

**AFRICA FINANCE CORPORATION
ENVIRONMENTAL & SOCIAL RISK POLICY**

FEBRUARY 2015

Introduction

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

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

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

Applicable Standards and Scope

In the case of project financing, the required standards are the Equator Principles. These Principles are based on the International Finance Corporation Performance Standards, on social and environmental sustainability and on the World Bank Group's Environmental, Health, and Safety Guidelines.

However, AFC's commitment to promote environmental and social sustainability is not limited to project financing but also to its other core businesses, namely direct equity investment in infrastructural projects and project development financing.

Approach

AFC's commitment to managing environmental and social risks implies the following:

- When national standards in countries where AFC invest are below International standards, AFC would collaborate with our clients to attain International standards (or if appropriate Equator Principle standard over time).
- We would not invest in activities that are listed on the AFC Exclusion list.

- Environmental and Social Risk assessment is integrated into the entire Investment process, from pre-investment to exit.
- If appropriate, we would 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. We have a zero tolerance to bribery and other improper payments to public officials in accordance to the U.S. Foreign Corrupt Practices Act, the OECD Anti – Bribery Convention and similar laws in other countries.
- Encourage entities in which we have invested to educate their supply chain in managing their environmental and social risks in accordance with global best practice.
- To ensure resources for managing environmental and social risks are used efficiently and effectively, investments are rated / categorised for environmental and social risks. The basis for categorisation into “A” High Risk, “B” Medium Risk and “C” Low Risk categories is dependent on the adverse impacts and whether these impacts are site specific, diverse or unprecedented.

Implementation of the Policy

AFC has developed an Environmental and Social Risk Manual that details how, who and tools for implementing this policy.

This Policy will be implemented under the guidance of AFC’s Chief Risk Officer.

Capacity Building

As part of our commitment to on-going assessment and management of E&S risks, AFC would provide periodic training on environmental and social risk management training to management and staff of the corporation.

On-going Monitoring

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

Policy Updates or Revision

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