



AFRICA⁵⁰

26 October 2022



Africa50 Group's Climate Change Guiding Principles

1. INTRODUCTION

Preamble

Africa50, by investing in infrastructure and infrastructure linked sectors, aims to promote sustainable economic growth, job creation and improve the livelihoods of people in Africa, while preserving natural resources for future generations and creating value for our Shareholders.

Prioritizing and being intentional about how we manage Environmental, Social and Governance (ESG) risks and achieving positive development impact in our investments is fundamental to how we do business, and places responsible and sustainable value creation at the center of all our activities.

We believe that a thoughtful and transparent ESG approach, together with a targeted focus on development impact, will deliver sustained and solid investment returns, earn and maintain good government and community support, as well as enhance brand value and credibility. The resultant effects will increase our ability to catalyze additional investment capital and attract world-class partners to execute on our mandate of addressing the infrastructure deficit in Africa.

Why addressing climate change is important to Africa50?

Africa contributes the least to global greenhouse gas emissions (less than 4%) but suffers significantly from the consequences of climate change, with tangible negative impacts such as extreme climate variations adversely impacting livelihoods. The resultant food insecurity, population displacement, water scarcity and threats to socio-economic development brought about by the climate crisis are therefore our joint concern.

While climate change presents significant risks and adversely affects the African continent, the new investments needed over the coming decades to mitigate, adapt to and build resilience against the effects of climate change, provides our African country Shareholders an opportunity to drive sustainable economic development and diversification through the creation of new economic value chains and industries.

Given the enormity of the task at hand to mitigate and adapt to climate change, African countries will need to leverage greater participation of the private sector. Africa50, in keeping with our core mandate, will seek to catalyze funding from the private sector, working together with diverse stakeholders to deploy mitigation and adaptation strategies, through amongst others, a strong focus on climate friendly infrastructure investments and in the use of new technologies to help the continent accelerate its transition to Net-Zero.

Africa50 intends to capture opportunities created by the low-carbon transition in infrastructure and infrastructure linked sectors, such as transport and logistics, ICT, midstream gas, healthcare, fintech and power, promoting efficiency, innovation and growth.

We will work with our Shareholder countries and other stakeholders to support, to the extent possible, via our investments in climate resilient and sustainable infrastructure and infrastructure linked projects in their attainment of their Nationally Determined Contributions (NDCs), which are at the centre of the Paris Agreement

2. PURPOSE AND SCOPE

The purpose of Africa50's Climate Change Guiding Principles is to outline our climate change engagement and approach to stakeholders, including how climate change factors are integrated and managed throughout our organization, our investment and decision-making processes and throughout the period that we hold investments.

The scope of our Climate Change Guiding Principles covers Africa50's proposed management of climate change issues in its operations and investment activities, under the guidance and oversight of Africa50's Board of Directors and Investment Committee.

3. OUR COMMITMENTS

As part of Africa50's Climate Change Guiding Principles, we will endeavor to:

- align our operations to assist, through our investments, the countries in which companies or projects funded by Africa50 are based in meeting their NDCs;
- promote climate change mitigation, adaptation and resilience strategies within our sphere of influence, including our portfolio companies and our Shareholder countries;
- continue to review our investments in light of the climate commitments made by the countries where our investments are implemented;
- promote climate friendly/conscious investments that address climate change mitigation, adaptation and resilience;
- measure, monitor and disclose the carbon footprint of our organization and take the relevant actions to reduce these in line with the global ambition of no more than a 1.5°C temperature increase by 2050. This will be done by continuing to promote a culture of sustainability through the ongoing implementation and improvement of existing actions and measures towards energy and water efficiency, waste management, and the overall reduction of our carbon footprint; and
- measure, monitor and disclose the carbon footprint of our portfolio companies and accompany them to take the relevant actions to reduce these in line with the global ambition of no more than a 1.5°C temperature increase by 2050. This may include the promotion and use of resource efficiency technologies, and other practices to promote the reduction of their carbon footprint.

4. POSITION ON FOSSIL FUELS

As a pan-African organization, Africa50 recognizes the significant and urgent development needs of the continent coupled with the need to transition towards Net-Zero. As such, Africa50 aims, through our investments, to work with our African country Shareholders to contribute to a suitably balanced energy mix to reach their climate targets and transition towards Net-Zero, while at the same time addressing their pressing development challenges – a just energy transition.

Africa50 is committed to investing in renewable energy. As of September 2022, renewable energy projects constitute the majority of our power generation portfolio in terms of megawatts. At the same time, Africa50 believes that the use of natural gas, as a baseload and transitional energy solution, alongside renewable energy, is critical for the development and industrialization of African economies. Africa is also well endowed with gas resources and the environmental footprint of natural gas is far lower than that of currently used alternative sources such as coal, oil or firewood.

Fossil fuel exclusions

As part of our contribution to the global fight against climate change, Africa50 has not invested in nor will it invest in, through direct investments or co-investments, the following:

Coal

- Coal-fired power plants, including dual-power plants (coal alongside another fuel source);
- Refurbishment, retrofitting and rehabilitation of existing coal power facilities, including dual-power plants; and
- Coal prospection, exploration, mining, processing and trading.

Permissible Fossil Fuel Investments

Gas

In keeping with our investment policy, Africa50 will continue to invest in natural gas related infrastructure including:

- Gas to power and hybrid generation plants; and,
- Midstream and downstream gas infrastructure, including gas importation, processing, storage, distribution and transportation infrastructure.

As part our investment process, Africa50 will endeavor that all future investments in permissible fossil fuels meet at least one of the following criteria:

- are within the country's carbon budgets;
- are aligned to a 1.5°C world outcome by 2050;
- are substituting higher carbon intense fuel sources;
- are in countries that face challenges in terms of access to energy, (e.g., management of demand, intermittent generation, ancillary services, or the peak); or
- that there is not economically, cost competitive and technically viable renewable energy alternatives to ensure flexible non-intermittent power.

Exceptional Case: *Heavy Fuel Oil (HFO) to Gas Conversion:* Africa50 will only invest in HFO to gas power plants where it believes there is a high degree of certainty on access to gas within a reasonable timeframe, and where there is not a reasonable cost-effective base load alternative with less emissions.

These Climate Change Guiding Principles have been developed to present Africa50's position on and approach to both climate change challenges and opportunities. Africa50 is resolutely focused on ensuring it contributes to implementing appropriate responses and mitigants both at an organizational level and within our investments, to address the climate change challenges and identify and exploit the opportunities it presents. Through the use of innovative financial solutions and technologies, we shall seek to identify new and diverse opportunities that will accelerate Africa's just transition to Net-Zero.