

Environmental & Social Impact Report

Annual Report 2023

Abbreviations and Acronyms

- i. E&S: Environmental & Social
- ii. ESMS: Environmental and Social Management System
- iii. ESIA: Environmental and Social Impact Assessment
- iv. GRM: Grievance Redress Mechanism
- v. IFC: International Finance Corporation
- vi. TA: Technical Assistance
- vii. PUE: Productive Use of Energy
- viii. RBF: Results-Based Financing
- ix. SOF: Smart Outcome Fund
- x. OHS: Occupational Health and Safety
- xi. EPC: Engineering, Procurement, and Construction
- xii. IC: Investment Committee

Introduction to CEI Africa

CEI Africa is a dedicated impact investment foundation committed to fostering sustainable development across Sub-Saharan Africa by providing results-based financing to decentralized renewable energy projects. Our mission is to accelerate energy access in the region by supporting businesses that deliver clean, reliable, and affordable energy solutions to communities that need it most. CEI Africa plays a critical role in bridging the gap between financing and impactful energy projects, ensuring that our investments drive both environmental and social benefits in alignment with global sustainability standards.

CEI Africa started end 2021 and committed its first investments in 2023.

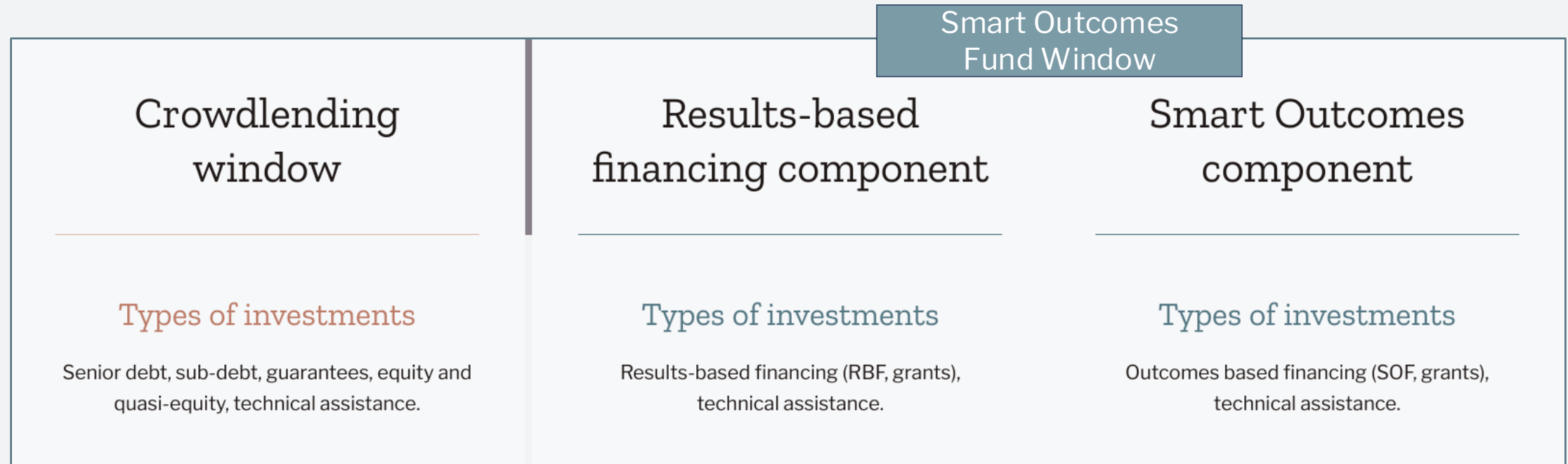
Rationale for this Report

The 2023 Environmental & Social (E&S) and Impact Report is the first comprehensive reflection of CEI Africa's ongoing commitment to sustainability, transparency, and accountability. As part of our mission to support decentralized energy solutions in Sub-Saharan Africa, we recognize the importance of ensuring that our investments not only deliver financial returns but also create significant positive impacts on the environment and society.

This report highlights our efforts to integrate rigorous E&S standards into our investment process, in line with international frameworks such as the IFC Performance Standards. It showcases how we have worked with our investees to build their capacity in managing E&S risks, particularly through the development of Environmental and Social Management Systems (ESMS), enhancing community engagement, and promoting gender equity within the workforce.

Snapshot of CEI Africa: Funding Window

CEI Africa supports the delivery of climate-friendly electricity by financing green mini grid developers and off-grid solar companies through two investment windows and multiple types of investments combined with technical assistance.



Main Highlights of the Report

- **Comprehensive E&S Integration:** CEI Africa has made significant strides in embedding E&S considerations into all stages of the investment process. This includes the development of tailor-made Technical Assistance (TA) packages that address the specific needs of our investees while ensuring alignment with CEI Africa's rigorous E&S standards.
- **Diverse Portfolio with Tailored Support:** Our portfolio spans various windows, including Crowdlending, Results-Based Financing (RBF), and the Smart Outcomes Fund (SOF). Across these windows, our investees have demonstrated varying levels of E&S risk management, with CEI Africa providing targeted support to help them meet international standards.
- **Gender and Inclusion Focus:** A key focus of our E&S efforts is promoting gender equity. We assess our investees against the 2X Challenge criteria, ensuring that at least 10% of women are represented in the workforce. Our initiatives are geared toward fostering a gender-transformative approach in energy projects, particularly in Productive Use of Energy (PUE) technologies.
- **Continuous Improvement:** The report identifies ongoing challenges, such as the need for enhanced supply chain due diligence and improved grievance redress mechanisms. It outlines our next steps, including exploring automation in E&S analysis and aligning with emerging sustainable finance guidelines.

01 Main Environmental & Social and Impact Activities During the Year 2023

Main Activities During 2023

Policies and Procedures

- A revised Environmental & Social policy was approved by the foundation's governing bodies
- The CEI Africa Impact Model was updated to better align with our sustainability goals.

Resources and Governance

- Supervision and support for the E&S and impact activities were provided throughout the year to ensure continuity and effectiveness.

Training Initiatives

- Two webinars were planned and prepared for mini-grid developers, focusing on Productive Use of Energy (PUE) as part of the pre-qualification and site application processes scheduled for January 2024.

E&S Portfolio Activities

- **Crowdfunding Platforms:** Four companies were assessed, and three were contracted under agreements that include E&S provisions.
- **Results Based Financing for Green Mini-Grid Developers:** Eight developers were assessed, with three being contracted under agreements that include E&S provisions.
- **Smart Outcomes-based Financing (SOF) Pre-Qualification Assessments:** Twenty-five E&S pre-qualification assessments were conducted.
- **Technical Assistance (TA):** One project began the contracting process, with a consultant engaged to develop an Environmental and Social Management System (ESMS).

02 Summary of Key Environmental & Social (E&S) Issues Identified



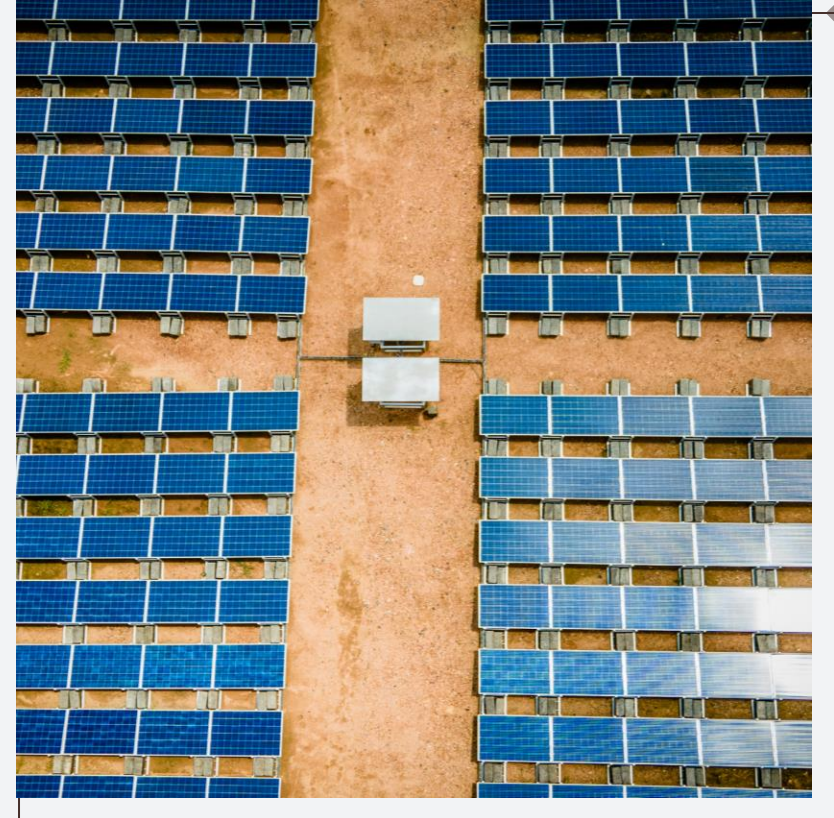
Crowdlending Window

- **Need for E&S Management Systems (ESMS):** There is a need for development or improvement of Environmental and Social Management Systems to align with the diverse portfolio of projects.
- **Occupational Health & Safety (OHS):** Enhancements are required in reporting mechanisms for OHS, particularly for serious incidents.
- **E&S Performance Monitoring:** There is a need for better integration of E&S Key Performance Indicators (KPIs) monitoring across the crowdlending platforms.



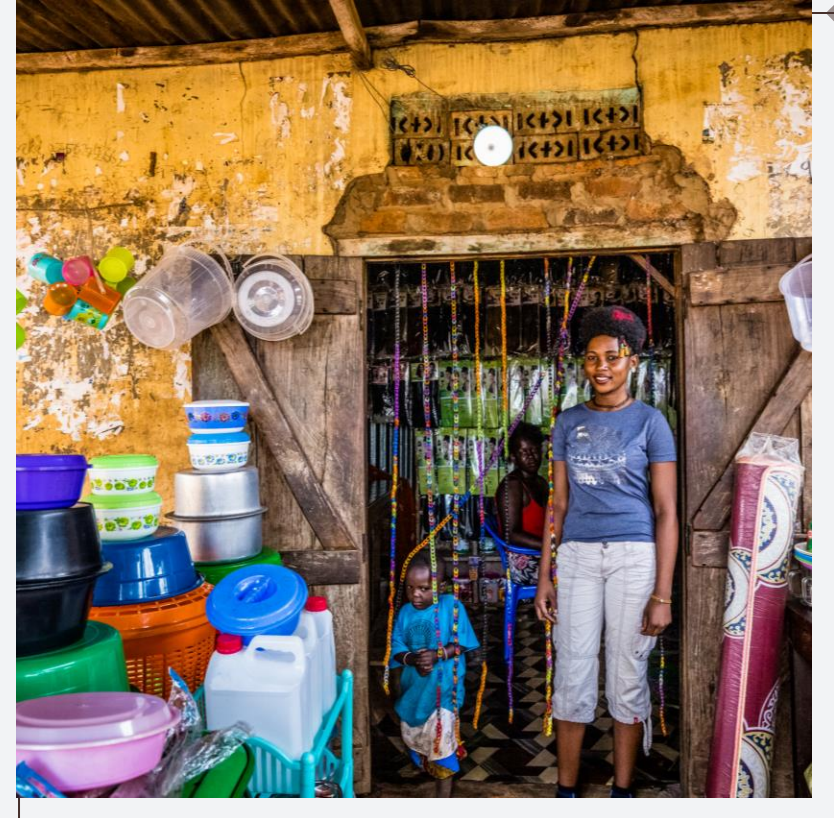
Results-Based Financing Component

- **E&S Policies & ESMS:** Mini-grid developers are at different stages in developing their environmental and social management systems (ESMS).
- **Community Consultations & Regulatory Permits:** Improvements are needed in conducting Environmental and Social Impact Assessments (ESIAs), particularly in community consultations and obtaining regulatory permits. We are helping them improve community consultations and obtain necessary regulatory permits
- **E&S Risk Management:** Increased oversight is required in managing E&S risks, especially for Engineering, Procurement, and Construction (EPC) contractors involved in mini-grid projects.



Smart Outcomes Component

- **Adaptive E&S Management:** There is a need to enhance the capacity of applicants in the Smart Outcomes Fund (SOF) to manage E&S risks effectively.
- **E&S Risks in PUE Technologies:** Identification and management of E&S risks are necessary, particularly for Productive Use of Energy (PUE) technologies targeted at the Base of the Pyramid (BoP).
- **Gender-Inclusive Approaches:** A gender-transformative approach is needed in the business models of PUE technologies to ensure inclusive benefits.



03 - Serious Incident Reporting

No serious incident was reported by any investee/grantee in the CEI Africa portfolio for 2023.

04 - Grievance Redress Mechanism Reporting

No grievances were reported to the CEI Africa fund manager by external stakeholders during the reporting period. Investees and grantees had varying levels of Grievance Redress Mechanism (GRM) frameworks in place. As a result, Technical Assistance (TA) was recommended for select investees and grantees who required support in developing and enhancing their GRM frameworks.



05 E&S Portfolio Analysis

E&S Portfolio Analysis

Crowdfunding Window

E&S analysis was conducted for 4 Off-grid energy companies approved for investment in the crowdfunding window

Summary of Crowdfunding Window Investees

The Environmental & Social (E&S) risk categories of the investees range from Medium (B) to Medium-High (B+). The investees generally have established foundational E&S policies, with varying levels of advancement and implementation. Key areas of focus include addressing regulatory requirements for Environmental and Social Impact Assessments (ESIAs), enhancing grievance mechanisms, and improving incident reporting procedures. The investees commonly required Technical Assistance (TA) to further develop and implement Environmental and Social Management Systems (ESMS), improve employee training on E&S matters, and strengthen community engagement processes. The trend indicates a need for continuous improvement in E&S practices, particularly in aligning with international standards and addressing specific operational challenges.

E&S Portfolio Analysis

RBF Component

Environmental and Social (E&S) analysis was undertaken for total of 8 GMG developers that were approved for investment grants in the RBF facility.

Summary of RBF Component Investees

Across the RBF (Results-Based Financing) window, the Environmental & Social (E&S) risk categories for investees range from Medium (B) to Medium-High (B+). Most investees have established advanced E&S policies and procedures, with varying degrees of implementation and compliance with international standards. The main focus areas include enhancing E&S management systems, improving community engagement, and addressing occupational health and safety issues. The investees generally required technical assistance (TA) to further develop their E&S frameworks, particularly in areas such as ESIA completion, climate adaptation, and strengthening grievance mechanisms. The trend indicates a consistent need for tailored E&S support, with an emphasis on aligning practices with CEI Africa's rigorous E&S standards.

E&S Portfolio Analysis

SOF Component

A total of 25 applicants applied for the prequalification phase of the SOF Component. The Environmental & Social (E&S) prequalification criteria focused on evaluating the applicants' capacity to meet CEI Africa's E&S requirements, particularly in line with IFC Performance Standards 1-4. Additionally, applicants were assessed on whether they met CEI Africa's minimum gender threshold, which requires at least 10% of women representation in the workforce, in accordance with the 2X criteria. Out of the 25 applicants, 19 were prequalified for the site application phase, with further assessments planned to review their E&S and gender provisions. To support this process, a webinar on the SOF Site Application will include a presentation on CEI Africa's E&S and gender requirements.

E&S Technical Assistance Projects

2 grantees received TA on the development of their company's ESMS and one on undertaking an E&S assessment study towards getting a permit for minigrid construction project.

06 Impact



Impact

Expected Impact - committed portfolio RBF Component: Green Mini Grid developers

Mini-grids #	40
Connections #	28,046
Mobilized private capital (EUR mln)	9.4
Installed capacity (MWp)	4.0
CO2teq reduction p.a. (tons CO2eq)	7,936
Beneficiaries #	154,254

Expected Impact-awarded Portfolio for RBF Component: Green Mini Grid developers

Mini-grids #	49
Connections #	14,774
Mobilized private capital (EUR mln)	7.9
Installed capacity (MWp)	5.7
CO2teq reduction p.a. (tons CO2eq)	3,048
Beneficiaries #	81,257

Note: The expected impact of the Crowdlenders platforms will depend on the composition of their portfolio once they sign-up the investees. It is not included in this overview.

07 Lessons Learnt



Strengths

The Environmental & Social (E&S) analysis conducted this year has enabled the development of customized Technical Assistance (TA) packages. These packages are specifically designed to meet the capacity needs of our investees while ensuring alignment with CEI Africa's E&S standards and requirements.

Challenges

There are notable downstream E&S risks due to limited oversight and visibility into the E&S practices of Engineering, Procurement, and Construction (EPC) contractors working with mini-grid developers. This challenge is exacerbated by the investees' and grantees' limited capacity for conducting thorough E&S due diligence within their supply chains.

Next Steps

- **Automation of E&S and Impact Analysis:** Exploring the potential for automating Environmental & Social (E&S) and impact analysis within the investment process to enhance efficiency and accuracy.
- **Alignment with Updated Guidelines:** Ensuring that CEI Africa's E&S practices are aligned with emerging and updated guidelines in the sustainable finance landscape, such as the revised 2X Challenge criteria on .
- **Follow-Up on E&S Technical Assistance (TA):** Identified E&S Technical Assistance needs during the deal-making process will be closely followed up and solidified during the contracting stage to ensure successful implementation.

