**THE AFRICAN DEVELOPMENT BANK GROUP**

**PROJECT: AXIAN TELECOM**

**SAP CODE : P-Z1-GB0-040**

**COUNTRY:   MULTINATIONAL**

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**ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) ASSESSMENT REPORT**

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## 1. Project Description

Axian Telecom ("Axian" or the "Company") is undertaking a five-year investment program to expand its telecommunications network across several African countries, including Tanzania, Madagascar, Senegal, Togo, Uganda, and the Democratic Republic of Congo. The program focuses on improving network infrastructure, including mobile and fixed telecom, digital, and financial services. A significant portion of the investment will target the expansion of 4G and 5G networks and constructing nearly 3,000 mobile towers across multiple countries.

The investment program aims to:
- Enhance network coverage and service quality through upgrades to the Radio Access Network (RAN) and core network.
- Expand fibre optic and microwave transmission networks, boosting connectivity and data services.
- Build telecom towers and improve passive infrastructure such as data centres.
- Implement sustainable energy solutions, including solar-powered telecom towers.

The program will substantially increase the capacity of Axian's subsidiaries to meet the growing demand for high-quality, reliable telecommunications services, improve access to digital financial services, and foster economic growth across the regions served. The USD 160 million senior loan from the African Development Bank will support key aspects of this expansion, with USD 10 million allocated to support financial inclusion for women entrepreneurs across Madagascar.

## 2. The Company's Operations

Axian is a multinational telecommunications operator in several African countries. The Company operates subsidiaries and joint ventures primarily in Tanzania, Senegal, Madagascar, Togo, Uganda, and the Democratic Republic of Congo. Axian's operations encompass various services, including mobile and fixed telecom, digital infrastructure, and mobile financial services.

Key areas of operation include:
- Mobile and Fixed Telecom Services: Offering mobile connectivity, internet services, and value-added services across urban and rural areas.
- Digital Infrastructure: Developing and managing data centers, fiber networks, and other critical infrastructure to support the growing demand for digital services.
- Mobile Financial Services: Promoting financial inclusion through mobile payment platforms and digital banking services, particularly in underserved communities.

The Company is a market leader in several of its operating countries, ranking among the top telecom service providers in terms of subscriber base and network coverage. Axian is also known for its focus on sustainability and green energy, emphasising using solar-powered telecom towers and other renewable energy sources to power its operations.

The Company's corporate governance structure includes a diversified management team with telecommunications, finance, and digital services expertise. The team is supported by a Board of Directors that provides strategic oversight and ensures alignment with the Company's growth objectives and sustainability goals. Axian's ongoing investment in telecom infrastructure is critical to improving connectivity across Africa, particularly in underserved rural areas, driving the region's economic development and digital innovation.

## 3. AfDB E&S Risk Categorization and Disclosure Requirements

In line with the African Development Bank's Integrated Safeguards System (ISS), the project has been classified as Category 2 (Moderate Risk). This classification reflects that if the project results in adverse environmental and social (E&S) impacts, these impacts would be localised, reversible, and

manageable through proper mitigation measures. The classification also aligns with internationally recognized standards and design criteria that will be applied to the project.

The moderate risk classification is justified based on (i) the scale and nature of the Company's activities, which include the expansion of telecommunications infrastructure, such as towers and fiber optic networks, across multiple countries, (ii) while the project may involve land clearance and construction activities, the impacts are expected to be temporary and site-specific, and (iii) any adverse impacts, such as noise, dust, or localised ecological disruption, are expected to be easily minimised or reversed through appropriate environmental management plans.

As part of the disclosure process required under AfDB's ISS, the Company disclosed its ESMS on 25 June 2024, more than 60 days before project appraisal.

## 4. Scope of the Assessment

The Environmental and Social Safeguards and Compliance Department (SNSC) of the AfDB assessed the Company's ESMS. The assessment aimed to evaluate the ESMS's alignment with country-specific regulations and the AfDB's ISS, ensuring the Company's capability to effectively manage environmental and social risks across its operations. The assessment covered the following key areas:

i. *High-Level E&S Policy Statements*: The assessment reviewed the Company's E&S policy to verify its formal endorsement by Axian's senior management. The focus was to ensure that the policy demonstrates a clear and strong commitment to managing E&S risks in line with international standards, including the IFC Performance Standards and the AfDB's ISS. The policy's ability to provide strategic direction for the Company's overall approach to E&S management was a key area of evaluation.

ii. *E&S Management Procedures*: The assessment evaluated the existing E&S management procedures used by the Company to identify, assess, and mitigate environmental and social risks. This included examining how these procedures are integrated into the Company's daily operations and decision-making processes. Additionally, the assessment covered Axian's approach to Corporate Social Responsibility (CSR), examining how the Company addresses broader social and community responsibilities through its operational activities.

iii. *Institutional Capacity:* The review analysed organizational capacity for the Company to manage E&S risks effectively. It focused on the presence and functionality of a dedicated E&S unit, its placement within the Company's organizational structure, and its ability to operate independently. The assessment also examined whether the unit has the necessary expertise, sufficient staffing, and sustainable financing (i.e., a permanent budget) to address the Company's E&S obligations comprehensively across its various projects and countries of operation.

iv. *Environmental and Social Governance (ESG)*: The assessment included a thorough review of the ESG framework. This review considered the level of independence the E&S unit holds within the organization, particularly about decision-making authority and influence over operations that generate environmental and social risks. The assessment also evaluated the Company's processes for reporting E&S performance, its incident management protocols (including the handling of EHS incidents), and its track record in managing environmental and social risks. Additionally, the publication of annual E&S performance reports and other governance-related transparency measures were reviewed to determine the Company's overall ESG maturity.

The assessment was also undertaken to establish that the content of the ESMS was as prescribed in the Bank's Integrated Safeguard System Operational Safeguard (OS) 9. As per OS 9, the ESMS

should include (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of subprojects; (iii) provisions for the necessary organisational capacity and competency, including the budget; (iv) monitoring and reporting of environmental and social risks of subprojects and the portfolio; and (v) an external communications mechanism and provisions for information disclosure and grievance mechanism, including on subprojects as appropriate

## 5. Findings of the ESMS Assessment

Following the assessment, the AfDB has rated the Company's ESMS as *Good*, as it adequately covers the four pillars of a robust ESMS described above. The ESMS complies with the AfDB's ISS and international best practices, making it well-suited for managing the E&S risks associated with the Company's operations across multiple countries. Below are the key findings:

### *5.1 High-level E&S Policy Statement approved by Axian's Senior Management*

The Company has established a comprehensive Health, Safety, Environment, and Social (HSES) Policy, signed off by senior management in March 2023, which forms the core of its commitment to environmental and social sustainability. This policy is integral to the Company's ESMS, aligning with the AfDB's ISS and international best practices such as the IFC Performance Standards and World Bank Group Environmental, Health, and Safety (EHS) Guidelines specific to telecommunications.

The Company has committed to embedding E&S considerations across all operations. These commitments include:

- *Compliance with National and International Regulations:* Ensuring all activities adhere to relevant environmental, health, safety, and social regulations in the countries where Axian operates.
- *Integration of HSES Considerations:* Incorporating HSES requirements into daily operations, the design and construction of infrastructure, and the decommissioning phases of projects.
- *Biodiversity Protection:* Whenever feasible, minimise environmental impacts by avoiding operations in sensitive areas such as UNESCO World Heritage Sites or Alliance for Zero Extinction locations.
- *Pollution Prevention and Resource Efficiency:* Taking measures to improve energy efficiency, reduce greenhouse gas emissions, and manage waste effectively across all subsidiaries.
- *Occupational Health and Safety (OHS):* Ensuring safe working conditions for employees, contractors, and communities through risk assessments, appropriate training, and supervision.

To operationalise its E&S policies, Axian has a set of specific commitments that include (i) environmental responsibility as the Company prioritises pollution control, energy conservation, and waste reduction; (ii) social responsibility as the Company emphasises on local job creation, supporting diverse and inclusive workplace cultures, and respect for local communities; and (iii) corporate governance whereby the Company enforces stringent corporate governance policies, backed by a robust risk management framework that supports the oversight of HSES matters and ensures compliance with Good International Industry Practice.

Axian's HSES Policy has been publicly disclosed on its website to ensure transparency and accountability to its stakeholders. The Company is committed to periodically reviewing the ESMS to ensure that it remains aligned with evolving global standards and best practices.

The Impact & Sustainability Manager oversees the implementation of the ESMS, with support from dedicated E&S Coordinators, OHS Manager, OHS Coordinator and HSES compliance officer. This team is responsible for ensuring the integration of E&S standards across all subsidiaries and monitoring performance to ensure continuous improvement.

## 5.2 Environmental and Social Management Procedures

Axian has demonstrated a firm commitment to ensuring its operations align with both the AfDB's ISS and IFC Performance Standards. The Company's ESMS outlines the comprehensive procedures used to manage environmental and social risks across its multinational telecommunications operations.

The ESMS contains detailed E&S management procedures for addressing environmental and social risks associated with its operations and CSR initiatives. These procedures ensure the Company systematically identifies, manages, and mitigates the E&S risks of its network expansion and infrastructure projects. The ESMS includes:

- Detailed procedures for managing health, safety, environment, and social issues, including pollution control, waste management, and community health and safety.
- Emergency response plans to address potential operational risks, such as incidents at telecom sites and construction zones.
- A risk register that tracks all identified E&S risks, detailing mitigation measures and responsibilities for monitoring these risks.

The ESMS incorporates screening criteria based on the AfDB's ISS and the IFC Performance Standards. This system enables the Company to categorise risks based on their potential impacts, ensuring that Environmental and Social Impact Assessments (ESIA) are conducted where necessary. Additionally, the Company has developed checklists for screening new investments and infrastructure projects. Axian conducts thorough due diligence using standardised Environmental and Social Due Diligence templates and risk categorisation tools. A clear template for managing stakeholder grievances ensures that community concerns are addressed promptly and transparently. This includes external communication protocols and a structured grievance mechanism to resolve issues raised by affected parties.

Axian has adopted good international industry practices as part of its HSES Guidelines. These guidelines are integrated into the ESMS to ensure compliance with local and international standards for the construction and operation of telecommunications infrastructure. The HSES procedures cover areas such as:

- Telecommunications Tower Installation: Guidelines for mitigating environmental impacts during tower construction, including minimising land disturbance, noise pollution, and using energy-efficient technologies.
- Energy Efficiency and Green Energy: A focus on integrating solar-powered towers and other green energy solutions, especially in rural and remote areas.

The ESMS includes robust procedures for ongoing environmental and social monitoring and beyond project implementation. The ESMS also provides for the production and publication of an annual Sustainability Report that outlines its ESMS compliance with IFC standards, and updates on ongoing mitigation measures.

The ESMS emphasises stakeholder engagement as an essential element of project planning and execution. The company identifies and tailors engagement plans for key stakeholders, which include local communities, government authorities, and investors. Each project site has an engagement plan that:
- Specifies consultation mechanisms for affected communities.
- Provides for information disclosure regarding project impacts.
- Outlines grievance redress procedures to resolve any issues arising from operations of the Company.

The ESMS includes a comprehensive risk categorisation tool to evaluate and categorise environmental and social risks associated with its projects. The risk categorisation process aligns with IFC Performance Standards and the AfDB, ensuring that projects with significant adverse impacts are appropriately identified and managed.

The ESMS also includes an exclusion list of projects that the Company will not pursue due to their potentially harmful environmental and social impacts. This list is aligned with the AfDB's exclusion list and reflects the Company's commitment to sustainability and responsible business practices.

### 5.3 Institutional Capacity
The Company has developed a comprehensive governance structure that reflects its commitment to effective Environmental and Social Management across all operational levels. The Company's institutional capacity is built on a solid organisational framework, with clear roles and responsibilities to properly implement its HSES Management System. The structure ensures that environmental, social, and governance (ESG) issues are prioritised and integrated into all operations of the Company.

#### 5.3.1 Organizational Structure and Key Roles
The Company's Impact and Sustainability (I&S) Unit is the cornerstone of its ESMS implementation, ensuring that environmental and social considerations are fully integrated into the Company's strategy. As per the latest organisational chart (August 2024), the key roles in this unit include:
- *CEO*: Provides overall strategic direction and ensures that environmental and social governance is aligned with the Company's broader business goals.
- *Impact & Sustainability Manager*: Oversees the implementation of the HSES Management System, coordinating efforts across all subsidiaries to ensure compliance with environmental, health, safety, and social standards.
- *OHS Manager*: Responsible for ensuring occupational health and safety across all operations, focusing on mitigating workplace hazards.
- *E&S Coordinators*: Coordinate the environmental and social activities across various subsidiaries, ensuring that projects adhere to the ESMS and comply with local and international standards.
- *HSES Compliance Officer*: Monitors the Company's compliance with HSES guidelines and ensures corrective actions are taken in case of deviations.

At the subsidiary level, each operating company (OpCo) has dedicated HSES Manager responsible for implementing Axian's ESMS. These OpCo managers report directly to the corporate team, ensuring consistency in governance and policy application across all operational sites, including Tanzania, Uganda, Madagascar, Senegal, Togo, Comoros, and the Democratic Republic of Congo.

### 5.3.2 Capacity Building and Resource Allocation

The Company strongly emphasizes capacity building to ensure that its teams are well-equipped to manage environmental and social risks. Regular training programs are conducted for staff across all levels to enhance their understanding of E&S issues, safety protocols, and risk mitigation strategies.

Additionally, Axian allocates a dedicated annual budget to the HSES Unit for implementing the ESMS. This budget covers training, compliance audits, environmental and social due diligence, and stakeholder engagement activities. The Company ensures that sufficient resources are available to meet the evolving demands of its expanding operations across multiple regions.

### 5.3.3 Governance and Oversight

The governance structure at the Company ensures that senior management is actively involved in environmental and social governance. The I&S and HSES Managers report directly to the CEO and Board of Directors, ensuring that environmental and social risks are prioritised at the highest levels of decision-making.

The HSES Compliance Officer plays a critical role in maintaining the integrity of the governance system, ensuring that all projects comply with both internal policies and international standards such as the IFC Performance Standards and the AfDB's ISS. Regular internal audits are conducted to assess the Company's compliance with its ESMS and to identify areas for improvement.

### 5.3.4 Risk Management and Due Diligence

The Company employs a risk-based approach to environmental and social management, using a risk register to track potential risks and assign appropriate mitigation measures. Each project undergoes a comprehensive risk assessment before execution, with the E&S Coordinators overseeing the development of ESIA and Environmental and Social Management Plans (ESMP) where necessary. The Company has also established procedures for Environmental and Social Due Diligence for all new investments and projects, ensuring that potential E&S risks are identified and managed before project initiation.

### 5.3.5 Post-Project Monitoring and Reporting

The Company's governance framework includes robust mechanisms for post-project monitoring. The HSES Unit is responsible for generating quarterly and annual E&S performance reports, which are reviewed by senior management and shared with key stakeholders. These reports ensure transparency in the Company's environmental and social performance, tracking key performance indicators (KPIs) related to health, safety, environmental impact, and community engagement.

## 5.4 Environmental and Social Governance

The Company has established a comprehensive ESG framework, which ensures that E&S risks are effectively managed and integrated into its operational and strategic decision-making processes. The governance structure within the Company supports the Company's commitment to sustainability and responsible business practices, aligning with good international industry practices, as defined by the IFC Performance Standards.

### 5.4.1 Independence of the E&S Unit

The Impact and Sustainability (I&S) Unit at the Company operates with a high level of independence, reporting directly to senior management, including the CEO, and maintaining a direct line of communication with the Board of Directors. This level of independence ensures that the unit can provide unbiased, transparent oversight of environmental and social matters across the Company's operations.

The I&S unit holds significant authority over operations that generate environmental and social risks, ensuring that E&S considerations are embedded in the decision-making process for all new projects and ongoing operations. This independence enables the unit to influence key strategic decisions, including the approval of new infrastructure projects, such as the installation of telecommunications towers, ensuring that these projects comply with Axian's ESMS and applicable local and international E&S standards.

### 5.4.2 ESG Reporting and Transparency

The Company has implemented a robust process for reporting on environmental and social performance. The Company produces quarterly and annual reports on its E&S performance, which are reviewed by senior management and shared with stakeholders, including investors and regulatory bodies. These reports track key E&S performance indicators (KPIs), including:

- Energy consumption and emissions reduction,
- Environmental impact assessments,
- Waste management and recycling programs,
- Occupational health and safety (OHS) statistics, and
- Community engagement activities.

Additionally, the Company's annual Environmental and Social Performance Reports are tailored specifically for its investors, offering detailed insights into how the Company is managing its E&S obligations. These reports demonstrate Axian's commitment to transparency and accountability in its operations.

### 5.4.3 Incident Management Protocols

The Company has established clear incident management protocols to address any EHS incidents that may arise during its operations. The OHS Coordinator is responsible for ensuring that all incidents are reported, investigated, and addressed in a timely manner.

The Company follows a structured approach to managing incidents, which includes:

- Immediate response and containment of any environmental or safety incidents,
- Investigation of root causes by the HSES team, and
- Development and implementation of corrective action plans to prevent recurrence.

The Company's track record in managing EHS risks is strong, emphasising proactive risk assessment and mitigation. Regular safety drills and environmental audits are conducted to minimise the likelihood of incidents and to ensure compliance with international EHS standards.

### 5.4.4 Oversight and Decision-Making

The Board of Directors is critical in overseeing the implementation of the companies ESG strategy. In particular, an Environmental and Social Committee has been established, which provides strategic guidance on systemic E&S issues that could affect the Company's business model and long-term strategy. The responsibilities of this committee include:

- Providing strategic advice on major E&S risks and opportunities,
- Ensuring the Company has robust systems, policies, and procedures in place for managing E&S matters,
- Monitoring the implementation of the Company's Environmental and Social Action Plan (ESAP),

- Overseeing investigations related to breaches of E&S laws or company policies, and
- Ensuring that the Company promotes corporate citizenship, with a focus on equality, non-discrimination, and anti-corruption.

This governance structure ensures that the Company integrates sustainability into its core business operations while maintaining compliance with local and international regulations.

*5.4.5 Annual Reporting and ESG Maturity*
The Company publishes an annual Sustainability Report and an Impact Assessment Report, highlighting the Company's performance in achieving its environmental and social objectives. The most recent report for 2023 demonstrates Axian's progress in areas such as:
- Green energy initiatives, including the expansion of solar-powered telecom towers.
- Community development projects, particularly in underserved regions where Axian operates.
- Diversity and inclusion efforts within the workforce.
- Ongoing improvements in occupational health and safety.

These reports reflect the Company's ESG maturity, showcasing its ability to effectively manage E&S risks while contributing to the sustainable development of its operating regions. Axian's commitment to continuous improvement ensures that the Company remains aligned with evolving international standards and stakeholder expectations.

## 6. Conclusion
The assessment of Axian's ESMS indicates that the Company has a well-established and disclosed E&S policy, which aligns with the AfDB's Integrated Safeguard System and international best practices, specifically the IFC Performance Standards. The ESMS effectively outlines procedures for identifying and mitigating environmental and social risks during the pre-approval stages of projects and throughout their operational life cycle.

The Company has a strong ESMS and has implemented a robust risk assessment process supported by a comprehensive exclusion list that aligns with AfDB's requirements. Regarding institutional capacity, the Company has demonstrated a commendable commitment to integrating environmental and social considerations into its governance structure, with clear roles and responsibilities across its Impact & Sustainability Unit. Senior management engagement and oversight ensure that ESG considerations are incorporated into strategic decision-making processes. The Company also engages external consultants for specialised environmental and social due diligence when needed, further strengthening its capacity to manage complex projects. Overall, the ESMS is well-positioned to manage the environmental and social risks associated with its operations.