

VIII. SUSTAINABLE FINANCE RELATED DISCLOSURES ANNEX

Product Name: IHS KENYA AFFORDABLE GREEN HOUSING FUND Legal Entity Identifier: N/A

Sustainable Investment Objective

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

Does this financial product have a sustainable investment objective?

● ● ● ●

<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: 100% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> not qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: <u>100%</u>	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments.
---	---



What is the sustainable investment objectives of this 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 (meaning buildings that receive EDGE Certification) located in the Target Country with the overall aim to contribute to the environmental transition of the Target Country, as defined in the Offering Document, as well as 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 the Target Country.

The Fund also 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. 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 the Target Country.

What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

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

- The housing project must qualify as “affordable” in accordance with the level of income set out in the Environmental and Social Management System (ESMS) guidelines adopted by the Investment Advisor;
- The units must meet the IFC EDGE Green Building Standard and commit to achieve such a certification;
- 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 development land must be in compliance with ESG standards, which include but are not limited to carrying out an environmental assessment of the development land focused on pollution prevention and control, biodiversity and ecosystems, climate change considerations in design as well as a social assessment, looking at the impact on the local community and cultural heritage;
- Existing properties will be managed in accordance with the ESMS guidelines;

Additional information on the indicators is provided on the website referred to at the end of this document.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The investment process analyses and assesses potential negative impacts at the development planning stage, looking at significant social and environmental impacts of the project (DNSH criteria). The Investment Advisor integrates analysis of material ESG issues into the assessment of each development project using the European Investment Bank (EIB) E&S standards as a framework and adopts an exclusion list of prohibited activities. The EIB E&S standards highlight key 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. Through the 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.

Furthermore, the investment advisor ensures ongoing compliance with this framework through ongoing monitoring of the asset manager and onward reporting to the Investment Manager.

How have the indicators for adverse impacts on sustainability factors been taken into account?

The indicators listed in Annex I that are applicable to investments in real estate assets are: (i) Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels, and (ii) Share of investments in energy-inefficient real estate assets. Each potential investment project in the portfolio is subject to analysis of adverse impact indicators as part of the assessment of each project against the DNSH criteria. The Fund’s strategy focuses real estate developments that

provide solutions to sustainability challenges such as the lack of affordable and environmentally friendly housing in the target region which means that the Fund considers adverse impacts from investments as part of the overall assessment of the development project.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

To ensure that portfolio assets are in compliance with the UN Guiding Principles on Business and Human Rights, the investment advisor adopted the EIB E&S standards. At the core of the EIB E&S Standards and the ESMS guidelines are a number of factors that ensure the maintenance of high standards of business integrity and honesty, compliance with local laws and international good practice as well as respect for human rights and refraining from directly or indirectly offering, paying, soliciting or accepting bribes in any form.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes. The Fund considers principal adverse impacts on sustainability factors by applying the ESMS guidelines, which also include major incident reporting mechanisms and are based on the EIB E&S standards mentioned above. Further information on the consideration of principal adverse impact will be made available in the annual report of the Fund.

No.



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund invests primarily in Real Estate assets in the Target Region, 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.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

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;

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the policy to assess good governance practices of the investee companies?

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 adherence to the ESG standards set out in the ESMS guidelines.

Asset allocation describes the share of investments in specific assets.

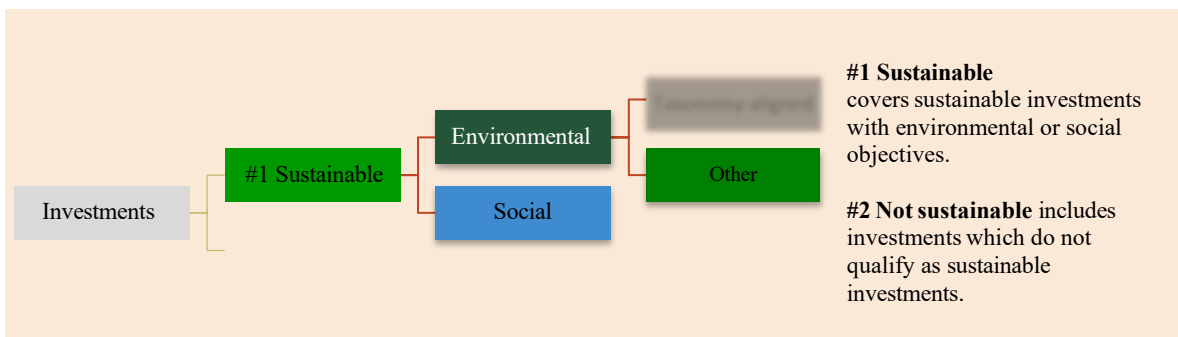


What is the asset allocation and the minimum share of sustainable investments?

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

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



How does the use of derivatives attain the sustainable investment objective?

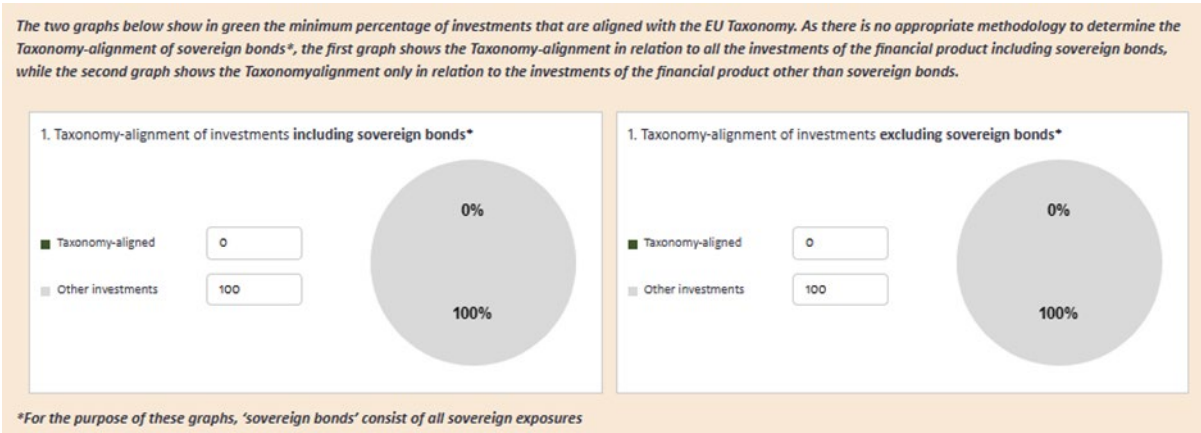
Not applicable - the product does not use derivatives.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Investments are not aligned with the EU Taxonomy.

Transitional activities are activities for which low-carbon alternatives are not yet available and, among others, have greenhouse gas emission levels corresponding to the best performance.



Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

What is the minimum share of investments in transitional and enabling activities?

Not applicable.



are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund invests 100% in environmental economic activities that are not considered to be environmentally sustainable economic activities for the purposes of the EU Taxonomy.



What is the minimum share of sustainable investments with a social objective?

The Fund invests 100% in affordable housing, with a social objective.



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

Not applicable – the entirety of the investments are considered sustainable.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?

Not applicable.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

Not applicable.

How does the designated index differ from a relevant broad market index?

Not applicable.

Where can the methodology used for the calculation of the designated index be found?

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:

www.ihsinvestments.co.za