Africa Finance Corporation

Green Bond Impact Report 2021

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About AFC

- Founded in 2007 as a joint venture between public and private investors
  - International organisation established by treaty of African sovereigns
  - A-3 (Long-term Issuer)/ P-2 (Short-term Issuer) rating from Moody's
- US$10bn in total disbursement; US$8.6bn in Total Assets; Total Equity of US$2.2bn
- Investment footprint across thirty-six (36) African countries
- Strong partnerships with government and a strong infrastructure-focused investing business
- Strong track record of identifying, executing and delivering transformational infrastructure projects
- Specialist knowledge in key priority sectors: Natural Resources, Power & Renewables, Transport & Logistics,
- Telecommunications & Technology, Heavy Industry Specialist knowledge in deploying products across the capital structure
- Strong project development expertise; Founder of Africa Infrastructure Development Association (AFIDA)
- Direct investments in African sovereigns to finance critical infrastructure
  - US$1.8bn disbursed in structured funding solutions to African Sovereigns
- Financial Advisory together with treasury & syndication services provide holistic support to a project cycle
- AFC invests directly in single assets, through platforms and its independent asset management arm, AFC Capital Partners with a debut US$2bn Infrastructure Climate Resilient Fund
- Synergies with a unique network of global and regional investments, government and advisory partners which include project sponsors, co-investors and consultants
- Over 135 professional staff operating on a pan-African basis

Sustainability

- Africa Finance Corporation is committed to sustainability as an integral part of its investment decision-making, operations and the projects to which it provides support
- We view sustainability as an integral part of our responsibility to clients, shareholders, communities and the environment in which we operate
- Over the years, AFC has continued to improve its internal capacity and ability to shape policy discourse on sustainable investing on the continent, by constantly updating its internal investment policies, diversifying its funding sources and broadening the suite of products and solutions available to clients

AFC's Sustainability Strategy

I. Sustainable investing principles in delivering impactful solutions for Africa, whilst continuously adapting our investment decisions to incorporate climate and development impact considerations

II. Mainstreaming climate finance thinking in all our activities through a dedicated cross-divisional team

III. Environmental and Social Governance in the context of investment opportunities and risk management

IV. Driving thought leadership and conducting research

V. Strengthening strategic partnerships to provide continued access to competitive financing solutions.

Examples

Examples of successful implementation of AFC's sustainability strategy include:

- **Participation in the Global Innovation Lab for Climate Finance (since 2015)**
  - The Lab is constituted of international private investors who accelerate the design of financial instruments that can unlock billions for many of the sectors that AFC invests in
  - Since being created in 2014, the Lab has launched 41 innovative climate finance instruments and has achieved more than US$2 billion in sustainable investments
- **Accreditation with the Green Climate Fund (2015)**
  - AFC is the first African development financial institution to be accredited to the Green Climate Fund. Projects such as the Cabeolica Wind Farm in Cape Verde, as well as Lake Turkana in Kenya, are not only highly efficient and make a significant contribution to their national grids but are also pioneering developments in the energy sector that will be the blueprint for future projects
  - The Corporation utilises blended financing instruments to support the critical participation of local financial institutions that are often price-constrained, thereby widening the available long-term funding solutions for climate finance projects across various sectors
- **AFC's Development Impact(DI) Framework creation (reporting since 2019)**
  - The Framework is aligned with the Corporation's mandate and entrenches development considerations at the centre of our investment philosophy
  - It contains development impact measurement metrics in line with the UN Sustainable Development Goals, as well as best practice measurement and reporting standards
  - 2019 was the first time that AFC publicly reported quantified development impact results and is continuing its work to broaden and deepen the framework for regular measurement, monitoring and reporting of development impacts ac ross a broader set of indicators.

AFC's Inaugural Green Bond: In September 2020, AFC issued its first Green Bond valued at CHF 150 million (equivalent to USD 163.5M). This document presents the use and environmental benefits of the bond proceeds. The Bond was issued in accordance with AFC's **Green Bond Framework**, which is consistent with the **Green Bond Principles** (GBP) established by the International Capital Market Association (ICMA). AFC follows the GBP and provides transparency, accuracy and integrity in the information that is disclosed and reported to stakeholders. The Green Bond Framework was reviewed by an independent third party, who issued a positive **Second-party opinion**.

Use of Proceeds: AFC is a strong supporter of transformative initiatives towards the socio-economic and environmental development nexus of Africa. Following the launch of its inaugural Green Bond in 2020, the Corporation invested the proceeds on projects that:

- are environmentally friendly and socially acceptable, in line with the best governance practices
- balance commercial viability with the fight against poverty and the protection of our planet, while charting forward our corporate sustainability stewardship
- prioritise the welfare and development of the communities in which our projects are located

The investments are in line with AFC's commitment to the United Nations' (UN) Sustainable Development Goals (SDGs) Agenda, Paris Climate Action and the African Union Agenda 2063 on sustainable development. The Corporation continues to deploy funds towards innovative opportunities that deliver infrastructure projects which yield healthy returns on investment, support the transition to a low carbon economy and promote human capital development and the pursuit of long-term sustainability across Africa. AFC's DI indicators are closely mapped to the SDGs 1, 5, 7, 8, 9,10,13 and 17.

SDGs	SDG Target	AFC DI Indicator	AFC DI Action
1	No Poverty	• Value Creation	• AFC contributes to reducing poverty in the countries in which it invests • AFC achieves this by stimulating investment-led growth and job creation
5	Gender Equality and Equity	• Employment at the construction and operations phases (direct, indirect and gender parity)	• AFC's gender mainstreaming approach to gender equality ensures equal opportunity for all in its business and operations • AFC prohibits all forms of discrimination
7	Affordable and Clean Energy	• Power production • Technology • Installed capacity.	• AFC is actively building its renewable energy portfolio while promoting energy retrofitting in its existing projects
8	Decent work and Economic Growth	• Employment at the construction and operations phases (direct, indirect and gender parity)	• AFC's investments target economic growth and industrial development of African countries • Where possible, our projects use local resources and suppliers • This supports the creation of jobs at the construction and operations phases • Our frameworks uphold employee welfare across all our projects
9	Industry, Innovation, and Infrastructure	• Power production • Technology • Installed capacity	• AFC finances projects in the power, transportation and logistics, heavy industries, natural resources, and telecommunications sectors • Our innovative solutions enable us to contribute to the construction of state-of-the-art infrastructure
13	Climate Action	• Power production • Technology • Installed capacity	• AFC's sustainability strategy mainstreams climate finance thinking in all its activities • AFC participates in the Global Innovation Lab for Climate Finance since 2015 • Similarly, AFC is the first African DFI to be accredited with the Green Climate Fund • In 2020, AFC developed its Green Bond Framework (GBF) in line with the ICMA Green Bond Principles • AFC's GBF also considers the EU Taxonomy of Sustainable Activities and the EU Green Bond Standard
17	Partnership	• Value creation • Power production • Technology • Installed capacity	• AFC builds strategic global and regional partnerships to provide continued access to competitive and sustainable financing solutions • This includes collaboration with various institutions in the public and private sectors, including regional DFIs

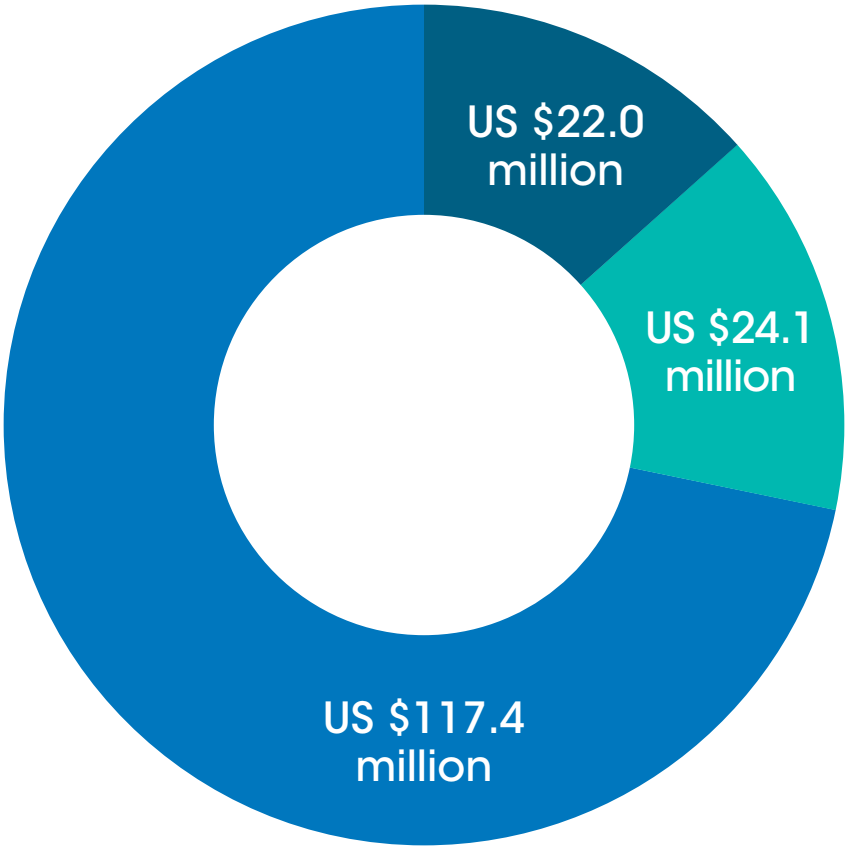
Project evaluation and selection criteria: AFC's Green Bond Framework takes into account projects that will retrofit energy generation in a manner that is environmentally friendly, socially acceptable and economically viable. AFC defines green projects as any mitigation or adaptation project that focuses on reducing carbon emissions or increasing resilience. The selected projects fall into the renewable energy sector, which is considered non-depleting, emission free and contributes to goals 7 and 13 of the UN Sustainable Development agenda.

Projects Under Renewable Energy

- Wind farms to support energy independence, displacing liquid fuel plants
- Hydroelectric power plants to increase power capacity and reduce generation costs
- Solar power projects encompassing production, transmission and maintenance

Deployment of Bond Proceeds

Project	Technology	Country	Type of Financing	Green Bond Share of Project Cost (%)	Green Bond Proceeds Disbursed (US$ million)
Cabeolica	Wind	Cape Verde	Refinance	13%	22.0
Djibouti	Wind	Djibouti	Refinance	15%	24.1
Singrobo	Hydro	Cote d'Ivoire	Refinance	72%	117.4



Total Portfolio Impact

Project	Expected impacts upon completion	
	Installed Capacity (MW)	Annual generating capacity (mtco2)
Cabeolica Wind Power	25.5	64,923
Djibouti Wind Power	58.91	26%
Singrobo HEP	44.0	-

Development Impact[2]

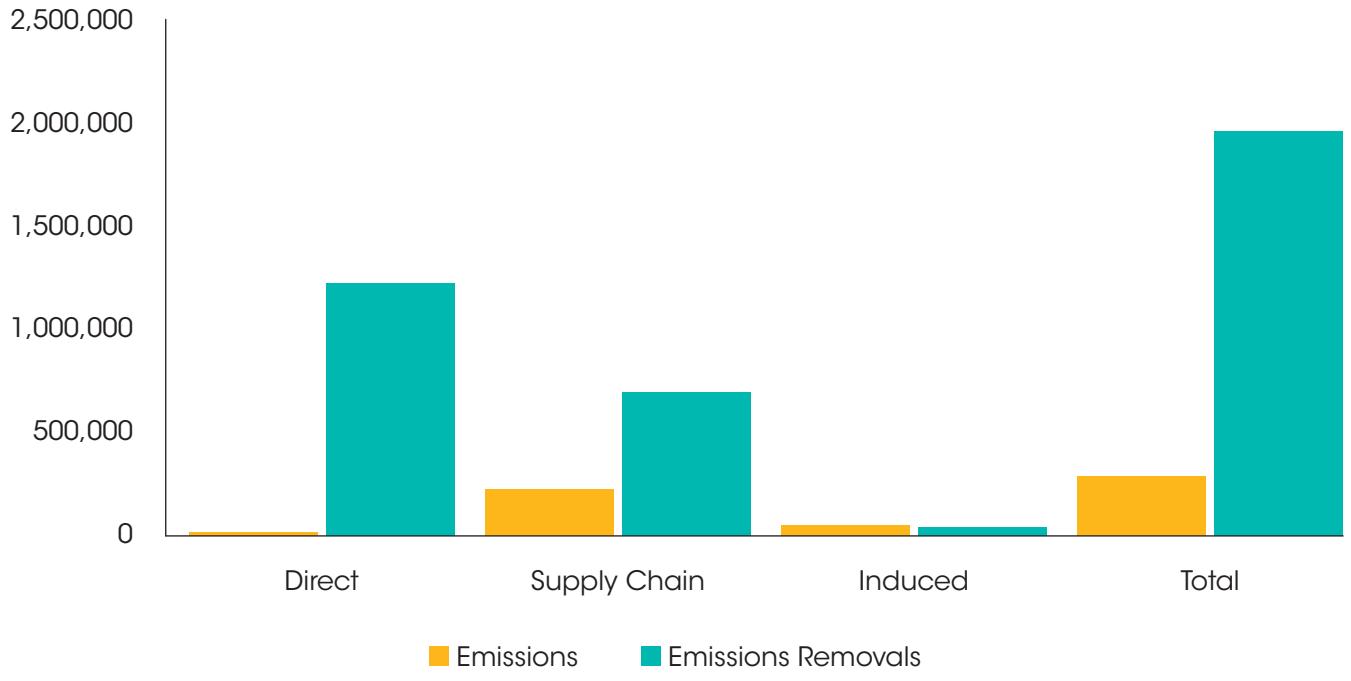
AFC has calculated its impact results using the Joint Impact Model (JIM). The JIM is a web-based tool for impact-oriented investors in developing markets. The JIM is jointly developed by Steward Redqueen, CDC, FMO, BIO, Proparco, AfDB, and FinDev Canada. The results are calculated using econometric modelling (input-output methodology) based on input data collected from projects. They do not completely represent actual figures but also include modelled estimates and should be interpreted as such.

These results represent the direct and indirect impact of the 3 projects in AFC's green bond portfolio in their supply chains.

AFC invests alongside other investors. In such cases, AFC is not the sole contributor to job and income creation. JIM-modelled attribution has been applied to measure AFC's contribution as reported.

Emissions and Avoidance

	Direct	Supply Chain	Induced	Total
Emissions	10,475	225,262	49,960	**285,697**
Emission Removals	1,218,206	684,272	43,253	**1,945,786**

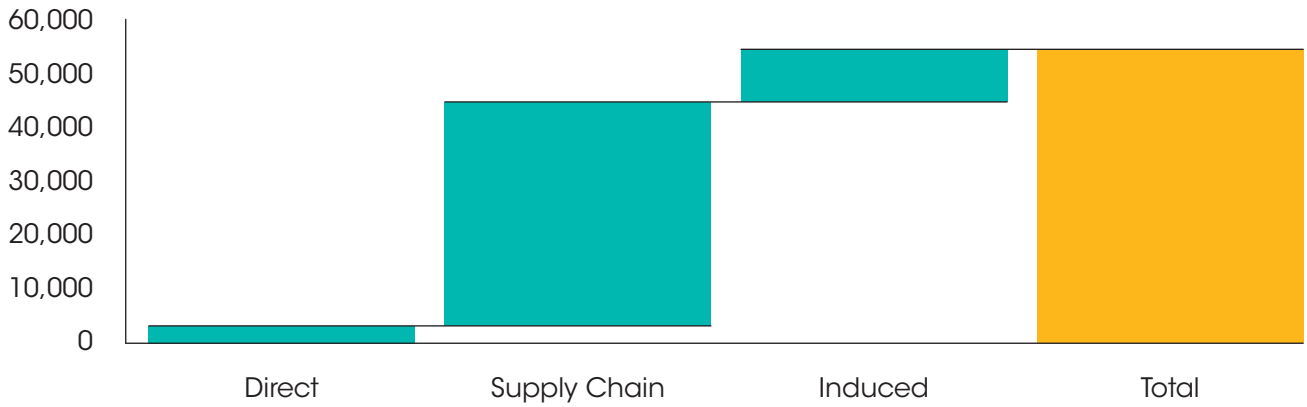


[2] Quantitative impact results reported in this document is the aggregate of the 3 projects in AFC's green bond portfolio.

Employment

Companies in AFC's portfolio supported an estimated 3,526 direct jobs across the three projects in 2021. Similarly, supply chain and induced jobs supported is estimated at 51,394, of which females accounted for 23,566.

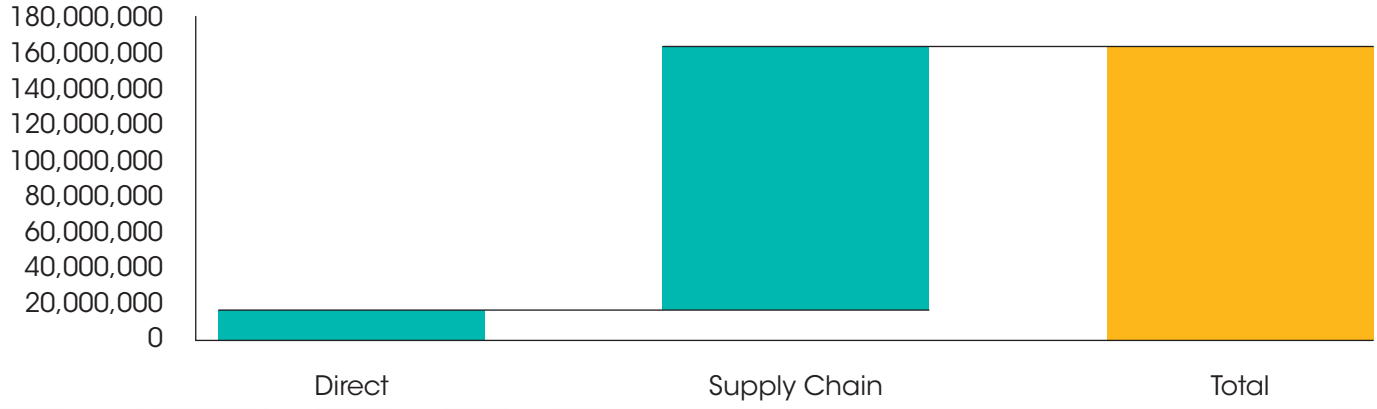
Employment	Direct	Supply Chain	Induced	Total
Total	**3,526**	**41,796**	**9,597**	**54,920**
of which:				
Female	294	18,945	4,621	**23,860**
Formal		7,059	2,186	
Informal		34,738	7,411	



Value Added

Projects in AFC's green bond portfolio supported an estimated US$ 164.4 million of direct and supply chain value added across Africa in 2021.

Value Added (USD)	Direct	Supply Chain	Total
Savings		50,939,971	50,939,971
Payments to Governments	11,174,182	43,920,303	55,094,485
Wages	3,339,545	55,030,425	58,369,971
Total Value Added	**14,513,727**	**149,890,700**	**164,404,427**



Case Study

Project: Cabeolica Wind Farm Project

Country: Cape Verde
Sector: Renewable Energy
Technology: Wind Turbine
Status: Operational

Description of the project: The Cabeolica Wind Farm Project includes the construction, operation and decommissioning of four wind farms on the islands of Santiago, Sao Vicente, Sal and Boa Vista in Cape Verde. It has an installed generating capacity of 25.5MW, and consists of 30 turbines, with capacity of 850kw each. The project company is owned by Africa Finance Corporation, Finnfund and the Government of Cape Verde.

Benefits/impacts:

- Increases the share of renewables in the country's energy mix in a bid to lower domestic energy production costs and ultimately increase energy security
- Reduces emissions and provides additional environmental advantages created through clean energy from wind, thereby reducing carbon emissions up to circa 0%
- Reduces aggregate pollution by offsetting production from fossil-fuel generated electricity
- Stabilisation of energy tariffs due to the volatile prices associated with the importing of crude oil for the thermal plants
- Reduces dependency on the external supply of around 65% of Djibouti's electricity from Ethiopia
- Provides new and improved access to clean electricity for 940,000 people

[3] The projects are in the construction phase. As such, they do not currently contribute to direct savings in the form of net earnings. The value-added contribution of the projects will increase further when they mature to the operational phase.

Case Study

Project: Djibouti Wind Power Project

Country: Djibouti
Sector: Renewable Energy
Technology: Wind Turbine
Status: Under construction

Description of the project: This is an onshore wind farm project in the Gulf of Tadjoura in Djibouti, with generating capacity of 58.91MW. The project is expected to be completed in March 2022. It is is co-financed and jointly owned by a consortium including Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.(FMO) Climate Investor One, Great Horn Investment Holdings and Africa Finance Corporation.

Benefits/impacts:

- Increases the share of renewables in the country's energy mix in a bid to lower domestic energy production costs and ultimately increase energy security
- Reduces emissions and provides additional environmental advantages created through clean energy from wind, thereby reducing carbon emissions up to circa 0%
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Case Study

Project: Singrobo Hydro Electric Power (HEP) Project

Country: Cote d'Ivoire
Sector: Renewable Energy
Technology: Hydro Electric Power
Status: Under construction

Description of the project: A HEP project over the Bandama River in Ivory Coast with generating capacity of 44MW. It is expected to be completed and commissioned in 2023. Once operational, it is expected to reduce 124,000 tons of CO2 per annum. The project is co-financed and jointly owned by a consortium including the Thermis Group, the Government of Cote d'Ivoire, Africa Finance Corporation and IHE Holding.

Benefits/impacts:

- Conserves waste heat and gases
- Hydropower and pumped storage play a crucial role in the fight against climate change by providing essential power and storage
- Reduces emissions and provides additional environmental advantages created through clean energy from hydropower
- Hydroelectric power is a domestic source of energy that is non reliant on external fuel sources
- Impoundment hydropower creates reservoirs that offer recreational opportunities such as fishing, flood control, irrigation support and clean drinking water
- Flexible and can quickly go from zero power to maximum output. This is because hydropower plants can generate power to the grid immediately
- Provides low-cost electricity and durability over time compared with other sources of energy
- Expected to create 500 jobs at the construction stage

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