Africa Conservation and Communities Tourism Fund “ACCT”

Sustainability-related disclosures

Updated as of December 2022 – version 1

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a) Summary

The Africa Conservation and Communities Tourism Fund ("**ACCT**" or the "**Fund**") commits to provide financing, either directly or through special purpose vehicles, for conservation tourism businesses in sub-Saharan Africa (the "**Portfolio Companies**") to increase the conservation and community outcomes delivered by these businesses (hereinafter referred to as the "**Sustainable Investment Objective**"). In this line of thought, the Sustainable Investment Objective takes a dual facet – Environmental and Social.

The investments (the "**Sustainable Investments**") actively contribute to the Sustainable Investment Objective in alignment to the UN Sustainable Development Goals ("**SDGs**") by:

Social outcome(s)

S.I. Promoting employment in the conservation tourism sector,
S.II. Fostering community benefit from downstream flow of income from tourism employment,
S.III. Providing direct contributions to the socio-economic benefit of the community;

Environmental outcome(s)

E.I. Fostering land and water protection via local operators,
E.II. Providing direct financial flows to conservation landscape owners and/or managers.

b) No significant harm to the sustainable investment objective

ACCT commits to mitigate the negative impacts of its Sustainable Investments by implementing sustainability best market practises across its investment process. Portfolio Companies will be screened, assessed, and monitored against:

- KfW, IFC and conservation-tailored proprietary Exclusion List ("**Exclusion List**"),
- The IFC Performance Standards ("**IFC PS**") including ESG risks,
- The World Bank Group Environmental, Health, and Safety Guidelines ("**EHSGs**"),
- Principal Adverse Impacts ("**PAIs**"),
- Minimum Safeguards,
- Good governance practices.

(i) Integration of adverse impacts on sustainability factors

ACCT considers principal adverse impacts on sustainability factors throughout its investment value chain. Portfolio Companies are screened and assessed against PAIs during the screening and due diligence phase of the investment process to ensure the estimation of the baseline. In parallel to the baseline estimation, ACCT defines relevant targets in cooperation with the Portfolio Company to carefully monitor their performance and assess the need of an ESG Action Plan. The Fund will monitor and report on PAIs on an annual basis, including all mandatory indicators outlined in Annex I of the April 2022 Regulatory Technical Standards (**"RTS**") delegated act to the EU's Sustainable Finance Disclosure Regulation ("**SFDR**"), as well as two additional indicators:

- Additional Environmental PAI Indicator: Natural Species and Protected Areas,
- Additional Social PAI Indicator: Lack of grievance/complaints handling mechanism related to employee matters.

Absence of Portfolio Company data is expected for a few PAI indicators given the nature, sector and geography of the investment. Nonetheless, in the spirit of SFDR, ACCT will report on estimates through tailored PAI proxy indicators for the following mandatory PAIs:

- Scope 3 GHG Emissions,
- Total GHG Emissions,
- Carbon Footprint,
- GHG Intensity.

(ii) Alignment with Minimum Safeguards

ACCT recognizes its duty to protect Human Rights as enshrined in international human rights law. ACCT aligns its Sustainable Investments with the UN Guiding Principles on Business and Human Rights by implementing the IFC PS and World Bank Group's EHSGs, incorporating human rights due diligence for its potential Sustainable Investments. Recognizing its responsibility to respect human rights, ACCT's due diligence assesses its potential investments against the International Bill of Human Rights and the declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO). Moreover, given its products' nature, ACCT emphasizes indigenous and community rights assessment.

Given ACCT's Sustainable Investment products, the nature of the Portfolio Companies, its implementation of the UN Guiding Principles on Business and Human Rights, ACCT has assessed that the OECD Guidelines for Multinational Enterprises are not directly applicable to its operations. Nonetheless, ACCT considers the framework's key principles by assessing Portfolio Companies against good governance practices alongside environmental and social aspects.

ACCT monitors Portfolio Companies' compliance to the Minimum Safeguards on an ongoing basis as further outlined in its Environmental and Social Management System ("**ESMS**").

c) Sustainable investment objective of the financial product

As set out above, ACCT's Sustainable Investment Objective is to provide financing, either directly or through special purposes vehicles, for conservation tourism businesses in sub-Saharan Africa to increase the conservation and community outcomes delivered by these businesses.

The investments (the "**Sustainable Investments**") actively contribute to the Sustainable Investment Objective in alignment to the UN Sustainable Development Goals ("**SDGs**") by:

Social outcome(s)

S.I. Promoting employment in the conservation tourism sector,
S.II. Fostering community benefit from downstream flow of income from tourism employment,
S.III. Providing direct contributions to the socio-economic benefit of the community;

Environmental outcome(s)

E.I. Fostering land and water protection via local operators,
E.II. Providing direct financial flows to conservation landscape owners and/or managers.

The Fund's Sustainable Investments target both the social and environmental aspects of the Sustainable Investment Objective. The Sustainable Investments targeting the environmental objective qualify under objective 6 of the environmental EU Taxonomy: protection and restoration of biodiversity and ecosystems (hereinafter the "**Taxonomy**"). As no delegated act is currently available for this objective, the manner and extent to which Sustainable Investments is aligned to the EU Taxonomy cannot yet be assessed.
Once the European Commission has outlined the requirements for objective 6 of the Taxonomy, ACCT's Sustainable Investments will be assessed, monitored and reported on accordingly.

d) Investment strategy

(i) Investment Strategy used to attain the sustainable investment objective

ACCT aims to achieve its Sustainable Investment Objective by providing structured debt facilities to 20-40 Portfolio Companies in the conservation tourism industry with strong conservation and community development footprints, while implementing best sustainability market practices across its investment process contributing to environmental and social positive impact.

The Fund will be assessing these Portfolio Companies against the environmental and social safeguards defined in the SFDR and Taxonomy Regulation: ILO Declaration of Fundamental Principles and Rights at Work, the International Bills of Human Rights and the UN Guiding Principles on business and Human rights.

As outlined in its ESG Policy, the Fund seeks to influence responsive and resilient ecotourism investments by enhancing the capacity of its Portfolio Companies to assess as well as manage ESG risks/impacts related to their operations. To this end, the Fund has established specific Environmental and Social Performance Standards (Safeguards), to facilitate avoidance, minimization, reduction and/or mitigation of potential ESG risks/impacts. Portfolio Companies will be assisted in their application of the ESG requirements to their investments in accordance with the ESG Policy.

The Fund will:

(a) Exclude investments as per KfW and IFC Exclusion List, as well as a specifically designed exclusion list for investments in the conservation tourism sector touching upon:
    i. Land Issues,

ii. Affiliations,
iii. Ecosystem Impacts,
iv. Social and Economic Impacts,
v. Other Issues.

(b) undertake its own due diligence of proposed investments, proportionate to the nature as well as potential significance of the ESG social risks/impacts related to those investments.
(c) encourage the Portfolio Companies to:
  i. carry out continuing meaningful consultations with all relevant stakeholders, especially affected local communities and vulnerable groups.
  ii. put in place an appropriate investment-based Grievance Redress Mechanism.
  iii. implement conservation practices in aligned to their respective ESG Action Plan.
(d) support the Portfolio Companies in the identification of appropriate tools and methods to assess as well as manage potential ESG risks and impacts that may result from their activities.
(e) agree with the Portfolio Companies on the ESG conditionalities (in addition to the Conservation and Community Covenants) they need to commit to in order to meet the Fund's required standards.
(f) monitor investments progress in the implementation of the ESG and Conservation and Community conditionalities, ESG Action Plan and ESG requirements.

(ii) Policy to assess Good Governance

ACCT evaluates Portfolio Companies' corporate governance through a Corporate Governance assessment during the due diligence stage, which sets the overall corporate governance risk of the portfolio company, including:

- The Commitment to Corporate Governance
- Structure and Functioning of the Board of Directors
- Control Environment and Processes
- Transparency and Disclosure
- Shareholder Rights

The assessment comprises several questionnaires and a matrix that is indispensable to the investment process. A standard corporate governance assessment is designed first to identify the corporate governance risk profile of the investee to define the team involved and the applicability of an enhanced or formal corporate governance assessment.

The corporate governance assessment produces a quantitative and qualitative report, forming the basis of all investment decisions.

e) **Proportion of investments**

ACCT will pursue 80% of minimum sustainable investments in alignment to the Sustainable Investment Objective.

Given the dual facet of the Sustainable Investment Objective, the minimum share of Sustainable Investments with a social objective corresponds to 40% of the Fund's Total Assets while the remaining 40% targets the environmental objective.

The Fund's share of assets (20%) that is not invested in "Sustainable Investments" is cash. This share of assets does not affect the delivery of the Sustainable Investment Objective even if does not directly contribute to its achievement and serves a pure liquidity purpose.

f) **Monitoring of sustainable investment objective**

ACCT measures progress towards its Sustainable Investment Objective across its Portfolio Companies through the following Key Performance Indicators ("**KPIs**") collected and reported on an annual basis:

Outcome		Key Performance Indicator(s)	
S.I.	Promoting employment in the conservation tourism sector	1.	Number of staff retained
S.II.	Fostering community benefit from downstream flow of income from tourism employment	2.	Number of community members reached
S.III.	Providing direct contributions to the socio-economic benefit of the community	3.	Value of annual salary and non-salary flows to community benefit
E.I.	Fostering land and water protection via local operators	4.	Square kilometers protected
E.II.	Providing direct financial flows to conservation landscape owners and/or managers	5.	Value of annual payments

Control Mechanisms

ACCT's ESG Policy outlines the responsibilities for monitoring the achievement of the Sustainable Investment Objective of the Fund. Monitoring of Portfolio Companies includes investees' progress on performance as well as implementation of the ESG and Conservation Community conditionalities, ESG Action Plan and ESG requirements.

The Conservation Committee, Investment Committee and Board of Directors are regularly informed by the Fund's Investment Advisor and Conservation Advisor, based on evidence collected through self-reporting as well as internal verification.

These mechanisms enable the Fund's governance structure to take informed decisions related to achieving its Sustainable Investment Objective.

g) Methodologies

ACCT refers to its ESG Policy to ensure integration of sustainability considerations across its decision-making process, which provides the basis for the methodologies used to measure the attainment of the Sustainable Investment Objective in line to the UN SDGs.

To measure change across the Portfolio Companies, the Fund monitors specific KPIs and PAIs. The basis for measurement is self-reported data from each Portfolio Company. This data is collected first during due diligence and subsequently on an annual basis.

Such self-reported data is cleaned, aggregated and reviewed to ensure quality data reporting.

h) Data sources and processing

ACCT derives and manages its data as outlined in the table below.

Data Sources	ACCT draws data for its KPIs and most of its PAIs directly from its Portfolio Companies on an annual basis. For Portfolio Companies not currently measuring specific PAIs, sector and country specific proxies will be retrieved.
Data Quality	Internal and external data processing increases the quality of the data that ACCT works with.
Data Processing	Collected data is processed internally and externally, which includes data cleaning, documentation, and correction.
Data Proportion	Expected KPIs' portfolio coverage amount to 100%, while for PAIs, portfolio coverage ranges from 80-100%.

i) Limitations to methodologies and data

ACCT has developed its framework to measure progress towards achieving the Sustainable Investment Objective over time. Own learnings and external reviews continuously inform adjustments. Notwithstanding this constant improvement process, the methodologies and the data used for analysis have limitations.

Key limitations are the (i) availability and (ii) quality of data covering the full range of PAI data points. In the case of no data availability for a specific PAI, ACCT will report using sector and country specific PAI proxies. Nonetheless the use of PAI proxies for certain missing indicators consists of a key data limitation which will continuously be improved upon.

j) Due diligence

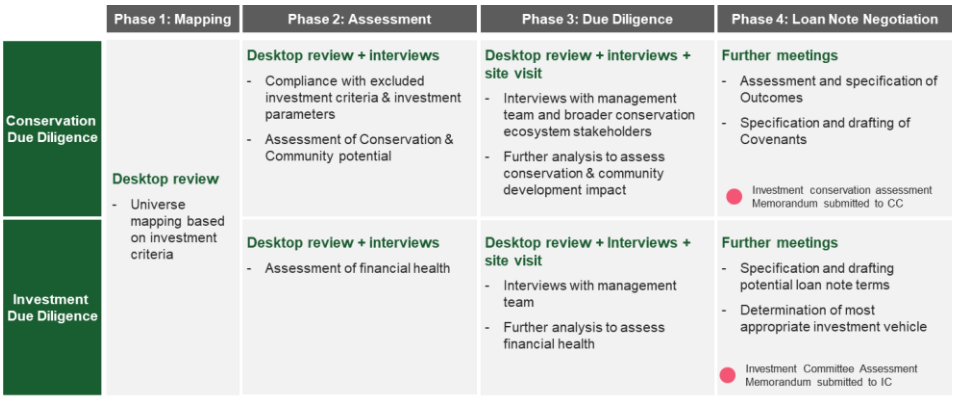
During the Investment Selection process, Portfolio Companies are selected through a multi-phase process in order to ensure the selection of operators that have conservation and social impact potential and have a path to a relatively robust financial health post the COVID-19 pandemic. The eligibility criteria, which will be assessed in this multi-phase process to implement the Fund's strategy towards its Sustainable Investment Objective include:

- Mapping of operators based on the Investment Parameters

- Assessment of each operator’s compliance with the Excluded Investment Criteria
- Suitability of each operator’s financial performance, conservation, and community development track record as resulting from the investment and conservation due diligences, carried out respectively by the Investment Adviser and the Conservation Advisor.

The ultimate goal of the Investment Selection step would be to deliver targeted Conservation and Community Outcomes, reduce non-performance risk, facilitate a successful exit and ensure improved environmental and financial sustainability of the conservation tourism business.

Universe mapping, assessment, due diligence and Structured Debt negotiation will be carried out by the External AIFM in consultation with the Investment Adviser, which will itself be advised by the Conservation Advisor on the conservation, community and any environmental and social screening and reporting aspects of the potential investments. Prior to a decision being made, each of the Conservation Advisor and Investment Adviser will prepare an assessment memorandum (the “**Assessment Memorandum**”) that will be voted on in the Conservation Committee and Investment Committee, respectively, and implemented by the External AIFM. This process is shown at a high-level in the Figure below.



*Conservation Committee and Investment Committee processes take place simultaneously

After a potential Portfolio Company has been identified by the Investment Adviser, it is screened by the Conservation Advisor – the Nature Conservancy – to confirm it meets the Fund’s Investment Parameters as well as not violate any of the Fund’s Excluded Investment Criteria. The Fund’s Excluded Investment Criteria preclude the Fund from investment in businesses that operate, inter alia, i) in or near designated conservation areas, ii) are affiliated with extractive or illegal industries, iii) have a negative impact on their ecosystems or the potential to disrupt natural wildlife behaviour, iv) have a negative socioeconomic impact such as on the labour force and on indigenous communities.

Once a potential Portfolio Company has been identified, detailed due diligence will be performed by both the Investment Adviser (in the case of financial due diligence) and Conservation Advisor (in the case of conservation due diligence and environmental and social risk analysis and assessment, including as required by investors). A standardized due diligence request list will be issued, documents reviewed, and management meetings and site visits will be held.
Both the Investment Conservation Assessment Memorandum and the Investment Committee Assessment Memorandum will ensure that the due diligences cover all the following aspects:

1) Compliance of operators with Minimum Safeguards defined in SFDR and Taxonomy, namely: ILO Declaration of Fundamental Principles and Rights at Work, the International Bills of Human Rights, and the UN Guiding Principles on Business and Human Rights, provided that such safeguards are applicable to underlying investments.
2) Compliance of operators with “Do Not Significant Harm” principle from Article 2(17) of the SFDR in relation to the principal adverse impact indicators in Annex I of the draft Regulatory Technical Standards of the SFDR.
3) Compliance with the IFC Performance Standards including ESG risks.
4) Good governance practices of each tourism operator, with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Alongside the above ESG requirements, Portfolio Companies will have to adhere to the ESG and Conservation and Community conditionalities and ESG Action Plan. Further information on Investment Parameters can be found in the ESG Policy and ESMS. Any investment opportunity requires approval from the Fund’s Investment Committee as well as recommendation of a majority the Conservation Committee, which majority must include the chair, nominated by the Conservation Advisor – the Nature Conservancy.

k) Engagement policies

The Investment Adviser and the Conservation Advisor – The Nature Conservancy, Inc. - when deemed necessary, work with Portfolio Companies to implement best practices, aiming to improve their environmental, social and, in the case of the Investment Adviser, commercial, operational and financial performance, to create more robust conservation tourism businesses, thereby increasing impact outcomes and decreasing the probability of non-performance on the issued Structured Debt.

As part of its Sustainable Investment Objective, ACCT engages with its investees by:

(a) encouraging Portfolio Companies to:
   i. carry out continuing meaningful consultations with all relevant stakeholders, especially affected local communities and vulnerable groups.
   ii. put in place an appropriate investment-based Grievance Redress Mechanism.
   iii. implement conservation practices aligned to their respective ESG Action Plan.

(b) supporting the Portfolio Companies in the identification of appropriate tools and methods to assess as well as manage potential ESG risks and impacts that may result from their activities.

(c) agreeing with the Portfolio Companies on the ESG conditionalities (in addition to the Conservation and Community Covenants) they need to commit to in order to meet the Fund's required standards.

The Conservation Committee will also conduct ongoing reviews on at least an annual basis regarding the Portfolio Companies' continuous compliance with the Excluded Investment Criteria, conservation covenants agreed with the Portfolio Companies, and to monitor the Sustainable Investment Objective's KPIs.

As the Conservation Advisor, The Nature Conservancy will perform due diligence on the conservation and social aspects of each Investment to identify opportunities to protect existing and target improved Conservation and Community Outcomes and to set Conservation and Community Covenants to benchmark success. The Conservation Committee will review, approve and ensure the targeted Conservation and Community Outcomes and Conservation and Community Covenants set for each Portfolio Company are met through ongoing monitoring and evaluation.

If a Portfolio Company is deemed to be in breach of any Conservation and Community Covenant or any Excluded Investment Critiera, the Conservation Advisor is required to engage in discussions with the Portfolio Company to develop a conservation corrective action plan and to formally recommend such a plan, including any remediation grace period, to the Conservation Committee for approval within strict deadlines. In turn, the Conservation Committee is required to review the Conservation Advisor's proposal and make a final recommendation to the Investment Committee within the prescribed time periods. Any corrective action plan must be approved by the Conservation Committee and any remediation grace period must be approved by the Investment Committee. The Conservation Committee has the sole authority to determine when a conservation non-compliance issue has been resolved.