

Website information for IHS Kenya Green Housing SCSp Fund

(a) Summary

The objective of IHS Kenya Green Housing SCSp Fund (the “**Fund**”) is to provide Investors with medium to long-term capital growth through real estate investments. Investments will be in newly developed, resource efficient and residential affordable housing properties of high energy efficiency standards located in Kenya with the overall aim to contribute to the environmental transition of Kenya.

The properties must be affordable to the growing low-middle income portion of the market, which is currently an under-serviced part of the market in Kenya.

The Fund also invests in units that meet the requirements of the International Finance Corporation (“**IFC**”) Excellence in Design for Greater Efficiencies (“**EDGE**”) Green Building standard, which focuses on the efficient use of energy, water and embodied energy in construction materials.

Furthermore, the Fund will select real estate investments that:

- are located where there is a particular need for low-middle income communities;
- hold or seek to comply with the EDGE Environmental standards; and
- are managed on a continuous basis in accordance with ESG standards as set out in the Environmental and Social Management System guidelines (the “**ESMS Guidelines**”) for the property manager.

The ESG factors are captured through the use of data obtained in-house by IHS.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

(b) ‘No significant harm’ to the sustainable investment objective

The investment process analyses and assesses potential negative impacts at the development planning stage, looking at significant social and environmental impacts of the project. International Housing Solutions (RF) Proprietary Limited (“**IHS** or the “**Investment Advisor**”) integrates analysis of material ESG issues into the assessment of each development project using the European Investment Bank (“**EIB**”) Environmental and Social (“**E&S**”) standards as framework and adopts an exclusion list of prohibited activities.

The EIB E&S standards highlight key sustainability information that is reasonably likely to affect the sustainability of the project and are captured through an initial environmental screening and social due diligence report. In addition, the E&S standards require compliance with local laws and regulations related to environmental, social and governance matters. These standards apply at investment selection stage, as well as throughout the life of the fund.

Through this initial analysis and the exclusion list of prohibited activities, the investments are highly likely not to have a material environmental or social impact. The Fund does not invest in developments that contravene the EIB E&S standards and the exclusion list of prohibited activities.

The 'do no significant harm' assessment has been conducted by using the following key resource efficiency indicators vis-à-vis the environmental and social objectives (as per Article 2(17) of Regulation (EU) 2019/2088 (the “**Sustainable Finance Disclosure Regulation**” or “**SFDR**”)):

(i) *For economic activities that contribute to environmental objectives:*

- Use of energy
- Renewable energy
- Raw materials
- Water and land
- The production of waste
- Greenhouse gas emissions
- Impact on biodiversity and the circular economy

(ii) *For economic activities that contribute to social objectives:*

- Contribution to tackling inequality
- Fostering social cohesion
- Social integration and labour relations
- An investment in human capital or economically or socially disadvantaged communities

The Investment Advisor incorporates the UN principles for Human Rights as part of the EIB standards analysis.

(c) Sustainable investment objective of the financial product

The Fund's objective is to provide Investors with medium to long-term capital growth through Investments in newly developed, resource efficient and residential affordable housing properties of high energy efficiency standards located in Kenya with the overall aim to contribute to the environmental transition of Kenya, as defined in the Offering Document, as well to meeting its socio-economic needs. The properties will need to be affordable to the growing low-middle income portion of the market, which is currently an under-serviced part of the market in Kenya.

The Fund also invests in units that meet the requirements of the Green Building standard, which focuses on the efficient use of energy, water and embodied energy in construction materials. The units will also avail of certain environmentally-friendly technologies that have a positive impact on the lives of the residents by enabling them to control their energy and water related consumption and greatly improve the energy efficiency of the homes provided.

At the same time, the Fund intends to pursue a social objective by providing high-quality and conveniently located homes for the low-middle income residential market, thereby contributing to the reduction of inequality and poverty in Kenya.

The Fund will select real estate investments that:

- qualify as “affordable” residential units;
- are located in a node with a particular need for low-middle income communities;
- hold or seek to comply with the EDGE Environmental standards;

- are managed on a continuous basis in accordance with ESG standards as set out in the ESMS Guidelines for the property manager.

(d) Investment strategy

The Fund invests primarily in Real Estate assets in Kenya, in particular in ventures, projects, enterprises or other measures where these are likely to contribute to an improvement in the Target Region in the efficiency of conversion or use of energy in any form, and/or a reduction of greenhouse gas emissions and/or the transition of its host country to a greener economy and the transformation of its economic systems towards a more efficient use of energy and resources. Fund investments may take the form of equity, shareholder loans, preferred shares and other instruments. The Fund will only invest in Properties, as defined in the Offering Document.

The Fund does not intend to invest in companies. However, when collaborating with stakeholders for the property management or investing through specific corporate vehicles, the Fund will ensure good governance through adherence to the ESG standards set out in the ESMS Guidelines.

(e) Proportion of investments

100% of the asset allocation is in green and affordable housing.

Fund investments may be direct investments or investments made through specific corporate vehicles and may take the form of equity, shareholder loans, preferred shares and other instruments.

(f) Monitoring of sustainable investment objective

Through the life of the Fund, existing properties will be managed in accordance with the ESMS Guidelines - a structured approach to managing environmental, social and governance (ESG) risks and opportunities adopted by IHS.

The ESMS Guidelines adopt the EIB E&S Standards; IFC (EDGE) Performance Standards, World Bank General Environmental, Health and Safety Guidelines, as well as Kenyan Regulatory requirements, other international standards and construction industry best practice. The basis for this policy is the UN Principles for Responsible Investment.

Asset Manager, Technical Specialist and the E&S Manager (all IHS representatives) will monitor the attainment of the sustainable investment objective as described further below. The Asset Manager, Technical Specialist and the E&S Manager report to the ESG Manager / Managing Director at IHS.

as follows:

- The Asset Manager and E&S Manager conducts site visits and attends the monthly Project Steering Committee meeting to monitor progress on the site in question, including monitoring the implementation and compliance with the applicable contractual and E&S requirements which is monitored by the E&S Manager.
- The Asset Manager reports fortnightly to the Asset Management Committee meetings attended by IHS senior management.

- At site level, projects are managed by a Development Manager (the “DM”), who coordinates the activities of all professional and contractors. The DM chairs the projects Steering Committee meetings and presents monthly reports related to construction progress, financial and E&S Governance issues.
- The DM will be responsible to ensure that all E&S requirements are met at project level including stakeholder engagement, issues during construction and reports to the Asset Manager and E&S Manager.
- The E&S Manager will monitor that, at project level, the investor requirements related to E&S are met and reports to the Managing Director.
- Quarterly E&S reports are prepared by the E&S Manager and submitted to the Investor Relationship Manager who includes the E&S reports in the quarterly Investor reports.

(g) Methodologies

Before making an investment decision, a preliminary screening is held. This entails a technical review of the proposed transaction. The purpose of this is to eliminate any transactions that do not fit the Fund’s investment objectives or which, on the surface, present unacceptable risks such as geographic concentration, location on critical habitats, resettlement and compensation of people occupying the project land.

As part of the preliminary screening, the investment is checked against the investment guidelines and limitations (location and target region, clear title, development size, availability of bulk services, accessibility, regulatory requirements and developer track record) as well as the ESMS Guidelines.

During the preliminary screening process, each project will also be identified in a specific risk category which is based on the EIB E&S Standards.

It will be ensured that the proposed investment is not prohibited by the Fund’s exclusion list. The exclusion list is based on the EIB E&S standards and includes:

- Production or activities involving harmful or exploitative forms of forced labour / harmful child labour.
- Production, use or trade in any product or activity deemed illegal under Kenyan laws or regulations or international conventions and agreements.
- Any business relating to pornography or prostitution.
- Production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES).
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage.
- Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCBs.
- Cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying national and EU regulations.

An exhaustive list of exclusions is available from MS Management Services S.A. (the “AIFM”).

An initial review is held with the IHS investment committee. If approved, the transaction will move to the due diligence phase. If not, the transaction is captured in the termination report.

A detailed description of the due diligence process can be found in the section ‘(j) Due diligence’.

Where the project is approved, a final report will be prepared by the deal maker and submitted to the AIFM investment committee for consideration.

(h) Data sources and processing

The main source of data processed is information provided by the developer/seller of the property in question, who must provide IHS with a number of documents/guarantees that can be evaluated to ensure initial compliance with all local and national laws. These include land ownership documents and all relevant permits pertaining to the development, as well as any required certifications.

The data is obtained in house by IHS and investee units are also subject to site visits by IHS, which constitute the second source of information/data.

In relation to its environmental objectives, the Fund only invests in units that meet the requirements of the IFC EDGE Green Building standard, which focuses on the efficient use of energy, water and embodied energy in construction materials.

Data is processed via the initial screening and site visits, as described directly above under ‘(g) Methodologies’ and through submission of a report to the AIFM for consideration.

In relation to the social objectives of the Fund, qualitative and quantitative data are obtained by the developers and site visits on the following topics:

Objective	Qualitative data	Quantitative data
Affordable housing	Job opportunities	The value of investments in low-income areas
Inequality and empowerment	Comment on BEE scores	The value of Black Economic Empowerment (BEE) transactions funded
Labour standards		Compliance with labour laws
Governance	Improvement of accounting and reporting standards	

(i) Limitations to methodologies and data

The E&S due diligence (“ESDD”) for the Fund, as further described below, involves the collection of predominantly qualitative data, though quantitative data is also used.

In order to address any potential shortcomings in cases where only qualitative data is gathered, IHS reviews the compliance track records of the relevant developer. Such reviews include assessing the number of incidents/accidents (if any) and instances of litigation.

In addition, we conduct site visits of existing ongoing construction projects of the Developers and conduct interviews with management and operational team leaders in order to verify and compare the data provided against what is seen on site and the responses provided in interviews.

The collection of such additional data points enables IHS to assess the potential investment more accurately and to ensure it is in line with the various standards referred to in point (f) above, thus not affecting the attainment of the sustainable investment objective.

(j) Due diligence

ESDD will be carried out on all proposed projects to identify, assess, categorize and manage potential E&S risks or issues associated with the proposed investment and the development company. The ESDD shall be used as a tool for ensuring that risks are not only properly managed but potential value-adding opportunities are identified during the project approval phase where there is best likelihood of influencing change.

The ESDD process will result in a recommendation to:

- Proceed;
- Proceed with certain conditions; or
- Abstain from the respective transaction.

The ESDD shall be benchmarked against EIB E&S standards, national statutory requirements and legal standards including but not limited to the following:

- EIB Environmental & Social Standards
- IFC (International Finance Corporation): General Environmental, Health and Safety Guidelines, April 2007
- Environmental Management and Coordination Act 1999 and subsidiary regulations
- Environmental Impact Assessment and Audit Regulations, 2003
- Waste Management Regulations, 2006
- ILO Core Conventions
- The Land Act, 2012 (and the 2016 Amendments)
- The Constitution of Kenya
- Occupational Health and Safety Act 2007
- Factory and Other places of Work Act (Cap 514)
- Employment Act 2007

- Energy Act 2006
- Labor Relations Act 2007, No. 12
- Public health Act cap 242, 1986 revised 2012
- Work Injury Compensation and Benefit Act, 2007

The ESDD process commences immediately when a project is presented to the deal team. The duration and time for a full ESDD will vary depending on the inherent project E&S risks, the number and type of site visits required to get a representative picture of the environmental and social aspects of the proposed project and developer's activities, plus the time taken to gather appropriate data on each project.

The ESDD process shall be completed before a final investment committee ("IC") decision.

The ESDD process shall be spearheaded by the IHS ESG Specialist. Depending on the complexity of the project, external consultants, legal counsel and industry experts such as specialists in a particular environmental and social issues shall also be considered for high-risk deals to complement internal decision-making process within the Fund.

The units must meet the IFC EDGE Green Building Standard, as further described under '*(l) Attainment of the sustainable investment objective*'. This is a form of external due diligence.

(k) Engagement policies

IHS engages with stakeholders such as employees, workers, contractors and communities. This helps to anticipate and avoid labour concerns and assists in integrating the community in the project cycle.

(l) Attainment of the sustainable investment objective

The attainment of the sustainable investment objective of the Fund is measured through the application of the following indicators at investment selection stage:

(i) Affordability

The housing project must qualify as "affordable" in accordance with the level of income set out in the ESMS Guidelines adopted by the Investment Advisor. The ESMS Guidelines prescribe that the investments will be rental or for sale projects with a maximum market value per unit of Kshs.4,500,000 to service the lower end of the housing market and that only tenants or purchasers with an income below Kshs.150,000/month will be considered whereby these limitations are adjusted for inflation annually which adjustments commenced in January 2021.

(ii) IFC EDGE Green Building Standard

The units must meet the IFC EDGE Level I Green Building Standard and commit to achieve such a certification. Each project is assessed against each of the three categories of EDGE (Energy, Water & Materials). In order to pass the EDGE standard, a minimum 20% improvement over the baseline must be achieved in each of the three categories. All categories must pass in order to be awarded the EDGE standard.

By way of example, the types of energy saving measures accounted for in the building design intent are reviewed and assessed. Such measures may, for example, include insulation of

exterior walls, energy efficient interior lighting and smart meters. An EDGE score is then calculated based on such metrics.

(iii) Location

The units should be located in areas with existing basic infrastructure (e.g., water, sewage) and easy, affordable and accessible public transport links and amenities. The units will also be located near job opportunities and other amenities such as schools.

In addition, the location of the units in relation to factories, mining activities, etc., is also assessed. Proximity to such activities may cause pollution and have a negative impact on the health of the people residing on the development. It is also verified whether the land in question is/was occupied, and if there are any persons who could be physically or economically displaced. This includes those with formal land titles, land use rights, customary or traditional land use rights and those who occupy the land without formal or informal claim to it. The Fund does not invest in locations where re-settlement is required.

(iv) ESG Standards

The development land must be in compliance with ESG standards adopted by the Fund.

Some examples of ESG standards that must be assessed as part of the investment process are as follows:

- **Pollution prevention and control:** the development partner will be required to submit documentation detailing how the generation of waste is prevented. Where waste is generated, it must be prepared for re-use, recycling, recovery or, where that is technically and economically impossible, it is disposed of while avoiding or reducing any impact on the environment.
- **Biodiversity and healthy ecosystems:** the development partner is required to provide an Environmental Management Plan (EMP) specific to the project which describes the management system in place to identify the environmental and social impacts and risks of the operations. An Environmental and Social Impact Assessment (ESIA) that clearly describes biodiversity present at site must also be submitted to IHS for review.
- **Climate Change:** the design of the of the project must consider best practice for climate change and integrate sustainable design interventions that are proven (through the EDGE assessment) to be sustainable and measurable.
- **Impact on the local community and cultural heritage:** the development partner must prove that the project is located in an area where cultural heritage and activities will not be disturbed – the project needs to be announced in the local newspaper in order to provide an opportunity for the local community to provide feedback.

Existing properties will be managed in accordance with the ESMS Guidelines.