minimise contamination of water, soil and air.
Proactive monitoring, management and reporting of greenhouse gas emissions.
Reuse and recycling of wastes (e.g., options for on-site biomass energy generation).
Comprehensive hazardous materials handling, storage and disposal plan.
Comprehensive maintenance and management plans for corridors/ servitudes to minimise fire risk, safety hazards, and encroachment of invasive plant species).
Development of sustainable business models. For example, inclusive business projects whereby corporates develop partnerships with low-income populations anywhere within a company's valuechain, incorporating them in the supply, production, distribution and/or marketing of goods and services (e.g., solar products distribution, solar energy recharge facilities for mobile phones/ laptops, local suppliers to energy/ utility projects).
Zero corruption tolerance.
Improvements in corporate governance.
Comprehensive environmental and social management system and sustainability reporting.

## APPENDIX 21: ARMHIL Responsible Investment Policy

### 1. INTRODUCTION

ARM-Harith Infrastructure Investment Limited (“ARMHIL”) is an independent joint venture between Asset & Resource Management Holding Company Limited, of Nigeria, and Harith General Partners (Proprietary) Limited, of South Africa. ARMHIL is the fund manager of ARM-Harith Infrastructure Fund (“ARMHIF”). Our focus is on investments that strengthen sustainable development through impactful projects in sectors such as Transportation, Energy, and Utilities Infrastructure in West Africa.

ARMHIL is a responsible investor that is committed to incorporating Environmental, Social, and Governance (“ESG”) considerations into its investment processes. ESG is a philosophy that is deeply rooted in our investment decisions, and we take our commitment to responsible investment and transparency seriously as we create long-term value for our investors, stakeholders, communities, and the environment. Our Responsible Investment (“RI”) Policy, contained herein, is an attestation to this commitment.

ARMHIL’s RI Policy will be implemented in compliance with all applicable laws, rules, and regulations of governments, regulatory bodies, relevant organisations, licensing agencies, and professional associations governing Portfolio Companies (“PC”), as well as standards in the countries where we operate. Our RI Policy will also be in accordance with best practices as well as the six principles outlined in the United Nations Principles for Responsible Investment (the “Principles” or “UNPRI”), namely:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our own ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementations of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

### 2. ARMHIL RI POLICY

All Funds managed by ARMHIL will abide by the RI Policy. Our approach to responsible investment involves integrating ESG factors into our investment processes, thereby mitigating ESG risk and impacts, while also maximising ESG opportunities at both company and portfolio levels.

In accordance with our RI Policy, we incorporate ESG considerations to all Portfolio Companies from the initial stages of the investment process through to the post-investment period, monitoring progress on ESG matters and the Portfolio Companies’ compliance.

### 3. ESG Incorporation

ARMHIL incorporates ESG considerations into our investment decision-making processes as follows:

- Screening of our portfolio companies for ESG impacts and benefits prior to approving any investment through a process of ESG due diligence;
- Requiring the adoption of ESG standards and transformation policies by our portfolio companies and, where reasonably practicable, by the supply chain of our portfolio companies;
- Monitoring and reporting on portfolio companies in a transparent, credible, and timeous manner to all stakeholders;
- Implementing an ESG management system to ensure that conflicts of interests and other governance issues are well understood and dealt with through the investment process;
- Avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, stakeholders, and the environment;
- Ensuring that our employees receive adequate trainings on our responsible investment practices;
- Ensuring that stakeholders are appropriately engaged on issues that could potentially affect them; and
- Promoting improved ESG performance of portfolio companies through the effective use of management systems and legally binding action plans.

### 4. Engagement and Active Ownership

ARMHIL practices active ownership and engagement in our investment processes through the following measures:

- Engaging with each PC's Board and ensuring that ESG issues are a recurring subject of discussion,
- Participating in Annual General Meetings;
- Conducting site visits and frequently meeting with portfolio companies to discuss ESG risks, impacts and opportunities; and to make certain that each PC has sufficient resources for the implementation of ESG practices;
- Tracking and reporting PCs compliance with applicable national regulations, international guidelines such as the IFC Performance Standards and ILO Fundamental Conventions, and ensuring PCs compliance with ARMHIL's ESG requirements;
- Ensuring PC personnel receive adequate trainings on ESG policies and procedures;
- Identifying potential ESG issues requiring attention prior to existing investment; and
- Ensuring that all voting on behalf of ARMHIL is undertaken by the investment team or other representatives who are sufficiently trained and conversant with our Investment and ESG policies.

## 5. Reporting and Disclosure

ARMHIL, in compliance with best practice, promotes transparency and is committed to the public disclosure of our RI policies, procedures, and activities through the following measures:

- External communication of ARMHIL's RI Policy through public disclosure, presenting it in corporate statements and reports, and publishing it on our website;
- Monitoring and reporting on our portfolio companies in a transparent, credible, and timeous manner to all stakeholders; and
- Reporting annually on aspects pertaining to our RI Policy and performance by reporting annually to the UNPRI.

## 6. ARMHIL's RI POLICY MANAGEMENT

To ensure the effective management of the implementation of the Responsible Investment Policy, we will:

- Allocate resources necessary for the implementation of this RI Policy and the policies, procedures and practices which support this RI Policy;
- Organise comprehensive ESG training for all relevant employees of ARMHIL;
- Discuss the importance of this RI Policy with our existing portfolio companies and all potential future portfolio companies; and
- Encourage our portfolio companies to operate in a manner that is consistent with this RI Policy.

## 7. ARMHIL's RI POLICY MONITORING AND MAINTENANCE

To observe the progress of our ESG performance and continually improve on our RI Policy, ARMHIL will:

- Integrate ESG throughout our investment processes, and daily business practices;
- Communicate and work closely with our portfolio companies to ensure that management and employees understand the significance, and have a shared commitment to conform with this policy;
- Ensure that our employees receive adequate trainings on our responsible investment practices; and
- Report periodically and transparently on our responsible investment activities.

## 8. RELATED DOCUMENTS

ARMHIL's RI Policy is supported by other policies which provide additional guidance on aspects relating to responsible investing. These policies and procedures are:

- ARMHIF Environmental and Social Management System
- ARMHIL Investment Policy

APPENDIX 22: Change of Theory



INFRASTRUCTURE FUND MANAGERS

**INPUTs = What the fund is willing to invest into a portfolio company**  
**Outputs = KPIs which the funds set as a pre-requisite to making the said investment (to be tracked)**

These two items in Red need to be workshopped with the IC or board as this is your focus as a fund. The decision to add or remove items here, will dictate what will be listed as key outcomes and impacts later.

**Outcomes = what the benefit will be on the PC level by making the investment (to be tracked by key outcome metrics to be tracked on PC level)**  
**Impacts = what the benefit will be on society by making the investments (can be extrapolated from outcome metrics being tracked or can be measured)**

Highlighted in blue is an example of how an input is linked to specific outputs, outcomes and impacts.

INPUT	OUTPUT	OUTCOMES	IMPACTS
Energy			
<b>Financial Capital</b> Provision of Funding <ul style="list-style-type: none"> <li>Debt</li> </ul>	KPIs to be set include: <ul style="list-style-type: none"> <li>Expected Return on Equity (ROE) achieved</li> <li>Expected Return on Investment (ROI) achieved</li> </ul>	Focused investment into: <b>Types of Renewable Energy activities to be considered:</b>	<b>SDG 1 – No Poverty</b> <ul style="list-style-type: none"> <li>Focus on achieving the following outcomes</li> </ul>

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Energy</b>			
<ul style="list-style-type: none"> <li>Equity</li> </ul> <p>Undertake vetting processes</p> <ul style="list-style-type: none"> <li>Input into who to fund and by how much</li> <li>Setting of allocations for returns on funding provisions</li> </ul> <p>Define KPIs to measure success</p>	<ul style="list-style-type: none"> <li>Improved Net Asset Value during period of investment (NAV)</li> <li>Improved exit valuations</li> <li>Demonstrated systems in place to adequately manage:                             <ul style="list-style-type: none"> <li>Debt covenants</li> <li>Liquidity and solvency</li> <li>Profit margins</li> <li>Performance of the management team</li> </ul> </li> <li>Increased capacity in the Investee Company for ongoing growth and investment demonstrated through:                             <ul style="list-style-type: none"> <li>Improved skills levels</li> <li>Adequate reporting on financial performance</li> <li>Ability to set goals and milestones</li> <li>Ability to achieve goals and milestones</li> <li>Ability to attract other forms of funding</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Solar</li> <li>Wind</li> <li>Waste to energy                             <ul style="list-style-type: none"> <li>Bulk infrastructure on National and Regional level</li> <li>Infrastructure development for industrial and commercial operations</li> <li>Focus on process improvements and increased efficiencies</li> </ul> </li> <li>Thermal Power</li> </ul> <p><u>Key Outcomes:</u></p> <ul style="list-style-type: none"> <li>Increased MWh made available to the grid</li> <li>Increased off grid solutions in operation</li> <li>Carbon offset calculations to be provided</li> <li>Customer base reported by:                             <ul style="list-style-type: none"> <li>Residential</li> <li>Industrial</li> <li>Commercial                                     <ul style="list-style-type: none"> <li>MWh utilised/produced</li> <li>% offset achieved from grid/own</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Ensure equal access to economic resources</li> </ul> <p><b>SDG 5 – Gender Equality</b></p> <ul style="list-style-type: none"> <li>Focus on achieving the following outcomes:                             <ul style="list-style-type: none"> <li>End gender-based discrimination.</li> <li>Ensure women full and effective participation and equal opportunities for leadership in all levels of decision making.</li> </ul> </li> </ul> <p><b>SDG 7 – Affordable and Clean Energy</b></p> <ul style="list-style-type: none"> <li>Focus on achieving the following outcomes:                             <ul style="list-style-type: none"> <li>Universal access to affordable and reliable and modern energy services.</li> <li>Increase sustainably the share of renewable energy in the global energy mix.</li> <li>Double global rate of improvement in energy efficiency.</li> </ul> </li> </ul>
<p><b>Human Capital</b></p> <p>Secondment of staff to investment:</p> <ul style="list-style-type: none"> <li>To the board</li> <li>To investment committee</li> <li>As staff compliment</li> <li>Graduate trainees</li> <li>To partners</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>Skills transfer to take place at:                             <ul style="list-style-type: none"> <li>Strategic decision-making levels</li> <li>On levels focused on strategy implementation</li> </ul> </li> <li>Implementation of turn around strategies identified</li> <li>Improvement in strategic decision-making capabilities realised through:                             <ul style="list-style-type: none"> <li>Improved profitability</li> <li>Maintained sustainable cashflow</li> </ul> </li> <li>Improvement in levels of transformation. Demonstrated through:</li> </ul>		<p><b>SDG8 – Decent work and Economic Growth</b></p> <ul style="list-style-type: none"> <li>Focus on achieving the following impacts to society:</li> </ul>

INPUT	OUTPUT	OUTCOMES	IMPACTS
Energy			
	<ul style="list-style-type: none"> <li>- Improved gender equality tracked by:                             <ul style="list-style-type: none"> <li>o Remuneration (equal pay for equal work)</li> <li>o Training spend</li> </ul> </li> <li>- Improved board composition measured by:                             <ul style="list-style-type: none"> <li>o Gender</li> </ul> </li> <li>- Improved levels of local procurement spend measured by:                             <ul style="list-style-type: none"> <li>o Size of organisation</li> <li>o % of spend</li> </ul> </li> <li>- Improved training spend measured by:                             <ul style="list-style-type: none"> <li>o Gender</li> <li>o Age</li> </ul> </li> <li>• Improved levels of staff efficiency demonstrated through the meeting of KPIs                             <ul style="list-style-type: none"> <li>- KPIs set for staff at different levels of the organisation</li> <li>- Review of performance done at least annually</li> <li>- Corrective measures implemented as required to adjust performance</li> <li>- Process in place to track ongoing performance</li> </ul> </li> <li>• Increased levels of staff wellbeing, measured through:                             <ul style="list-style-type: none"> <li>- Reduction in absenteeism rate</li> <li>- Reduction in loss time injury rates (LTIR)</li> <li>- Improved levels of staff retention</li> <li>- Improved access of staff to medical aid, and primary health care</li> </ul> </li> </ul>	<p>non-renewable supply</p>	<ul style="list-style-type: none"> <li>- Focus on an increase in per capital growth and GDP, achieved through:                             <ul style="list-style-type: none"> <li>o Improved access to electricity</li> </ul> </li> <li>- Focussed employment of:                             <ul style="list-style-type: none"> <li>o Women</li> <li>o Youth</li> <li>o Persons with disabilities</li> </ul> </li> <li>- Though implementation of governance structures, policies and procedures which cover:                             <ul style="list-style-type: none"> <li>o Fair labour practices</li> <li>o Policies focused on:                                     <ul style="list-style-type: none"> <li>▪ equal pay for equal work</li> <li>▪ Gender equality</li> <li>▪ No forced labour</li> <li>▪ No child labour</li> <li>▪ Employee safety in the workplace</li> </ul> </li> </ul> </li> </ul>

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Energy</b>			
	<ul style="list-style-type: none"> <li>• Implementation of sustainable social policies and procedures undertaken, tracked through ability to:                             <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>		<p><b>SDG 11 - Sustainable Cities and Communities</b></p> <ul style="list-style-type: none"> <li>• Enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management.</li> <li>• Reduce per capita environmental impact of cities – focus air quality and waste management.</li> <li>• Support positive economic, social and environmental links between urban, peri-urban and rural areas.</li> <li>• Strengthen national and regional development planning.</li> <li>• Support including through financial and technical assistance, in building sustainable and resilient buildings utilising local materials.</li> </ul>
<p><b>Social Capital</b></p> <p>Increase social license to operate through:</p> <ul style="list-style-type: none"> <li>• Championing and enforcing local content and use of localised supply chain within investments.</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Improved scalability of the investment company demonstrated through:                             <ul style="list-style-type: none"> <li>- Ability to enter new markets (as dictated by company’s business plan)</li> <li>- Ability to extend service offering to existing client base</li> <li>- Ability to extend service offering to a new client base</li> <li>- Ability to extend brand awareness</li> <li>- Ability to leverage synergies between partnerships to strengthen brand awareness</li> </ul> </li> <li>• Improved level of credibility in the marketplace through strengthening of local partnerships                             <ul style="list-style-type: none"> <li>- Leveraged improvement initiatives associated with:                                     <ul style="list-style-type: none"> <li>○ Diversification on board level by gender</li> </ul> </li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Energy</b>			
	<ul style="list-style-type: none"> <li>○ Focus on local procurement spend with specific focus on empowerment of SMMEs                             <ul style="list-style-type: none"> <li>▪ Specific focus on empowerment of local companies in the area of operations</li> </ul> </li> <li>● Meeting community objectives as it relates to:                             <ul style="list-style-type: none"> <li>- Job creation (direct and indirect)</li> <li>- SMME supported and development</li> </ul> </li> </ul> <p>Roll out of community projects, with CSI spend to be linked to core business model</p>		
<p><b><u>Intellectual Capital</u></b></p> <p>Transfer knowledge and leverage networks through:</p> <ul style="list-style-type: none"> <li>● Sharing Experiences from previous investments</li> <li>● Writing articles to share knowledge</li> <li>● Undertaking inhouse research to support segments of investment</li> <li>● Participation in engagement platforms to</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>● Improved overall knowledge base of investee company management to be demonstrated in the following areas:                             <ul style="list-style-type: none"> <li>- The sector</li> <li>- Stock management</li> <li>- Tracking of improvement initiatives through modelling</li> <li>- Ability to undertake forecasting and scenario planning</li> <li>- Ability to analyse the business</li> <li>- Environmental Social and Governance (ESG) reporting                                     <ul style="list-style-type: none"> <li>○ This is to be achieved through:   <ul style="list-style-type: none"> <li>▪ Secondment of resources between the fund and investee company to transfer knowledge</li> <li>▪ Review and assessment of research undertaken by the fund and applying</li> </ul> </li> </ul> </li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
Energy			
<p>learn from each other and to share knowledge</p> <ul style="list-style-type: none"> <li>Partnering of investee companies to share knowledge around best practice</li> </ul>	<p>lessons learnt to the investee company's business model</p> <ul style="list-style-type: none"> <li>Implementation of sustainable governance policies and procedures undertaken, tracked through ability to:                             <ul style="list-style-type: none"> <li>Demonstration of ongoing legal compliance</li> <li>Report on key issues at an interval defined in the agreement</li> <li>Flag risk items to board level for assessment</li> <li>Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>		
<p><b><u>Manufactured Capital (Relationship Capital)</u></b></p> <p>Through legal agreements where the fund are majority stakeholders, we can help facilitate financially beneficial partnerships</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>Identification of key partnerships which would meaningfully contribute to growing the business</li> <li>Leveraging these partnerships where possible to facilitate the development of a competitive advantage in the market, measured through:                             <ul style="list-style-type: none"> <li>Lowering of operating costs through shared synergies</li> <li>Increasing access to markets through leveraging a common or complimentary customer base</li> <li>Reducing market risks through ensuring security of supply of raw material inputs or access to markets</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
Energy			
	<ul style="list-style-type: none"> <li>- Increasing customer base through the introduction to new markets or customer demographics</li> <li>- Improving of brand awareness through leveraging opportunities to jointly market activities</li> <li>- Innovation of product offering</li> </ul>		
<p><b>Natural Capital</b></p> <p>Through our proxy voting and engagement policy, we encourage investee companies to employ efficient and environmentally friendly practices.</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Impact of implementation of process improvement initiatives, measured through (where appropriate):                             <ul style="list-style-type: none"> <li>- Improved energy efficiencies</li> <li>- Reduction in water use</li> <li>- Reduced carbon footprint</li> <li>- Reduced waste generation</li> <li>- Improved levels of waste recycling</li> <li>- Identification of alternative income streams through waste repurposing</li> </ul> </li> <li>• Impact of implementation of ongoing training and development of staff (where appropriate)                             <ul style="list-style-type: none"> <li>- Improved operational efficiencies</li> <li>- Reduced waste generation</li> <li>- Reduced reject rates</li> <li>- Reduced levels of refunds to customers</li> <li>- Improved employee satisfaction levels</li> <li>- Improved levels of employee engagement</li> </ul> </li> <li>• Implementation of sustainable environmental policies and procedures undertaken, tracked through ability to:</li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
Energy			
	<ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> <li>• Focus on local content to facilitate import substitution, measured through:               <ul style="list-style-type: none"> <li>- Ability to substitute input requirement at the same quality as previously sourced</li> <li>- Ability to substitute inputs required at same quantities as previously sourced (even if through multiple input sources as opposed to single source appointment)</li> <li>- Reduction in transport logistics spend (indirectly a measure of reduction in environmental footprint)</li> <li>- Reduction in time required to access input sources (indirectly a measure of reduction in environmental footprint)</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>ICT</b>			
<p><b>Financial Capital</b></p> <p>Provision of Funding</p> <ul style="list-style-type: none"> <li>• Debt</li> <li>• Equity</li> </ul> <p>Undertake vetting processes</p> <ul style="list-style-type: none"> <li>• Input into who to fund and by how much</li> <li>• Setting of allocations for returns on funding provisions</li> </ul> <p>Define KPIs to measure success</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Expected Return on Equity (ROE) achieved</li> <li>• Expected Return on Investment (ROI) achieved</li> <li>• Improved Net Asset Value during period of investment (NAV)</li> <li>• Improved exit valuations</li> <li>• Demonstrated systems in place to adequately manage:                             <ul style="list-style-type: none"> <li>- Debt covenants</li> <li>- Liquidity and solvency</li> <li>- Profit margins</li> <li>- Performance of the management team</li> </ul> </li> <li>• Increased capacity in the Investee Company for ongoing growth and investment demonstrated through:                             <ul style="list-style-type: none"> <li>- Improved skills levels</li> <li>- Adequate reporting on financial performance</li> <li>- Ability to set goals and milestones</li> <li>- Ability to achieve goals and milestones</li> <li>- Ability to attract other forms of funding</li> </ul> </li> </ul>	<p><u>Focused investment into:</u></p> <p><b>Types of ICT activities to be considered:</b></p> <ul style="list-style-type: none"> <li>• Data Centres</li> <li>• Fibre Infrastructure</li> <li>• Cellular networks and towers</li> </ul> <p><u>Key Outcomes:</u></p> <ul style="list-style-type: none"> <li>• % of portfolio which provides affordable data services, measured by (as applicable):                             <ul style="list-style-type: none"> <li>- Fees charged commensurate with 1GB data for no more than 2% of average monthly income.<sup>1</sup></li> </ul> </li> <li>• Increased access to services achieved, measured through:                             <ul style="list-style-type: none"> <li>- Increased storage space</li> <li>- Increased up and download speed</li> <li>- Extension of fibre network coverage</li> <li>- Extension of cellular network coverage</li> </ul> </li> <li>• Demonstrated cyber security protocols are in place, through:                             <ul style="list-style-type: none"> <li>- Policies and procedures in place to ensure efficacy of</li> </ul> </li> </ul>	<p><b>SDG 5 – Gender Equality</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following outcomes:                             <ul style="list-style-type: none"> <li>- End gender-based discrimination.</li> <li>- Ensure women full and effective participation and equal opportunities for leadership in all levels of decision making.</li> </ul> </li> </ul> <p><b>SDG8 – Decent work and Economic Growth</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following impacts to society:                             <ul style="list-style-type: none"> <li>- Focus on an increase in per capital growth and GDP, achieved through:                                     <ul style="list-style-type: none"> <li>○ Improved access to ICT solutions reducing the cost of operations and improving overall efficiencies.</li> <li>○ Improving ability of job seekers to find a job</li> <li>○ Improving access to education</li> </ul> </li> </ul> </li> </ul>
<p><b>Human Capital</b></p> <p>Secondment of staff to investment:</p> <ul style="list-style-type: none"> <li>• To the board</li> <li>• To investment committee</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Skills transfer to take place at:                             <ul style="list-style-type: none"> <li>- Strategic decision-making levels</li> <li>- On levels focused on strategy implementation</li> </ul> </li> <li>• Implementation of turn around strategies identified</li> </ul>		

<sup>1</sup> <https://a4ai.org/measurement-matters-why-looking-at-income-is-crucial-to-internet-affordability/>

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>ICT</b>			
<ul style="list-style-type: none"> <li>• As staff compliment</li> <li>• Graduate trainees</li> <li>• To partners</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement in strategic decision-making capabilities realised through:                             <ul style="list-style-type: none"> <li>- Improved profitability</li> <li>- Maintained sustainable cashflow</li> </ul> </li> <li>• Improvement in levels of transformation. Demonstrated through:                             <ul style="list-style-type: none"> <li>- Improved gender equality tracked by:                                     <ul style="list-style-type: none"> <li>○ Remuneration (equal pay for equal work)</li> <li>○ Training spend</li> </ul> </li> <li>- Improved board composition measured by:                                     <ul style="list-style-type: none"> <li>○ Gender</li> </ul> </li> <li>- Improved levels of local procurement spend measured by:                                     <ul style="list-style-type: none"> <li>○ Size of organisation</li> <li>○ % of spend</li> </ul> </li> <li>- Improved training spend measured by:                                     <ul style="list-style-type: none"> <li>○ Gender</li> <li>○ Age</li> </ul> </li> </ul> </li> <li>• Improved levels of staff efficiency demonstrated through the meeting of KPIs                             <ul style="list-style-type: none"> <li>- KPIs set for staff at different levels of the organisation</li> <li>- Review of performance done at least annually</li> <li>- Corrective measures implemented as required to adjust performance</li> <li>- Process in place to track ongoing performance</li> </ul> </li> <li>• Increased levels of staff wellbeing, measured through:                             <ul style="list-style-type: none"> <li>- Reduction in absenteeism rate</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- cyber security protocols in place</li> <li>- Audit reports provided to demonstrate adherence to these policies and procedures</li> <li>- Reported breaches provided, with risk level of breach outlined and remedial action taken</li> <li>• Data protection protocols in place:                             <ul style="list-style-type: none"> <li>- Policies and procedures in place to ensure efficacy of data protection protocols in place</li> <li>- Audit reports provided to demonstrate adherence to these policies and procedures</li> <li>- Reported breaches provided, with risk level of breach outlined and remedial action taken</li> </ul> </li> <li>• Customer demographic split by:                             <ul style="list-style-type: none"> <li>- Geographic area                                     <ul style="list-style-type: none"> <li>○ New areas not serviced previously</li> <li>○ Existing areas already serviced</li> </ul> </li> <li>- Customer demographic split by</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Focussed employment of:                             <ul style="list-style-type: none"> <li>○ Women</li> <li>○ Youth</li> <li>○ Persons with disabilities</li> </ul> </li> <li>- Though implementation of governance structures, policies and procedures which cover:                             <ul style="list-style-type: none"> <li>○ Fair labour practices</li> <li>○ Policies focused on:                                     <ul style="list-style-type: none"> <li>▪ equal pay for equal work</li> <li>▪ Gender equality</li> <li>▪ No forced labour</li> <li>▪ No child labour</li> <li>▪ Employee safety in the workplace</li> </ul> </li> </ul> </li> </ul> <p><b>SDG 11 - Sustainable Cities and Communities</b></p> <ul style="list-style-type: none"> <li>• Enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable</li> </ul>

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>ICT</b>			
	<ul style="list-style-type: none"> <li>- Reduction in loss time injury rates (LTIR)</li> <li>- Improved levels of staff retention</li> <li>- Improved access of staff to medical aid, and primary health care</li> <li>• Implementation of sustainable social policies and procedures undertaken, tracked through ability to:               <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ Industrial customers</li> <li>○ Commercial customers</li> <li>○ SMMEs</li> <li>○ Residential customers               <ul style="list-style-type: none"> <li>▪ Earning potential</li> </ul> </li> </ul>	<p>human settlement planning and management.</p> <ul style="list-style-type: none"> <li>• Support positive economic, social and environmental links between urban, peri-urban and rural areas.</li> <li>• Strengthen national and regional development planning.</li> </ul>
<p><b>Social Capital</b></p> <p>Increase social license to operate through:</p> <ul style="list-style-type: none"> <li>• Championing and enforcing local content and use of localised supply chain within investments.</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Improved scalability of the investment company demonstrated through:               <ul style="list-style-type: none"> <li>- Ability to enter new markets (as dictated by company’s business plan)</li> <li>- Ability to extend service offering to existing client base</li> <li>- Ability to extend service offering to a new client base</li> <li>- Ability to extend brand awareness</li> <li>- Ability to leverage synergies between partnerships to strengthen brand awareness</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>ICT</b>			
	<ul style="list-style-type: none"> <li>• Improved level of credibility in the marketplace through strengthening of local partnerships                             <ul style="list-style-type: none"> <li>- Leveraged improvement initiatives associated with:                                     <ul style="list-style-type: none"> <li>○ Diversification on board level by gender</li> <li>○ Focus on local procurement spend with specific focus on empowerment of SMMEs   <ul style="list-style-type: none"> <li>▪ Specific focus on empowerment of local companies in the area of operations</li> </ul> </li> </ul> </li> </ul> </li> <li>• Meeting community objectives as it relates to:                             <ul style="list-style-type: none"> <li>- Job creation (direct and indirect)</li> <li>- SMME supported and development</li> </ul> </li> </ul> <p>Roll out of community projects, with CSI spend to be linked to core business model</p>		
<p><b><u>Intellectual Capital</u></b></p> <p>Transfer knowledge and leverage networks through:</p> <ul style="list-style-type: none"> <li>• Sharing Experiences from previous investments</li> <li>• Writing articles to share knowledge</li> <li>• Undertaking inhouse research to</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Improved overall knowledge base of investee company management to be demonstrated in the following areas:                             <ul style="list-style-type: none"> <li>- The sector</li> <li>- Stock management</li> <li>- Tracking of improvement initiatives through modelling</li> <li>- Ability to undertake forecasting and scenario planning                                     <ul style="list-style-type: none"> <li>- Ability to analyse the business</li> <li>- Environmental Social and Governance (ESG) reporting   <ul style="list-style-type: none"> <li>○ This is to be achieved through:</li> </ul> </li> </ul> </li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>ICT</b>			
<p>support segments of investment</p> <ul style="list-style-type: none"> <li>• Participation in engagement platforms to learn from each other and to share knowledge</li> <li>• Partnering of investee companies to share knowledge around best practice</li> </ul>	<ul style="list-style-type: none"> <li>▪ Secondment of resources between the fund and investee company to transfer knowledge</li> <li>▪ Review and assessment of research undertaken by the fund and applying lessons learnt to the investee company's business model</li> </ul> <ul style="list-style-type: none"> <li>• Implementation of sustainable governance policies and procedures undertaken, tracked through ability to:                             <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>		
<p><b><u>Manufactured Capital (Relationship Capital)</u></b></p> <p>Through legal agreements where the fund are majority stakeholders, we can</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Identification of key partnerships which would meaningfully contribute to growing the business</li> <li>• Leveraging these partnerships where possible to facilitate the development of a competitive advantage in the market, measured through:</li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>ICT</b>			
help facilitate financially beneficial partnerships	<ul style="list-style-type: none"> <li>- Lowering of operating costs through shared synergies</li> <li>- Increasing access to markets through leveraging a common or complimentary customer base</li> <li>- Reducing market risks through ensuring security of supply of raw material inputs or access to markets</li> <li>- Increasing customer base through the introduction to new markets or customer demographics</li> <li>- Improving of brand awareness through leveraging opportunities to jointly market activities</li> <li>- Innovation of product offering</li> </ul>		
<p><b>Natural Capital</b></p> <p>Through our proxy voting and engagement policy, we encourage investee companies to employ efficient and environmentally friendly practices.</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Impact of implementation of process improvement initiatives, measured through (where appropriate):                             <ul style="list-style-type: none"> <li>- Improved energy efficiencies</li> <li>- Reduction in water use</li> <li>- Reduced carbon footprint</li> <li>- Reduced waste generation</li> <li>- Improved levels of waste recycling</li> <li>- Identification of alternative income streams through waste repurposing</li> </ul> </li> <li>• Impact of implementation of ongoing training and development of staff (where appropriate)                             <ul style="list-style-type: none"> <li>- Improved operational efficiencies</li> <li>- Reduced waste generation</li> <li>- Reduced reject rates</li> <li>- Reduced levels of refunds to customers</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
ICT			
	<ul style="list-style-type: none"> <li>- Improved employee satisfaction levels</li> <li>- Improved levels of employee engagement</li> <li>• Implementation of sustainable environmental policies and procedures undertaken, tracked through ability to:               <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> <li>• Focus on local content to facilitate import substitution, measured through:               <ul style="list-style-type: none"> <li>- Ability to substitute input requirement at the same quality as previously sourced</li> <li>- Ability to substitute inputs required at same quantities as previously sourced (even if through multiple input sources as opposed to single source appointment)</li> <li>- Reduction in transport logistics spend (indirectly a measure of reduction in environmental footprint)</li> <li>- Reduction in time required to access input sources (indirectly a measure of reduction in environmental footprint)</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Transportation Logistics</b>			
<p><b><u>Financial Capital</u></b></p> <p>Provision of Funding</p> <ul style="list-style-type: none"> <li>• Debt</li> <li>• Equity</li> </ul> <p>Undertake vetting processes</p> <ul style="list-style-type: none"> <li>• Input into who to fund and by how much</li> <li>• Setting of allocations for returns on funding provisions</li> </ul> <p>Define KPIs to measure success</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Expected Return on Equity (ROE) achieved</li> <li>• Expected Return on Investment (ROI) achieved</li> <li>• Improved Net Asset Value during period of investment (NAV)</li> <li>• Improved exit valuations</li> <li>• Demonstrated systems in place to adequately manage:                             <ul style="list-style-type: none"> <li>- Debt covenants</li> <li>- Liquidity and solvency</li> <li>- Profit margins</li> <li>- Performance of the management team</li> </ul> </li> <li>• Increased capacity in the Investee Company for ongoing growth and investment demonstrated through:                             <ul style="list-style-type: none"> <li>- Improved skills levels</li> <li>- Adequate reporting on financial performance</li> <li>- Ability to set goals and milestones</li> <li>- Ability to achieve goals and milestones</li> <li>- Ability to attract other forms of funding</li> </ul> </li> </ul>	<p><u>Focused investment into:</u></p> <p><b>Types of Transport Logistics activities to be considered:</b></p> <ul style="list-style-type: none"> <li>• Ports</li> <li>• Rail</li> <li>• Road Freight</li> <li>• Toll roads</li> <li>• Airports</li> </ul> <p><u>Key Outcomes:</u></p> <ul style="list-style-type: none"> <li>• Increased tonnage transported, reported by:                             <ul style="list-style-type: none"> <li>- Regional distribution of goods</li> <li>- Transfer of goods for export purposes</li> <li>- Transfer of goods being imported to local markets</li> </ul> </li> <li>• Increased tonnage diverted from road to rail or port infrastructure</li> <li>• Carbon offset calculations due to transfer of goods from road to rail or port infrastructure</li> <li>• Upgraded roads report on:                             <ul style="list-style-type: none"> <li>- Reduced rates of congestions</li> <li>- Increased import and export on routes</li> </ul> </li> </ul>	<p><b>SDG 1 – No Poverty</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following outcomes                             <ul style="list-style-type: none"> <li>- Ensure equal access to economic resources</li> </ul> </li> </ul> <p><b>SDG 5 – Gender Equality</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following outcomes:                             <ul style="list-style-type: none"> <li>- End gender-based discrimination.</li> <li>- Ensure women full and effective participation and equal opportunities for leadership in all levels of decision making.</li> </ul> </li> </ul> <p><b>SDG8 – Decent work and Economic Growth</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following impacts to society:                             <ul style="list-style-type: none"> <li>- Focus on an increase in per capital growth and GDP, achieved through:                                     <ul style="list-style-type: none"> <li>○ Improved levels of market access</li> </ul> </li> <li>- Focussed employment of:                                     <ul style="list-style-type: none"> <li>○ Women</li> <li>○ Youth</li> <li>○ Persons with disabilities</li> </ul> </li> </ul> </li> </ul>
<p><b><u>Human Capital</u></b></p> <p>Secondment of staff to investment:</p> <ul style="list-style-type: none"> <li>• To the board</li> <li>• To investment committee</li> <li>• As staff compliment</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Skills transfer to take place at:                             <ul style="list-style-type: none"> <li>- Strategic decision-making levels</li> <li>- On levels focused on strategy implementation</li> </ul> </li> <li>• Implementation of turn around strategies identified</li> <li>• Improvement in strategic decision-making capabilities realised through:</li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Transportation Logistics</b>			
<ul style="list-style-type: none"> <li>• Graduate trainees</li> <li>• To partners</li> </ul>	<ul style="list-style-type: none"> <li>- Improved profitability</li> <li>- Maintained sustainable cashflow</li> <li>• Improvement in levels of transformation. Demonstrated through:               <ul style="list-style-type: none"> <li>- Improved gender equality tracked by:                   <ul style="list-style-type: none"> <li>○ Remuneration (equal pay for equal work)</li> <li>○ Training spend</li> </ul> </li> <li>- Improved board composition measured by:                   <ul style="list-style-type: none"> <li>○ Gender</li> </ul> </li> <li>- Improved levels of local procurement spend measured by:                   <ul style="list-style-type: none"> <li>○ Size of organisation</li> <li>○ % of spend</li> </ul> </li> <li>- Improved training spend measured by:                   <ul style="list-style-type: none"> <li>○ Gender</li> <li>○ Age</li> </ul> </li> </ul> </li> <li>• Improved levels of staff efficiency demonstrated through the meeting of KPIs               <ul style="list-style-type: none"> <li>- KPIs set for staff at different levels of the organisation</li> <li>- Review of performance done at least annually</li> <li>- Corrective measures implemented as required to adjust performance</li> <li>- Process in place to track ongoing performance</li> </ul> </li> <li>• Increased levels of staff wellbeing, measured through:               <ul style="list-style-type: none"> <li>- Reduction in absenteeism rate</li> <li>- Reduction in loss time injury rates (LTIR)</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>- Though implementation of governance structures, policies and procedures which cover:               <ul style="list-style-type: none"> <li>○ Fair labour practices</li> <li>○ Policies focused on:                   <ul style="list-style-type: none"> <li>▪ equal pay for equal work</li> <li>▪ Gender equality</li> <li>▪ No forced labour</li> <li>▪ No child labour</li> <li>▪ Employee safety in the workplace</li> </ul> </li> </ul> </li> </ul> <p><b>SDG 11 - Sustainable Cities and Communities</b></p> <ul style="list-style-type: none"> <li>• Provide access to safe, affordable, accessible and sustainable transport systems for all.</li> <li>• Enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management.</li> </ul>

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Transportation Logistics</b>			
	<ul style="list-style-type: none"> <li>- Improved levels of staff retention</li> <li>- Improved access of staff to medical aid, and primary health care</li> <li>• Implementation of sustainable social policies and procedures undertaken, tracked through ability to:               <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• Reduce per capita environmental impact of cities – focus air quality and waste management.</li> <li>• Support positive economic, social and environmental links between urban, peri-urban and rural areas.</li> <li>• Strengthen national and regional development planning.</li> </ul>
<p><b><u>Social Capital</u></b></p> <p>Increase social license to operate through:</p> <ul style="list-style-type: none"> <li>• Championing and enforcing local content and use of localised supply chain within investments.</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Improved scalability of the investment company demonstrated through:               <ul style="list-style-type: none"> <li>- Ability to enter new markets (as dictated by company’s business plan)</li> <li>- Ability to extend service offering to existing client base</li> <li>- Ability to extend service offering to a new client base</li> <li>- Ability to extend brand awareness</li> <li>- Ability to leverage synergies between partnerships to strengthen brand awareness</li> </ul> </li> <li>• Improved level of credibility in the marketplace through strengthening of local partnerships</li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Transportation Logistics</b>			
	<ul style="list-style-type: none"> <li>- Leveraged improvement initiatives associated with:                             <ul style="list-style-type: none"> <li>o Diversification on board level by gender</li> <li>o Focus on local procurement spend with specific focus on empowerment of SMMEs                                     <ul style="list-style-type: none"> <li>▪ Specific focus on empowerment of local companies in the area of operations</li> </ul> </li> </ul> </li> <li>• Meeting community objectives as it relates to:                             <ul style="list-style-type: none"> <li>- Job creation (direct and indirect)</li> <li>- SMME supported and development</li> <li>- Roll out of community projects, with CSI spend to be linked to core business model</li> </ul> </li> </ul>		
<p><b><u>Intellectual Capital</u></b></p> <p>Transfer knowledge and leverage networks through:</p> <ul style="list-style-type: none"> <li>• Sharing Experiences from previous investments</li> <li>• Writing articles to share knowledge</li> <li>• Undertaking inhouse research to support segments of investment</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Improved overall knowledge base of investee company management to be demonstrated in the following areas:                             <ul style="list-style-type: none"> <li>- The sector</li> <li>- Stock management</li> <li>- Tracking of improvement initiatives through modelling</li> <li>- Ability to undertake forecasting and scenario planning</li> <li>- Ability to analyse the business</li> <li>- Environmental Social and Governance (ESG) reporting                                     <ul style="list-style-type: none"> <li>o This is to be achieved through:   <ul style="list-style-type: none"> <li>▪ Secondment of resources between the</li> </ul> </li> </ul> </li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
Transportation Logistics			
<ul style="list-style-type: none"> <li>• Participation in engagement platforms to learn from each other and to share knowledge</li> <li>• Partnering of investee companies to share knowledge around best practice</li> </ul>	<p style="text-align: right;">fund and investee company to transfer knowledge</p> <ul style="list-style-type: none"> <li>▪ Review and assessment of research undertaken by the fund and applying lessons learnt to the investee company's business model</li> </ul> <ul style="list-style-type: none"> <li>• Implementation of sustainable governance policies and procedures undertaken, tracked through ability to:                             <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>		
<p><b><u>Manufactured Capital (Relationship Capital)</u></b></p> <p>Through legal agreements where the fund are majority stakeholders, we can help facilitate financially beneficial partnerships</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Identification of key partnerships which would meaningfully contribute to growing the business</li> <li>• Leveraging these partnerships where possible to facilitate the development of a competitive advantage in the market, measured through:                             <ul style="list-style-type: none"> <li>- Lowering of operating costs through shared synergies</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Transportation Logistics</b>			
	<ul style="list-style-type: none"> <li>- Increasing access to markets through leveraging a common or complimentary customer base</li> <li>- Reducing market risks through ensuring security of supply of raw material inputs or access to markets</li> <li>- Increasing customer base through the introduction to new markets or customer demographics</li> <li>- Improving of brand awareness through leveraging opportunities to jointly market activities</li> <li>- Innovation of product offering</li> </ul>		
<p><b><u>Natural Capital</u></b></p> <p>Through our proxy voting and engagement policy, we encourage investee companies to employ efficient and environmentally friendly practices.</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Impact of implementation of process improvement initiatives, measured through (where appropriate):                             <ul style="list-style-type: none"> <li>- Improved energy efficiencies</li> <li>- Reduction in water use</li> <li>- Reduced carbon footprint</li> <li>- Reduced waste generation</li> <li>- Improved levels of waste recycling</li> <li>- Identification of alternative income streams through waste repurposing</li> </ul> </li> <li>• Impact of implementation of ongoing training and development of staff (where appropriate)                             <ul style="list-style-type: none"> <li>- Improved operational efficiencies</li> <li>- Reduced waste generation</li> <li>- Reduced reject rates</li> <li>- Reduced levels of refunds to customers</li> <li>- Improved employee satisfaction levels</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
Transportation Logistics			
	<ul style="list-style-type: none"> <li>- Improved levels of employee engagement</li> <li>• Implementation of sustainable environmental policies and procedures undertaken, tracked through ability to:               <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> <li>• Focus on local content to facilitate import substitution, measured through:               <ul style="list-style-type: none"> <li>- Ability to substitute input requirement at the same quality as previously sourced</li> <li>- Ability to substitute inputs required at same quantities as previously sourced (even if through multiple input sources as opposed to single source appointment)</li> <li>- Reduction in transport logistics spend (indirectly a measure of reduction in environmental footprint)</li> <li>- Reduction in time required to access input sources (indirectly a measure of reduction in environmental footprint)</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Water and Wastewater Treatment</b>			
<p><b>Financial Capital</b></p> <p>Provision of Funding</p> <ul style="list-style-type: none"> <li>• Debt</li> <li>• Equity</li> </ul> <p>Undertake vetting processes</p> <ul style="list-style-type: none"> <li>• Input into who to fund and by how much</li> <li>• Setting of allocations for returns on funding provisions</li> </ul> <p>Define KPIs to measure success</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Expected Return on Equity (ROE) achieved</li> <li>• Expected Return on Investment (ROI) achieved</li> <li>• Improved Net Asset Value during period of investment (NAV)</li> <li>• Improved exit valuations</li> <li>• Demonstrated systems in place to adequately manage:                             <ul style="list-style-type: none"> <li>- Debt covenants</li> <li>- Liquidity and solvency</li> <li>- Profit margins</li> <li>- Performance of the management team</li> </ul> </li> <li>• Increased capacity in the Investee Company for ongoing growth and investment demonstrated through:                             <ul style="list-style-type: none"> <li>- Improved skills levels</li> <li>- Adequate reporting on financial performance</li> <li>- Ability to set goals and milestones</li> <li>- Ability to achieve goals and milestones</li> <li>- Ability to attract other forms of funding</li> </ul> </li> </ul>	<p><u>Focused investment into:</u></p> <p><b>Types of water and wastewater treatment activities to be considered:</b></p> <ul style="list-style-type: none"> <li>• Bulk Reticulation Pipelines</li> <li>• Water treatment works</li> <li>• Wastewater treatment works                             <ul style="list-style-type: none"> <li>- Bulk infrastructure on municipal level</li> <li>- Infrastructure development for industrial and commercial operations</li> <li>- Focus on process improvements and increased efficiencies</li> </ul> </li> </ul> <p><u>Key Outcomes:</u></p> <ul style="list-style-type: none"> <li>• Increased MI available of potable water in bulk supply for municipal use</li> <li>• Increased MI available of potable water in bulk supply for industrial and commercial off takers</li> <li>• MI of wastewater treated reported by:                             <ul style="list-style-type: none"> <li>- Residential effluent</li> <li>- Industrial effluent</li> <li>- Commercial effluent</li> <li>- Mixed effluent</li> </ul> </li> </ul>	<p><b>SDG 1 – No Poverty</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following outcomes                             <ul style="list-style-type: none"> <li>- Ensure equal access to economic resources</li> </ul> </li> </ul> <p><b>SDG 5 – Gender Equality</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following outcomes:                             <ul style="list-style-type: none"> <li>- End gender-based discrimination.</li> <li>- Ensure women full and effective participation and equal opportunities for leadership in all levels of decision making.</li> </ul> </li> </ul> <p><b>SDG 6 – Clean water and sanitation</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following outcomes:                             <ul style="list-style-type: none"> <li>- Facilitate access to affordable safe drinking water for all.</li> <li>- Facilitate access to adequate and equitable sanitation and hygiene for all and end open defecation – focus on women, girls and those in vulnerable situations.</li> <li>- Recycling and safe reuse of water.</li> </ul> </li> </ul>
<p><b>Human Capital</b></p> <p>Secondment of staff to investment:</p> <ul style="list-style-type: none"> <li>• To the board</li> <li>• To investment committee</li> <li>• As staff compliment</li> <li>• Graduate trainees</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Skills transfer to take place at:                             <ul style="list-style-type: none"> <li>- Strategic decision-making levels</li> <li>- On levels focused on strategy implementation</li> </ul> </li> <li>• Implementation of turn around strategies identified</li> <li>• Improvement in strategic decision-making capabilities realised through:                             <ul style="list-style-type: none"> <li>- Improved profitability</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Water and Wastewater Treatment</b>			
<ul style="list-style-type: none"> <li>• To partners</li> </ul>	<ul style="list-style-type: none"> <li>- Maintained sustainable cashflow</li> <li>• Improvement in levels of transformation. Demonstrated through:               <ul style="list-style-type: none"> <li>- Improved gender equality tracked by:                   <ul style="list-style-type: none"> <li>○ Remuneration (equal pay for equal work)</li> <li>○ Training spend</li> </ul> </li> <li>- Improved board composition measured by:                   <ul style="list-style-type: none"> <li>○ Gender</li> </ul> </li> <li>- Improved levels of local procurement spend measured by:                   <ul style="list-style-type: none"> <li>○ Size of organisation</li> <li>○ % of spend</li> </ul> </li> <li>- Improved training spend measured by:                   <ul style="list-style-type: none"> <li>○ Gender</li> <li>○ Age</li> </ul> </li> </ul> </li> <li>• Improved levels of staff efficiency demonstrated through the meeting of KPIs               <ul style="list-style-type: none"> <li>- KPIs set for staff at different levels of the organisation</li> <li>- Review of performance done at least annually</li> <li>- Corrective measures implemented as required to adjust performance</li> <li>- Process in place to track ongoing performance</li> </ul> </li> <li>• Increased levels of staff wellbeing, measured through:               <ul style="list-style-type: none"> <li>- Reduction in absenteeism rate</li> <li>- Reduction in loss time injury rates (LTIR)</li> <li>- Improved levels of staff retention</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• MI water reused, reported by type of operation</li> <li>• MI savings due to efficiency initiatives implemented, reported by type of operation</li> <li>• Increased access provided to previously disadvantaged communities, reported by               <ul style="list-style-type: none"> <li>- Level of subsidies provided</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Increase water use efficiency.</li> <li>- Ensure sustainable withdrawals and supply of fresh water.</li> <li>- Reduce number of people suffering from water scarcity.</li> </ul> <p><b>SDG8 – Decent work and Economic Growth</b></p> <ul style="list-style-type: none"> <li>• Focus on achieving the following impacts to society:               <ul style="list-style-type: none"> <li>- Focus on an increase in per capital growth and GDP, achieved through:                   <ul style="list-style-type: none"> <li>○ Improved levels of food security</li> <li>○ Improved levels of exports of product</li> </ul> </li> <li>- Focussed employment of:                   <ul style="list-style-type: none"> <li>○ Women</li> <li>○ Youth</li> <li>○ Persons with disabilities</li> </ul> </li> <li>- Though implementation of governance structures, policies and procedures which cover:                   <ul style="list-style-type: none"> <li>○ Fair labour practices</li> </ul> </li> </ul> </li> </ul>

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Water and Wastewater Treatment</b>			
	<ul style="list-style-type: none"> <li>- Improved access of staff to medical aid, and primary health care</li> <li>• Implementation of sustainable social policies and procedures undertaken, tracked through ability to:               <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>○ Policies focused on:               <ul style="list-style-type: none"> <li>▪ equal pay for equal work</li> <li>▪ Gender equality</li> <li>▪ No forced labour</li> <li>▪ No child labour</li> <li>▪ Employee safety in the workplace</li> </ul> </li> </ul>
<p><b><u>Social Capital</u></b></p> <p>Increase social license to operate through:</p> <ul style="list-style-type: none"> <li>• Championing and enforcing local content and use of localised supply chain within investments.</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Improved scalability of the investment company demonstrated through:               <ul style="list-style-type: none"> <li>- Ability to enter new markets (as dictated by company’s business plan)</li> <li>- Ability to extend service offering to existing client base</li> <li>- Ability to extend service offering to a new client base</li> <li>- Ability to extend brand awareness</li> <li>- Ability to leverage synergies between partnerships to strengthen brand awareness</li> </ul> </li> <li>• Improved level of credibility in the marketplace through strengthening of local partnerships               <ul style="list-style-type: none"> <li>- Leveraged improvement initiatives associated with:</li> </ul> </li> </ul>		<p><b>SDG 11 - Sustainable Cities and Communities</b></p> <ul style="list-style-type: none"> <li>• Enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management.</li> <li>• Support positive economic, social and environmental links between urban, peri-urban and rural areas.</li> <li>• Strengthen national and regional development planning.</li> <li>• Support including through financial and technical</li> </ul>

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Water and Wastewater Treatment</b>			
	<ul style="list-style-type: none"> <li>○ Diversification on board level by gender</li> <li>○ Focus on local procurement spend with specific focus on empowerment of SMMEs                             <ul style="list-style-type: none"> <li>▪ Specific focus on empowerment of local companies in the area of operations</li> </ul> </li> <li>● Meeting community objectives as it relates to:                             <ul style="list-style-type: none"> <li>- Job creation (direct and indirect)</li> <li>- SMME supported and development</li> </ul> </li> </ul> <p>Roll out of community projects, with CSI spend to be linked to core business model</p>		<p>assistance, in building sustainable and resilient buildings utilising local materials.</p>
<p><b>Intellectual Capital</b></p> <p>Transfer knowledge and leverage networks through:</p> <ul style="list-style-type: none"> <li>● Sharing Experiences from previous investments</li> <li>● Writing articles to share knowledge</li> <li>● Undertaking inhouse research to support segments of investment</li> <li>● Participation in engagement platforms to learn</li> </ul>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>● Improved overall knowledge base of investee company management to be demonstrated in the following areas:                             <ul style="list-style-type: none"> <li>- The sector</li> <li>- Stock management</li> <li>- Tracking of improvement initiatives through modelling</li> <li>- Ability to undertake forecasting and scenario planning</li> <li>- Ability to analyse the business</li> <li>- Environmental Social and Governance (ESG) reporting                                     <ul style="list-style-type: none"> <li>○ This is to be achieved through:   <ul style="list-style-type: none"> <li>▪ Secondment of resources between the fund and investee company to transfer knowledge</li> </ul> </li> </ul> </li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Water and Wastewater Treatment</b>			
<p>from each other and to share knowledge</p> <ul style="list-style-type: none"> <li>Partnering of investee companies to share knowledge around best practice</li> </ul>	<ul style="list-style-type: none"> <li>Review and assessment of research undertaken by the fund and applying lessons learnt to the investee company's business model</li> <li>Implementation of sustainable governance policies and procedures undertaken, tracked through ability to:                             <ul style="list-style-type: none"> <li>Demonstration of ongoing legal compliance</li> <li>Report on key issues at an interval defined in the agreement</li> <li>Flag risk items to board level for assessment</li> <li>Ability to leverage opportunities to maximise financial and social returns to the business</li> </ul> </li> </ul>		
<p><b><u>Manufactured Capital (Relationship Capital)</u></b></p> <p>Through legal agreements where the fund are majority stakeholders, we can help facilitate financially beneficial partnerships</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>Identification of key partnerships which would meaningfully contribute to growing the business</li> <li>Leveraging these partnerships where possible to facilitate the development of a competitive advantage in the market, measured through:                             <ul style="list-style-type: none"> <li>Lowering of operating costs through shared synergies</li> <li>Increasing access to markets through leveraging a common or complimentary customer base</li> <li>Reducing market risks through ensuring security of supply of raw material inputs or access to markets</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Water and Wastewater Treatment</b>			
	<ul style="list-style-type: none"> <li>- Increasing customer base through the introduction to new markets or customer demographics</li> <li>- Improving of brand awareness through leveraging opportunities to jointly market activities</li> <li>- Innovation of product offering</li> </ul>		
<p><b><u>Natural Capital</u></b></p> <p>Through our proxy voting and engagement policy, we encourage investee companies to employ efficient and environmentally friendly practices.</p>	<p>KPIs to be set include:</p> <ul style="list-style-type: none"> <li>• Impact of implementation of process improvement initiatives, measured through (where appropriate):                             <ul style="list-style-type: none"> <li>- Improved energy efficiencies</li> <li>- Reduction in water use</li> <li>- Reduced carbon footprint</li> <li>- Reduced waste generation</li> <li>- Improved levels of waste recycling</li> <li>- Identification of alternative income streams through waste repurposing</li> </ul> </li> <li>• Impact of implementation of ongoing training and development of staff (where appropriate)                             <ul style="list-style-type: none"> <li>- Improved operational efficiencies</li> <li>- Reduced waste generation</li> <li>- Reduced reject rates</li> <li>- Reduced levels of refunds to customers</li> <li>- Improved employee satisfaction levels</li> <li>- Improved levels of employee engagement</li> </ul> </li> <li>• Implementation of sustainable environmental policies and procedures undertaken, tracked through ability to:                             <ul style="list-style-type: none"> <li>- Demonstration of ongoing legal compliance</li> </ul> </li> </ul>		

INPUT	OUTPUT	OUTCOMES	IMPACTS
<b>Water and Wastewater Treatment</b>			
	<ul style="list-style-type: none"> <li>- Report on key issues at an interval defined in the agreement</li> <li>- Flag risk items to board level for assessment</li> <li>- Ability to leverage opportunities to maximise financial and social returns to the business</li> <li>• Focus on local content to facilitate import substitution, measured through:               <ul style="list-style-type: none"> <li>- Ability to substitute input requirement at the same quality as previously sourced</li> <li>- Ability to substitute inputs required at same quantities as previously sourced (even if through multiple input sources as opposed to single source appointment)</li> <li>- Reduction in transport logistics spend (indirectly a measure of reduction in environmental footprint)</li> <li>- Reduction in time required to access input sources (indirectly a measure of reduction in environmental footprint)</li> </ul> </li> </ul>		

