

# Responsible Investment & Sustainability Policy

Values drive Value

2023



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## 1. Introduction

At Actis, we believe that *Values drive Value*, meaning that by investing responsibly, we create businesses that are more resilient, more innovative, better able to deliver societal and environmental benefits, and ultimately more valuable.

Instilling world-class environmental, social and governance (ESG) standards as part of our overall responsible investment approach is a core lever for risk mitigation and value creation.

We focus on identifying and managing ESG issues (risks or opportunities) which are material to our businesses and we work in partnership with our companies to support them towards achievement of international best practice. In addition, we seek to measure and manage all our investments to enhance the positive impacts on society and the environment.

Our approach enables our companies to:

- Mitigate risks and capture opportunities to build higher quality businesses;
- Access finance more readily;
- Secure a "social license to operate" and improve resilience;
- Establish and maintain high standards of corporate governance, conduct and business integrity;
- Attract, motivate and retain the best talent; and
- Establish and enhance their reputation as sustainable businesses.

Actis recognises that ESG issues are complex and dynamic, and that an adaptive and forward-thinking approach is necessary in this environment. Our approach seeks to align with the principles of international conventions, standards and guidelines such as, but not limited to: The Modern Slavery Act 2015, United Kingdom; the UN- supported Principles for Responsible Investment ("PRI"); the UN Guiding Principles on Business and Human Rights; the UN Sustainable Development Goals ("SDG"); the IFC Operating Principles for Impact Management; and the Task Force on Climate-related Financial Disclosures (TCFD).

This Responsible Investment and Sustainability Policy (herein "the Policy") applies to all Actis investments and addresses the following areas:

- Exclusions
- Investing with Impact
- Environment
- Climate Change
- Social Impact and Human Capital
- Business Integrity
- Investee Company Undertaking

**1.1 Integration of the Policy into the Investment Process**

Actis has a dedicated Responsible Investing team (herein “the RI Team”) who are involved in the decision-making process throughout the life cycle of our investments, from origination to realisation.



## 2. Exclusions

These exclusions apply to each and every one of Actis' investments.

Actis will not invest fund capital in any of the following:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.<sup>1</sup>
- Production or trade in tobacco.<sup>1</sup>
- Gambling, casinos and equivalent enterprises.<sup>1</sup>
- Production of pornographic materials or media.<sup>1</sup>
- Power generation companies where a significant portion of revenue (greater than 10%) is derived from coal-fired thermal power.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where Actis considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Entities in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

<sup>1</sup> Actis will not make investments in companies that derive 10% or more of their revenues in this area.

### 3. Investing with Impact

*Impact investing* refers to the pursuit of investments with the intention of generating a measurable, beneficial social or environmental impact alongside a financial return. Through our investments, Actis seeks to deliver measurable positive social and environmental impacts, and our pursuit of impact is aligned with the United Nations Sustainable Development Goals (SDGs). Therefore, we have integrated the assessment of actual and intended impact into our investment decision-making process, alongside consideration of ESG issues.

Actis developed the Actis Impact Score™ (AIS) as a proprietary measurement framework which enables the measurement and monitoring of intended and actual impact performance. AIS has been systematically applied to all businesses in which Actis invests since 1<sup>st</sup> January 2019, to determine the positive outcomes that the investment can deliver, and to establish a baseline and forecast impact score.

AIS is calculated and integrated into investment decisions with the intended positive impacts of each investment presented to the Investment Committee. Positive impacts generated by Actis investments are tracked and monitored throughout the investment cycle, and recalculated at exit to create a final Impact Multiple indicating the increase in positive impacts created during Actis' investment.

The methodology outlined in Actis' Impact Measurement White Paper and Explainer Video (available on Actis' website), is aligned with the Impact Management Project framework and the SDGs.

Actis is a founding signatory of the IFC Operating Principles for Impact Management (OPIM). The OPIM have been developed to describe essential features of managing investments with the intent to contribute to measurable positive social or environmental impact, alongside financial returns. Actis has committed to independent verification of its adherence to the principles.



## 4. Environment

### 4.1 Objective

Avoid investment in businesses or projects with potential for significant adverse impacts on the environment, including but not limited to biodiversity, habitats or ecosystem services. Actis will protect and promote the improvement of the environment through its investments, wherever possible.

### 4.2 Approach

Actis will only invest in businesses which:

- take account of the environmental impact of their operations (through a formal "environmental assessment" in cases involving potential loss of biodiversity or habitat, climate change, water or air quality, substantial solid waste and other issues where the negative impact could be significant) and take steps to mitigate any risks;
- are designed and operated in compliance with local law;
- are designed and operated according to International Best Practice<sup>2</sup> for the activity concerned (if these standards and guidelines are more stringent than local legislation) unless there is a clear reason for accepting a different standard in which case this will be formally recorded; or
- take account of relevant international environmental agreements.

In particular, Actis will strive to encourage and support our businesses to:

- develop their environmental management systems in accordance with International Best Practice and ISO 14001;
- reduce pollution, emissions, waste, energy and water usage and raw materials;
- consider life cycle analysis of their own products and services, and those of key suppliers; and
- go beyond safeguarding and protecting the environment from their operations, towards enhancing and improving the environment.

<sup>2</sup> For the purposes of this policy, International Good Practice is defined as alignment with the IFC Performance Standards on Environmental and Social Sustainability, and the World Bank Group EHS Guidelines and associated industry sector guidelines.

## 5. Climate Change

### 5.1 Objective

Contribute to tackling the climate crisis and support a just transition to a lower carbon economy.

### 5.2 Approach

Actis recognises that the climate crisis poses a significant investment risk that has the potential to impact the long-term value of companies but also presents investment opportunities to support the just transition to a lower carbon economy. As such, when identifying prospective investments, Actis seeks to identify and incorporate climate factors, including the social consequences of the transition to a low-carbon economy, into the investment decision making process.

During due diligence and ownership Actis seeks to incorporate climate risk / opportunity assessment, including climate factors such as: energy and water use efficiency, renewable energy viability, adaptation and resilience opportunities, potential social impacts, and vulnerabilities from climate related impacts.

In particular, Actis will:

- encourage our companies to consider their climate resilience by assessing their exposure to climate risks, and taking appropriate adaptation actions to mitigate their exposure;
- seek to support the just transition to a low carbon future through investment opportunities;
- consider the social consequences of climate change including potential consequences and opportunities presented by the transition to a low-carbon economy;
- support our companies with identifying and implementing operational efficiency initiatives to reduce the carbon intensity of their operations;
- encourage our portfolio companies to measure and report greenhouse gas (GHG) emissions;
- take into consideration the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).



## 6. Social Impact and Human Capital

### 6.1 Objective

Safeguard the rights, dignity, health and safety of any person who has dealings with the businesses in which Actis invests.

### 6.2 Approach

Actis will only invest in businesses which:

- seek to comply with:
  1. local law (as a minimum);
  2. the International Labour Organisation Fundamental Conventions;
  3. the UN Guiding Principles on Business and Human Rights;
  4. IFC Performance Standard 2: Labour and Working Conditions; and
  5. Voluntary Principles on Security and Human Rights.
- take account of their impact on employees, contractors, the local community and other stakeholders affected by their operations (through appropriate consultation, and through an assessment of social impacts in cases involving resettlement, cultural property, indigenous peoples, migrant labour or other issues where the negative social impact could be significant) and take steps to mitigate any risks;
- do not employ forced labour of any kind, either directly or via their primary supply chain;
- only allow children to form part of their workforce (either directly or via their primary supply chain) where to do so is in compliance with the International Labour Organization (ILO) standards, through the applicable ILO Conventions / Protocols ratified by the country, or guiding recommendations<sup>3</sup>; and when it is legally permissible under local child labour laws;
- pay wages which meet or exceed industry or national minima and are sufficient to meet basic needs;
- treat their employees fairly in terms of recruitment, progression, terms and conditions of work and representation, without prejudice to and irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, or social or ethnic origin;
- allow consultative work-place structures and associations which provide employees with an opportunity to present their views to management;
- assess the specific risks arising from work activities and introduce measures to eliminate or reduce those risks; and
- provide access to remedy and an appropriate grievance mechanism for all workers and where appropriate other stakeholders.

#### Furthermore, Actis will:

- support our companies to foster diverse teams and inclusive workplace cultures; and
- support our companies to uphold high standards of health and safety, and to provide decent, fair and safe working conditions for all workers whether direct employees or contractors.

<sup>3</sup> ILO Convention No. 138 and its Recommendation No. 146, and ILO Convention No. 182 and Recommendation No. 190.

## 7. Business Integrity

### 7.1 Objective

Ensure the implementation and continuation of proper corporate governance, conduct and business integrity across Actis' portfolio companies.

### 7.2 Approach

Actis will only invest in businesses which:

- uphold high standards of business integrity and honesty, and operate in accordance with local and international laws and good practice, including those intended to prevent extortion, bribery and financial crime;
- strive to implement policies and procedures to prevent extortion, bribery, fraud, corruption and financial crime in accordance with local law requirements and internationally recognised best practice;
- properly record, report and review financial and tax information as required by relevant accounting standards and operate in compliance with national and international sanctions; and
- implement a whistleblowing procedure for reporting wrongdoing and misconduct in the workplace that includes protection for the reporter.

Furthermore, Actis undertakes checks of management executives and board members of target companies in the following ways:

- conducting reference checks in the market on individuals to understand how they are perceived, how credible and respected they are and any other relevant market sentiments/perspectives;
- undertaking a Customer Due Diligence process, including checking individuals against a market leading database to identify any actual or potential red flags (e.g. Politically Exposed Persons (PEPs), links to crime, terrorism or negative media coverage);
- identifying the 'beneficial owners' of the business – those who own more than 25% and who ultimately stand to benefit from any gains;
- assessing individuals, target companies and any key stakeholders (e.g. JV partners) from a reputational risk perspective; and,
- recommending to Investment Committee, if red flags arise from any of the above, that third-party enhanced Integrity Due Diligence is undertaken to inform decision-making. Actis has a panel of preferred Integrity Due Diligence providers for this purpose.

## 8. Investee Company Undertaking

Actis requires that each of its investee companies and each member of its group seek to carry out their business activities in a manner that:

1. complies with all applicable local and national laws, regulations and agreements regarding environmental, labour, health and safety matters as they are amended and updated from time to time;
2. provides safe and healthy working conditions for its employees and contractors;
3. encourages the efficient use of natural resources, promotes the protection of the environment and adopts a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimise, and, where residual impacts remain, compensate/offset for risks and impacts to the environment;
4. undertakes commercially reasonable endeavours to minimise greenhouse gas emissions and support the transition to a low carbon economy;
5. treats all employees fairly in terms of recruitment, progression, remuneration and conditions of work, irrespective of gender, race, colour, language, disability, political opinion, age, religion, or national/social origin;
6. respects the rights of all workers to join or form workers' organisations, to bargain collectively and to carry out their representative functions in the workplace;
7. does not:
  - engage in or support any practices relating to slavery, forced or compulsory labour or human trafficking; or
  - employ forced labour of any kind (either directly or via its primary supply chain);
  - allow children below the minimum age<sup>4</sup> to form part of its workforce (either directly or via its primary supply chain); or
  - allow any worker under the age of 18 to undertake hazardous work;
8. takes account of the impact of its operations on the local community, encourages local community development and adopts a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimise, and where residual impacts remain, compensate/offset for risks and impacts to local communities;
9. upholds high standards of business integrity and honesty, complies with local laws and any applicable foreign laws (including but not limited to Anti-Corruption Laws) and international good practice, does not directly or indirectly offer, pay, solicit or accept bribes in any form in either the public or private sector (whether to/from public officials or otherwise), and implements an appropriate Anti-Bribery and Corruption Compliance Programme (as defined below) or equivalent which demonstrates the Company's commitment to upholding a high standard of business integrity;
10. seeks to operate in accordance with good international industry practice with respect to the management of environmental, health, safety and social issues
11. provides for the reporting as soon as practicably possible to Actis of any social, labour, health and safety, security, environmental or integrity incident involving the Company or any member of the Group that results in:
  1. a serious business continuity threat;
  2. Collective redundancy ( $\geq 20$  people in 90 days or  $\geq 10\%$  of the total workforce);
  3. loss of life, severe permanent injury or severe permanent damage to health;
  4. a material adverse environmental or social impact; or
  5. material breach of law or the Company's code of conduct relating to business integrity matters, including financial irregularities
12. implements a code of conduct which demonstrates the Company's commitment to upholding a high standard of business integrity

<sup>4</sup> The "minimum age" is the higher of (i) 14 years of age or (ii) the minimum age of employment permitted by the law of the country where the employment takes place or (iii) the age established for completing compulsory education in that country.

13. seeks to realise positive environmental and social outcomes in alignment with the Actis Impact Score™ (AIS) impacts selected for the platform and/or investment

### **Anti-Bribery and Corruption**

For the purpose of clarifying Point 9, an Anti-Bribery and Corruption Compliance Programme means a programme or code of conduct which includes:

1. an anti-bribery policy with a clear statement prohibiting the giving or receiving of bribes and outlining who the policy applies to;
2. a policy or procedure to address gifts, hospitality and political donations;
3. a due diligence process to be conducted prior to the appointment of any agents, representatives or consultants [that will be dealing with Public Officials or] to ensure that they have a good business reputation and conduct themselves in an ethical fashion and in compliance with Applicable Laws;
4. a whistle blowing or "speak up" policy;
5. a training programme for all relevant officers, employees, and agents and Representatives of each Group Company in relation to the contents of the Anti- Bribery and Corruption Compliance Programme;
6. an employee disciplinary procedure to deal with the identification of any Corrupt Acts or breaches of the Anti-Bribery and Corruption Compliance Programme;
7. a policy to address internal record keeping and maintenance of internal controls in relation to implementation of the Anti-Bribery and Corruption Compliance Programme;
8. a process for periodic review of compliance with the Anti-Bribery and Corruption Compliance Programme and for the policies and procedures contained therein;
9. a statement of support and sign-off by the Board or relevant senior management of the Company to be given following each periodic review carried out of g) above.

#### **Values Drive Value**

Actis' approach to the management of and reporting to investors on environmental, social and governance risks in its portfolio reflects Actis' belief that Values Drive Value. We seek to mitigate the potential negative impact of ESG risks on financial returns through taking ESG risks into account when investing. Actis integrates environmental, social and governance considerations throughout its investment management process. This Responsible Investment and Sustainability Policy summarises key aspects of this approach. Nothing in this document is intended to be an offer or solicitation to buy or sell any investment. Actis investors should refer to the relevant Actis fund documents.