



**SFDR WEBSITE DISCLOSURE**

**SFDR product category: Article 9**

**GAIA AFRICA CLIMATE FUND S.A., SICAV-RAIF**

**VERSION: AUGUST 2024**

This document constitutes the website product disclosure for financial products that have sustainable investments as their objective. Under the EU Sustainable Finance Disclosure Regulation (SFDR), all article 9 SFDR funds are required to publish sustainability-related information document on their website.

## CONTENTS

CONTENTS .....	1
GLOSSARY .....	2
1 SUMMARY .....	5
1.1 No significant harm to the sustainable investment objective .....	5
1.2 Sustainable investment objective of the financial product .....	5
1.3 Investment Strategy .....	5
1.4 Proportion of Investments .....	5
1.5 Monitoring of Sustainable Investment Objective .....	5
1.6 Methodologies .....	5
1.7 Data sources and processing .....	6
1.8 Limitations to methodologies and data .....	6
1.9 Due Diligence .....	6
1.10 Engagement Policies .....	6
1.11 Attainment of the Sustainable Investment Objective .....	6
2 NO SIGNIFICANT HARM TO SUSTAINABLE INVESTMENT OBJECTIVES .....	7
3 SUSTAINABLE INVESTMENT OBJECTIVES OF THE FINANCIAL PRODUCT .....	7
4 INVESTMENT STRATEGY .....	8
5 PROPORTION OF INVESTMENTS .....	9
6 MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVES .....	10
7 METHODOLOGIES .....	11
8 DATA SOURCES AND PROCESSING .....	12
9 LIMITATIONS TO METHODOLOGIES AND DATA .....	13
10 DUE DILIGENCE .....	13
11 ENGAGEMENT POLICIES .....	15
12 ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE .....	16

## GLOSSARY

<b>“Additional PAIs”</b>	means the SFDR PAIs selected by Gaia Africa Climate Fund being 1) Natural species and protected areas (E14) and 2) Rate of accidents (S2);
<b>“Article 9 Fund”</b>	means a financial product targeting a sustainable investment objective as per SFDR;
<b>“DNSH”</b>	means do no specific harm;
<b>“ESG”</b>	means Environmental, Social, and Governance;
<b>“ESMS”</b>	means an Environmental and Social Management System, a set of policies, procedures, tools, and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its clients/investees;
<b>“EU Taxonomy”</b>	means EU 2020/852 Taxonomy Regulation, a unified classification system designed to identify economic activities that can genuinely be classified as environmentally sustainable on a measurable and empirical basis for the purposes of establishing the degree to which the investment is environmentally sustainable and avoid greenwashing;
<b>“EU Taxonomy Compass”</b>	means the EU Taxonomy Compass, which provides a visual representation of the contents of the EU Taxonomy, starting with the Delegated Act on the climate objectives (climate change mitigation (Annex I) and climate change adaptation (Annex II)), as published in the Official Journal on 9 December 2021;
<b>“EU Taxonomy Sustainable Investment”</b>	means an investment that 1) Contributes substantially to one or more of the six environmental taxonomy objectives as defined, 2) Does not significantly harm any of the other environmental objectives, 3) Is carried out in compliance with the minimum safeguards as defined, and 4) Complies with Technical Screening Criteria as defined;
<b>“EU Taxonomy Sustainable Objectives”</b>	includes 1) Climate Change Mitigation, 2) Climate Adaption, 3) Sustainable use and protection of water and marine resources, 4) Transition to a circular economy, 5) Pollution prevention and control, and 6) Protection and restoration of biodiversity and ecosystems;
<b>“Financial Products”</b>	means under SFDR, financial products categorised under the Scope of Article 6, 8, or 9;
<b>“FMPs”</b>	means a Financial Market Participant;

<b>“Gaia Africa Climate Fund” or “the Fund”</b>	means the closed-ended Reserved Alternative Investment Fund (“ <b>RAIF</b> ”) to be established via the incorporation of a public limited company (“ <b>SICAV</b> ”) in Luxembourg;
<b>“Gaia Africa Climate Fund Sustainable Investment Objective”</b>	means the Gaia Africa Climate Fund objective selected which is investing in secondary/ brownfield equity/ replacement capital investments with a focus on 1) Renewable energy as primary (Climate Change Mitigation), which is aligned with the Paris Agreement; 2) Clean water production as secondary (Climate Change Mitigation & Sustainable and protection of water and marine resources);
<b>“Gaia Africa Climate Fund Taxonomy Objectives”</b>	means the Gaia Africa Climate Fund objectives of climate mitigation and adaptation, which the Fund contributes to;
<b>“Gaia Fund Managers” or “Gaia”</b>	means Gaia Fund Managers Proprietary Limited, the investment manager of Gaia Africa Climate Fund;
<b>“Mandatory PAIs”</b>	means the SFDR mandatory PAIs, which include 1) GHG emissions scope 1,2,3; 2) Carbon footprint; 3) GHG intensity of investee companies; 4) Exposure to companies active in fossil fuel sector; 5) Share of non-renewable energy consumption and production; 6) Energy consumption intensity per high impact climate sector; 7) Activities negatively affecting biodiversity-sensitive areas; 8) Emissions to water (companies), and 9) Unadjusted gender pay gap (companies);
<b>“Material”</b>	means financially material ESG factors that could have a significant impact – both positive and negative – on a company’s business model and value drivers, such as revenue growth, margins, required capital, and risk;
<b>“PAI considerations”</b>	means 18 mandatory PAIs and 1 additional Environmental, and 1 Social PAIs;
<b>“PAIs”</b>	means Principle Adverse Sustainability Impacts;
<b>“Paris Agreement”</b>	means a legally binding international treaty on climate change adopted by 196 parties at COP21 in Paris on 12 December 2015 and entered into force on 4 November 2016;
<b>“RAIF”</b>	means a Reserved Alternative Investment Fund (fonds alternatif reserve) under the Luxembourg law of 23 July 2016 relating to alternative investment funds;
<b>“SFDR”</b>	means 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;

<b>“Sustainable Investment”</b>	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;
<b>“Sustainability Risk” or “ESG Risk”</b>	means an environmental, social, or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment;
<b>“Taxonomy Regulation”</b>	means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088;
<b>“Technical Screening Criteria” or “TSC”</b>	means conditions/ criteria under which an economic activity qualifies as contributing substantially to climate change adaptation or mitigation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives in the Taxonomy; and
<b>“UN SDGs” or “SDG”</b>	means the United Nations’ Sustainable Development Goals.

## **1 SUMMARY**

### **1.1 No significant harm to the sustainable investment objective**

The Fund is committed to measuring the negative impacts of its Sustainable Investments by implementing the best sustainability market practices across its investment process. The Fund has integrated sustainability considerations across all its stages of the investment processes, and sustainability due diligence will be completed on investees prior to the investment decision.

### **1.2 Sustainable investment objective of the financial product**

The Fund's objective selected is investing in secondary/ brownfield equity/ replacement capital investments with a focus on 1) Renewable energy as primary (Climate Change Mitigation), which is aligned with the Paris Agreement; 2) Clean water production as secondary (Climate Change Mitigation & Sustainable and protection of water and marine resources).

The Sustainable Investment Objective of the Fund takes an environmental facet as it directly contributes to the EU Environmental Objectives. Sustainable Investments will contribute to **Climate Change Mitigation** in alignment with the Taxonomy Regulation and may qualify under Objective 3, **Sustainable use and protection of water and marine resources**.

### **1.3 Investment Strategy**

The Fund's objective selected is investing in secondary/ brownfield equity/ replacement capital investments with a focus on 1) Renewable energy as primary (Climate Change Mitigation), which is aligned with the Paris Agreement; 2) Clean water production as secondary (Climate Change Mitigation & Sustainable and protection of water and marine resources).

ESG and impact risk management is integrated into the Fund's investment cycle and is integral to the Environmental and Social Management System ("ESMS").

### **1.4 Proportion of Investments**

The Fund will not make investments that do not fit its investment strategy. Consequently, the Fund commits to invest at least 90% of its assets in investments considered sustainable under the Fund's SFDR Annexure III disclosure. Of the sustainable investments with environmental objectives, 0% will be taxonomy-aligned.

### **1.5 Monitoring of Sustainable Investment Objective**

The extent to which the sustainable investment objective has been achieved is continuously monitored and reported annually. Included in this assessment is the performance of the principle adverse indicators in a quantitative manner.

### **1.6 Methodologies**

The Fund uses the Gaia proprietary methodology set out in the ESMS to measure and manage impact. The methodology is based on reducing negative and maximizing positive impacts during the holding period. The Fund uses two logic models, Theory of Change and the Impact Management Project's five dimensions of why, to unpack the impact and manage the impact risk.

## **1.7 Data sources and processing**

ESG and impact risk management is integrated into the Fund's investment cycle and is integral to the Environmental and Social Management System. The performance of a potential investee against the Guiding ESG & Impact Principles will determine whether it is suitable for investment in terms of ESG and impact risk. Exclusion lists and ESG Due Diligence Questionnaire (DDQ) are tools to evaluate and categorize the potential risks posed by the investee's activities.

## **1.8 Limitations to methodologies and data**

Gaia sees the creation of the ESMS as the current best practice but understands that the field and application of methodologies are in their infancy and continuously evolving. The limitations of the current research constrain the maturity of the methodologies created. While Gaia looks to only invest in qualifying investments and investee companies, not all investees will have perfect sanitised data from which to (1) benchmark, (2) continuously monitor, and thus (3) allow for accurate decision-making when consulting, not improve measures. Gaia aims to engage and improve on these with the investees continuously. Still, there will always be a dependency on 3rd party data due to the degree of separation between the Fund and the Investee company.

Gaia's Chief Risk and Impact Officer continuously assesses the market for best practices, the latest regulations and methodologies, and technologies/platforms to enable more effective data management and reporting. These are then evaluated for suitability into the investment process and integrated accordingly.

## **1.9 Due Diligence**

The Due Diligence (DD) stage enables a comprehensive sustainability assessment of the investment opportunity. Assessment includes verification of compliance with applicable national laws on environment, health, and safety guidelines, minimum safeguards, and good governance practices. The applicability of IFC Performance Standards and World Bank Environmental, Health, and Safety Guidelines will also be determined (1) to identify opportunities to avoid adverse impacts and, if impacts are unavoidable, (2) to identify required mitigation and compensation; (3) to identify opportunities to improve environmental and social performance of projects seeking support; and (4) to establish specific performance requirements for the Renewable Energy sector.

## **1.10 Engagement Policies**

As a shareholder and through investor stewardship, Gaia seeks to partner with our investee companies. Through engagement, we help them implement best practices by offering tools, training, and expertise, managing ESG risk factors, ensuring minimum safeguards, implementing good governance practices, and measuring progress. We have identified priority ESG topics that we believe can most affect our ability to build strong companies of enduring value.

## **1.11 Attainment of the Sustainable Investment Objective**

The Gaia Africa Climate Fund Sustainable Investment Objective supports the transition toward more sustainable and resilient societies, which requires an integrated approach. We recognize that the SDGs are interrelated and that impact needs to be considered from a net perspective. The Fund is committed to high impact, creating a systemic solution, and supporting a worldwide pathway to net zero. The Fund's

priority UN SDGs are SDG 4 (Quality Education), SDG 6 (Clean Water & Sanitation), SDG 7 (Affordable & Clean Energy), SDG 9 (Industry, Innovation, and Infrastructure), and SDG 13 (Climate Action).

To measure the attainment of the Sustainable Investment Objective of the Fund, identified KPIs at the Portfolio Level will be measured, monitored, and reported. Most KPIs are aligned to the IRIS+ framework, while additional tailored indicators have been identified case-by-case.

## 2 NO SIGNIFICANT HARM TO SUSTAINABLE INVESTMENT OBJECTIVES

The Fund is committed to measuring the negative impacts of its Sustainable Investments by implementing the best sustainability market practices across its investment process. The Fund has integrated sustainability considerations across all its stages of the investment processes, and sustainability due diligence will be completed on investees prior to the investment decision. In particular, investments are screened and assessed against the following:

- Gaia’s Composite Exclusion List which considered and adapts the IFC Exclusion List, the Harmonised EDFI Exclusion List, the BII Fossil Fuel Policy, the Government Pension Fund Global and Blackrock's EMEA Baseline Screens in design of the Gaia Exclusion List;
- Minimum Safeguards (The OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business & Human Rights, The Declaration of the International Labour Organisation on Fundamental Principles and Rights at work & The International Bill of Human Rights);
- Taxonomy technical screening criteria;
- Good Governance Practices (IFC Corporate Governance and Business Integrity);
- Principal Adverse Impacts (“PAIs”);
- IFC Performance Standards (“IFC PS”) to assess & categorize ESG risks;
- World Bank Group’s General Environmental and Health and Safety (“H&S”) Guidelines (“WBG EHS Guidelines”); and
- The Impact Management Project (“IMP”) framework uses the Impact due diligence on the investees.

## 3 SUSTAINABLE INVESTMENT OBJECTIVES OF THE FINANCIAL PRODUCT

The Fund’s selected objective is investing in secondary/ brownfield equity/ replacement capital investments with a focus on 1) Renewable energy as primary (Climate Change Mitigation), which is aligned with the Paris Agreement; 2) Clean water production as secondary (Climate Change Mitigation & Sustainable and protection of water and marine resources).

The Fund aims to reach its Sustainable Investment Objective by catalysing the infrastructure development cycle, ensuring skills transfer, and ultimately providing access to sustainable clean energy by:

- **Recycle Development Capital**  
Accelerate the climate infrastructure project development snowball by providing a clear exit path and allowing greenfield developers to recycle their capital into new projects.
- **Providing Access to Clean Electricity**  
Prioritise and promote exemplary governance structures, policies, and procedures to ensure effective operation and continued supply of clean electricity.



- **Increase in access to clean water, sanitation and hygiene (“WASH”)**  
Prioritise and promote exemplary governance structures, policies, and procedures to ensure effective operation and continued supply of clean water production.
- **Job Creation and Development of Local Skills**  
Create jobs and effect direct upskilling and skill transfer in investee companies to develop a local skilled workforce to support a sustainable local industry.

The Sustainable Investment Objective of the Fund takes an environmental facet as it directly contributes to the EU Environmental Objectives. Sustainable Investments will contribute to **Climate Change Mitigation** in alignment with the Taxonomy Regulation and may qualify under Objective 3, **Sustainable use and protection of water and marine resources**.

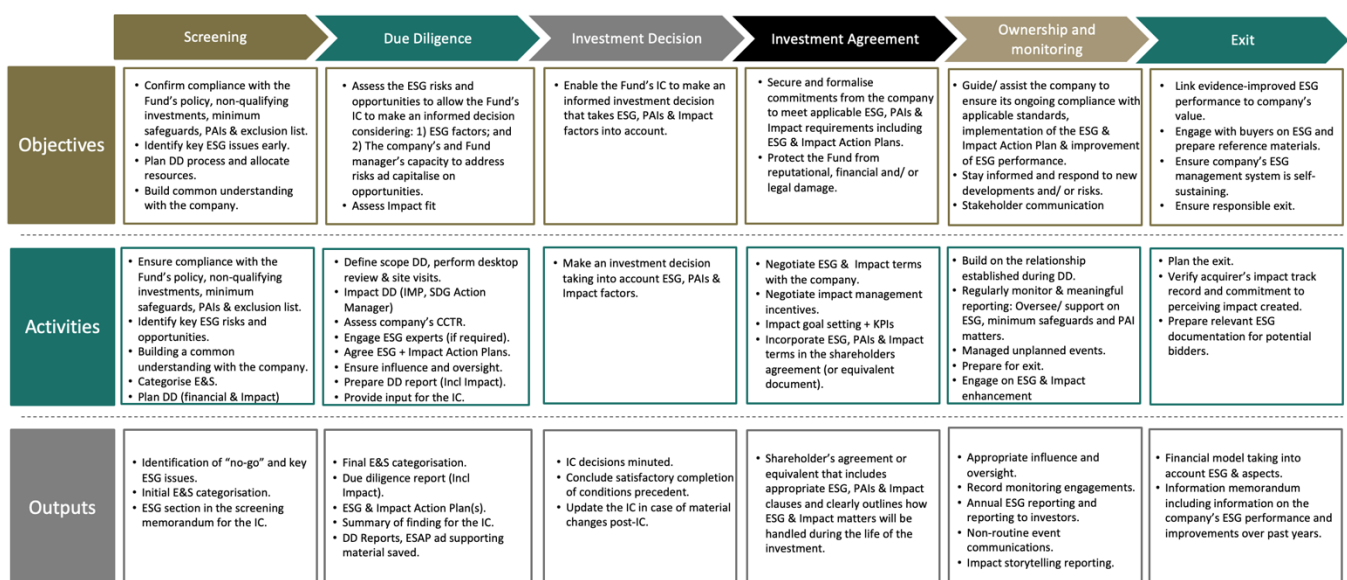
#### 4 INVESTMENT STRATEGY

The Fund’s selected objective is investing in secondary/ brownfield equity/ replacement capital investments with a focus on 1) Renewable energy as primary (Climate Change Mitigation), which is aligned with the Paris Agreement; 2) Clean water production as secondary (Climate Change Mitigation & Sustainable and protection of water and marine resources).

The Fund’s mission is to play a catalytic role in promoting a sustainable project development cycle and crowd in more investors at all stages of the funding ecosystem by (1) providing exit opportunities for primary investors to enable them to recycle their capital into new greenfield projects and (2) drawing in private capital into the project funding ecosystem.

ESG and impact risk management is integrated into the Fund’s investment cycle and is integral to the Environmental and Social Management System.

The Fund has integrated sustainability considerations across all its stages of the investment processes, as presented in the figure below:



Source: CDC ESG toolkit – Investment cycle. I Abbreviations: CCTR – Commitment, capacity and track record; DD – Due Diligence; IC – Investment Committee; E&S – Environmental and social; PAIs – Principle Adverse Impact

Integrating ESG factors into Gaia’s investment decision and ownership is an important part of fulfilling our mission to create a strong impact and returns for our investors. Therefore, ESG considerations are to be integrated within all the stages of the investment process as per the guidance of the [CDC Toolkit](#) on ESG for fund managers. We believe that considering ESG factors not only enhances our risk assessment but also helps us identify opportunities to enable transformation and value creation.

In this line of thought, the indicators for Principal Adverse Impacts (“**PAIs**”) on sustainability factors are considered by the Fund, in close collaboration with Gaia as appointed portfolio manager to the Fund, during the due diligence process, before the investment decision, and during the life of the investment. In particular, mandatory PAIs (or proxies when not available) and two additional PAIs will be monitored and reported annually. Where no data is available, proxies shall be used. The additional PAIs considered are as follows:

- **Environmental Additional PAI #14:** Natural species and protected areas
- **Social Additional PAI #2:** Rate of accidents

Compliance with the mandatory and additional SFDR PAIs are stipulated in the Fund’s Environment and Social Management System, which the Board of Directors has adopted.

Pursuant to the indicators set out in Annex 1 of the Regulatory Technical Standards under the EU 2019/2088 SFDR Regulation, Gaia Fund Managers Proprietary Limited, acting as the Portfolio Manager of the Fund, will endeavour to assess its investment opportunities and monitor the performance of its investees against the PAIs as follows:

- **Due diligence process:** Principal Adverse Impact indicators (or proxies if no direct data is available) are collected during the due diligence phase prior to the investment decision. They may lead to deciding not to invest or a mitigation plan.
- **Investment Commitment:** The term sheets may include a mitigation plan in case of gaps. In that case, Gaia can also provide some assistance to improve the performance on the PAIs.
- **Monitoring & Reporting through portfolio life:** Principal Adverse Impacts indicators will be collected on a rolling basis or at least quarterly according to the KPI to monitor the portfolio effectively and report annually. An annual verification will be made.

The Fund believes good governance is essential for financially sound companies. Therefore, we support our investees at various stages of their life cycle to implement good governance practices spanning board governance to controls. Assess investments against the Minimum Safeguards<sup>1</sup>, Good Governance practices (IFC Corporate Governance and Business Integrity), Taxonomy Eligibility, and Principal Adverse Impacts.

## 5 PROPORTION OF INVESTMENTS

The Fund will not make investments that do not fit its investment strategy. Consequently, the Fund commits to invest at least 90% of its assets in investments (direct exposure) considered sustainable under

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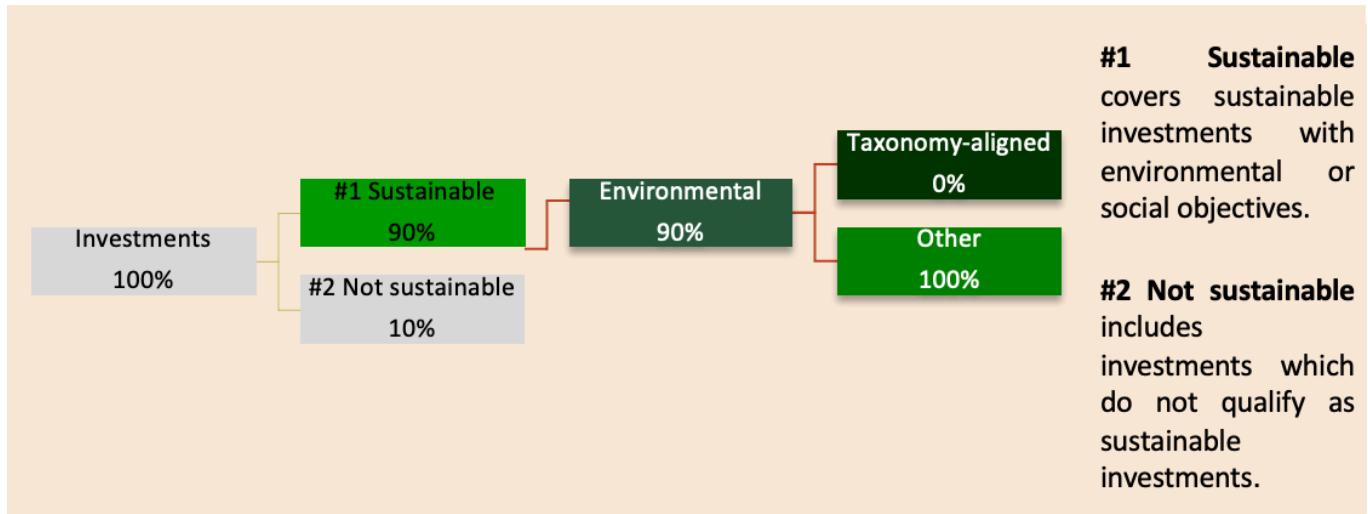
<sup>1</sup> Minimum Safeguards include OECD Guidelines for Multinational Enterprises (when applicable), International Bill of Human Rights, ILO International Labour Standards, and UN Guiding Principles on Business and Human Rights

the Fund’s SFDR Annexure III disclosure. Out of the sustainable investments with environmental objectives, 0% will be taxonomy-aligned.

The Fund is only allowed to keep up to 10% of its assets in liquid instruments to ensure the right level of liquidity.

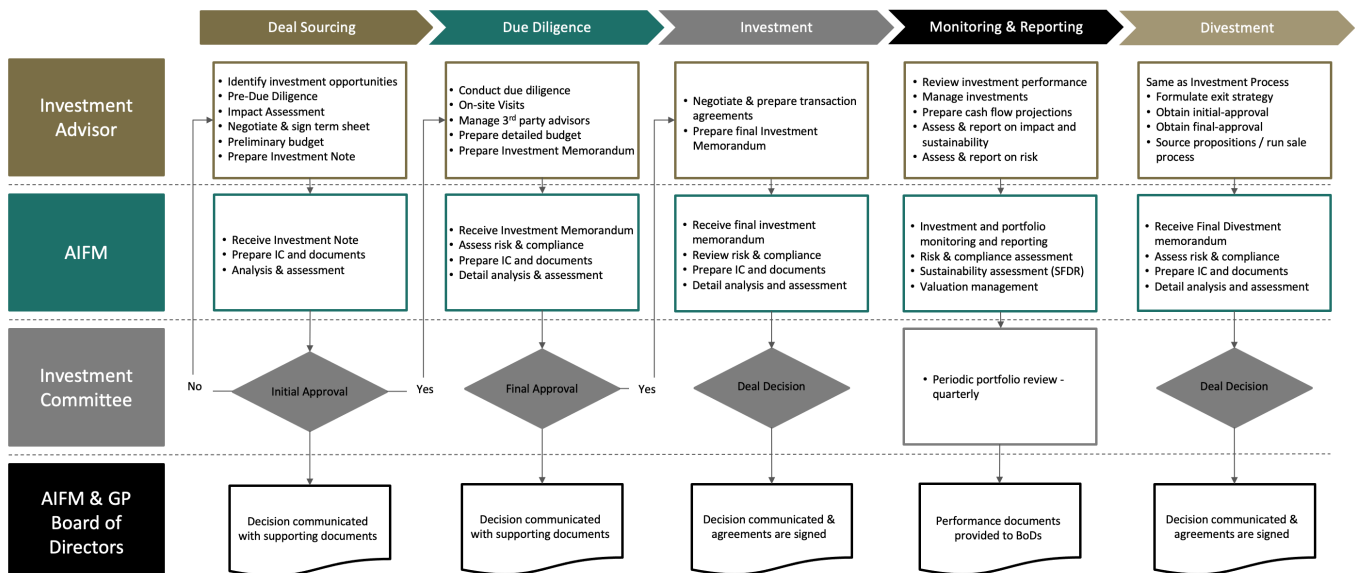
90% of the sustainable investments of the Fund have environmental objectives.

Out of the sustainable investments with environmental objectives, 0% will be taxonomy-aligned given the general immature nature of African infrastructure



## 6 MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVES

An overview of the Fund’s monitoring and reporting system is set out in the figure below.



At the Investee level, the Fund generally uses an annual ESG survey and data collection process post-investment to monitor our investee companies as set out below:

<b>Minimise negative impact</b>	<b>KPIs &amp; PAIs</b>
Identify, assess, monitor, and report on ESG and impact Risks	Identify, assess, monitor & report on KPIs and PAIs
Apply strategies to avoid, mitigate, and compensate for sustainability risks	Measure and monitor Mandatory PAIs and Additional PAIs

Participation in our survey and data collection is expected for investees for whom we hold a minimum shareholding of 20%. Portfolio companies undergo ongoing monitoring based on KPIs, PAIs, ESG Risks, compliance with Minimum Safeguards, and EU Taxonomy.

In addition, the Fund commits to the required SFDR Article 9 pre-contractual disclosures, periodic reports, and website disclosures to report on portfolio sustainability performance to relevant stakeholders.

## 7 METHODOLOGIES

The following process will be followed to ensure the investee’s compliance with the ESG regulatory requirements. Investment opportunities are screened against:

- Gaia Composite Exclusion List;
- Fund’s Investment Objective (as defined);
- Fund Values and Sustainable Investment Objectives;
- Fund’s Impact eligibility requirements (based on the 5 (five) dimensions of the Impact Management Project) as set out below;
- Minimum Safeguards;
- Good governance practices;
- Investment opportunities are assessed against the [EU Taxonomy Compass](#) to ensure eligibility;
- Preliminary ESG and Impact Risks Assessment; and
- PAIs applicability and capacity for monitoring & reporting.

The following ESG and impact Standards have been implemented.

On a Gaia/Fund level:

- Gaia’s Composite Exclusion List which considered and adapts the IFC Exclusion List, the Harmonised EDFI Exclusion List, the BII Fossil Fuel Policy, the Government Pension Fund Global and Blackrock’s EMEA Baseline Screens in design of the Gaia Exclusion List;
- IFC Performance Standards (“**IFC PS**”)
- IFC Corporate Governance and Business Integrity
- World Bank Group General and sectoral EHS Guidelines (“**WBG EHS Guidelines**”)
- Impact Management Platform (“**IMP**”)
- UN Global Compact (“**UNGC**”)
- BII/CDC ESG Toolkit

On an Investee level:

- IFC PS and associated good governance notes, handbooks, and ESMS

- World Bank Group General and Sectoral EHS Guidelines
- OECD Guidelines for Multinational Enterprises (when applicable)
- International Bill of Human Rights
- ILO International Labour Standards
- UN Guiding Principles on Business and Human Rights

The Fund is aligned with SFDR and eligible for EU Taxonomy.

## 8 DATA SOURCES AND PROCESSING

ESG and impact risk management is integrated into the Fund’s investment cycle and is integral to the Environmental and Social Management System. The performance of a potential investee against the Guiding ESG & Impact Principles will determine whether it is suitable for investment in terms of ESG and impact risk. Exclusion lists and ESG Due Diligence Questionnaire (DDQ) are tools to evaluate and categorize the potential risks posed by the investee’s activities.

The following processes and tools will be used in the ESG/ due diligence process:

<b>Environmental Taxonomy Objective</b>	<b>ESG &amp; Impact Risk Profile</b>	<b>Minimum Safeguards</b>	<b>PAIs</b>	<b>Good Governance</b>
Taxonomy Technical Screening to determine deal eligibility  Determine substantial contribution criteria  <a href="#">DNSH criteria &amp; deal-specific operational procedures</a>  <a href="#">EU Taxonomy Compass</a>	Identify and integrate ESG & Impact Risks  <a href="#">IFC Performance Standards</a>  Apply the <a href="#">British International Investment – ESG Toolkit</a>  <a href="#">UN Global Compact</a>	<a href="#">UN Guiding Principles of Business and Human Rights</a>  <a href="#">ILO on Fundamental Principles and Rights at Work</a>  <a href="#">International Bill of Human Rights</a>	Determine PAIs data availability –  Elaborate considering PAIs and Taxonomy	<a href="#">FMO Corporate Governance Toolkit for Corporate/ Private Equity</a>  <a href="#">IFC Business Integrity</a>

Given the nature of the Fund Investments and small team size, investees do not fall under the Minimum Safeguard OECD Guidelines for Multinational Enterprises.

The UN Guiding Principles on Business and Human Rights, especially the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights, compliance with minimum safeguards will be ensured as follows across the different stages of the investment process:

- **Pre-investment phase:** Verified during the origination, screening, and due diligence process
- **Investment Commitment:** Investees will be required to commit and ensure compliance with these principles and rights in the term sheets.

- **Portfolio life:** An annual verification through a questionnaire will be made.

The Fund use the following steps in data sources and processing:

- Data sources: Direct from the investee through a 3<sup>rd</sup> party provider, company disclosures, sustainability reports and annual reports in combination with internal research and analysis.
- Measures taken to ensure data quality: Cross-referencing data from multiple sources, data cleaning techniques to eliminate errors and inconsistencies.
- Data processing methods: Scoring models for assessing ESG performance.
- Disclosure of proportion of data that are estimated: The proportion of data estimated will depend on the tasks at hand and on the type of assets considered. However, in cases where the use of estimates is deemed appropriate, the Fund will specify the methodology behind such estimates, including the relevant assumptions.

## 9 LIMITATIONS TO METHODOLOGIES AND DATA

ESG and Impact management, investment, and reporting are young compared to their financial counterparts. It requires a focus on research on various parts of the field, its integration into the research process, and its full alignment with the latest regulatory requirements.

Gaia has created a best-in-breed ESMS, which sets out the required systems and processes to ensure we fulfil our promises and objectives to investors. However, we understand the limitations of the research in the field and that the ESMS will continuously evolve to ensure it aligns with the best in the market. These are dependent on the research and outcome of section 7 above.

While Gaia looks to only invest in qualifying investments and investee companies, only some investees will have perfect sanitised data from which to (1) benchmark, (2) continuously monitor, and thus (3) allow for accurate decision-making when consulting on improvement Gaia aims to engage and improve on these with the investees continuously, but there will always be a dependency on 3rd party data due to the degree of separation between the Fund and the Investee company.

These are improved through continuous interaction, but also through the utilisation of data collection and reporting tools. These are required through the three phases in the investment process: The pre-investment phase, investment commitment, and portfolio life. Section 8 above drives the requirements for tools/platform technologies utilised by Gaia to manage these investments.

A range of data sources are used according to the ESMS and Gaia's proprietary Impact and ESG frameworks to support the risk of data availability and quality, helping to minimize the impact of any gaps in data.

The ESMS is the responsibility of the Gaia team but, ultimately, the Chief Risk and Impact Officer.

## 10 DUE DILIGENCE

ESG and impact risk management is integrated into the Fund's investment cycle and is integral to the Environmental and Social Management System. The performance of a potential investee against the Guiding ESG & Impact Principles will determine whether it is suitable for investment in terms of ESG and

impact risk. Exclusion lists and ESG Due Diligence Questionnaire (DDQ) are tools to evaluate and categorize the potential risks posed by the investee’s activities.

During the screening and due diligence stage, potential investments will all be evaluated for environmental, social, and governance risk (“**ESG or Sustainability Risk**”) where, under SFDR 2019/2088, Sustainability Risk means an environmental, social, or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

The Due Diligence (DD) stage enables a comprehensive sustainability assessment of the investment opportunity. Assessment includes verification of compliance with applicable national laws on environment, health, and safety guidelines, minimum safeguards, and good governance practices. The applicability of IFC Performance Standards and World Bank Environmental, Health, and Safety Guidelines will also be determined (1) to identify opportunities to avoid adverse impacts and, if impacts are unavoidable, (2) to identify required mitigation and compensation; (3) to identify opportunities to improve environmental and social performance of projects seeking support; and (4) to establish specific performance requirements for the Renewable Energy sector.

The following processes and tools will be used in the ESG/ due diligence process:

<b>Environmental Taxonomy Objective</b>	<b>ESG &amp; Impact Risk Profile</b>	<b>Minimum Safeguards</b>	<b>PAIs</b>	<b>Good Governance</b>
Taxonomy Technical Screening to determine deal eligibility  Determine substantial contribution criteria  <a href="#">DNSH criteria &amp; deal-specific operational procedures</a>  <a href="#">EU Taxonomy Compass</a>	Identify and integrate ESG & Impact Risks  <a href="#">IFC Performance Standards</a>  Apply the <a href="#">British International Investment – ESG Toolkit</a>  <a href="#">UN Global Compact</a>	<a href="#">UN Guiding Principles of Business and Human Rights</a>  <a href="#">ILO on Fundamental Principles and Rights at Work</a>  <a href="#">International Bill of Human Rights</a>	Determine PAIs data availability –  Elaborate considering PAIs and Taxonomy	<a href="#">FMO Corporate Governance Toolkit for Corporate/Private Equity</a>  <a href="#">IFC Business Integrity</a>

Given the nature of the Fund Investments and small team size, investees do not fall under the Minimum Safeguard OECD Guidelines for Multinational Enterprises.

The UN Guiding Principles on Business and Human Rights, especially the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights, compliance with minimum safeguards will be ensured as follows across the different stages of the investment process:

- **Pre-investment phase:** Verified during the origination, screening, and due diligence process
- **Investment Commitment:** Investees will be required to commit and ensure compliance with these principles and rights in the term sheets.
- **Portfolio life:** An annual verification through a questionnaire will be made.

After all the assessments defined above have been performed, if no major concerns are identified during the assessment, the investment can be proposed to the Investment Committee for review (and approval) alongside its tailored ESG Action Plan and legally binding sustainability covenants for the Investee to be discussed and confirmed by the IC.

## 11 ENGAGEMENT POLICIES

As a shareholder and through investor stewardship, Gaia seeks to partner with our investee companies. Through engagement, we help them implement best practices by offering tools, training, and expertise, managing ESG risk factors, ensuring minimum safeguards, implementing good governance practices, and measuring progress.

We have identified priority ESG topics that we believe can most affect our ability to build strong companies of enduring value.

- **Climate Change Mitigation, Resiliency, and Adaptation**

We recognise that climate change is a systemic issue affecting all sectors and geographies. We aim to partner with our investees to help them reduce carbon emissions through our engagement, assess climate's physical and transition risks, and support investees in introducing mitigants.

- **Diversity, Equity, and Inclusion (DEI)**

We focus on driving diversity by setting a broad diversity target for our investee companies. We also work to foster employment opportunities through skills transfer and training programs specifically focusing on women for our investee companies. We have adopted 2X Global's 2X Challenge to provide women in developing country markets with improved access to leadership opportunities, quality employment, finance, enterprise support, and products and services that enhance economic participation and access.

- **Net zero commitments**

As part of our net-zero commitment strategy, we will engage with investee companies to make net-zero commitments and improve net-zero data transparency and reporting.

- **Good Governance**



We believe good governance is essential for financially sound companies. Therefore, we support our investees at various stages of their life cycle to implement good governance practices spanning board governance to controls.

## 12 ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

The Gaia Africa Climate Fund Sustainable Investment Objective supports the transition toward more sustainable and resilient societies, which requires an integrated approach. We recognize that the SDGs are interrelated, and that impact needs to be considered from a net perspective. The Fund is committed to high impact, creating a systemic solution, and supporting a worldwide pathway to net zero. The Fund’s priority UN SDGs are SDG 4 (Quality Education), SDG 6 (Clean Water & Sanitation), SDG 7 (Affordable & Clean Energy), SDG 9 (Industry, Innovation, and Infrastructure), and SDG 13 (Climate Action).

To measure the attainment of the Sustainable Investment Objective of the Fund, identified KPIs at the Portfolio Level will be measured, monitored, and reported. Most KPIs are aligned to the IRIS+ framework, while additional tailored indicators have been identified case-by-case. To measure the attainment of the Sustainable Investment Objective of the Fund, identified KPIs at the Portfolio Level will be measured, monitored, and reported. Most KPIs are aligned to the IRIS+ framework, while additional tailored indicators have been identified case-by-case.

The Fund will quarterly monitor & annually report on the following KPIs per Impact Objective/ UN SDG:

IMPACT OBJECTIVE	UN SDGs	KEY PERFORMANCE INDICATORS
i. Recycling Development Capital	SDG 7.2,7.b SDG 9.a SDG 13	<b>Number of private capital investments</b> made in the brownfield phase of the lifecycle.  <b>Number and percentage of exit opportunities</b> provide in investors disaggregated by type of investors.
ii. Providing Access to Clean Electricity	SDG 7.2, 7.b SDG 13.a	<b>Reduced GHG Emissions</b> <ul style="list-style-type: none"> <li>Amount of greenhouse gas (GHG) emissions avoided by the organisation during the reporting period. (IRIS+ PI2764)</li> </ul> <b>Energy generated for Sale: Renewable</b> <ul style="list-style-type: none"> <li>Amount of renewable energy generated and sold to off-taker (s) during the reporting period (IRIS+ PI5842)</li> </ul> <b>Target stakeholder Socioeconomics</b>

		<ul style="list-style-type: none"> <li>Describes the socioeconomic groups of stakeholders targeted by the organisation at the end of the reporting period disaggregated by Lower or Lower-Middle income (IRIS+ PD2541)</li> </ul>
iii. Increase in access to clean water, sanitation, and hygiene (“WASH”)	SDG 6.1	<p><b>Number of households and Business Connections</b></p> <ul style="list-style-type: none"> <li>Number of residential and commercial connections to utilities and services provided by the organization as of the end of the reporting period.</li> </ul> <p><b>Public Water Point Coverage</b></p> <ul style="list-style-type: none"> <li>At the end of the reporting period, the number of individuals within a coverage region (defined by a municipality, district, or designated service area) who have primary water access through a public tap (IRIS+ PI3218).</li> </ul> <p><b>Target stakeholder Socioeconomics</b></p> <ul style="list-style-type: none"> <li>Describes the socioeconomic groups of stakeholders targeted by the organization as of the end of the reporting period disaggregated by Lower and Lower middle income (IRIS+ PD2541).</li> </ul>
iv. Job creation and development of local skills	SDG 4.4 SDG 8.5	<p><b>Employee training and Transition Programmes Offered</b></p> <ul style="list-style-type: none"> <li>Describe the type and scope of programs implemented and assistance provided during the reporting period to upgrade employee skill (IRIS+ OI3368).</li> </ul> <p><b>Permanent employees</b></p> <ul style="list-style-type: none"> <li>A number of people in paid employment with the organization as of the end of the reporting period, whether full-time or part-time (IRIS+ OI8869).</li> </ul> <p><b>Target Stakeholder Demographics</b></p> <ul style="list-style-type: none"> <li>Describes the demographic groups of stakeholders targeted by the organization disaggregated by Gender, Race/ Ethnicity/ Minority status (Historically marginalized groups/ Dominant culture populations) (IRIS+ PD5752).</li> </ul>

No index has been selected as a reference benchmark for the Fund as no EU-approved index is currently available in the market in alignment with the Fund’s investment strategy. Nonetheless, the Fund will monitor and report on the progress of its portfolio by providing stakeholders with an indication of the performance of its Key Performance Indicators (“KPIs”) against its baseline and pre-set targets. As outlined in the following section, KPIs align with the UN Sustainable Development Goals (“UN SDGs”) and IRIS+.