

FINDEV CANADA TRANSACTION SUMMARY

African Infrastructure Investment Fund 4 (AIIF4)

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

African Infrastructure Investment Fund 4, (“AIIF4” or “the Fund”) is a closed-end fund with a target size of US\$ 500M. It is managed by African Infrastructure Investment Managers Proprietary Limited (“AIIM” or “the Manager”). It is one of Africa’s well-established infrastructure private equity firms, with a track record of over 20 years.

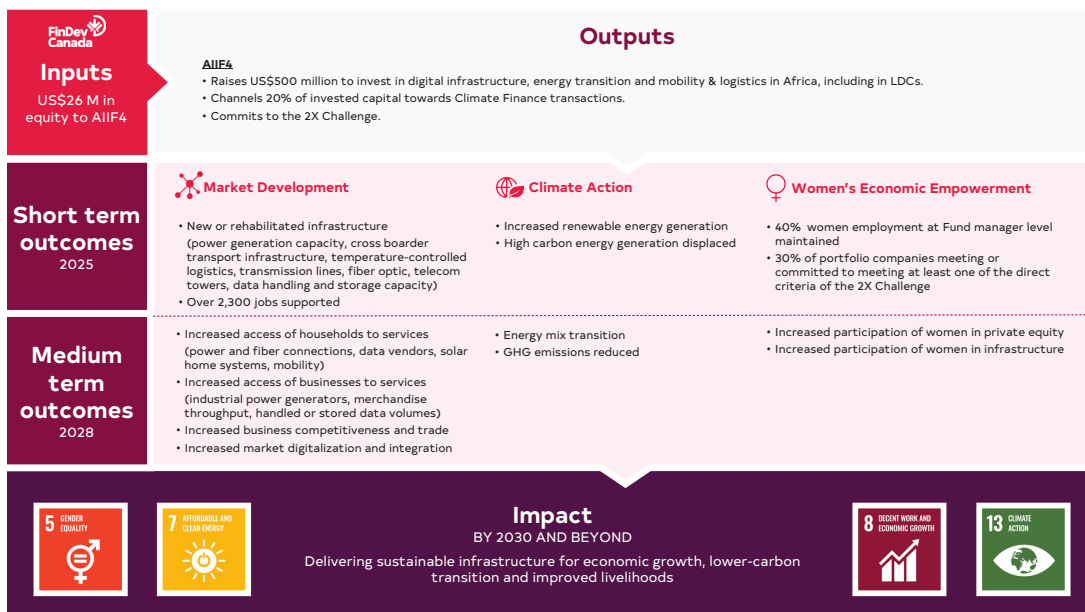
Transaction Details

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| COUNTERPARTY | African Infrastructure Investment Fund 4 (“AIIF4” or “the Fund”) |
| DOMICILE | South Africa |
| COUNTRY(IES) OF OPERATIONS | Multiple countries across Africa |
| FUND TERM | 13 years |
| SECTOR | Sustainable Infrastructure |
| E&S CATEGORY | FI-1 |
| FINANCING PRODUCT | Equity |
| FINDEV CANADA TRANSACTION AMOUNT | USD 26 million |
| DATE OF TRANSACTION DISCLOSURE | March 31, 2023 |
| DATE OF TRANSACTION SIGNING | May 19, 2023 |
| DATE OF TRANSACTION SUMMARY PUBLICATION | August 17, 2023 |
| 2X CHALLENGE QUALIFYING | Yes, based on the indirect (Financial intermediaries) and direct (Employment) criteria |

Summary of Anticipated Development Impacts

AIIF4's development impact value proposition is to spur social and economic development by delivering sustainable infrastructure for higher energy reliability, connectivity, and digitalization in African markets. The Fund's investments will contribute to supporting jobs, as well as improving access of households and businesses to electricity, digital, transport, and logistics services. By addressing critical infrastructure gaps, AIIF4 investments can also contribute to improving business competitiveness and facilitating national and regional trade. About a third of investee companies have a pan-African coverage, which further promotes regional integration on the continent.

As part of this transaction, AIIM commits to having 30% of AIIF4's portfolio companies meeting or committed to meeting at least one of the direct criteria of the 2X Challenge. It will also endeavor to catalyze funding towards investments that are aligned with the Paris Agreement and those qualifying as climate finance transactions, as defined under the Multilateral Development Banks (MDBs) and the International Development Finance Club (IDFC) framework.





MARKET DEVELOPMENT

- **Developing sustainable infrastructure:** AIIF4 will deploy much needed long term risk capital to fill critical infrastructure financing gaps in Africa and meet the increasing demand for infrastructure related services by both businesses and households. AIIF4 aims to support some 12 opportunities, including on-grid and off-grid renewable energy platforms, roads and logistics companies, as well as digital infrastructure investments. Three of the Fund's existing five portfolio companies support pan-African or regional projects that cover Least Developing Countries where infrastructure financing gap is wider.
- **Enhancing energy reliability, connectivity, and digitalization:** AIIF4 investee companies are expected to contribute to (i) enhancing energy reliability, particularly for businesses, (ii) boosting urban and rural mobility, (iii) improving access of businesses to regional and global markets through upgraded cold storage capacity, warehousing, and shipping services, as well as (iv) promoting a digital economy and unlocking opportunities to contract online services.
- **Supporting jobs:** About 2,300 direct jobs could be supported through the construction, operation, and maintenance of the deployed infrastructure.



WOMEN'S ECONOMIC EMPOWERMENT

- **Mainstreaming a gender lens in infrastructure:** The Manager has committed to mainstreaming gender equality and women's empowerment internally and at a portfolio level for AIIF4. This is done through integration of an intentional gender lens in the Manager's employment practices and by aligning AIIF4's portfolio against 2X Criteria, a standard in gender-lens investing. Successful gender lens mainstreaming by AIIF4 has potential for demonstration effects in the infrastructure investment space in Africa.



CLIMATE ACTION

- **Building climate-resilient infrastructure:** Africa is among the regions most vulnerable to climate change and one where the climate finance gap remains considerable. AIIF4 commits to deploying (i) 75% of invested capital to sustainable infrastructure projects in alignment with the Paris Agreement, and (ii) 20% to Climate Finance transactions, as defined under the MDBs and IDFC Common Principles for Climate Change Mitigation and Adaptation Finance Tracking.
- **Reducing greenhouse gas emissions:** AIIF4 recently adopted its Climate Change Policy (2022) which excludes investment into heavy fossil fuel assets. The Manager is implementing carbon reduction and offsetting strategies at the portfolio level by scaling up renewable energy platforms, supporting fuel management solutions in the logistics value chain, improving the environmental performance of data centers, and replacing diesel generators by solar photovoltaics (PV) at telecom tower sites.
- **Increasing climate adaptation:** Climate change risk assessment, mitigation and adaptation are integrated into the Fund's investment processes. The Manager is expected to commission site-specific evaluations and incorporate adaptation components in project design, where material climate physical risks have been identified.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This review has been completed in accordance with FinDev Canada's Environmental and Social Policy. FinDev Canada Team considers the transaction to be Category FI-1, given the nature and size of AIIF4 pipeline, which is comprised of medium-high risk sectors that are expected to have exposure to adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

The benchmark review of AIIF4's Environmental and Social ("E&S") management capacity was conducted against the International Finance Corporation Performance Standards ("IFC PS") 1 and 2. The due diligence activities consisted of E&S documentation review, and interviews with ESG representatives from AIIM. Environmental and social documents' review included AIIM's Environmental and Social Management System ("ESMS"), ESG and Climate policies, human resources policies, and E&S due diligence reports for past projects. FinDev Canada's Investment team undertook a site visit in December 2022, and the E&S Risk team conducted virtual meetings.

The E&S risks associated with this transaction lie with the individual projects that AIIF4 may support with the funds it receives from FinDev Canada. The primary risks associated with AIIF4's investments will be project- and sector specific and include risks generally associated with infrastructure works, such as (i) labour and working conditions, (ii) occupational health and safety ("OHS"), (iii) waste management, (iv) biodiversity and land acquisition, (v) noise and vibration, and (vii) transportation, among others. Other risks also include (viii) Gender Based Violence and Harassment ("GBVH"), and (ix) emerging Solar Supply Chain risks that are associated with large construction (road) and renewable energy projects, respectively.

To manage E&S risks, AIIM has implemented a fit-for-purpose ESMS for AIIF4 that governs the integration of ESG topics into the full investment cycle - from origination to exit. The Fund follows an ESG Policy aligned with the IFC PS, the Equator Principles, the Task force on Climate-related Financial Disclosure ("TCFD"), the World Bank's Environmental, Health and Safety Guidelines, and ESG regulations applicable in the countries where it invests. The Fund also maintains an exclusion list of activities that it is prohibited from funding. The ESMS is reviewed annually by the Manager's ESG experts and updates are informed by lessons learnt across the portfolio.

Under AIIF4, AIIM has established an ESG sub-Committee comprising of FinDev Canada and peer ESG professionals from DFI and institutional LPs, that will act as a sounding board to support AIIM on ESG matters relevant to AIIF4's portfolio, including in relation to ESG due diligence for Category A (project finance) investments.

The following IFC PS were applied in FinDev Canada's assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC PS 1: Assessment and Management of Environmental and Social Risks and Impacts.
- IFC PS 2: Labor and Working Conditions.

For further information on AIIM's commitment to Sustainability and ESG matters, visit <https://aiimafrika.com/sustainability/>.