Private Infrastructure Development Group

Investment Policy

Policy owner	Owners
Policy custodian	Chief Executive Officer
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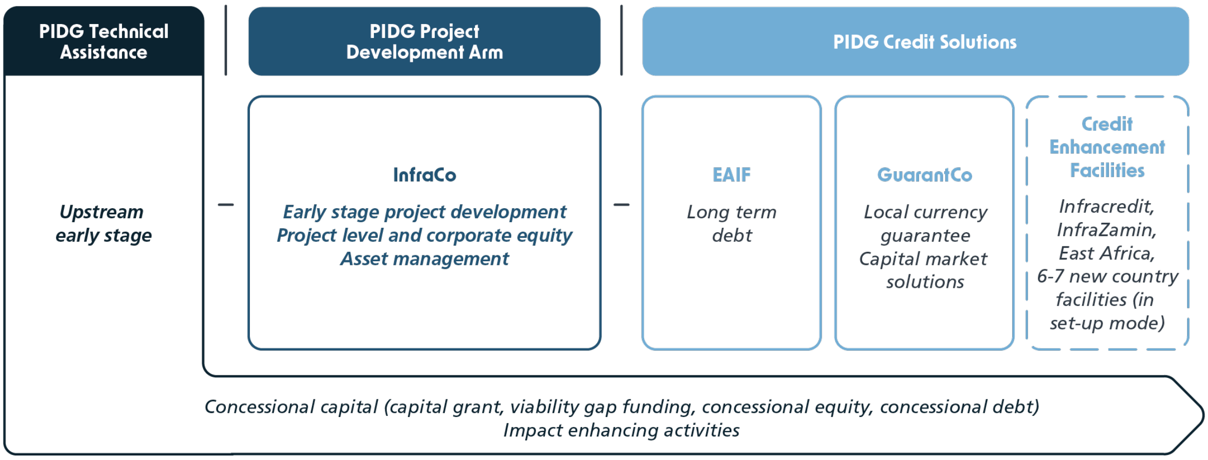
1. INTRODUCTION TO PIDG

1.1. PIDG Structure

a. PIDG gets infrastructure finance moving and multiplying – accelerating climate action and sustainable development where most urgently needed. We focus on frontier markets of Africa and south and south-east Asia, in particular low income and fragile countries, to develop innovative infrastructure solutions that help socio-economic development, combat poverty and promote climate resilience.

b. PIDG Ltd has been established to act as the parent company and head office of PIDG. Through the PIDG Board, committees and executive team, it will have responsibility for ensuring that PIDG meets its objectives and the expectations of the Owners, assuming certain functions previously carried out by the Owners and the PIDG Trust.

c. PIDG is structured along three business lines that provide a range of commercial and development finance solutions throughout the entire project lifecycle - from early-stage incubation and development, to credit solutions that bridge gaps in local capital markets:



PIDG's structure enables it to offer a unique set of capabilities:

- *PIDG Technical Assistance (PIDG TA):* PIDG TA provides technical assistance in the form of targeted catalytic support to aid project development and enable transactions across the project lifecycle.
- *PIDG Development Arm (InfraCo):* The PIDG Development Arm originates, develops, structures, invests and manages innovative and pioneering projects, expansions to existing projects and/or investments. It takes on early-stage infrastructure investment and development providing management and capital to address early-stage risks and developing bankable projects that can attract debt and equity participation at or before financial close.
- *PIDG Credit Solutions:* Provide funded and contingent hard and local currency credit solutions (EAIF), including guarantees to banks and bond investors to develop local capital markets (GuarantCo). Credit Enhancement Facilities are local guarantee facilities established by PIDG in partnership with local stakeholders and investors to unlock domestic capital for infrastructure financing.

PIDG Ltd sets the investment criteria for the PIDG Companies and oversee their investment decisions to ensure that they comply with these criteria, the Group Strategy and PIDG's objectives in general, and that each investment constitutes an efficient and prudent use of resources by the PIDG Company concerned.

If PIDG Ltd considers an investment does not further PIDG's objectives and/or is an inefficient/imprudent use of resources it may intervene and give directions to the PIDG Company, e.g. to modify the investment or refrain from making it. Additionally, decisions which concern investments which are complex, out of the ordinary or particularly large will be elevated by the relevant PIDG Company to PIDG Ltd's credit or investment committees.

1.2. PIDG Mandate

a. PIDG's mission is to get infrastructure finance moving and multiplying – accelerating climate action and sustainable development where most urgently needed. PIDG's mandate is to accelerate the development and financing of sustainable infrastructure that improves climate resilience, adaptation and mitigation, and contributes to sustainable development and poverty reduction, through investment and capital market development. PIDG's mandate is delivered through its strategic priorities of:
- Scale;
- Replicability;
- Affordability; and
- Transformation.

These priorities are detailed in the table below:

Strategic priority	**Definition**	**Examples of investment areas**
Scale	Projects that can provide infrastructure services to a large number of people and businesses, creating benefits for individual households and for the economy	On-grid renewable projects; large-scale infrastructure associated with economic zones; and water projects
Replicability	Projects that can be developed – perhaps initially on a small scale and pilot basis – and can then be replicated either by PIDG and its partners or by others, reducing transaction costs and enabling growth at speed	Off-grid mini-hydro projects or off-grid solar with storage; biomass solutions; and replicable financing models (e.g. Credit Enhancement Facilities)
Affordability	Projects that enable access to infrastructure by low-income groups or which improve economic efficiency and competitiveness	Affordable housing; affordable agri-processing solutions
Transformation	Projects that fundamentally change behaviour or market function	New models for private sector investment in water; transforming and strengthening the capacity of local developers and developing local capital markets and investor confidence; and empowering women.

b. PIDG will support the development and financing of infrastructure projects that are viable for investment by the private sector and public-private partnerships in infrastructure. These projects must deliver in line with PIDG’s values of pioneering, partnership, safety, integrity and urgency, as well as impact and building local capacity.

c. PIDG identifies and reviews the contribution of its investments to the SDGs and, where possible, identifies the role it may play in closing specific gaps in individual countries.

1.3. Strategic partnerships

PIDG will operate collaboratively to achieve complementarity with Strategic Partners to expand PIDG’s influence and profile. In delivering the PIDG Strategy, we know that it is imperative to work with others to scale up what works. This will allow us to originate, build and distribute on a faster scale, matching capital to infrastructure financing at the appropriate stage of development and at the scale required. By implication, PIDG will continue to identify and develop relationships with strategic partners who share PIDG's strategic vision and respond with the same sense of urgency and approach. In seeking such collaboration, PIDG will seek to build relationships with: Businesses; Investors; Providers of catalytic capital; Development Finance Institutions and Multilateral Development Banks.

1.4. Purpose of policy

a. This Policy sets out the parameters and guidelines within which PIDG will invest in infrastructure projects and conduct its business[1].

[1] PIDG’s approach to treasury and cash management will be governed by its Treasury Policy that will seek to align with the Investment Policy where appropriate e.g. approach to risk management and excluded sectors.

2. PERMITTED INSTRUMENTS

2.1. Investment structuring

a. PIDG can supply capital throughout the project lifecycle to infrastructure projects to address market failures, such as delays which can at times prevent financial close of viable infrastructure projects.

b. PIDG will look to utilise relevant constructs including public-private partnerships to catalyse private sector investment in infrastructure where it is needed most.

c. In committing its capital to any opportunities, PIDG may invest through an investment vehicle in a relevant jurisdiction if PIDG considers that it is appropriate and is consistent with this Policy as amended from time to time.

d. Subject to meeting the criteria set out in this policy, PIDG may invest in opportunities that include, without limitation:
   i. start-ups or greenfield developments;
   ii. partly developed projects where the incumbent sponsor is unable to bring the opportunity to financial close;
   iii. currently operating companies where the owners are unable to finance and implement major new investments, or unable to finance existing operations or assets[2];
   iv. privatised or to be privatised projects/companies; and
   v. majority state-owned projects where the private sector is to participate in a risk-sharing capacity. PIDG will seek out opportunities in countries where:
      - the basic foundations for private sector participation in infrastructure are in place and it is expected that the constraints to private sector investment in the opportunity can be overcome through PIDG's involvement; an
      - the host government is supportive of PIDG's involvement.

2.2. Technical Assistance

a. PIDG may support the provision of technical assistance and pre-financial close structuring advice to opportunities identified with governments, third parties and strategic partners.

b. PIDG can undertake all activities relating to the identification and development of an opportunity. These activities may include, but are not limited to, procuring and managing transaction advisors, undertaking feasibility and market studies, impact assessments, negotiation of commercial contracts and project agreements, procuring required licenses and consents, development of a business and financing plan, procuring financing from third parties, and negotiation of third-party financing documents.

c. PIDG may provide concessional capital products to address viability gaps for opportunities that have high development impact. This capital may be in the form of grant, equity or quasi equity, debt or returnable grants, or other financing instruments deemed appropriate by PIDG that support risk mitigation and funding needs. Currently, funding for concessional capital products

[2] This includes projects on a going concern basis that require finance or upgrades, expansions or alternative forms of growth.

(including VGF and capital grants) is provided through allocations made by Owners to the Trust, for deployment through the PIDG TA team. These products are disbursed principally through the PIDG Companies, alongside the debt (EAIF) or the equity (InfraCo) invested in a specific project. []. Maintaining the management of these products and the decision-making process separate from the providers of debt or equity ensures no conflicts arise between the different types of capital, and allows for better governance.

2.3. Development Arm

a. PIDG may invest in support of viable infrastructure projects where, in the opinion of the PIDG Board or relevant committee of the PIDG Board, there exists demonstrable evidence of additionality (as defined in section 3.1) including in opportunities developed or owned by third parties.

b. PIDG may invest capital in, or provide financing, including refinancing, in respect of, an opportunity. PIDG may make an initial investment to fund or support financial close and/or development of a pilot and a further investment to facilitate or catalyse financial close and/or development of the full-scale opportunity following on from the pilot. PIDG may make an initial investment to fund or support an opportunity and a further investment to facilitate or catalyse expansion, growth or replication of the opportunity.

2.4. Credit solutions

a. PIDG can, in both hard and local currency, offer a range of debt financing products in capital or financial markets, in the form of:
   i. senior debt (either on a bi-lateral basis or with one or more co-lenders, either through a predetermined 'club' or in a 'syndicated' transaction structured and negotiated by one or more lead arranger(s) and then subsequently syndicated to other lenders. PIDG can perform a lead role in such transactions or may join a syndicate arranged by another institution(s)).
   ii. subordinated debt (such as senior loans with revenue/profit sharing mechanisms, subordinated loans with revenue/profit sharing mechanisms, preference shares with coupon and maturity contractually defined, other mezzanine products, debt with warrants and other convertible instruments, or equity combined with a put option in favour of PIDG Companies).
   iii. bridge financing (on the basis that such financing will be converted to a term loan consistent with this Policy).
   iv. sukuk and other Islamic financing products.
   v. contingent products such as guarantees, insurance policies and similar products. These will often be in partnership with other institutions.
   vi. 'first loss' guarantee instruments in exceptional circumstances.

b. PIDG may provide credit solutions to the following entities:
   i. Trustees representing a collective of individuals that have invested in a debt instrument issued by an eligible entity.
   ii. Financial Institutions, such as capital market investors, banks, pension and insurance funds, or trustees representing a collective of such entities, having invested in a debt instrument issued by an eligible entity.
   iii. Commercial banks or other financial intermediaries providing either loans or contingent support to an investment product issued by an eligible entity.
   iv. Insurers providing cover to an investor in an eligible entity and seeking to cede part of the exposure to another entity.

v. Mortgage lenders or insurers and micro-finance institutions extending funding or contingent support to households to finance housing or other infrastructure provision. PIDG may consider issuing back-up guarantees for such institutions or (slices) of their portfolios.
vi. Majority private sector owned, managed and controlled companies and entities that operate in the list of eligible sectors listed in Section 3.6 (a).
vii. Official financial intermediaries: providing support to eligible entities, including but not limited to:
   - local and sub-regional development banks;
   - multilateral or bilateral development finance institutions if they are "fronting" for a contingent product on behalf of PIDG. PIDG may consider issuing counter-guarantees or portfolio guarantees for such institutions.

c. PIDG may provide facilities if there is a clear ability to syndicate or sell-down any credit excess.

d. PIDG can, provided that it is within its mission and subject to the limits set out in the PIDG Risk Appetite Policy, offer refinancing of an opportunity's existing debt with respect to:
i. bridge financing provided by PIDG;
ii. pre-completion or construction period financing provided by other third parties and equity providers where the refinancing gives rise to additionality (as defined in section 3.1) through (i) capacity building, (ii) capital market development, (iii) poverty reduction, or (iv) any other relevant benefits; or
iii. existing funding, the refinancing of which gives rise to additionality (as defined in section 3.1) through (i) capacity building, (ii) capital market development, (iii) poverty reduction, or (iv) any other relevant benefits; or
iv. distressed situations where the refinancing assists the financial stability of an opportunity.

e. PIDG can work with local and international intermediaries to facilitate the creation of derivatives markets to support its overall aim of developing local currency markets.

3. INVESTMENT CRITERIA

3.1. Additionality

a. PIDG's input must be in addition to those currently delivered by the market or other actors and must complement rather than substitute. For each opportunity that PIDG engages with, PIDG's additionality must be clear and evidenced. As we continue to innovate, we will continue to keep flexibility and evolve our thinking as markets evolve.

b. PIDG assesses financial additionality against the following three conditions in the specific markets, defined as part of the sustainable impact screening of prospective deals:
   - Private sector capital is not available at all (nascent / underdeveloped market)
   - Private sector capital is not available in sufficient quantity, due to overall private capital availability in the market
   - Private sector capital is not available on terms appropriate to what is being financed (as compared to what happens in other geographies)

PIDG also consider non financial additionality in areas which include:
- Building local capacity
- Enhancing impact with a deliberate focus on (i) climate and nature (ii) gender and inclusion
- Improving impact related standards in capital market transactions.

PIDG fosters an investment culture and practice that promotes mobilisation of commercial private capital, i.e. wherever private investors have appetite, PIDG will reduce its investment share.

3.2. Sustainability and development impact

a. All PIDG investments must, either directly or indirectly, facilitate the development of infrastructure services, capital markets and facilities that contribute to inclusive growth and/or poverty reduction and improvement of livelihood through access to infrastructure.

b. All investment opportunities are assessed against potential net positive impacts on people, planet, wider economy and market transformation, and for their expected contribution to the Sustainable Development Goals (SDGs).

c. PIDG applies a dual climate and nature and gender and inclusion lens to its sustainable development impact assessment. All new PIDG investments must be screened for their contribution towards the goals of the Paris Agreement on Climate Change and demonstrate alignment with the goals of the Paris Agreement and PIDG's strategic approach to climate change as well as compliance with the PIDG Climate change Standard. Climate risks of new investment opportunities are systematically assessed. All new opportunities are screened against biodiversity risks and nature dependencies. All new PIDG investments must be screened with a gender equity, diversity and inclusion lens to identify and mitigate potential risks for women and girls including gender-based violence and harassment (GBVH) and to identify and maximise potential benefits to women and girls. Opportunities with net positive impacts on climate, nature and gender equity, diversity and inclusion are prioritised.

3.3. Compliance with PIDG Health, Safety Environmental and Social (HSES) Standards

a. None of PIDG's capital will be invested, directly or via intermediaries, in any opportunity that does not at the time materially comply with PIDG OPPs, the PIDG Climate Standard and PIDG HSES Policies applicable to such Opportunity.

b. In accordance with PIDG HSES policies all opportunities where PIDG's capital is invested require an HSES risk assessment that adequately addresses all HSES risks and impacts, or an Environmental, Social and Health Impact Assessment, depending on the level of HSES risk of the project, in accordance with the requirements of the relevant regulations of the host country and good International Industry Best Practice (GIIP) including the IFC Performance Standards and the PIDG HSES-005-022-PIDG ESHIA Guidance,

c. PIDG will not engage in any opportunity that uses forced or child labour. The PIDG HSES 001-001 Safeguarding Policy sets out PIDG commitment to use reasonable endeavours to seek to ensure each investment reduces this risk in their workplace and supply chain.

d. PIDG will seek to ensure that all opportunities commit to the principles of gender equality, diversity and inclusion, and the prevention of Gender Based Violence and Harassment.

e. PIDG will include in its due diligence for each opportunity an assessment of HSES risk and impacts, including the governance, methods and processes aligned to the requirements of the IFC Performance 1 Assessment and Management of Environmental and Social Risks and Impacts, used for each opportunity to Identify, assess, manage, mitigate, compensate or offset for any material negative impacts. PIDG will include consideration of the potential impact of the opportunity on host and neighbouring communities to seek to ensure that the opportunity does no harm and does not exacerbate or renew any existing conflict within the community. Further analysis and mitigation may be required after the initial due diligence assessment.

f. If an opportunity falls short of the required standards, PIDG shall clearly identify the shortcomings in its proposal to the PIDG Board or relevant committee of the PIDG Board and propose mitigating measures and inclusion of appropriate covenants into the project documentation. Should the analysis show serious negative impacts that cannot be addressed within a reasonable time, the opportunity should be deemed inappropriate for support by PIDG.

3.4. Financial sustainability

a. Throughout the project life cycle, it is imperative for PIDG companies to prioritise the financial sustainability objectives of the group. This involves careful consideration of projects that can deliver an appropriate risk-return profile positive Internal Rates of Return (IRR) and positive net cashflows throughout the economic lifespan of each project.

b. Vigilant monitoring of existing projects is essential to identify any signs of deteriorating financial or other conditions. The Investment Committee and Credit Committee play a pivotal role in assessing and agreeing upon the exact return metrics. This process involves striking a balance between the Sustainable Development Impact (SDI) score and meeting the minimum requirements of positive IRR and positive cashflows, across the project portfolio. The inception of all investments must explicitly articulate planned 'exit routes,' ensuring a forward-looking approach to project management and investment strategy.

c. In addition, the cost base of the organisation needs to be appropriate to its size and complexity and needs, and this is carefully monitored through processes such as planning, budgeting, monthly reviews of performance / forecasts and Value for Money metrics.

3.5. Geography

a. Under this Policy, PIDG will operate in countries on the OECD DAC List of ODA Recipient countries and predominantly in countries classified in the OECD DAC 1, 2 and 3 categories, and in fragile and conflict-affected countries (as defined in PIDG Risk Appetite Policy) in Africa, South and south-east Asia and a small number of other countries including Iraq, Jordan, Lebanon, Palestine and Syria, focussing on the poorest regions and groups within such countries and/or addressing strategic climate priorities.

3.6. Sector focus

a. Sectors for inclusion:

PIDG may invest in the development of opportunities in the following sectors:

i. *Power/energy:* the generation, supply, transmission and/or distribution of electricity, with a focus on all forms of renewable energy, including off-grid and mini-grid technologies. Gas-fired power stations are considered by exception when strategic to the country and all gas projects and projects including power generation, including through intermediaries, will be required to comply with the PIDG Climate Change Standard and demonstrate alignment with the goals of the Paris Agreement on Climate Change.

ii. *Water, sewage and sanitation:* urban/rural fresh water production and treatment, supply and distribution, sanitation, solid waste disposal/collection and waste treatment, bulk water supply (water reservoirs, transfer schemes, dams and pipelines).

iii. *Transportation:* fixed transportation infrastructure and transport services including e-mobility, roads, bridges, tunnels, light and heavy rail systems and services and railway equipment, airports (passengers and freight), marine transport, bus lines, ports and harbours (including, but only as ancillary thereto, certain moveable assets). All transport projects, including through intermediaries, will be required to comply with the PIDG Climate Change Standard and demonstrate alignment with the goals of the Paris Agreement on Climate Change.

iv. *Bulk Storage/Logistics Facilities:* logistics services that support productive investment including bulk storage/handling facilities, cold storage, warehousing and certain moveable assets.

v. *Digital Communications Infrastructure:* the development and operation of: (i) long distance and local telephone services, cellular services and other common carrier telecommunications and storage services, including paging, satellite and specialised mobile radio systems; (ii) microwave and private communications networks, cable and other emerging telecommunications technologies; (iii) internet access and (iv) Data centres.

vi. *Gas transportation, distribution and storage:* gas pipelines and bulk storage/logistical facilities and downstream gas development. Only projects strategic to the country's development and climate priorities will be considered and all projects in this sector, including through intermediaries, will be required to comply with the PIDG Climate Change Standard and demonstrate alignment with the goals of the Paris Agreement on Climate Change.

vii. *Social infrastructure*: the provision of economic and social infrastructure within towns, urban and rural settings (including affordable housing, education and healthcare).

viii. *Agri-business/infrastructure* including but not limited to storage, basic processing facilities and irrigation services.

ix. *Manufacturing:* provide financing solutions to manufacturing businesses and supply chain businesses that have associated capital market development, a clear and direct infrastructure element or associated value chain that remains within the country of the Opportunity or support clean energy transition (e.g. through manufacture of electric vehicles or batteries).
x. *Natural capital infrastructure:* infrastructure and capital market investments linked to natural carbon sinks and carbon credit markets.

Where an opportunity arises that is within these sectors, but does not completely align with these requirements, approval from the PIDG Board will be required.

b. Sectors excluded:

The following sectors shall be excluded from PIDG support:

i. *oil and gas exploration and production ("upstream" activities) and oil transportation for exports;*
ii. *mining or mineral exploration and extraction;*
iii. *electricity generation from the burning of coal or heavy fuel oil;*
iv. *nuclear power, nuclear waste treatment or nuclear fuel cycle activities;*
v. *production or trade in tobacco;*
vi. *financial services (except for investments which fall under Section 2.4 (b) above);*
vii. *military infrastructure and weaponry;*
viii. *production or trade in alcoholic beverages (excluding beer and wine);*
ix. *pornography;*
x. *prostitution; and*
xi. *gambling, casinos and equivalent enterprises.*

3.7. Investment Period

a. As set out in the PIDG Risk Appetite Policy, PIDG will typically hold direct/equity investments for no longer than 10 years, except under exceptional circumstances where for strategic purposes this can be extended. In addition, PIDG will typically hold debt for a minimum tenor of five years (except under circumstances where for strategic purposes this may be decreased) and a maximum tenor of twenty years dependent upon the opportunity's financing requirements.

b. The duration of any investment that PIDG makes in an opportunity will be determined on a case by case basis by reference to the type of investment and the nature of the underlying opportunity.

3.8. Approach to portfolio management and exit of investments

a. In managing its portfolio, PIDG takes into account diversification including by geography, sector and product and that there is no compromise in the management of environmental and social risks, corporate governance and the integrity of its investments.

b. In any exit from, or disposal of any investment, PIDG shall seek, where it has discretion to do so, to ensure that such an exit or disposal is consistent with the achievement of its mission and objectives (both financial and developmental) and within the spirit of the PIDG Code of Conduct.

4. RISK MANAGEMENT

4.1. Risk appetite

PIDG recognises and balances trade-offs between its work at the frontier and its need to achieve financial sustainability. In doing so, we will ensure that we are risk-aware but not risk-averse. PIDG aims to support viable infrastructure projects that contribute to the elimination of poverty and deliver action on climate resilience and nature. In doing so, PIDG accepts risks that are consistent with its commitment to development impact.

a. PIDG's risk appetite is the amount of risk that PIDG is willing to accept to meet its strategic objectives. It balances the needs of all stakeholders by acting as both a governor of risk and a driver of current and future business strategy. It differs from risk capacity, which is the maximum amount of risk an organisation can assume while still remaining within the constraints implied by funding, leverage and other obligations to stakeholders.

b. The PIDG Risk Appetite Framework is used to sustain management's dialogue with the PIDG Board and set boundaries around strategy and opportunity seeking behaviour in the organisation. The framework stipulates portfolio-level limits across relevant risk categories, including, inter alia credit risk, concentration risk, liquidity and funding risk, foreign exchange (FX) risk and interest rate risk. It is supported by the PIDG Treasury Policy that includes the suite of policies that address, inter alia, bank limits, liquidity and funding risk and market risk (including FX risk and interest rate risk).

4.2. Due diligence and compliance

a. PIDG, third-party managers and its developers (in respect of any opportunity or operating asset in which PIDG has an interest) and each of their respective officers, employees and advisors shall comply with all the PIDG OPPs.

b. PIDG recognises that a 'one size fits all' approach cannot be applied to due diligence and therefore will decide on the level of due diligence which is required for each opportunity in accordance with the PIDG OPPs.

c. PIDG shall ensure that regular reports are provided to the PIDG Board and Owners on its activities, in accordance with the PIDG reporting requirements in place from time to time.

d. Where PIDG acts as guarantor, lender, investor or developer, or offers other equivalent forms of support, it will perform due diligence on the suitability of the guaranteed parties, borrowers, beneficiaries or partners. When the beneficiary is an intermediary, the due diligence will include the intermediary's procedures for sourcing, appraisal and monitoring of transactions, as well as handling of non-performing assets and recovery of claims.

e. PIDG shall take all appropriate measures to prevent fraud and corruption in connection with the use of funding from its Owners. Its requirements concerning the standards and controls designed to prevent and combat financial crime and integrity violations are set out in the Group's policies and procedures, supported by regular compliance monitoring and assurance to ensure the Group's controls remain fit for purpose and are operating as designed.

4.3. Transparency

a. PIDG is committed to openness and transparency. Such transparency is important for accountability and to enhance the demonstration effect of its investments. Therefore, it will publish information relating to its investments and operations in accordance with the PIDG OPPs and as permitted by applicable law. PIDG's approach to the reporting of serious incidents is detailed in the PIDG HSES 004-001 Serious Incident Reporting Procedure (for HSES) and the C002 PIDG Serious Operational Incident Reporting Procedure (for non HSES).

b. PIDG is committed to responsible tax practices and ensures that all PIDG investments will abide by the EDFI Principles for Responsible Tax in Developing Countries as noted in the PIDG Tax Management Policy

5. AMENDMENTS

This policy may be amended, modified or otherwise changed from time to time upon approval by the Owners (noting that the abstention of any one or more Owner will not prejudice unanimity being deemed to have been reached).