

**AFRICA FINANCE CORPORATION
(AFC)**

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT POLICY

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Distribution

Name
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Document Creation and Revisions

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1. AFC ENVIRONMENTAL AND SOCIAL POLICY

1.1 Introduction

Africa Finance Corporation (AFC) is committed to identifying, managing and monitoring on an on-going basis environmental and social (E&S) risk in all areas of its business activities.

In practice, this means adhering to international standards and best practice in the assessment and management of E&S risks, by incorporating standards developed by other international institutions into AFC's decision-making process.

AFC recognizes that the failure to identify and manage E&S risks can represent a serious threat to AFC's reputation and its business. Thus, adherence to the Corporation's E&S Risk Management Policy represents a fundamental objective for AFC, to minimize the risk of damage to the Corporation's business and reputational risk. Adherence also provides significant benefits to the Corporation, its clients and all stakeholders.

1.2 Applicable Standards and Scope

AFC's E&S Risk Management Policy and System is based on the following best practice standards:

1. The Equator Principles;
2. International Finance Corporation Performance Standards;
3. World Bank Group's Environmental, Health, and Safety Guidelines;
4. African Development Bank Integrated Safeguards System;

By adhering to these standards AFC is committed to promoting E&S sustainability in its project financing and direct equity investments in infrastructural projects and project development financing.

This Policy is applicable to all debt and equity transactions financed by AFC. The applicability of AFC's E&S policy to trade finance transactions will be determined on a case-by-case basis. AFC's E&S Policy is not practicable in treasury transactions.

1.3 Approach

AFC's commitment to managing E&S risks implies the following:

- When national standards in countries where AFC invests are below international standards, AFC will collaborate with clients to attain international standards (or if

appropriate Equator Principles standards over time).

- AFC will not invest in activities that are listed on the AFC Exclusion list.
- E&S Risk assessment is integrated into the entire investment process, from pre-investment to exit.
- If appropriate, AFC will engage with stakeholders directly, but usually through representatives of companies in which we have invested.
- Our investments will have appropriate structures that provide appropriate oversight in the areas of audit, risk management and potential conflicts of interest. AFC has a zero tolerance to bribery and other improper payments to public officials, in accordance with the U.S. Foreign Corrupt Practices Act, the Organization for Economic Cooperation and Development (OECD) Anti – Bribery Convention and similar laws in other countries.
- AFC will encourage entities in which it has invested to educate their supply chain in managing their E&S risks in accordance with global best practice.
- To ensure resources for managing E&S risks are used efficiently and effectively, investments are rated / categorized for E&S risks. The basis for categorization into “A” High Risk, “B” Medium Risk and “C” Low Risk categories. Categorization is dependent on the presence of adverse impacts and whether these impacts are site specific, diverse or unprecedented.

1.4 Implementation of the Policy

AFC has developed an E&S Risk Manual that details how and who will implement and tools for implementing this policy. This Policy will be implemented under the guidance of AFC's Chief Risk Officer.

1.5 Capacity Building

As part of our commitment to on-going assessment and management of E&S risks, AFC will provide periodic training on E&S risk management to all staff of the Corporation.

1.6 On-going Monitoring

Beyond compliance at the point of investment, periodic investment monitoring reports will include updates on E&S risks.

AFC also has a dedicated email address (grievance@africafc.org) for use by stakeholders wishing to file complaints regarding AFC's activities and projects financed.

1.7 Policy Updates or Revision

This Policy will be reviewed annually by AFC's Risk Management department. Reviews will be recommended to Executive Management Committee for endorsement approval, and Board Risk and Investment Committee for approval.