

ENVIRONMENTAL, SOCIAL & GOVERNANCE POLICY

2023

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Version Control

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1. INTRODUCTION

Adenia Partners is a private markets investment firm focused on making control investments in medium-sized companies in Africa.

Since inception in 2002, the investment philosophy has remained constant, with a strong emphasis on operational improvement, impact and strong Environmental, Social & Governance (ESG) driven with an entrepreneurial spirit. Based on the ground across key regional hubs, it has a proven track record of strong and consistent performance with 31 platform investments executed and 17 realised exits.

Responsible investing and a commitment to a sustainable Africa are central to Adenia's investment objectives and outcomes as ESG can materially influence Adenia's ability to meet its financial obligations.

By creating stronger companies with quality jobs (SDG 8) and diversity (SDG 5), improving sustainability of operations (SDG 9, 13), fostering economic improvement, and elevating companies to meet Environmental, Social & Governance Policy standards, Adenia can increase value for investors, while benefiting workers, communities, and companies in Africa.

2. PURPOSE

This ESG Policy articulates Adenia's commitment to the integration of ESG and Impact considerations into its business and investing activities. It includes how ESG factors are embedded throughout Adenia's decision making processes and investment lifecycle across Funds and underlying portfolio companies.

3. SCOPE & APPLICABILITY

This ESG Policy applies to all activities of Adenia Partners, including all investments made under each of our remaining Private Equity Funds, namely Adenia Capital III, Adenia Capital IV and Adenia Capital V, their respective Portfolio Companies, and associated stakeholders. The policy covers material ESG issues and Impact opportunities that could substantively affect Adenia's ability to create value in the short, medium, and long term. Adenia's ESG and Impact approach include risk management, unlocking opportunities, and generating a net positive impact on society and the environment.

This Policy applies from its publication date and is not retrospective. It replaces previous policies that Adenia had in place.

4. COMMITMENTS

As part of this policy, Adenia will endeavour to undertake the following:

- 1.** Incorporate and assess ESG risks and Impact opportunities into all prospective and existing investment analysis and decision-making processes;
- 2.** Not finance the types of projects/activities which form part of Adenia's Exclusion List;
- 3.** Seek formal undertakings with investee companies to identify, support, and/or oversee value protection and creation opportunities driven by ESG initiatives at company or project level;
- 4.** Ensure that necessary resources are available, trained or recruited, within Adenia to support adequate implementation and management of ESG risks, including the appointment of external specialists or partnerships if required;
- 5.** Build capacity of the Manager and Portfolio Companies through trainings and other appropriate mechanisms;
- 6.** Actively manage and monitor ESG performance and Impact outcomes at our investee companies during the investment lifecycle against set objectives;
- 7.** Enhance our proprietary Environmental and Social Management System (ESMS) and Impact Management Systems (IMM) for Adenia and our investee companies;
- 8.** Support and encourage our investee companies to work towards continuous ESG and Impact performance improvements with the main objective of minimising adverse environmental and social impacts on ecosystems and stakeholders, to enhance positive effects;
- 9.** Eliminate and prevent child and forced labour, modern slavery practices in business operations and supply chains of portfolio companies;
- 10.** Eradicate all forms of harassment and discrimination in terms of employment and other business practices;
- 11.** Protect the health, safety, and wellness of our own employees, portfolio companies' employees and surrounding communities;
- 12.** Reduce in CO2 intensity at Adenia and our investee companies over the life of the investment;
- 13.** Support resilience and adaptation toward climate change into our portfolio companies including raising our ambition throughout the investment lifecycle;
- 14.** Develop effective stakeholder engagement practices and structures which drive a culture of transparency, accountability, on-going feedback, learning, and continual improvement;
- 15.** Seek and apply international good practices and standards;
- 16.** Develop and implement a monitoring and reporting framework capable of tracking ESG and Impact performance and support ESG disclosure and reporting;
- 17.** Manage conflicts of interest;

- 18. Collaborate with co-investors and peers on material ESG and Impact themes, and play an active leadership role;
- 19. Incorporate ESG and Impact considerations for investment exit strategies; and
- 20. Provide regular disclosure regarding the progress of our responsible investment activities in a transparent, credible, and timely manner to all relevant stakeholder and investors.

5. STANDARDS AND GUIDELINES

Adenia's ESG Management System and stewardship is committed to implementing the best and recognised international practices for the Manager and its Funds, guided by the following standards and guidelines, which are also applicable to Adenia's portfolio companies:

- Applicable E&S Laws in the country of operations including laws covering environmental impacts, labour rights, health and safety, social issues, corporate governance and those intended to prevent extortion, bribery, corruption and financial crime;
- International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012);
- World Bank Group general and other applicable sector-specific Environmental Health and Safety (EHS) Standards (2007);
- International Labour Organisation (ILO) Fundamental Labour Convention including Core Labour Standards and ILO Basic Terms and Conditions of Work;
- United Nations Guiding principles on Business and Human Rights (UNGPs) (2011);
- The International Bill of Human Rights including the United Nations (UN) Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights
- United Nations Principles of Responsible Investment (signatory status) (PRI);
- Task Force on Climate-related Financial Disclosures (TCFD);
- 2X Challenge;
- The Charter of Fundamental Rights of the European Union;

Similarly, Adenia's Impact Management System will adhere to the following standards and guidelines:

- Adenia's Impact Management and Measurement framework (since 2019);
- The Impact Frontiers (since 2019);
- The United Nations' (UN) Sustainable Development Goals (SDG) in particular:
 - o SDG 5: Gender Equality;
 - o SDG 8: Decent Work;
 - o SDG 9: Sustainable operations and infrastructures;
 - o SDG 13: Climate Change.
- The Operating Principles for Impact Management (signatory status).

6. RELATED POLICIES

Additional key internal ESG and Impact related policies that Adenia adheres to include: Adenia's Code of Responsible Investment as included in the ESG and Impact Guidelines, Business Integrity Management System, Employee Handbook, Gender Policy, Recruitment Procedure, and various governance policies specific to a Private Equity Fund Manager. These related policies are also applicable to Adenia's portfolio companies when adequate.

7. ESG & IMPACT ASSESSMENT & MANAGEMENT

To ensure operationalisation of our Policy, ESG and Impact considerations are intentionally integrated in the investment process and lifecycle as illustrated below:

- Applicable E&S Laws in the country of operations including laws covering environmental impacts, labour rights, health and safety, social issues, corporate governance and those intended to prevent extortion, bribery, corruption and financial crime;
- International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012);
- World Bank Group general and other applicable sector-specific Environmental Health and Safety (EHS) Standards (2007);

Table 1: ESG & Impact in the investment process

INVESTMENT STAGE	ACTION	OUTCOME
Initial screening	Risk Identification	<ul style="list-style-type: none"> Exclusion list check Risk categorisation
Due Diligence	Audit & Evaluation	<ul style="list-style-type: none"> ESG due diligence or ESIA (for high risk investments or medium risk when relevant)
Investment Decision		<ul style="list-style-type: none"> Preliminary Theory of Change (identification of potential contribution to SDG 5, 8, 9, 13 and other specific SDGs) Potential alignment with 2X Challenge criteria
Investment Agreement	Control & Mitigation	<ul style="list-style-type: none"> ESG Covenants and Undertaking ESG and Impact Action Plan and objectives
Investment Monitoring	Monitoring & Reporting	<ul style="list-style-type: none"> Progress on Action Plan Precise Theory of Change Gender Action Plan Impact scoring Measure of impact realization against targets
Exit	Preserve the future	<ul style="list-style-type: none"> ESG and Impact business case awareness raising for the buyer

Development Impact is generated through Adenia's Impact Management and Measurement framework, within which a Theory of Change will be defined for Adenia and for each portfolio company. Adenia's Theory of Change focuses on pressing issues in Sub-Saharan Africa, that fit our overall company transformation strategy and know-how; namely (i) the improvement of job quality and diversity (SDG 5,8); and (ii) the improvement of sustainability of operations (SDG 9, 13); and (iii) investee specific impact.

Adenia will furthermore integrate cross-cutting issues as framed by the UN SDGs, including gender equality (SDG 5), climate action (SDG 13) and human rights risks into its investment process and responsible stewardship of its Funds and portfolio companies.

An annual assessment of Adenia and each portfolio's investees' impact against ESG, Impact, Climate, Gender and Human Rights goals and assessments will be conducted and communicated to our various stakeholders.

8. ADENIA EXCLUSION LIST

Adenia will adhere to the exclusion lists of each of its Private Equity Funds, which define the types of projects that each Fund not finance, which can be made available upon request.

Furthermore, some Limited Partners in Adenia Funds have excuse rights.

9. ROLES AND RESPONSIBILITIES

All members of the Adenia team are responsible for the implementation of this Policy and for ensuring that the investment processes are executed in alignment with this Policy and the requirements included within.

The appointed Head of Sustainability and Impact will provide oversight and additional support for its implementation and execution. This includes the responsibility for ensuring that this Policy always reflects Adenia's values and is implemented in accordance with internal and investor requirements.



Stéphane Bacquaert,
Managing Partner – ESG & Impact

September 2023