Disclosure Statement

Operating Principles for Impact Management

November 30, 2023

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 $260 million as of 12/31/2022.

Chinua Azubike

Chief Executive Officer, InfraCredit

November 30, 2023

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 specialized financial guarantor with a 'AAA' rating, supported and sponsored by key entities, including the Nigeria Sovereign Investment Authority, GuarantCo, KfW Development Bank, Africa Finance Corporation, African Development Bank, and InfraCo Africa. InfraCredit's primary mandate is to serve as a catalyst, fostering the growth of domestic debt capital markets for infrastructure finance in Nigeria.

- InfraCredit is dedicated to facilitating long-term infrastructure financing in Nigeria by offering local currency guarantees to boost the issuance of corporate infrastructure debt instruments. Acting as a catalyst, InfraCredit aims to attract investment interest from pension funds, insurance firms, and other long-term investors, thereby contributing to the deepening of the Nigerian debt capital markets.

- We acknowledge the importance of placing explicit emphasis on the measurement of development impact (DI) to gain a comprehensive understanding of the broader market impact. Our strategic objective remains to enhance Nigeria's debt capital market while acting as a catalyst to stimulate an integrated financial market throughout the infrastructure development life cycle. This involves attracting diverse sources of funding to contribute to the overall development of the market.

- InfraCredit's 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's Theory of Change is hinged on three pillars, delineating a logical pathway through which its activities address constraints at the market, project, and end user levels to accomplish its strategic mission.

    - **Market level**: InfraCredit will grow the debt capital market, investor base, and new sources of funding for infrastructure financing. We will also support to create an enabling environment with beneficial regulations and incentives, as well as connected networks of actors, to encourage infrastructure development.

- **Project level:** InfraCredit will allow infrastructure project developers access to longer-term funding at competitive rates. This strategic approach is designed to enable the more frequent, successful, and sustainable execution of high-impact and feasible projects, ultimately contributing to job creation.

- **End User**: InfraCredit's initiatives are anticipated to result in enhanced infrastructure access, reliability, and resilience, thereby contributing to improved livelihoods. The positive outcomes of these efforts are expected to facilitate increased business productivity, subsequently fostering economic growth and contributing to overall 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.*

- To quantify these outcomes and track InfraCredit's efforts, we have implemented a set of indicators (and sub-indicators) that combines the UN Sustainable Development Goals (SDGs) and InfraCredit internal metrics. These indicators bring an SDG perspective to the assessment and reporting of InfraCredit's activities, with the ultimate goal of assisting in the achievement of the SDGs. The InfraCredit development impact assessment tool supports in the incorporation of data and tracking progress towards InfraCredit's impact goals.

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's Monitoring, Evaluation, and Learning (MEL) Framework which would be revised in 2023 was developed to promote a culture of accountability and impact-driven decision-making, which mandates significant improvements 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's designed Impact Assessment Checklist assigns impact scores to each transaction in various categories such as job creation, gender and youth inclusion, climate change, economic contributions at the individual, household, and corporate levels, and quality of access to infrastructure services.

- The InfraCredit DI Lead is responsible for ensuring that the portfolio is on track to achieve its strategic DI mandate by collecting impact data from portfolio companies on a regular basis and facilitate training and capacity building sessions for designated DI data officers.

- A company-specific MEL Plan (which defines important SDG-aligned project impact indicators, guidelines on data collecting methodology, and reporting frequency) is developed for each transaction to support DI monitoring on a quarterly basis. As binding obligations from portfolio companies, the DI monitoring requirements are embedded into the legal paperwork as Environmental and Social (E&S) and DI Covenants. The DI Database Tool from InfraCredit is used to track impact across the three pillars (market, project, and end-user).

- Development impact data is published yearly in the Development Impact report, presenting each portfolio area's financial and development impact results.

- InfraCredit has integrated staff incentive systems with impact accomplishment across all staff levels as best practices to the extent that was attainable within our People Strategy and compensation 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 obliged to ensure that its financing activities are financially "additional" to private sector infrastructure businesses by mobilizing private funding from domestic institutional investors that would otherwise not be utilized without its assistance.

- InfraCredit gathers information from prospective clients about why the InfraCredit guarantee is crucial to obtaining local currency funding from the debt capital market. Typically, at the time of InfraCredit's intervention, all existing portfolio companies had not accessed capital markets funding and were first-time issuers who could only secure financing from domestic institutional investors based on InfraCredit's guarantee.

- InfraCredit's New Business Committee (NBC) Paper points out preliminary impact assessments of transactions, and the Credit Committee (CC) Paper features sections on ESG and DI assessments, highlighting the probable impacts connected with the transaction to facilitate decision-making. The DI Assessment report includes baseline impact data acquired on behalf of InfraCredit by appointed third party independent experts, as well as a MEL Plan for tracking impact post financial close.

- InfraCredit's Development Impact Framework (the DI Framework), incorporates an Impact Additionality Framework which outlines the method for assessing the anticipated additional positive impact of its interventions, considering both financial and non-financial aspects. The evaluation is conducted across five categories, which include finance, design innovation, adherence to ESG standards, regulatory and policy improvements, and social and economic development. Each impact additionality category is assigned a score based on specific measures tailored to quantify a project's additional value.

- InfraCredit has utilized Technical Assistance Fund to support the achievement of development impact of select transactions. Furthermore, InfraCredit is actively exploring other climate aligned financial solutions like its blended finance mechanisms to stimulate and amplify financing for climate-aligned infrastructure, aiming for substantial positive environmental and social development outcomes.

- InfraCredit consistently releases development impact reports to its development partners, including KfW, GuarantCo, InfraCo Africa, and AfDB. Additionally, the organization is intensifying engagements with domestic institutional investors, with specific emphasis on providing impact reports that highlight the economic, social, and environmental outcomes resulting from 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 incorporated an impact perspective into its transaction evaluation and assessment procedures. The DI Framework delineates crucial stages for integrating this impact perspective throughout the deal cycle, spanning from the initial assessment phase, through due diligence and structuring, to the portfolio management phase.

- During the Preliminary Phase, a DI screening is carried out to comprehend the scope and depth of impact associated with the transaction. The identified impact scope encompasses two categories of indicators: Core and Ancillary Indicators. Core Indicators refer to overarching and priority areas outlined in the Theory of Change, which are indicators that InfraCredit tracks for all our transactions. Ancillary Indicators, on the other hand, address additional areas that impact the Sustainable Development Goals (SDGs) but are specific to the sector or project. The preliminary impact screening process guides decision-making for advancing to the due diligence phase, pending approval from the New Business Committee (NBC).

- InfraCredit engages third party external consultants to conduct Impact Due Diligence on transactions, estimate the ex-ante impact, establish baseline and projected figures for anticipated impact. The Joint Impact Model is used to investigating the impact of infrastructure projects using indicators such as the installed megawatts of renewable energy, GHG emissions avoided from low-carbon or renewable energy initiatives, GHG emissions avoided through the implementation of energy-efficient designs, equipment, or processes, and the megawatts of installed capacity. A set of indicators for impact assessment align with the Harmonized Indicators for Private Sector Operations (HIPSO) and the Global Impact Investing Network's (GIIN) "IRIS+" catalog of metrics.

- The DI Assessment Template incorporates SDG-aligned indicators, reflecting various impact themes (infrastructure stock, climate change, gender, job creation, and quality), impact beneficiaries (households, businesses, women, and youth), and impact depth (number of businesses with improved access to infrastructure and the number of women-owned or women-led businesses with enhanced access to infrastructure, number of skilled and unskilled workers etc.)

- InfraCredit's ESG and Impact Team collaborate with Transaction Teams to ascertain the Impact Evaluation Score for transactions. They document the baseline and expected impact resulting from the due diligence process in the Credit Paper, seeking approval from the Credit Committee. Following due diligence findings, a Monitoring, Evaluation, and Learning (MEL) Plan is formulated and shared with the client before being incorporated into the Recourse Deed.

- InfraCredit's DI Framework offers flexibility in exploring strategies to enhance the development impact of projects guaranteed by InfraCredit throughout their life cycle. The implementation of this framework is continuously evolving as we leverage lessons learned to refine our processes and practices, aligning them 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 recently revised Environmental and Social Policy underscores our dedication to supporting sustainable and climate-resilient infrastructure development. We achieve this by employing the mitigation hierarchy to identify, assess, and manage environmental and social (E&S) risks and impacts associated with infrastructure projects. Our approach to evaluating and managing E&S risks aligns with leading principles and standards, including but not limited to the International Finance Corporation Performance (IFC) Standards on Environmental and Social Sustainability (2012), AfDB Operational Safeguards, World Bank Environment, Health and Social (EHS) Guidelines, Equator Principles, International Labour Organization's Conventions, Voluntary Principles on Security and Human Rights, and the United Nations Principles for Responsible Investment (UN PRI).

- In every transaction, we utilize the InfraCredit Exclusion List to exclude projects that do not meet the criteria outlined in our Environmental and Social (E&S) Policy. We also conduct an Initial E&S Screening to identify significant issues and categorize the transaction as either A (High Risk), B (Medium Risk), or C (Low Risk). This categorization guides the level of scrutiny applied during the subsequent due diligence phase.

- InfraCredit engages independent Environmental and Social (E&S) consultants to conduct a thorough due diligence assessment of clients' operations. This process involves benchmarking their activities and performance against the criteria outlined in the IFC Performance Standards and AfDB Operational Safeguards. The results of the E&S Due Diligence are integrated into the Credit Paper for approval by the Committee. The Environmental and Social Action Plan (ESAP) is collaboratively discussed with the client to ensure their commitment to implementing the recommendations within specified timelines by applicable guidelines.

- In the case of a Category A project, InfraCredit shares project details with pertinent Development Partners and develops an Environmental and Social Review Summary (ESRS). This summary outlines crucial information regarding potential environmental and social (E&S) risks and impacts associated with the project. The ESRS is made publicly available on InfraCredit's website for a duration of 60 days before Credit Committee approval.

- InfraCredit's ESG Team may propose adjustments to the systems, processes, and standards of the portfolio company, aligning them with Good International Industry Practices (GIIP). These stipulated changes are formalized as Environmental and Social (E&S) Covenants within the legal agreement between InfraCredit and the client. Additionally, the ESG Team may utilize technical assistance funds to address any identified gaps.

- To comprehensively evaluate the development potential of each project, the DI Framework includes the measurement of the completion of the E&S Action Plan, which addresses risks and impacts, and explores key ESG opportunities. Additionally, InfraCredit is exploring the implementation of a Performance-linked Incentive System designed to encourage clients to achieve and realize development impact goals.

- In 2023, InfraCredit developed a Gender Policy, adopted the 2x Challenge Screening criteria for its project assessment towards improving gender outcomes in projects financed.

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 describes the procedures for data gathering from portfolio projects. A set of Data Collection Templates, including the Preliminary Information Checklist, Portfolio Data Template, and Climate Data Template, has been designed to collect data from portfolio companies every quarter.

- The DI Framework provides extensive guidance on the impact measurement process at three levels: market, project (sector-specific), and end-user. The table of indicators within the framework offers guidance on relevant indicators (main and sub-indicators) including the unit of measurement, data source, methodology for projection, monitoring responsibility, monitoring frequency, and the monitoring stage within the transaction process.

- The InfraCredit ESG and Impact Team gathers development impact data according to the Monitoring, Evaluation, and Learning (MEL) Plan established during the transaction phase. Portfolio companies are required to submit impact data quarterly beginning from project initiation.

- In addition to the quarterly reporting, InfraCredit has recently initiated an annual impact monitoring process for portfolio projects conducted by an independent ESG consultant to evaluate the impact generated through guaranteed portfolios. This approach complements the regular data collection system, providing valuable insights and lessons learned for process improvement as the implementation of the DI Framework develops.

- InfraCredit is set to carry out end-user surveys as a supplementary measure to enhance impact reporting from portfolio companies. This survey aims to gather both quantitative and qualitative data on the outcomes and impact resulting from InfraCredit's interventions. As part of the Recourse Deed, portfolio clients have committed to facilitating the collection of evidence-based impact data, either through physical site visits to their operational sites and related entities or through electronic platforms.

- InfraCredit reserves the right to revise project Impact Score under certain circumstances, such as when the original objectives become unrealistic or when a project seeks additional financing for the ongoing 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 provides support to projects either through direct guarantees or via a blended finance approach. Throughout the bond's tenor, any alterations in project ownership or significant involvement of initial participants typically necessitate the consent of InfraCredit.

- InfraCredit's Theory of Change sets the foundation that infrastructure projects it supports will be developed in an environmentally sustainable and socially acceptable manner, fostering economic prosperity and improving quality of life. Through ongoing capacity building, InfraCredit aims to instill an impact-oriented perspective in portfolio operations and is actively exploring mechanisms to incentivize the adoption of an impact mindset among portfolio companies. The long-term strategy remains engraining a culture of environmental and social sustainability in companies' operations, ensuring the continuation of positive development outcomes even after the bond's tenor concludes. However, there is no legally binding commitment for portfolio companies to maintain this level of commitment after exit.

- Following the InfraCredit DI Framework, periodic Impact Evaluations will be carried out to assess whether and how InfraCredit's intervention has led to a measurable impact. This initial impact evaluation was carried out this year 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 in a state of constant advancement, drawing insights from lessons learned over the past year. Concurrently, efforts are underway to fortify the ESG and Impact Team, augmenting internal capacity to measure consistently project impacts, guided by leading practices.

- InfraCredit is placing a specific emphasis on enhancing its ability to evaluate the core impacts of each project and demonstrate its progress toward achieving development objectives. We are deliberately incorporating lessons learned from previous experiences to refine existing processes and bolster institutional capacity for the effective implementation of a robust DI Framework

- InfraCredit scheduled Impact Performance Evaluations for specific projects, aimed to derive valuable insights that will guide the design of future projects and enhance the implementation of the DI Framework. We are in the process of developing a DI Management Information System, intended to improve 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 officially initiated the pilot implementation of its DI Framework in 2021. Numerous critical impact components, including processes, systems, strategies, metrics, and policies, are undergoing thorough review and updates. This is part of the ongoing efforts to enhance internal processes and ensure alignment with industry best practices.

- This Disclosure Statement reaffirms the continuous alignment of InfraCredit's DI Framework with the Impact Principles.

- As part of the ongoing efforts to enhance the Framework, InfraCredit would conduct a 3rd party verification of its alignment with the Impact Principles in Q1 2024. The results of this verification will be publicly available on its website.

- This disclosure statement would be published on InfraCredit's website annually.

- The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.