ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT 2023

A.P.MØLLER
CAPITAL

WE ARE GUIDED BY OUR FIVE CORE VALUES

CONSTANT CARE

Take care of today, actively prepare for tomorrow

HUMBLENESS

Listen, learn, share, give space to others

UPRIGHTNESS

Our word is our bond

OUR EMPLOYEES

The right environment for the right people

OUR NAME

The sum of our values, passionately striving higher

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The information contained herein is subject to the disclaimer provided at the end of this document.

ABBREVIATIONS

AIF I	Africa Infrastructure Fund I K/S
BDN	Blue Dot Network
BESS	Battery Energy Storage Systems
CAPEX	Capital expenditures
CNG	Compressed natural gas
CO_2-eq	CO_2-equivalent
EHS	Environmental, Health and Safety
EMIF II	A.P. Møller Capital - Emerging Markets Infrastructure Fund II K/SI
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
HFO	Heavy fuel oil
IEA	International Energy Agency
JIM	Joint Impact Model
OECD	Organisation for Economic Co-operation and Development
PPP	Public Private Partnerships
SBT	Science-based targets
SHA	Shareholders agreement
VCM	Voluntary Carbon Market

MESSAGE FROM OUR CEO

This time last year, I talked about the uncertain macro-economic outlook, declining growth, and the multiple challenges impacting the world simultaneously. In many ways, in 2023, these predictions have indeed transpired and will become the conditions we must face in the years ahead. Our job is to navigate this environment successfully to find opportunities and manage risks.

Shifting demographics, growing middle classes, major global urbanisation, geopolitical reconfiguring, and the green transition are providing opportunities for investment in critical infrastructure within transport, logistics and energy. At A.P. Moller Capital, we have continued our focus on tackling global warming, addressing the issue of food poverty, and reducing supply chain disruptions, thereby generating value for our investors. It is with this ambition in mind that we launched our second fund in 2022: A.P. Møller Capital - Emerging Markets Infrastructure Fund II K/S (EMIF II), an Article 9 fund focused on critical infrastructure in the transport and energy sectors in select high-growth markets in Africa, and South and Southeast Asia.

At the heart of EMIF II is our belief that mobilising private capital in emerging markets is central to delivering on the UN Sustainable Development Goals, and on global climate goals, at the necessary scale. In 2023, we invested in the first two assets of the EMIF II portfolio: Hassan Allam Utilities Logistics, in a joint venture with Hassan Allam Utilities in Egypt, and Vector Logistics, South Africa's leading frozen infrastructure logistics operator. For both assets, we are working with qualified third parties to establish science-based targets that will inform their decarbonisation strategy and put our investments in a trajectory aligned with The Paris Agreement. We also signed a Joint Development Agreement for Sand Cat in December 2023 to develop the port infrastructure for a new large scale green ammonia value chain to be constructed in Guelmim, Morocco.

Environmental and social impact

In addition to our work on reducing the carbon emissions of our portfolio, we have continued to make environmental and social impact in the communities in which we operate. The total contribution supported by our funds to the GDP in the countries in which we operate is estimated at USD 1,332m, with 156,000 direct, supply chain and induced jobs supported, and 6.3 TWh of electricity provided. Since the contribution of our funds to the national GDP and employment is essential to our own measure of success, we use the Joint Impact Model to estimate these numbers. This is the most consistent and rigorous model available. Our numbers are verified by Steward Redqueen, as a qualified third-party, to make sure we are capturing our impact accurately and consistently. For EMIF II, we have set explicit environmental and social targets showcasing our increased ambition and commitment to the environment and the communities in which we are present.

Health and safety performance

Despite our contributions to our environmental and social targets, I am deeply saddened to report that we have had eight fatalities in Africa Infrastructure Fund I (AIF I). Five people lost their lives in separate incidents at Eranove, and three more fatalities occurred at Arise Ports & Logistics, KEG Holdings, and Impala Energy Holdings, respectively. In each of these cases, investigations have been undertaken to identify the root cause of the incidents. Furthermore, under the direction of our Head of ESG, we are redoubling our efforts to eliminate fatal and life-altering injuries, and are striving for as few lost time injuries as possible across our portfolio. This includes reviewing the health, safety and security processes of all our portfolio companies, benchmarking these against international best practices, and identifying gaps in performance. As part of this effort, we identified road safety as a particular focus area, and established specific programs and procedures to address this issue at the relevant companies. These efforts, among others, included installing remote monitoring software to monitor for traffic violations and mechanical speed limiting devices.

In the coming year, we will take further steps to enhance the health and safety performance of our portfolio companies. I will circle back to this issue in 2024, since, for me personally, the health and safety of the workers and communities in and around our portfolio companies is of the upmost importance.

The year ahead

I am looking forward to the year ahead, and with good reason. Over the last few years, I have witnessed an extraordinary increase in CAPEX going into ESG initiatives. The level of awareness on ESG-related issues is growing to the point where companies no longer present it as a 'value-add', but rather as core to how they do business. While challenges remain, particularly in our markets, which are set to experience some of the worst impacts of climate change while also grappling with risk-shy investors to access the large sums of money needed for climate solutions, I am optimistic that fund managers like A.P. Moller Capital are leading the way. This is particularly true in markets where policymakers have yet to catch up with the reality of our collective challenges. Ambitious ESG strategies and collaboration among investors are essential to a green transition, and we at A.P. Moller Capital are committed to play our part.

Kim Fejfer
Managing Partner and CEO

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ABOUT

A.P. Moller Capital is a fund manager committed to investing in critical infrastructure investments within the transport and energy sectors in select growth markets where the infrastructure gaps are most significant.

As part of the A.P. Moller Group's overall purpose of 'Nyttig virksomhed', A.P. Moller Capital has made it it's mission to focus on 'doing well while doing good'. Our industrial heritage, global network of local partners, and private equity competence enables access to efficient execution of unique investment opportunities.

A.P. Moller Capital currently manages two funds. Our first fund, AIF I, was launched in 2017 and focuses on African infrastructure investments. During 2022, AIF I was fully invested. The fund's portfolio now includes eight portfolio companies and 16 infrastructure assets across nine African countries. Our second fund, the EMIF II was launched in 2022. We continue to focus on critical infrastructure and the energy sectors, while expanding our footprint in emerging markets to include Africa, and South and Southeast Asia.

In 2023, A.P. Moller Capital onboarded its first two investments in EMIF II. The first investment was made in Hassan Allam Utilities Logistics, a value-adding warehousing and logistics platform in Egypt, together with the joint venture partner Hassan Allam Utilities. The initial set of assets include CACC Cargolinx the leading independent air cargo handling facility in Cairo, and East Cairo Logistics Park, a grade-A warehousing and logistics park. Both assets operate under long term concessions and leases, and provide high-quality logistics solutions to their customers.

A second investment was made in Vector Logistics, South Africa's leading frozen logistics operator, which is operational in South Africa, Zambia, Botswana, and Namibia. The company operates 26 cold storage warehouses and provides critical food infrastructure solutions to its customers.

For a comprehensive overview of our portfolio, please refer to the summary of our investments on the next page. On the final pages of this report you can also find case studies about A.P. Moller Capital's portfolio companies Vector Logistics, Mass Céréales Al Maghreb, Cabeólica, Eranove, Impala Energy Holdings and Arise Ports & Logistics

2
FUNDS

OUR VALUE PROPOSITION

- A.P. Moller Capital is an infrastructure fund manager focusing on critical infrastructure investments within transportation and energy.
- We focus on-growth markets where the infrastructure funding gap is most significant and where we benefit from macroeconomic tailwinds driven by demographics, nearshoring trends, and trade patterns.
- Our investments are aimed at tackling, e.g., food poverty, supply chain disruptions, global warming, and the need to decarbonise hard-to-abate sectors.
- We have an active ownership focus, and integrate environmental, social and governance (ESG) considerations throughout the investment cycle, from due diligence to exit.
- We have an experienced team that couples industrial heritage with private equity competence.

3
OFFICES

40+
EMPLOYEES

OVERVIEW OF OUR INVESTMENTS

AIF I | Assets under management (AUM): USD 1 bn

			CONTRIBUTION TO THE SDGS			
INVESTMENT	ASSET LOCATION	DESCRIPTION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	13 CLIMATE ACTION
ARISE PORTS & LOGISTICS	IVORY COAST | GABON	MINERAL AND GENERAL CARGO PORT TERMINALS		●	●	
MASS CÉRÉALES AL MAGHREB	MOROCCO	GRAIN TERMINALS		●	●	
KEG HOLDINGS	KENYA	LPG IMPORT AND DISTRIBUTION		●	●	
CABEOLICA	CABO VERDE	WIND POWER	●	●	●	●
LUMIKA RENEWABLES	SOUTH AFRICA	SOLAR CAPTIVE POWER	●	●	●	●
EAST AFRICA INFRASTRUCTURE PLATFORM	KENYA	THERMAL POWER		●	●	
IMPALA ENERGY HOLDINGS	NIGERIA	CAPTIVE POWER (FLARED GAS)		●	●	
ERANOVE	IVORY COAST | TOGO	THERMAL POWER, HYDROPOWER, AND WATER DISTRIBUTION		●	●	

EMIF II | Assets under management (AUM): USD 0.9 bn

			CONTRIBUTION TO THE SDGS			
INVESTMENT	ASSET LOCATION	DESCRIPTION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	13 CLIMATE ACTION
HASSAN ALLAM UTILITIES LOGISTICS	EGYPT	WAREHOUSING & LOGISTICS		●	●	
VECTOR LOGISTICS	SOUTH AFRICA | ZAMBIA | BOTSWANA | NAMIBIA	WAREHOUSING & LOGISTICS		●	●	

2023 IMPACT HIGHLIGHTS

A.P. Moller Capital is committed to supporting jobs, providing energy and contributing to economic development in the countries where we invest. Once again, our portfolio had a substantial socio-economic impact across 10 African countries and saw an increase across all impact indicators in 2023.

Having invested in two additional companies as part of EMIF II, the number of direct jobs within our portfolio increased to 16,053. Of those, 21% are female. The portfolio supported an additional estimated 140,000 jobs indirectly through the supply chains and induced spending of salaries, resulting in an estimated total supported employment of 156,000 jobs. The total supported contribution to the gross domestic product (GDP), including direct and indirect impacts, reached an estimated USD 1,332m in 2023. In addition, our power assets provided 6.3 TWh of electricity for the equivalent amount of 16m people. For a comprehensive overview of our impact measurement methodology and social impact in 2023, please refer to the chapter on social impact.

2023 IMPACT HIGHLIGHTS

DIRECT JOBS

16,053

ESTIMATED TOTAL SUPPORTED JOBS

156,000

SHARE OF FEMALE TOTAL EMPLOYMENT SUPPORTED

21%

ESTIMATED TOTAL SUPPORTED GDP CONTRIBUTION (IN USD)

1,332 m

ELECTRICITY PROVIDED

6.3 TWh

IN THIS SECTION

SUSTAINABILITY

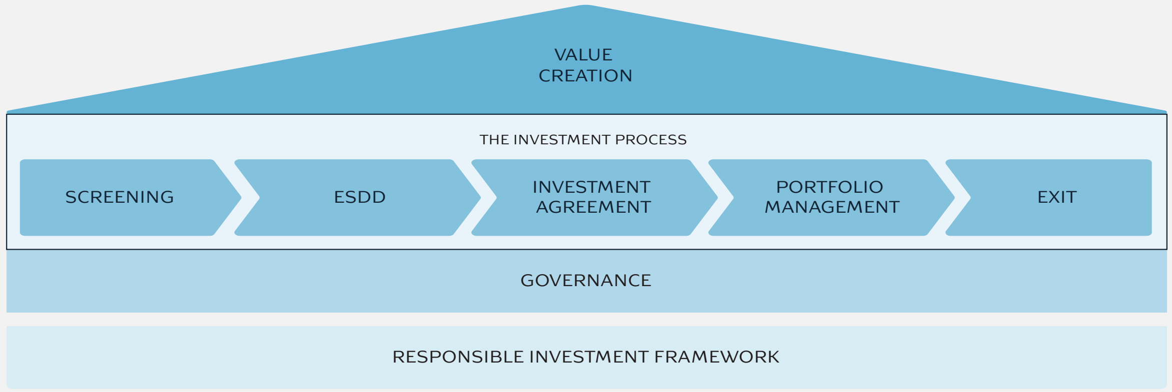
SUSTAINABILITY IN OUR INVESTMENT PROCESS

At A.P. Moller Capital, we prioritise the maintenance of high ESG standards to increase sustainability in our investment process. We do so as both a means to mitigate risks in emerging markets and as an opportunity for value creation. Consequently, ESG considerations are an integral part of our investment process, enabling us to maximise A.P. Moller Capital's contribution to sustainable development, and effectively mitigate environmental and social risks, and adverse impacts.

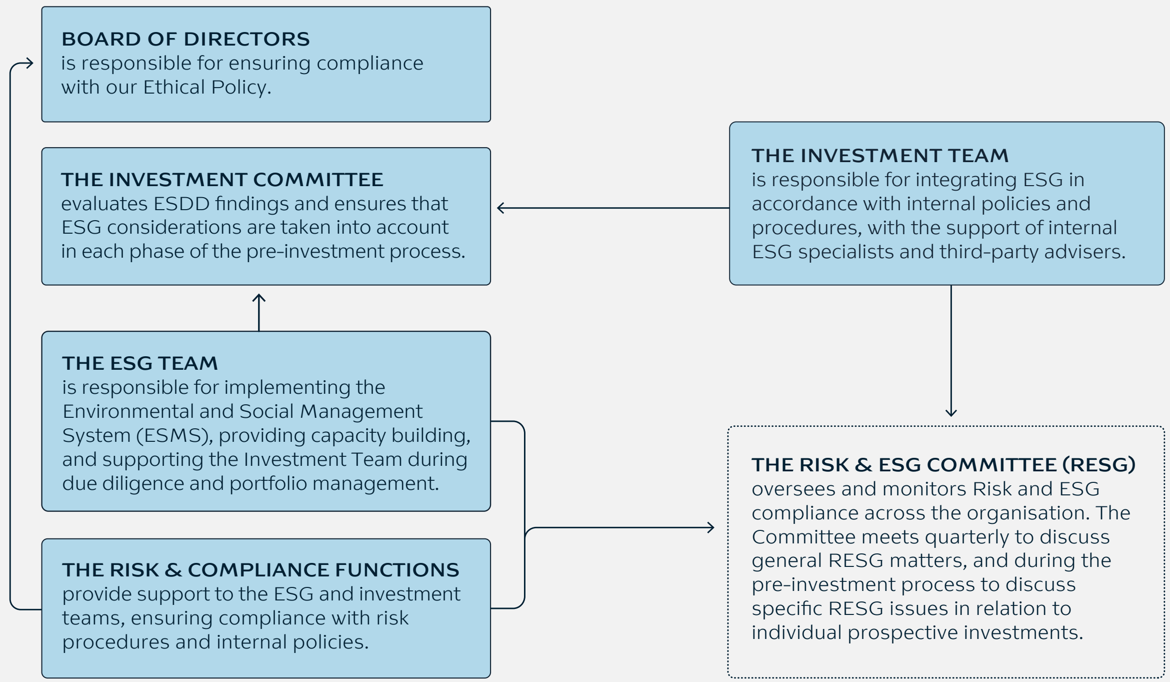
A.P. Moller Capital's Ethical Policy is the foundation that sets out the fund manager's Responsible Investment Framework for considering ESG impact and risk throughout the investment process. This is done from the moment a potential investment opportunity is identified, and through our active management of the investment up until exit. Our investment process is aligned with international standards, including the IFC Performance Standards on Environmental and Social Sustainability, the World Bank Group Environmental, Health and Safety Guidelines, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. For a more comprehensive overview of our investment process, and examples illustrating our value creation approach to portfolio management, please refer to the next page.

To achieve our objective and manage ESG risks, while at the same time generate value, A.P. Moller Capital has established an ESG governance framework that looks to integrate ESG considerations throughout the investment process. The framework clearly outlines the ESG roles and responsibilities across our funds including our Investment, Legal and Management teams. This is done in a way that guarantees adherence to our framework at all stages of the investment process. The accompanying figure to the right of this page illustrates the roles of the different functions in incorporating ESG considerations across the investment cycle.

How we create value by integrating ESG into the investment cycle



ESG Governance structure



ESG in the investment process

1 SCREENING

At the very early stages of the investment cycle, our team determines whether a potential investment will meet A.P. Moller Capital's ESG requirements. This is done by screening against A.P. Moller Capital's Exclusion List and investment strategy; outlining the socio-economic impacts and contributions towards our social and environmental targets; and conducting a preliminary assessment of the key environmental and social risks, including a tentative environmental and social risk categorisation.

2 ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

Once projects have passed the initial screening stage, an Environmental and Social Due Diligence (ESDD) is conducted. This is done against the requirements of the IFC Performance Standards and associated Environmental, Health and Safety (EHS) Guidelines, including any other industry-specific guidelines. The ESDD is a key part of the pre-investment decision-making process and plays a vital role in ensuring that risks are properly managed, and potential value-adding opportunities are identified. It is also at this stage that an Environmental and Social Action Plan (ESAP) is established to ensure the investments' alignment to A.P. Moller Capital's ESG requirements.

3 INVESTMENT AGREEMENT

By the time A.P. Moller Capital is ready to sign an investment agreement, we take steps to formalise commitments from the portfolio company to meet applicable ESG requirements, including what was agreed upon in the ESAP. We do so by incorporating the ESG requirements into the shareholders' agreement (SHA). This includes outlining how ESG-related matters will be handled during our active ownership, and the requirement that there will be qualified senior staff within the portfolio company responsible for overseeing ESG performance.

4 PORTFOLIO COMPANY MANAGEMENT

Once companies have been integrated into our portfolio, A.P. Moller Capital, with the support of nominated board representatives, closely monitors their ESG performance and addresses any gaps identified during the pre-investment phase. Company-specific key performance indicators (KPIs) are monitored at our quarterly performance reviews. A.P. Moller Capital also conducts a periodic gap assessment of portfolio companies' policies against our own Portfolio Governance Manual, which outlines the sustainable and ethical policies that are to be adopted and implemented by our portfolio companies

5 EXIT

When we decide to exit an investment, we aim to maximise the contribution of good ESG performance to our return on investment (ROI), and to attract buyers for whom good ESG performance is a priority. We provide prospective buyers with historical ESG data and answer questions regarding ESG performance. Nearing the end of the investment term, we conduct an exit assessment which shows to what extent business improvements have been achieved and mitigates post-exit reputational risks.

PORTFOLIO COMPANY MANAGEMENT

Using our active ownership approach to improve ESG performance

Post investment, A.P. Moller Capital appoints a portfolio company board member responsible for overseeing ESG performance. Our aim is to maximise long-term value through active engagement with our companies. Impala Energy Holdings, where in 2022 efforts were made to enhance road safety through various pilot projects, is a good example. The pilot projects included implementing a track and trace system to monitor traffic violations and introducing incentive schemes to encourage safe driving behaviour. In 2023, based on the results of the pilot phase, Impala Energy Holdings expanded the initiatives across the organisation. Currently, the tracking system covers 50% of the company's fleet, with plans to extend it to 67% over the course of this year. The initial findings are promising, as no significant road incidents have occurred between October and December 2023. Continued monitoring will further evaluate the effectiveness of diverse initiatives and enable further improvements.

PORTFOLIO COMPANY MANAGEMENT

Improving ESG reporting through partnerships

In 2023, A.P. Moller Capital partnered with the ESG management software provider KEY ESG to set up a platform for improving data quality and establishing a comprehensive and streamlined reporting framework across our entire portfolio. The platform facilitates adherence to relevant ESG frameworks and regulations (e.g., the Sustainable Finance Disclosure Regulation), while also enabling the collection of tailored metrics specific to our requirements.

The platform includes carbon accounting software which is aligned to the Greenhouse Gas (GHG) Protocol methodology and incorporates conversion factors from globally verified sources, such as the Department for Environment, Food & Rural Affairs (DEFRA) and the International Energy Agency (IEA). Dashboards within the platform facilitate the identification of significant quarter-on-quarter variances and maintain an audit trail for understanding underlying submissions by portfolio companies.

This platform also allows our portfolio companies to leverage educational resources on ESG, streamline collaboration, analyse performance, identify risks and opportunities, and communicate results with internal and external stakeholders efficiently. As our reporting environment evolves, we anticipate to further enhance the quality of our sustainability disclosures.

OUR GOALS AND CHALLENGES

At A.P. Moller Capital, we believe that the sustainability of our investments is central to achieving positive development outcomes and sound business practices, thereby improving the long-term potential of our investments. We measure the collective contribution of our portfolio companies, for AIF I and EMIF II, to the UN Sustainable Development Goals (SDGs), specifically SDG 7, 8, 9 and 13.

For EMIF II, we have set precise sustainability targets. These include the commitment to reduce scope 1 and 2 emissions of all investments, other than those in the renewable energy sector, by a minimum of 25% during EMIF II ownership compared to the year of investment.[1] This is aligned with our intention to minimise the climate impact of our portfolio, and with our goal of being a net zero fund. We work with the portfolio companies in EMIF II to set science-based targets (SBTs) and establish comprehensive decarbonisation plans. In 2023, we engaged third-party consultants to support our first two investments. We did so by verifying the scope 1, 2 and 3 emission baselines, setting SBTs and providing recommendations for decarbonisation.

A.P. Moller Capital is committed to facilitating the purchasing of carbon offset credits for any residual emissions in EMIF II. We do so with the utmost care and pursuant to guidance from good international industry practices, such as the Integrity Council for the Voluntary Carbon Market's Core Carbon Principles, the Voluntary Carbon Markets Integrity Initiative, and the Oxford Principles for Net Zero Aligned Carbon Offsetting. We focus exclusively on nature-based credits, because we believe that the Voluntary Carbon Market (VCM) can play a role in supporting faster and more ambitious climate action. We conduct extensive due diligence on forest reforestation projects and engage reputable third parties to advise us on the quality of the credits. Though our purchasing of carbon credits is done entirely as part of our net zero pledge and the result of residual emissions, we aim to comply with this commitment while supporting the right projects with the highest impact potential.

One of our biggest sustainability challenges is implementing ESG best practices in countries in which national legislation does not mirror international standards. An additional challenge is to meet EU Regulatory requirements regarding gathering and disclosing of asset-specific data. Over the last year, as highlighted on the previous page, we have focused on efficient and accurate data collection by rolling out KEY ESG, an ESG management software, across our portfolio companies. This new software helps our assets to collect, analyse and manage ESG data, and has been tailored to our specific needs and includes data requirements from our investors. The ESG management software was tailored in consultation with our portfolio companies and accompanied by numerous capacity building sessions. The information gathered is available for use by our portfolio companies and many have employed it for their own separate reporting.

Sound ESG performance in emerging markets is a trajectory that takes time. It requires a careful balancing act on our part between ensuring alignment with our commitments and allowing time for a company to transition to good ESG performance during our ownership. This is simultaneously our most significant challenge and our most meaningful goal. In the next chapter, we will look into the ESG indicators that we monitor across our funds.

1. The reduction target may be an absolute or a physical intensity target, using whichever specific business metric is most applicable for the given company.

IN THIS SECTION

PORTFOLIO KPIs

PORTFOLIO KPIs

Fund-level ESG disclosures

At A.P Moller Capital, we collect ESG data on a quarterly basis to manage and monitor ESG risks within our portfolio companies, track positive impacts, and fulfil regulatory reporting obligations. The ESG indicators monitored across our funds are highlighted on the right-hand side of this page. As we closed our first two investments in EMIF II in 2023, we will only be able to discuss variances in the data for the first time in next year's report. A.P. Moller Capital holds quarterly performance meetings to discuss the ESG performance of our portfolio companies.

All mandatory indicators required under the EU SFDR (e.g., Principal Adverse Impact Indicators) are collected and will be reported separately in accordance with the applicable regulatory timelines.

Health and Safety

As mentioned by our CEO at the beginning of this report, we are saddened to report that eight fatalities have occurred across our portfolio companies in AIF I during 2023. Out of the eight fatalities, three occurred at Eranove's subsidiary CIE, and an additional two at its subsidiary SODECI. In an immediate response to these fatalities, Eranove, with the guidance from A.P. Moller Capital, has prioritised a range of actions. These include the introduction of a zero-fatality policy, which was approved by the board of Eranove in October 2023, and a full review of the effectiveness of CIE's and SODECI's Health and Safety policies and procedures by an external auditor. Additionally, an Operations Manager has been appointed who will be responsible for leading the Health and Safety agenda across all Eranove subsidiaries.

The three other fatalities occurred in separate incidents at KEG Holdings, Arise Ports & Logistics and Impala Energy Holdings. Investigations into the root causes of all fatalities have been conducted and corrective actions are being implemented across all companies.

Under the direction of our Head of ESG, we have launched a portfolio-wide initiative to reinforce workplace Health and Safety measures and strive for zero fatalities. This initiative, which is expected to be completed by the end of Q2 2024, will aim at enhancing the effectiveness of the management systems, and strengthening accountability by ensuring adequate resources and governance frameworks are in place across all portfolio companies.

In the following two chapters of this report, we will further go into the details of, and the methodology used to measure our social and environmental impact.

ESG INDICATORS - FUND LEVEL		AIF I			EMIF II		
ENERGY		FY2023	FY2022	DIFFERENCE	FY2023	FY2022	DIFFERENCE
CONSUMPTION	GWh	14,457	12,968	11%	144	n/a	n/a
OF WHICH: ELECTRICITY	GWh	376	350	7%	51	n/a	n/a
OF WHICH: FUELS	GWh	14,081	12,618	12%	93	n/a	n/a
PRODUCTION	GWh	6,334	5,693	11%	2	n/a	n/a
OF WHICH: NON-RENEWABLE	GWh	4,471	4,071	10%	0	n/a	n/a
OF WHICH: RENEWABLE	GWh	1,863	1,621	15%	2	n/a	n/a
GHG EMISSIONS							
SCOPE 1+2	KT CO_2E	2,870	2,575	11%	66	n/a	n/a
SAFETY							
ACCIDENT PREVENTION POLICY	%	100%	100%	0%	100%	n/a	n/a
FATALITIES	NUMBER	8	3	167%	0	n/a	n/a
LOST TIME INJURIES (LTIS)	NUMBER	125	156	-20%	93	n/a	n/a
JOBS							
TOTAL NUMBER OF EMPLOYEES[2]	NUMBER	12,489	13,098	-5%	5,265	n/a	n/a
DIRECT EMPLOYEES	NUMBER	10,931	10,727	2%	5,122	n/a	n/a
FEMALE EMPLOYEES	%	21%	20%	5%	27%	n/a	n/a
TAXES							
TOTAL PAID	M USD	95	128	-26%	26	n/a	n/a
ANTI-CORRUPTION							
POLICY IN PLACE	%	100%	100%	0%	100%	n/a	n/a
INCIDENTS	NUMBER	0	4	-100%	0	n/a	n/a
INSUFFICIENT ACTIONS TAKEN	NUMBER	0	0	0%	0	n/a	n/a
COURT CONVICTIONS	NUMBER	0	0	0%	0	n/a	n/a

2. The total number of employees includes direct employees and third-party hires.

IN THIS SECTION

SOCIAL IMPACT

OUR SOCIAL IMPACT

Impact measurement methodology

We are committed to contributing to the creation of decent jobs and wider economic development in the countries where we invest. Substantiating our contribution in these areas is essential to be able to determine the scale of our social impact. We use the Joint Impact Model (JIM) to measure and communicate our social impact in a consistent and comparable way. This web-based tool harmonises impact measurement for financial institutions and is co-developed and widely endorsed by development finance institutions. The JIM estimates the contribution of our portfolio companies to employment, value added (GDP), and GHG emissions[3] at portfolio level by tracing revenues throughout the economy. A combination of client data and sector- and country-level macroeconomic statistics from internationally recognised sources (e.g., ILO, World Bank, GTAP) is used to achieve this.

The JIM quantifies the direct, indirect, and induced impacts of A.P. Moller Capital's portfolio companies. Direct impacts are generated at company level through their own operations. Indirect impacts refer to supply chain impacts, i.e., the portfolio company's suppliers and subsuppliers. Induced impacts are associated with the spending of wages earned by employees of the portfolio company in the economy. For our investments in port infrastructure, we also estimate the number of jobs created and the contribution to the GDP, resulting from enhanced economic activity by facilitating trade.

A challenge when implementing the JIM in our markets, is the level of detail and quality of the data required to run the model. This is why we have made a consolidated effort to improve the availability and quality of our data using an ESG data management software, which in turn also improves the accuracy of the model. As in previous years, all of our results are verified by Steward Redqueen as an independent third party.

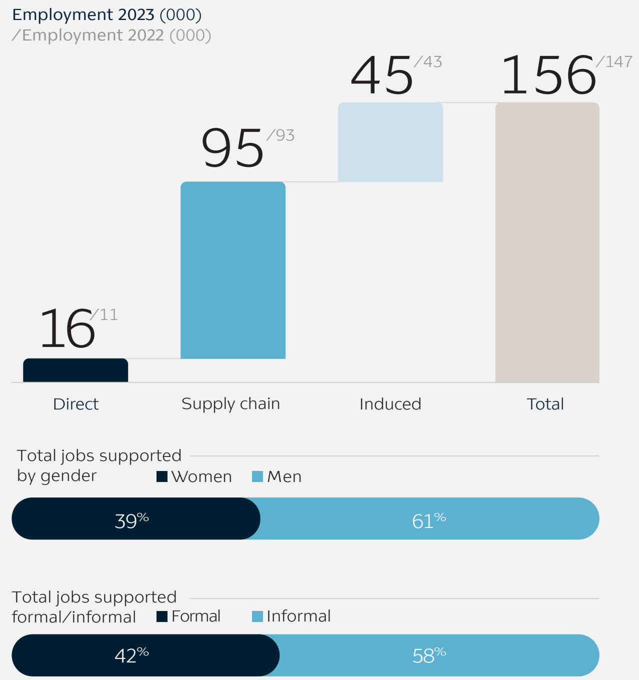
In the fall of 2023, the JIM methodology was updated with the introduction of JIM 3.1, which replaces the previous version JIM 2.0. Since this year marks a transitional period, and to ensure an accurate comparison with last year's results, our 2023 impact results and assessments are based on JIM 2.0. This enables an analysis of how actual shifts in the performance of A.P. Moller Capital's portfolio have influenced contribution to GDP, employment, and scope 3 emissions, while excluding changes attributed to methodological updates. Nonetheless, we have also compiled 2023 results using the new methodology, which will serve as our new baseline for next year's report.

The results of our social impact across our portfolio in 2023, including our contribution to the creation of jobs and to the GDP, are discussed on the following pages.

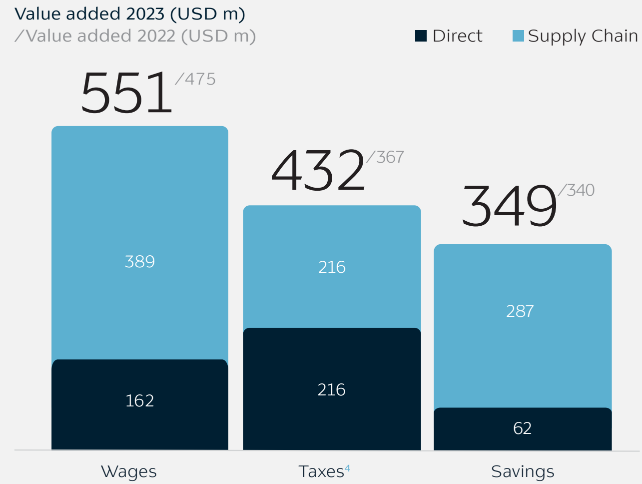
Electricity provision in 2023

A specific contribution of A.P. Moller Capital to wider economic development is providing electricity to millions of people via our portfolio companies. In 2023, the power assets in our portfolio provided 6.3 TWh of electricity to the estimated equivalent of 16 million people in Cabo Verde, Togo, Ivory Coast, South Africa, and Kenya. Eranove's Kekeli power plant in Togo, successfully operated for an entire year, while the Atinkou facility in Ivory Coast commenced operations in 2023. Of the electricity generated, 29% originated from renewable sources. The green energy was produced by the Cabeolica wind parks on the Cabo Verde Islands, Eranove's hydropower plants in Ivory Coast, and the rooftop solar installations of Lumika Renewables in South Africa.

Our portfolio supported 156,000 local jobs



Our portfolio supported USD 1,332m in GDP contribution



3. A.P. Moller Capital uses the JIM for estimating our portfolio's scope 3 emissions. Scope 1 and 2 emissions are calculated using activity-level data from A.P. Moller Capital's portfolio companies. Both are discussed in the section on environmental impact.

4. The estimated taxes based on the JIM exceed the taxes displayed in the Portfolio KPIs because the estimate includes additional employee income taxes.

SOCIAL IMPACT ACROSS OUR PORTFOLIO IN 2023

Contribution to jobs

By the end of 2023, the portfolio companies of A.P. Moller Capital directly employed a total of 16,053 people, marking a significant increase of 50% compared to 2022. To a large extent, this increase is the result of our acquisition of Vector Logistics, which has 4,872 employees. Besides direct employment, our portfolio companies also support a much larger number of jobs via their local suppliers.

For 2023, the JIM estimates that the procurement of inputs from local suppliers supported 95,000 jobs in the supply chains of A.P. Moller Capital's portfolio companies. This number reflects a 4% increase compared to the previous year. A further estimated 45,000 jobs, what the JIM refers to as induced impact, were supported through the re-spending of salaries by employees and workers in the supply chain. This represents a 9% increase compared to 2022.

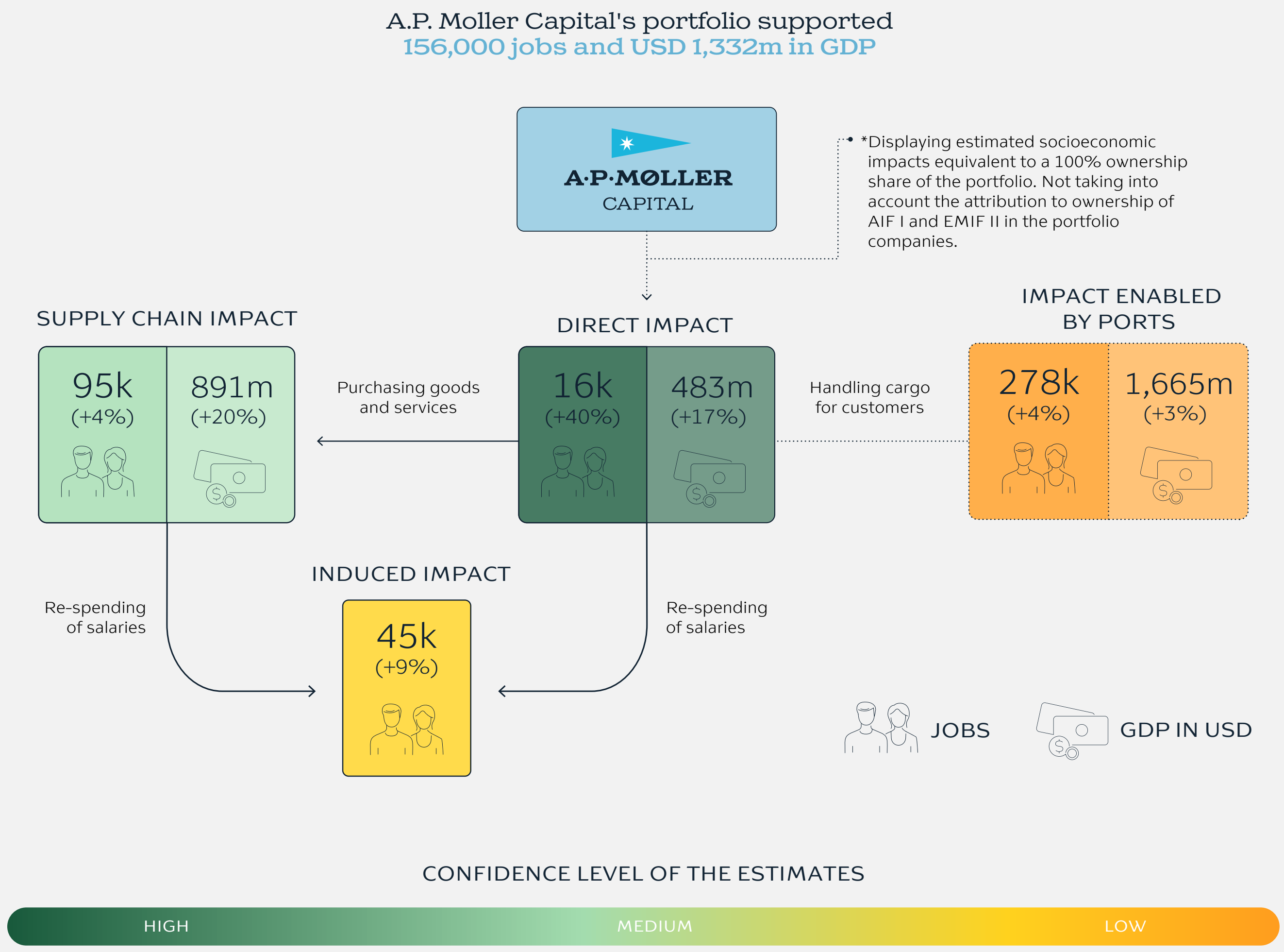
The proportion of female employment within the total supported workforce (including direct, supply chain, and induced) is estimated at 39%. Additionally, for every formal job, there were an estimated 1.37 informal jobs in the supply chains of portfolio companies. This percentage has decreased compared to 2022, primarily influenced by reduced activity in the construction sector, which traditionally has a close association with informal labour.

Finally, we assessed the enabled impact of our port infrastructure investments in Gabon and Ivory Coast based on handled volumes per cargo type. For 2023, the JIM estimates that these investments supported 278,000 jobs, marking a 4% increase from 2022. Port infrastructure plays a crucial role in facilitating the flow of goods within and between economies, thereby fostering trade and enhancing overall economic activity.

Contribution to the GDP

During 2023, our portfolio companies contributed USD 440m directly to GDP through the payment of salaries to their employees, payments of taxes to governments, and savings. This represents a 6% increase compared to last year.

The supply chains of our portfolio companies supported a contribution of USD 891m to GDP, which is an increase of 20% compared to last year, due to significantly higher payments to suppliers. A.P. Moller Capital's port infrastructure investments enabled a contribution of USD 1,665m in GDP, marking an increase of 3%.



IN THIS SECTION

ENVIRONMENTAL IMPACT

OUR ENVIRONMENTAL IMPACT

Carbon accounting methodology

Besides substantiating our social impact, A.P. Moller Capital is also strongly committed to measuring and reporting our environmental impact. Therefore, in 2023, we enhanced our carbon accounting methodology by adopting a third-party carbon accounting software. This led to improved accuracy in measuring and managing GHG emissions. The software integrates client-entered activity data with industry-approved conversion factors, aligning with the guidelines of the GHG Protocol for calculating scope 1 and 2 emissions.

Consequently, we have restated 2022 scope 1 and 2 emissions for AIF I using our updated methodology. While scope 1 emissions remained relatively unchanged, there has been a reduction in scope 2 emissions. This reduction primarily stems from the use of a new database of emissions factors from the IEA, which is globally acknowledged for its credibility and endorsed by the GHG Protocol as a dependable third-party data source. This enhancement has provided us with more precise data compared to previous reporting periods, enabling us to zoom in more closely on our individual portfolio companies.

Portfolio companies' GHG emissions in 2023

When we look at AIF I, in 2023, scope 1 emissions increased by 13%. This rise is primarily driven by an increase in emissions from Eranove, which accounts for 90% of the portfolio's scope 1 emissions. The increase in emissions is predominantly attributed to the Eranove subsidiary Atinkou. The construction of the 390 MW gas-fired, combined-cycle power plant (CCPP) in Ivory Coast was completed, and the site became operational during Q2 2023. Atinkou operates an F-class gas turbine, making it the most fuel-efficient one on the African continent. It will contribute to meeting base load requirements in Ivory Coast and the wider region and replace more inefficient plants. Additionally, emissions rose at the Kekeli CCPP in Togo, which commenced operations at the end of 2022, and has now completed a full year of operations. The plant plays a key role in fulfilling Togo's electricity demand and will replace an older, less efficient generator.

In 2023, scope 2 emissions have been reduced by 8%. The main reason for this is the introduction of energy efficiency measures at SODECI, the water distribution company of the Ivory Coast. This decrease predominantly stems from the optimisation of energy consumption in boreholes. SODECI's action plan for optimising energy consumption involves conducting energy and hydrogeological diagnostic audits for each borehole, as well as identifying and executing optimisation measures such as replacing electric pump units and regenerating boreholes.

Using the JIM, scope 3 emissions have been estimated based on the sector and size of our respective investments. The methodology used in the JIM includes scope 3 emissions related to the investment's local and international supply chain and does not cover downstream emissions.

Our efforts in realising more efficient, less polluting electricity generation, such as illustrated by Atinkou's CCPP in Ivory Coast, is further substantiated by our investments in renewable energy, as will be explained on the following pages. As this is our first year for calculating GHG emissions for EMIF II, we will report back next year against the baseline we have established.

Climate metrics (tCO_2-eq)

	AIF I			EMIF II
	2023	2022	Variance	2023
SCOPE 1	2,683,912	2,381,501	13%	25,886
SCOPE 2	119,574	130,602	-8%	40,281
SCOPE 3	917,343	697,000	32%	297,057

Increasing renewable energy capacity

To further substantiate our investments in renewable energy, in 2021, as part of AIF I, we acquired Lumika Renewables. The company offers solar PV solutions to clients in South Africa through its main subsidiary, Terra Firma Solutions. With a focus on addressing the country's heavy reliance on coal and the frequent power cuts, Lumika Renewables brings much-needed renewable energy to the region. By 2023, the company has successfully expanded its total capacity to 275 MW. A notable highlight of the year was the installation of 5 MW of roof-mounted solar panels and 6 MW of batteries at the headquarters of South Africa's largest mobile operator, MTN. This project marks a significant step towards improving MTN's energy stability, sustainability, and cost-efficiency.

Climate risk management

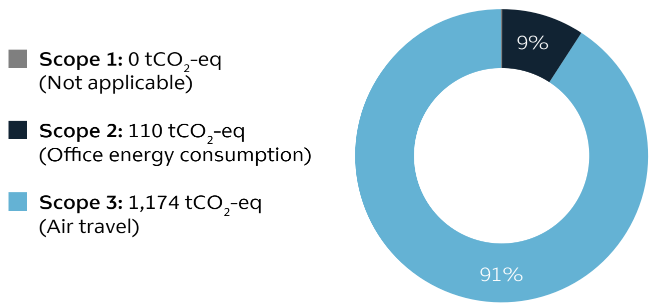
In line with the Task Force on Climate-Related Financial Disclosures (TCFD), we recognise the importance of climate change as a potential driver of financial risks for the companies in which we invest and for our investors. Therefore, climate risk assessment is an integral part of our investment process, from pre-investment due diligence through to ownership, and ultimately to exit.

Understanding that climate risks evolve over time, in 2023, A.P. Moller Capital signed up to Climanomics, a third-party provider that models estimated financial losses arising from both transition and physical climate risks, in line with the TCFD recommendations. When assessing climate change risks, we consider appropriate timeframes, taking into account our typical investment holding period of five to eight years. While climate-related risks may not significantly affect assets during our ownership, they could impact exit risks and consequently exit prices from a buyer's perspective. Consequently, we assess climate change risks for the 2020 and 2030 decadal periods using various emission pathway scenarios.

Currently, the overall financial risk to our portfolio is considered low. Going forward, we will continue to track the development of climate risks for each portfolio company and take appropriate action in instances in which a material risk is identified.

A.P. Moller Capital's GHG emissions in 2023

Our commitment to enhancing decarbonisation extends beyond our portfolio companies to our own operations. In 2023, as can be seen on the figure below, the total carbon footprint of our activities as a fund manager is estimated at 1,284 t CO_2-eq, which is in line with 2022 levels. Business travel – which is crucial for engaging with portfolio companies and sourcing deals – makes up around 91% of our carbon footprint.



IN THIS SECTION

CASE STUDIES

CASE STUDY:

VECTOR LOGISTICS

Frozen logistics solutions in an unstable power system

Vector Logistics is one of the largest multi-temperature logistics companies in Southern Africa and a provider of critical food infrastructure solutions to its customers. The company has a network of 26 warehouses and an efficient and safe cold chain for food products throughout Southern Africa.

The temperature-controlled supply chain extends the shelf life of products and diminishes food waste. Vector Logistics has contributed to accelerating food waste recycling and recovery over the past four years by repurposing food waste into compost, animal feed, or biodiesel. Crucial for the cold chain is an uninterrupted supply of electrical power. Because of the frequent power outages in South Africa (load shedding), Vector Logistics is required to use back-up diesel power generators which cause substantial CO_2 emissions. In addition, South Africa heavily relies on coal plants, which makes its power system one of the most CO_2-intensive in the world.

The CO_2-intensiveness of the frozen logistics sector must be reduced as much as possible. It is important to note, however, that the embodied emissions of food tend to be at least ten times higher than those of the associated transport and cooling. The prevention of food waste is therefore not only important for food security, but also from a climate point of view; taking steps in the prevention of food waste often prevents more in emissions than what is generated by transporting and cooling it.

Towards a net zero South Africa

Vector Logistics has taken steps to reduce the environmental impact of he cold chain, including the optimisation of transportation routes and improving energy efficiency. With the support of A.P. Moller Capital, Vector Logistics is developing its ESG strategy which focuses on reducing carbon emissions. In line with South Africa's decarbonisation policy, the company put a five-year plan in place to reduce its emissions by at least 25% per pallet of goods. This goal will mainly be achieved by shifting its energy sources away from fossil fuels towards renewables like solar power, as well as by exploring alternative forms of transportation such as hydrogen and electric vehicles.

A.P. Moller Capital will continue to work with Vector Logistics to streamline its carbon initiatives, and to set SBTs that are aligned with The Paris Agreement. Vector Logistics is one of two portfolio companies with which A.P. Moller Capital is working to set SBTs, as part of the EMIF II sustainable investment framework.

A just transition to net zero requires the above-mentioned decarbonisation initiatives, as well as the creation of jobs that provide income for households. An impact study of Vector Logistics operations is planned in 2024 to examine the full extent of its socio-economic impact and decarbonisation potential.

Impact overview

13,997
JOBS SUPPORTED

240m
GDP SUPPORTED (IN USD)

60,069 tCO_2-eq
GHG EMISSIONS (SCOPE 1 AND 2)

CONTRIBUTION TO SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

CASE STUDY:

MASS CÉRÉALES AL MAGHREB

Towards a harmonised certifications landscape in infrastructure investing

Research by the OECD shows that a sizeable investment gap, of between USD 2.5 and USD 3.5tn, exists for required infrastructure projects to achieve sustainable growth and economic resilience worldwide. High quality investments are needed to maximise the economic, social, environmental and developmental impact of projects. The aim of certifications and labels is to make it easier for investors to identify projects with these qualities, but the current range of certifications is often limited to niche applications and does not encompass all aspects of a project's performance. The need for better certifications is greatest in emerging markets; a survey of private sector and civil society actors showed overwhelming agreement that a credible and trusted certification regime would increase private sector participation in infrastructure projects (97%) and improve appetite for investment in low and middle-income countries (92%)[5].

In 2023, the OECD launched the Blue Dot Network (BDN) pilot to help facilitate capital flows to high-quality infrastructure projects. This voluntary private-sector-focused certification scheme serves as an umbrella seal of approval for infrastructure investments, by combining and streamlining the best-in-class infrastructure certifications and standards already in place. Through the pilot, the OECD's Trust in Business initiative has been testing the framework on infrastructure projects around the world. The pilot phase allows the OECD to refine the framework and ensure that it covers the right sectors, and is fit for purpose with projects of different sizes and delivery models.

Appraising Mass Céréales Al Maghreb's ESG and impact performance

As part of its commitment to contribute to the strategic dialogue around ESG in infrastructure, and in the hopes of elevating the performance of its portfolio company, A.P. Moller Capital and portfolio company Mass Céréales Al Maghreb applied to participate in the BDN pilot. The company was selected alongside a few others out of about 30 proposals. A.P. Moller Capital recognises that this strategic dialogue often happens without the people doing the projects, and hopes to help bridge that gap through its participation. A.P. Moller Capital and Mass Céréales Al Maghreb's joint participation also contributed to testing the applicability and quality of the framework.

Mass Céréales Al Maghreb is the concessionaire and operator of two cereal product handling terminals in the ports of Casablanca and Jorf Lasfar in Morocco. The company serves as a facilitator of food security by enabling an efficient and reliable cereal supply chain in the Maghreb region. The OECD selected Mass Céréales Al Maghreb for the pilot programme because of A.P. Moller Capital's track record in prioritising ESG performance in its investments, as well as Mass Céréales Al Maghreb's contribution to the UN SDGs and local Moroccan development strategy. Mass Céréales al Maghreb's Blue Dot Certification is currently under review by the OECD, with a decision expected in 2024.

Impact overview

1,261
JOBS SUPPORTED

31m
GDP SUPPORTED (IN USD)

6,470 tCO_2-eq
GHG EMISSIONS (SCOPE 1 AND 2)

CONTRIBUTION TO SDGs

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

5. OECD (2021), Towards a global certification framework for quality infrastructure investment: Private sector and civil society perspectives on the Blue Dot Network - Highlights.

CASE STUDY:

CABEÓLICA

Wind energy on the Green Cape

Cabeólica is a wind power company in Cabo Verde, that was established to address the small island nation's heavy reliance on imported fossil fuels for electricity production. Cabeólica's wind farms, which are found on the four islands of Santiago, São Vicente, Sal, and Boa Vista, were the first Public Private Partnerships (PPPs) to deliver commercial scale wind power in sub-Saharan Africa. The renewable energy capacity of the four wind farms is 25.5 MW, meeting roughly 18% of Cabo Verde's demand for electricity. By doing so, they reduce greenhouse gas emissions, decrease reliance on expensive and volatile import fuels, and enhance energy security for the island nation.

Harnessing the impact of more wind power

Cabeólica is planning a 13 MW expansion to its wind farm on Santiago island, as well as Battery Energy Storage Systems (BESS) on Santiago and Sal islands. The project is expected to displace 55GWh generated by heavy fuel oil (HFO) and gas oil annually and increase the penetration rate of renewable energy in the country from about 18% to 30% by 2025. In turn, this supports local economic growth and environmental outcomes. The project is pending final approval from the government.

When it comes to economic impact, the expansion project aims to lower the average cost of electricity generation in the grid by 15%. This will be done by replacing expensive diesel generation and, possibly, enhancing supply reliability. A third-party socioeconomic impact analysis, commissioned by Cabeólica, found that this is expected to generate a total of 1,561 jobs in the Cabo Verdean economy (equivalent to 0.75% of total employment in the country)[6]. Moreover, the project would reduce Cabo Verde's dependence on imported fossil fuels, thereby saving costs on foreign currency and resulting in a reduction of the country's balance of payments deficit by 2.4%.

When it comes to environmental impact, the expansion project is expected to significantly reduce air pollution on the islands of Santiago and Sal, in alignment with Cabo Verde's commitment to sustainable development and environmental protection. This would improve public health outcomes as pollution from fossil fuels is linked to respiratory disease. Moreover, the expansion is set to help preserve the islands' biodiversity by reducing the impact of fossil fuel combustion. The project is likewise expected to lead to a substantial reduction in carbon emissions. According to the study, the carbon emissions trajectory of Cabo Verde is expected to result in the avoidance of 849 Mt of CO_2 between 2023 and 2044. This translates to a 13% decrease in emissions in 2044 relative to the prevailing scenario.

Impact overview

137

JOBS SUPPORTED

4.2m

GDP SUPPORTED (IN USD)

79 tCO_2-eq

GHG EMISSIONS (SCOPE 1 AND 2)

CONTRIBUTION TO SDGs

6. A.P. Moller Capital does not report on the power enabled impacts of its portfolio companies. Therefore, ECA's estimate for jobs generated by the expansion is greater than the 137 estimated for Cabeólica in the impact overview. With power enabled impacts included, however, the JIM estimates 2,328 jobs supported by Cabeólica.

CASE STUDY:

ERANOVE

Essential services for all

Eranove has provided electricity and drinking water to Africa for over 60 years. Eranove's commitment to strong PPPs, and its longstanding expertise in project design and development, make it a powerful agent in pursuing the provision of essential services in Africa.

Balancing decarbonisation with social impact

Unlike other utilities around the world, African utilities like Eranove must balance two competing policy priorities; to meet the growing needs for power and water services on one hand, and to reduce its carbon footprint in line with The Paris Agreement on the other. This requires trade-offs between the transition to net zero and economic growth to ensure that people are not left behind. With over 550 million people without access to electricity[8], Africa faces a particular challenge to ensure energy and water security. This challenge increases daily with Africa's economic and demographic growth. Measures to ensure energy and water security need to be taken without losing sight of the need to tackle climate change, even if the African continent represents less than 4% of worldwide GHG emissions. By the nature of its services, Eranove embodies this challenge as the largest contributor to A.P. Moller Capital's portfolio emissions.

Since 2015, Eranove has made progress in implementing group-wide triennial policies to help mitigate climate change. The group is committed to reducing the relative emissions intensity of its thermal power plants (grams CO_2-eq/kWh produced) by at least 25% between 2015 and 2025. One way it intends to do this, is by increasing the thermal efficiency of both new power plants that are being developed and of existing power plants, but the latter is an increasingly difficult endeavour. Increasing efficiency is key, as electricity production represented most of Eranove's emissions in 2023 and natural gas consumption remains its primary source of production. Although GHG emissions and revenues have increased side by side, Eranove has reduced its relative emissions of electricity production by 23% between 2015-2022.

Moreover, Eranove has also committed to a gross emissions reduction target of up to 25% for the 2019-2030 period. By doing so, it aims to tackle emissions related to its drinking water infrastructure, the energy consumption at its tertiary sites, and its vehicle fleet. The group will also continue the development of renewable energy assets, such as hydroelectric, solar, and biomass projects. In preparation for the long run, Eranove's two new subsidiaries (Atinkou and Kekeli) operate the latest generations of low-GHG-emission thermal power plants. Taken into account with their design is the possibility to transition to the use of green hydrogen intake; a strong signal to encourage the development of this technology for power generation in Africa. In this way, the utility future proofs its capital for a transition to renewable energy, while continuing to serve the growing energy demand in the region with natural gas.

Impact overview[7]

89,661
JOBS SUPPORTED

760m
GDP SUPPORTED (IN USD)

2,529,675 tCO_2-eq
GHG EMISSIONS (SCOPE 1 AND 2)

CONTRIBUTION TO SDGs

7. While Eranove operates across a range of African countries, its home base of Ivory Coast has been used as a point of reference for impact overview data.
8. World Bank, 2019.

CASE STUDY:

IMPALA ENERGY HOLDINGS

Natural gas for Nigeria

Impala Energy Holdings is an A.P. Moller Capital portfolio company based in Nigeria. The company provides small-to-medium-scale power and energy solutions to deliver clean, reliable, and cost-effective power and thermal energy to its commercial and industrial clients in Sub-Saharan Africa. Driven by the cost and environmental benefits of natural gas, when compared to local alternatives such as propane, butane and diesel, Impala Energy Holdings focuses on gas-fired and gas-renewable hybrid power. The portfolio company has been a pioneer in the uptake of the more sustainable compressed natural gas (CNG) in the region, in part by promoting adoption through its supply chain.

Decarbonising the fleet

In its latest initiative, Impala Energy Holdings is promoting the use of CNG to its trucking service providers. The company is currently overseeing the transition of its contracted fleet of trucks from diesel and other fuels to CNG. A recent procurement deal of 30 trucks brings the total number of CNG-powered trucks used by contractors to 43. By the end of 2024, the company aims for all vehicles under its remit to run on CNG, a more sustainable alternative to diesel.

While the company's revenues have increased by 59% year on year, the company's direct emissions increased by just 45%. These figures suggest a partial decoupling between revenue and emissions growth. Some of this decoupling comes from the transition from diesel to CNG-powered trucks. In the first six months of 2023, Impala Energy Holdings saved an estimated 34 tonnes of CO_2e by replacing diesel in its trucks with CNG.

Impact overview[9]

1,312
JOBS SUPPORTED

10.6m
GDP SUPPORTED (IN USD)

3,441 tCO_2-eq
GHG EMISSIONS (SCOPE 1 AND 2)

CONTRIBUTION TO SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

9. In the calculation of Impala energy Holdings GDP impact with the Joint Impact Model (JIM), a negative net income figure of about USD 20m was excluded. This was because the result was due to financial expenses (incurred due to unfavourable foreign exchange rates) and unrelated to operating losses. Impala energy Holding reported a positive EBITDA figure for the year, which was included in the model.

CASE STUDY:

ARISE PORTS & LOGISTICS

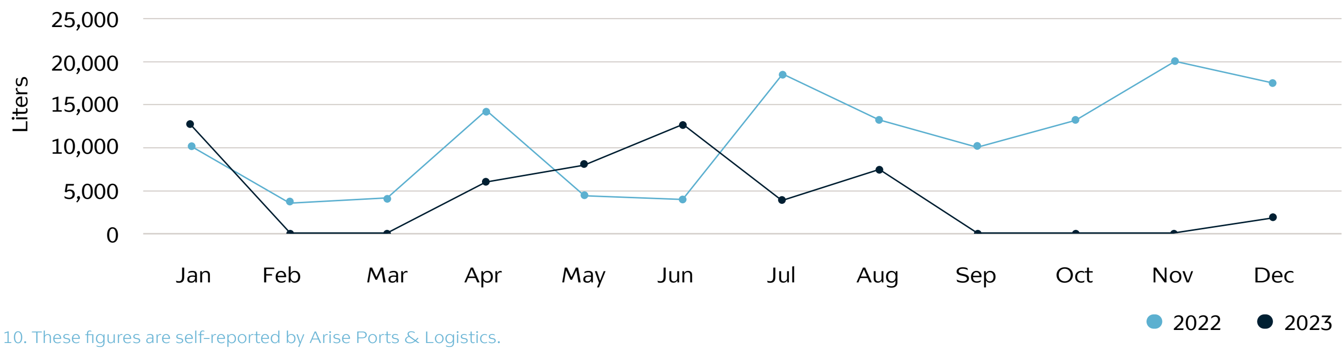
Reducing the carbon footprint of ports in Gabon

Arise Ports & Logistics manages several African ports, including New Owendo International Port in Gabon. Conscious of the carbon emissions intensity of the port sector, the company is a trusted partner of the Gabonese government in planning and implementing several carbon reduction initiatives. These include the introduction of LED lighting to save energy, mangrove restoration, and the operationalisation of barge transport to move containers as an alternative to more carbon-intensive trucking.

Crane electrification at the New Owendo International Port

Their most recent carbon reduction initiative involves the electrification of its harbour cranes at the New Owendo International Port The conversion process from diesel to grid electricity was completed in 2023, after some delays due to the COVID-19 pandemic. All four cranes have now been fully converted to electric power sources, and they are the first moveable electrified cranes in the region. The resulting reduction in emissions of 70%[10], in 2023, came just shy of the 78% target Arise Ports & Logistics set out for the year. The remaining emissions result from the fact that when the cranes are moved, the proprietary cables are often not long enough to service them in their new locations. This means that the machines must temporarily revert to running on diesel. In the coming years, Arise Ports & Logistics targets a further 10-15% reduction in fuel consumption at the port.

New Owendo International Port Crane Fuel Consumption



10. These figures are self-reported by Arise Ports & Logistics.

Impact overview

5,687
JOBS SUPPORTED

180m
GDP SUPPORTED (IN USD)

48,888 tCO_2-eq
GHG EMISSIONS (SCOPE 1 AND 2)

CONTRIBUTION TO SDGs

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