Disclosure Statement

Operating Principles for Impact Management

November 30, 2022

Infrastructure Credit Guarantee Company Limited (InfraCredit) is a Signatory to the Operating Principles for Impact Management (the “Impact Principles”).

This Disclosure Statement affirms that InfraCredit ’s impact management system, policies and procedures, and financing services (guarantees) are designed with the intent to align with the Impact Principles, as currently stated. The Total Assets Under Management in alignment with the Impact Principles is $195 million as of 12/31/2021.

Chinua Azubike

Chief Executive Officer, InfraCredit

November 30, 2022

Principle 1: Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the Investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- InfraCredit is a 'AAA' rated specialised financial guarantor, sponsored, and backed by the Nigeria Sovereign Investment Authority, GuarantCo, KfW Development Bank, Africa Finance Corporation, African Development Bank and InfraCo Africa, with a mandate to act as a catalyst and deepen the domestic debt capital markets for infrastructure finance in Nigeria.

- We are committed to unlocking long-term infrastructure financing in Nigeria by providing local currency guarantees to enhance the issuance of corporate infrastructure debt instruments. InfraCredit acts as catalyst to attract the investment interest from pension funds, insurance firms and other long-term investors thereby deepening the Nigerian debt capital markets.

- We recognise the need for an explicit focus on development impact (DI) measurement to better understand our broader market impact. Our strategic aim is to deepen Nigeria's debt capital market and catalyze an integrated financial market across the infrastructure development life cycle by crowding in diverse sources of funding.

- InfraCredit's refined Theory of Change (ToC) articulates a bold ambition to "*transform the debt capital market and increase infrastructure development in Nigeria to drive economic growth and improve quality of life in an environmentally sustainable manner*".

- InfraCredit uses three pillars to inform its Theory of Change, which outlines the logical path through which our activities address constraints at the Market, Project, and End User levels, to achieve our mission.

    - **Market level**: InfraCredit will expand the debt capital market, investor base and new sources of capital for infrastructure financing. We will also support the emergence of an enabling environment with favourable policies and incentives, and connected networks of actors, to support infrastructure development
    - **Project level**: InfraCredit will enable infrastructure project developers to access longer tenor capital at competitive rates and will ensure high impact and viable projects are increasingly, successfully, and sustainably executed, and create jobs.

- **End User**: InfraCredit's activities will lead to increased infrastructure access, reliability and resilience leading to improved livelihoods. As a consequence of these outcomes, InfraCredit will enable improved business productivity leading to economic growth and social development.

- Through our ToC, InfraCredit aims to:
  - *Transform the debt capital market and increase infrastructure development in Nigeria;*
  - *Catalyze the unlocking of long-term local currency capital for infrastructure financing in Nigeria;*
  - *Actively identify and support viable investments in all eligible transaction sectors;*
  - *Intervene in two ways: alleviate financing bottlenecks (through guarantees and other innovations) and build investor understanding to increase their appetite for infrastructure financing;*
  - *Improve intermediation capacity and mobilize additional sources of financing to infrastructure projects; and*
  - *Ultimately, drive economic growth, and improve the quality of people's lives in an environmentally sustainable manner.*

- In order to measure these outcomes and track InfraCredit's activities, we have adopted a suite of indicators (and corresponding sub-indicators) blending sustainable development goal (SDG) and InfraCredit internal metrics. These indicators provide an SDG perspective to measurement and reporting of InfraCredit's operations with the end goal of helping achieve the SDGs. InfraCredit development impact assessment tool assists with incorporating data and tracking progress towards InfraCredit's impact aspirations.

Principle 2: Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- InfraCredit has developed a Monitoring, Evaluation and Learning (MEL) Framework that supports a culture of accountability, and impact-driven decision making, and necessitates key updates to InfraCredit's operations, including but not limited to the following:
    - *Routine monitoring and data collection to build a knowledge-base for impact assessment and reporting;*
    - *Aggregation and analyses of data from all relevant partners and sources by an in-house development impact team to identify bottlenecks and best practices;*
    - *Periodic evaluation studies to understand the wider ecosystem shifts attributable to our operations;*
    - *Application of an impact lens across our investment cycle.*
    - *Making our DI monitoring central to InfraCredit's end-to-end investment process and approach;*
    - *Leveraging measurement and evaluation to provide actionable recommendations to inform senior decision-makers.*

- InfraCredit has developed an Impact Assessment Checklist for assigning impact scores to each transaction across different categories including job creation, gender, climate change, economic contributions at individual, household and business levels, and quality of access to infrastructure services.

- InfraCredit DI Lead role is responsible for ensuring that its portfolio remains on track to meet its strategic DI mandate through regular collection of impact from portfolio clients and facilitation of capacity building for designated DI Data Officers.

- A company-specific MEL Plan (outlines relevant SDG-aligned project impact indicators, guidance on data collection methodologies and reporting frequency) is designed for each transaction to assist in DI monitoring on a quarterly basis. The DI monitoring requirements are incorporated in the legal documentation as Environmental and Social (E&S) and DI Covenants as binding commitments from portfolio clients. InfraCredit's DI Database Tool is used for tracking impact across the pillars (market, project, and end-user).

- InfraCredit will consider aligning staff incentive systems with the achievement of impact as best practices emerge and to the extent that it is feasible within our People Strategy and remuneration policy.

Principle 3: Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- InfraCredit is statutorily mandated to ensure that its financing activities are financially "additional" to private sector infrastructure entities by mobilizing private capital from institutional investors that would otherwise not be deployed without its support.

- InfraCredit obtains information from potential clients on why InfraCredit guarantee is critical to mobilizing local currency financing from the debt capital market. Typically, all current portfolio companies as at the time of InfraCredit's intervention had not accessed financing from the capital markets and were first-time issuers, who could only raise financing from domestic institutional investors on the basis of InfraCredit guarantee.

- InfraCredit's New Business Committee (NBC) Paper highlights preliminary impact assessments of transactions and the Credit Committee (CC) Paper includes sections on ESG and DI assessments, underscoring the potential impacts associated with the transaction to aid decision-making. The DI Assessment report provides the baseline impact data obtained by appointed independent consultants on behalf of InfraCredit and also documents a MEL Plan for tracking impact post financial close.

- InfraCredit's Development Impact Framework ('the DI Framework') includes an Impact Additionality Framework which articulates the approach for measuring ex-ante additionality of its intervention across two dimensions (financial and non-financial) and five (5) categories (finance, design innovation, compliance with ESG standards, regulatory and policy enhancements, and social and economic development). Each category of impact additionality is scored based on category-specific measures or criteria to quantify a project's additionality.

- InfraCredit has deployed Technical Assistance Fund to enhance the realization of the development impact of select transactions and continues to explore blended finance mechanisms to catalyse and scale financing for climate-aligned infrastructure with significant positive environmental and social development outcomes.

- InfraCredit provides periodic development impact reports to development partners (KfW, GuarantCo, InfraCo Africa and AfDB) and has had increased engagements with domestic institutional investors on issuing impact reports to highlight the economic, social, and environmental impacts of their investments.

Principle 4: Assess the expected impact of each investment, based on a systemic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- InfraCredit has embedded an impact lens in its transaction review and assessment process. The DI Framework outlines key touch points for impact lens integration across the deal cycle, from the preliminary assessment phase through due diligence and structuring phase and in the portfolio management phase.

- At the Preliminary Phase, DI screening is conducted to understand the range and depth of impact associated with the transaction. The scope of impact identified recognizes two sets of indicators: Core and Ancillary Indicators. The former refers to crosscutting and priority areas as defined by the Theory of Change, which are indicators that InfraCredit tracks for all of our transactions. The latter relates to additional areas that impact the Sustainable Development Goals (SDG) but are sector or project specific. These are particularly relevant for projects such as health and water, which require tailored monitoring of social outcomes. The preliminary impact screening process informs decision making to proceed to the due diligence phase subject to approval from the New Business Committee (NBC).

- InfraCredit commissions external consultants to undertake Impact Due Diligence of transactions to assess and estimate ex ante impact to establish baseline and projections on anticipated impact. The **Joint Impact Model** have been used in investigating the impact of infrastructure projects using indicators such as MW of renewable energy installed, GHG emissions avoided from lower carbon or renewable energy projects, GHG emissions avoided from deploying energy-efficient designs, equipment, or processes and MW of installed capacity. **A set of indicators are** adopted for impact assessment are largely aligned with the Harmonized Indicators for Private Sector Operations ("HIPSO") and the Global Impact Investing Network's ("GIIN") "IRIS+" catalogue of metrics.

- The DI Assessment Template consists of SDG-aligned indicators that reflect the impact theme (infrastructure stock, climate change, gender, job creation and quality), impact beneficiaries (household, businesses, women, youths) and impact depth (number of businesses with improved access to infrastructure, number of women-owned or women-led businesses with access to infrastructure, etc.)

- InfraCredit ESG and Impact Team and Transaction Teams collaborate on determining the Impact Evaluation Score for transactions, documenting the baseline and anticipated impact from the due diligence exercise in the Credit Paper for the approval of the Credit Committee. Based on the findings of the due diligence, a MEL Plan is developed and discussed with the client prior to incorporation into the Recourse Deed.

- InfraCredit DI Frameworks provides flexibility of considering ways of maximizing the development impact of InfraCredit-guaranteed projects through their life cycle. The implementation of the DI Framework is evolving as we apply lessons learnt to improve our processes and practices to align with international best practices.

Principle 5: Assess, address, monitor, and manage the potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social, and Governance ("ESG") risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- InfraCredit's Environmental and Social Policy articulates our commitment supporting sustainable and climate-resilient infrastructure development by applying the mitigation hierarchy in identifying, assessing, and mitigating E&S risks and impact associated with the infrastructure projects. We align our assessment and management of E&S risks and impact with international principles and standards such as International Finance Corporation Performance (IFC) Standards on Environmental and Social Sustainability (2012),AfDB Operational Safeguards, the World Bank Environment, Health and Social (EHS) Guidelines, the Equator Principles, the International Labour Organisation's Conventions, the Voluntary Principles on Security and Human Rights, and the United Nations Principles for Responsible Investment (UN PRI), among others.

- For each transaction we apply the InfraCredit Exclusion List to screen out projects that are not eligible for financing in line with our E&S Policy. Subsequently, we undertake Initial E&S Screening to identify material issues and to categorise a transaction as either A (High Risk), B (Medium Risk) and C (Low Risk), which informs the level of rigour applied at the due diligence phase.

- For E&S Due Diligence of transactions, InfraCredit appoints independent E&S consultants that conduct a rigorous assessment of clients' operations, benchmarking their operations and performance against the requirements of IFC Performance Standards and AfDB Operational Safeguards. The findings of the E&S Due Diligence are incorporated in the Credit Paper for the Committee's approval. The Environmental and Social Action Plan (ESAP) is discussed with the client to secure their commitment to implementing the recommendations in line with applicable timelines.

- For category A project, InfraCredit discloses the project details with relevant Development Partners and prepares an Environmental and Social Review Summary (ESRS) highlighting key details of potential E&S risks and impacts of projects. The ESRS is disclosed on InfraCredit's website for a period of 60 days prior to Credit Committee approval.

- InfraCredit's ESG Team may require changes to the investee's systems, processes, and standards, based on good international industry practices (GIIP). These requirements are documented as E&S Covenants in the legal agreement between InfraCredit and the client.

In addition, the InfraCredit ESG Team may engage technical assistance funds to assist in closing any gaps.

- To provide a holistic assessment of each project's development potential, the DI Framework captures measurement of completion of E&S Action Plan to address risks and impact and to explore key ESG opportunities. InfraCredit is exploring a Performance-linked Incentive System that encourages client's realization of development impact.

Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

- InfraCredit DI Framework outlines the processes for data collection from portfolio projects. A suite of Data Collection Templates (Preliminary Information Checklist, Portfolio Data Template, Climate Data Template) has been developed to collect data from portfolio companies on a quarterly basis.

- The DI Framework presents comprehensive guidance on the process for measurement of impact at the market, project (sector-specific) and end-user levels. The table of indicators include guidance on applicable indicators (main and sub-indicators), unit of measurement, source of data, methodology for projection, monitoring responsibility, frequency of monitoring, and stage of monitoring in the transaction process.

- InfraCredit ESG and Impact Team collects development impact data based on the MEL Plan developed during the transaction phase. Portfolio companies submit impact data every quarter from the time a project becomes active.

- In addition to the quarterly reporting, InfraCredit has recently commenced annual impact monitoring of portfolio projects through independent ESG consultancies to provide an independent assessment of impact generation through guaranteed portfolios. This approach is complementary to the regular data collection system and informs key lessons learnt for process improvement as the DI Framework implementation matures.

- InfraCredit will conduct project end-users' survey to complement impact reporting from portfolio companies and to obtain both quantitative and qualitative data on outcomes impact arising from its intervention. Through the Recourse Deed, portfolio clients have established commitment to facilitate collection of evidence-based impact data through physical site visit to their operational sites and related entities or via electronic platform.

- InfraCredit may revise the Impact Score of Project if the original objectives are no longer realistic or when a project seeks additional financing for continuing development of infrastructure.

Principle 7: Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- InfraCredit currently supports projects through direct guarantees or through a blended finance approach. During the tenor of the bond, any change of project ownership or material involvement of initial participants generally requires InfraCredit's consent.

- InfraCredit's Theory of Change establishes that infrastructure projects supported will be developed in environmentally sustainable and socially acceptable manner, promoting economic prosperity, and enhancing quality of lives. Through regular capacity building, InfraCredit seeks to entrench an impact-oriented lens in portfolio operations and continues to explore measures to incentivize adoption of an impact mindset across portfolio companies. The long-term strategy is to embed a culture of environmental and social sustainability in companies' operations to ensure they sustain positive development outcomes even after the bond tenor has elapsed. However, there is no legally binding commitment for portfolio companies to maintain such a level of commitment after exit.

- Based on InfraCredit DI Framework, an Impact Evaluation will be conducted periodically to understand if and how InfraCredit's intervention has resulted in any measurable impact. The first impact evaluation will be conducted in 2023.

Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- InfraCredit DI Framework implementation is evolving as we apply lessons learnt for the last 12 months. We are also strengthening the ESG and Impact Team to enhance internal capacity to consistently measure project impacts in line with best practices.

- InfraCredit is particularly focused on improving its capacity to assess each project's Core impacts and demonstrate whether the project is on track to meet its development objectives. We are intentional about applying lessons learnt from our past experience to refine our processes and enhance the institutional capacity to implement a robust DI Framework.

- InfraCredit planned Impact Performance Evaluations on selected projects will facilitate learning that will inform the design of future projects and improve the implementation of our DI Framework. We are also developing DI Management Information System to enhance the effectiveness and efficiency of impact tracking, monitoring, and reporting.

Principle 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- InfraCredit's DI Framework pilot implementation commenced formally in 2021. Many key impact processes, systems, strategies, metrics, policies, are undergoing review and refinement to improve our internal processes and to ensure we align with best practices.

- This Disclosure Statement re-affirms the deepening alignment of InfraCredit DI Framework with the Impact Principles. The Disclosure Statement will be updated in June 2023.

- InfraCredit engaged PwC to review the adequacy of its Impact Framework and to provide recommendations on improving the Framework. As we work to enhance the Framework, InfraCredit plans to conduct an independent verification of its alignment with the Impact Principles before June 2023, which will be published on its website.