WEBSITE PRODUCT DISCLOSURE – ARTICLE 10 SFDR

- **'Summary'**

The following information relates to the Africa Green Loop Fund SCSp (the "**Partnership**"), and is provided in accordance with Article 10(1)(a) to (c) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "**SFDR**"). The information required pursuant to Article 10(1)(d) of SFDR, being the periodic reports to be provided in accordance with Article 11 of the SFDR, will be published together with the following information following 1 January 2022.

The Partnership has been classified as Article 9(2) fund pursuant to the SFDR as it has a primary focus of making sustainable investments. The rationale behind this is the strong alignment between the Partnership's investment strategy (described in further detail in the next paragraph) and that of the EU Taxonomy's green investment objectives. The objectives seek for a financial product to adhere to at least one objective whereas the Partnership will contribute to climate mitigation in a substantial manner while also contributing significantly to a circular economy and pollution prevention and is committed to not doing harm in other sectors. Additionally, as described below, no index has been designated as a reference benchmark.

To help ensure the sustainable investment objectives of the Partnership are met, a robust environmental, social and governance ("**ESG**") process will be implemented and a performance framework will be used to measure the Partnership's impact over its lifetime. The main pillars of the performance framework are across financial, developmental, environmental and social development.

The primary focus of the Partnership's investment objective is to shift the current linear waste management system to one that promotes a circular economy and puts an emphasis on waste-to-value and recycling. The Partnership shall pursue its objective to make sustainable investments by making equity and/ or mezzanine investments into companies active in the waste management and recycling sector in Africa (the "**Target Sector**").

By following this strategy, the Partnership can create significant environmental, social and economic benefits for countries in which it invests. Environmental benefits stemming from the Partnership's investment approach include greenhouse gas ("**GHG**") emissions reductions, improvement in groundwater (reduction in leachate from landfills), improvement in vegetation in surrounding areas; reduction of fire hazards; and improvement in overall human health for inhabitants living in the surrounding areas and/or working at landfills. The main social benefits that stem from the Partnership's investment activity will be in the form of job creation through its portfolio companies (the "**Portfolio Companies**"). The jobs within these areas of the value chain would potentially require the reskilling and/or upskilling of employees, which we believe would be of major benefit to the African continent as it would mean that workers would have access to higher-paying jobs.

[1]***Note to draft:*** *The summary may also need to be provided in one of the official languages of Luxembourg (i.e. German, French or Luxembourgish) should this remain in the RTS when finalised (now expected July 2022).*

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[1] **Note to FSIF:** Please ensure this comment is removed prior to being uploaded onto the website.

- **'No significant harm to the sustainable investment objective'**

During the Partnership's due diligence process the AIFM will conduct an extensive environmental, social and governance reviews to assess potential risks and develop an ESG action plan ("**ESG Action Plan**") to help ensure the potential Portfolio Companies it invests into will in no way be a detriment to the Partnership's sustainable investment objective but to be an active contributor. Where potential adverse impacts are identified the Partnership's investment advisors (the "**Investment Advisors**") will need to assess whether the risk can be mitigated or managed and be turned into a net benefit position or whether to not proceed with a particular investment. The Partnership have developed a robust Environmental and Social Management System ("**ESMS**") that it will use throughout the transaction life cycle to identify and mitigate risks to ensure the sustainable investment objectives are not harmed. The ESMS outlines a process to allow the Partnership to identify, assess, avoid and / or mitigate any potentially adverse social and environmental risks and impacts associated with its investments. This will start at the screening and due diligence stage of investments where the identification of potential risks takes place and mitigation measures, and improvements will be crafted. During the investment period the ESG Action Plan will be implemented and improvements sought. During the investments exit phase, the Partnership is committed to ensuring that all ESG Action Plans are implemented and there is a commitment from the acquirer to uphold the ESG standards implemented. At all times, the Partnership expects all of its Portfolio Companies to adhere to the ILO Declaration on Fundamental Principles and Rights at Work.

- **'Sustainable investment objective of the financial product'**

The primary focus of the Partnership's investment objective is to shift the current linear waste management system to one that promotes a circular economy and puts an emphasis on waste-to-value and recycling. To achieve this objective the Partnership will invest into Portfolio Companies across the waste value chain in certain countries across Africa.

By doing so, the Partnership can create significant environmental, social and economic benefits for countries in which it invests. Environmental benefits stemming from the Partnership's investment approach include GHG emissions reductions, improvement in groundwater (reduction in leachate from landfills), improvement in vegetation in surrounding areas; reduction of fire hazards; and improvement in overall human health for inhabitants living in the surrounding areas and/or working at landfills. The main social benefits that stem from the Partnership's investment activity will be in the form of job creation through its Portfolio Companies. The jobs within these areas of the value chain would potentially require the reskilling and/or upskilling of employees, which we believe would be of major benefit to the African continent as it would mean that workers would have access to higher-paying jobs. The Partnership will seek to implement and ensure that the portfolio companies develop strong governance practices that ensure there is accountability, transparency, clear decision-making processes, adequate controls and risk management in place and a commitment to overall good governance.

The Partnership's investment strategy and the sector in which the Partnership is investing into has the potential to be a substantial contributor to climate mitigation objectives based on its own contributions to mitigation. Additionally, through activities related to the investment strategy the Partnership will ensure that its Portfolio Companies are contributing to improved environmental practices related to the broader waste management sector to promote circular economies and pollution control.

- **'Investment Strategy'**

The Partnership will target a balanced portfolio of companies across the Target Sector. The Partnership will focus on small and medium-sized enterprises with strong track records in the Target Sector. For the Partnership to make an investment, the potential Portfolio Companies will need to at a minimum meet the Partnership's investment guidelines (dealing with asset allocation) and not be in breach of any of the Partnership level restrictions. As part of the Partnership's investment restrictions it will follow an exclusion list that is consistent with the harmonized list of October 2017 from the European Development Finance Institution which outlines several activities that the Partnership will not directly or indirectly finance which potentially expose the Partnership to material sustainability risks. These include but are not limited to forced labour or child labour, destruction of high conservation value areas, violation of human rights and activities or materials deemed illegal under host country laws or regulations or international conventions and agreements. Additionally, the Partnership will not finance projects that involve transboundary movements of waste prohibited under international law, unless compliant with the Basel Convention and underlying regulations.

The Partnership has a specific Business Integrity System ("**BIS**") that it has developed that are aligned with the Investment Advisors' internal policies. The BIS comprises of a set of procedures and tools that will be followed throughout the Partnership's lifetime to ensure that the investments meet the AIFM's internal policies. The BIS and its framework will help to ensure governance and compliance, and all risks associated with actual and potential investments, are managed thoroughly throughout the transaction lifecycle.

The Partnership's internal ESG policy and BIS framework are entrenched in the investment decision making process. From the initial screening stage, potential investments will be reviewed for compliance or non-compliance against the ESG policy and BIS framework. At this stage, the Partnership would not stop interactions with a firm if they were not considered mature, but a decision will need to be made by the Partnership whether it is worthwhile to pursue an investment where additional resources will need to be deployed to get the potential to a level the Partnership deems as acceptable. This will carry though into the due diligence and potential investments made by the Partnership. To ensure company level compliance with the Partnership's strategy relating to the ESG policy and BIS framework, the Partnership will require Portfolio Companies to commit to similar policies on a company level. In certain instances, compliance will not be implementable from the onset of investments but will take time to develop and install within the Portfolio Company. To ensure this is implemented, all terms related to the ESG policy and BIS framework will form part of investment agreement warranties and representations the Partnership will require. Based on the Partnership's active management strategy and board positions at Portfolio Company level it will have strong oversight on the implementation of such policies. If there is a breach by a Portfolio Company of its obligations under the investment agreement, the Partnership will always seek to work with the company to address it as a first step. If there is no willingness on behalf of the Portfolio Company to do so, the Partnership will seek legal remedies to address such events.

- **'Proportion of investments'**

The Partnership intends to invest directly or indirectly into Portfolio Companies in the Target Sector. If the potential Portfolio Companies have a diverse portfolio, then the Partnership will not invest in potential Portfolio Companies that have more than 30% of their business in non-waste and non-recycling companies. The Partnership will contemplate making mezzanine investments to companies in the Target Sector which will form the remainder of its investment allocation. The mezzanine investments made by the Partnership are expected to account for approximately 20% of the Partnership's investments. While the Partnership has the potential to include indirect investments, these will be allocated to the Target Sector. These indirect investments will undergo the same due diligence and will need to meet the same investment guidelines and restrictions as direct. Based on this the Partnership expects that all of its investments (100%) will be classified as sustainable investments, as defined in the SFDR.

- **'Monitoring of the sustainable investment objective'**

The Partnership will have an active management strategy through the holding of direct investments in Portfolio Companies in the Target Sector to ensure the environmental and social objectives of the Partnership are adhered to and met. To ensure this all ESG topics on a board level of Portfolio Companies in which the Partnership hold investments in will be part of a "reserve list" for which the AIFM will have to give final approval. Additionally, all Portfolio Companies will be required to report on their performance on a quarterly basis to monitor the sustainability indicators. As part of the Partnership's performance framework, Portfolio Companies will be required to report on the implementation of the ESG Action Plan alongside a set of predefined indicators that will be used to measure and monitor the achievement of the Partnership meeting its sustainable investment objectives. These will include, but not be limited to the following: total waste collected, total recycled, CO2 emissions, jobs created and ESG policies implemented. All the metrics measured will feed into the Partnership's overall internal and external reporting.

- **'Methodologies'**

The baseline to measure the indicators will be set from the start date of investment and measured through the lifetime of the Partnership. The measurement will start at the date of investment and be updated quarterly to report on cumulative trends across the Partnership's portfolio of investments. The measurement standards behind the Partnership's performance framework and the methodology followed to measure the overall impact is primarily based on metrics provided for by IRIS+, with some further elements taken from the GRI Standards (specifically relating to GHG emissions measurement). Within the IRIS+ framework there are some core cross cutting themes which are utilised alongside waste management specific metrics. Furthermore, to fully understand the impact of waste management in terms of GHG emissions reductions the US EPA WARM Model will be used to calculate reductions utilising a lifecycle assessment approach.

The Target Sector is well positioned to have significant environmental, social and financial impact on the African continent. The Partnership through its investments expects to be a strong contributor to the continent and achieve a number of the UN Sustainable Development Goals.

- **'Data sources and processing'**

The data sources used to ascertain the environmental/social characteristics of the product will be taken directly from the Portfolio Companies in which the Partnership is invested into and has a board seat on. To ensure data quality is adhered to the Partnership has standardised data templates and calculation methodologies that are consistently followed and are practical in the view of the Partnership to process. The Partnership does not expect there to be a high level of estimation but if that is to occur it will be highlighted in the Partnership's reporting. The Partnership will reconcile and standardise the reporting on a quarterly basis to be included in its broader reporting obligations. Reporting data will be provided for on a Portfolio Company level to investors and on a broader cumulative basis where possible. The data will be predominantly processed in excel. For GHG emissions calculations, the Partnership will use the US EPA Warm model on a standalone basis and combine the cumulative figures across the portfolio in excel.

- **'Limitations to methodologies and data'**

We view the data limitations to be relatively minor but as highlighted above, if they are to occur the Partnership will highlight it and adapt its methodology to manage it.

- **'Due diligence'**

Due diligence will be broken down into two phases, namely desk-based due diligence, and where successful, detailed due diligence including on-the-ground meetings with the potential Portfolio Company and its stakeholders. Desk based due diligence will include but not be limited to business model and strategies, management assessments, financials and review of the ESG focus and the potential Portfolio Company's potential to deliver on key ESG factors. On-the-ground due diligence will seek to build-on the desk-based due diligence and will typically comprise interviews with staff and reference checks, review of all required legal documents and financials, full ESG screening and seeking to agree with the potential Portfolio Company on an ESG Action Plan. Where necessary the Partnership will utilise third party services to confirm certain aspects of the due diligence to ensure the integrity of the transaction.

- **'Engagement Policies'**

The Partnership will have an active management strategy through the holding of direct investments in Portfolio Companies in the Target Sector to ensure the environmental and social objectives of the Partnership are adhered to and met. To ensure the Partnership's objectives are met, all Portfolio Companies will need to meet or agree to implement the Partnership's policies and commitments pertaining to business integrity and ESG that are outlined in the BIS framework and ESG policy. As has been highlighted above in some instances this will take time to develop and implement and will form part of the ESG Action Plan. Through different mechanisms including the broader active management strategy and via board positions, the Partnership will actively engage with Portfolio Companies on all related ESG topics and to work with the Portfolio Companies on implementing these topics. For the Partnership to secure the successful implementation of all matters relating to business integrity and ESG they will form part of a "reserve list" in relation to which the Investment Advisors will ensure that the Partnership holds appropriate consent rights for.

- **'Attainment of the sustainable investment objective'**

The Partnership is not utilising a broader reference benchmark to track the attainment of sustainable investment objectives. This is due to the nature of the Partnership's investment strategy where there are no benchmarks that are readily available to use in order to track the performance in attaining its sustainable investment objectives. From the date of investment onwards the Partnership will track the progress of its investments against a broad set of indicators[2], without this being viewed as a benchmark per se. The indicators the partnership intends to use will include but not be limited to: total waste collected, total waste recycled, CO_2 emissions avoided, job creation and companies with ESG policies. The final indicators will be agreed upon with the Partnership's Limited Partners at a first close. It is not the intention to use these indicators as a ranking system to reach an investment decision. The Partnership will report on the indicators to highlight the Partnership's investments and its correlation and contributions towards sustainable investments.