

ALTERRA

Alterra Africa Accelerator (AAA) Manager
Environmental, Social, Governance, and
Impact (ESG&I) Policy

1. Alterra's ESG and Impact Vision

Alterra Africa Accelerator Manager (AAA Manager or Alterra) developed this Environmental, Social, Governance, and Impact (ESG&I) Policy based on a comprehensive view of sustainability. As an asset manager with fiduciary responsibilities, AAA Manager strives to create value by contributing to sustained growth of portfolio companies. AAA Manager understands that ESG considerations go hand in hand with value creation efforts and works with portfolio companies to identify, mitigate, and manage ESG risks so that they can be more resilient, more innovative, and more competitive. Simultaneously, Alterra recognizes the powerful role of private capital in contributing to and accelerating positive development impact, particularly in emerging markets. As such, AAA Manager works with portfolio companies to identify and build on impact-related opportunities.

2. Alterra's Commitment

To realize this vision, AAA Manager commits to the following:

- Ensure that ESG&I considerations are an integral part of investment processes,
- Ensure sufficient organisational ESG&I capacity and competency,
- Develop and implement a robust ESG&I Management System (ESGIMS) in line with this Policy for all funds under management,
- Drive continual improvement on ESG&I matters at portfolio companies through an active management approach and based on the ESG&I principles and standards noted in this policy, as applicable,
- Provide regular and transparent disclosures on ESG&I efforts to investors and other relevant stakeholders, and
- Review and update the ESGIMS regularly to account for evolution in ESG&I learnings and best practices.

3. Policy Introduction

This ESG&I Policy establishes, at a high level, AAA Manager's approach to integrating ESG&I considerations throughout the investment process. It is the foundation of the more detailed processes and procedures found in Alterra's overall ESGIMS. The ESGIMS serves principally to govern how AAA Manager identifies, mitigates, and manages ESG-related risks. Additionally, the ESGIMS governs how AAA Manager incorporates impact-related considerations strategically and deliberately into the investment process. The ESG&I Policy and its associated ESGIMS apply to all Alterra investment activities.

4. ESG&I Principles, Guidelines, and Standards

4.1. Guiding Principles

AAA Manager recognizes that material ESG risks have the potential to negatively impact company value in myriad ways and is committed to maintaining adequate resources to effectively manage ESG risks. In practice, this means identifying, mitigating, and managing ESG risks at companies in a manner consistent with local laws and regulations and with international standards. Alterra commits to working with portfolio companies to anticipate and appropriately manage adverse impacts on workers, communities, and the environment.

Alterra also recognizes that its investment strategy has significant potential to contribute to positive development impacts. To better understand and contribute to these impacts, AAA Manager will focus on three highly relevant and interrelated impact themes: quality job creation and skills development, women's empowerment, and climate change mitigation and adaptation. Specifically, Alterra commits to collaborating with each portfolio company to develop specific, measurable, and commercially feasible impact goals and to report on progress against those goals in a consistent manner.

4.2. Applicable ESG&I Laws, Guidelines, and Standards

The ESGIMS is guided by a host of applicable national and international guidelines and good practice standards, which in turn guide how AAA Manager will integrate ESG&I factors into investment decision making. Alterra will work with all portfolio companies to continually improve ESG&I performance and, in particular, to align with the following:

- Applicable national and local ESG&I laws and regulations,
- The International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (dated January 2012),
- The World Bank Group Environmental, Health and Safety Guidelines (2007), and
- The International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work (1998).

Where applicable, the Fund will also use the following widely accepted sustainability-related frameworks for guidance:

- [Sustainability Accounting Standards Board \(SASB\)](#) Standards,
- The [International Standardization Organization \(ISO\)](#) Certifications,
- The [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) Recommendations
- The [2X Challenge: Financing for Women](#), and,
- The [UN Sustainable Development Goals \(SDGs\)](#).

Lastly, Alterra recognizes – and publicly acknowledges – the importance of playing a leading ESG&I role within the private equity sector. AAA Manager is a signatory to UN Principles for Responsible Investment and is recognized as a 2X Challenge investment.

5. Policy Implementation

The Fund Manager is responsible for implementing the ESG&I Policy, which effectively embeds ESG&I considerations into all steps of the investment process from pre-screening to exit. More details on implementation are provided in the Alterra ESGIMS.

5.1. Investment Process

Alterra will screen all pipeline deals against its Exclusion List. Following screening, AAA Manager will provide an initial ESG risk rating and high-level ESG&I considerations based on preliminary available information. Should a deal proceed to ESG&I due diligence, Alterra will facilitate due diligence commensurate with the company's ESG risk level to support an adequately robust assessment. Due diligence will also identify opportunities to progress against targeted impact goals, in particular with respect to the Fund's three impact areas.

Ultimately, assessment findings will inform an initial ESG&I Action Plan (ESGIAP). Should a deal continue to progress in the investment process, AAA Manager will then engage with company partners to align on a path forward to achieve ESG&I expectations. The final ESGIAP should be commercially feasible, and actions should be timebound and tied to specific deliverables. Prior to investment, Alterra will incorporate ESG&I requirements and expectations in legal documentation between the Fund and the portfolio company.

Alterra uses an active ownership approach to promote continual progress of ESG&I activities, focusing on ESG&I aspects that impact, or have the potential to impact, company value. Alterra monitors portfolio company progress in implementing ESGIAPs through ongoing engagement with counterparts. This engagement is dynamic and allows for evolution of ESGIAPs based on additional needs or circumstances that may arise.

5.2. Reporting

Alterra is committed to providing detailed and transparent ESG&I reporting. In addition to ESG&I updates in quarterly reporting and ad-hoc reporting, e.g., in the event of a material incident, the Fund will produce a comprehensive ESG&I annual report. Alterra's annual report will include pertinent operational updates,

ESG&I accomplishments and challenges, the status of all ESGIAPs, and a look at contribution to development impact.

The Fund will also report on its own ESG activity. This includes updates pertaining to any changes to Alterra's sustainability policies and procedures and internal capacity building initiatives (e.g., training sessions completed).

5.3. Governance

Alterra maintains a dedicated ESG&I team including a dedicated ESG&I Manager and a dedicated ESG&I Officer to oversee the day-to-day implementation of the ESG&I Policy and the associated ESGIMS. Additionally, Alterra will engage third party expertise and support from competent and qualified service providers, as and when required. All investment professionals will be responsible for ensuring that investment processes are executed in a manner aligned with the ESG&I Policy.

The Alterra Partners have overall accountability for the execution of the ESG&I Policy by ensuring that adequate resources are allocated and maintained and by ensuring that the ESG&I Policy reflects the organization's values and investor requirements.

ALTERRA

Alterra Africa Accelerator (AAA) Manager ESG&I Management System Manual

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1. Introduction

Alterra Africa Accelerator Manager (AAAM or Alterra) is an African-focused private equity fund manager that targets investment in middle market companies. Alterra seeks to be an industry leader and to deliver superior investment returns in a responsible and sustainable manner. The Alterra Africa Accelerator (AAA) Fund (Fund) seeks to identify and to provide growth capital to investment opportunities arising from positive long-term fundamental macro and demographic trends on the African continent.

Alterra recognizes that meaningful inclusion of ESG matters throughout the investment process is a fiduciary responsibility and is committed to managing funds and associated portfolio companies in the best interests of all its stakeholders – allocating capital responsibly while gaining the best possible financial returns for investors and contributing to better outcomes for its stakeholders. This mandate drives Alterra’s adoption of a long-term investment view, recognizing that Environmental, Social, and Governance (ESG) considerations are central to maximizing long-term stakeholder value (from a financial, environmental, and social returns perspective) and to enhancing the sustainability of underlying portfolio companies.

This document details the policies, procedures, and tools that make up the Fund ESG and Impact (ESG&I) Management System (ESGIMS). Alterra has developed the ESGIMS to provide a consistent and practical framework to effectively integrate and manage ESG&I considerations throughout the Fund investment lifecycle.

1.1. ESGIMS Purpose, Scope, and Applicability

The ESGIMS provides a systematic and robust management framework that governs the incorporation and management of ESG&I considerations throughout the Fund’s investment processes. It is guided by Alterra’s ESG&I Policy and applies to all AAA Fund activities, including all existing and future portfolio companies under the Fund’s management.

The ESGIMS outlines the ESG&I requirements and standards to which the Fund and its portfolio companies are expected to adhere. It defines how the Fund will manage and report on ESG&I considerations at each stage of the investment process. This includes traditional ESG considerations as well as targeted areas of impact.

1.2. Structure of the ESGIMS

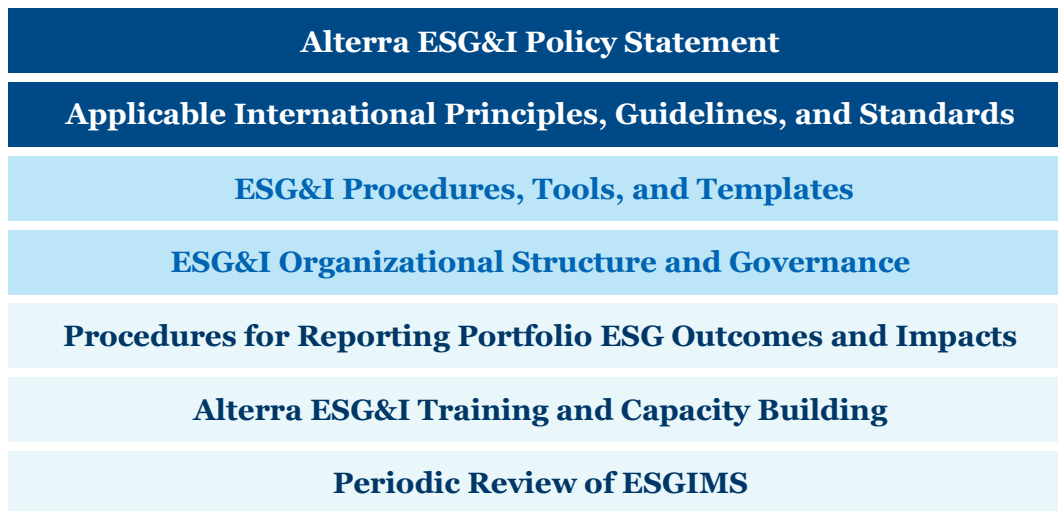
The ESGIMS comprises several components. Each component is outlined below and explained further in the corresponding sections of the manual.

Section 2 and **Section 3** establish the Fund’s overarching framework and commitment to ESG&I management. The policies, principles, standards, and guidelines referenced have been selected based on their relevance to the Fund and alignment with AAAM’s ESG&I Policy. **Section 4** outlines Fund ESG&I strategic focus areas for impact, where the Fund seeks to demonstrate meaningful contribution towards national and international development goals (e.g., Sustainable Development Goals or SDGs).

Section 5 describes the different ESG&I procedures and tools that the Fund will use to implement its ESGIMS commitments (e.g., tasks at various stages of the investment process). To ensure effective implementation of the ESGIMS, the Fund must also ensure sufficient organizational capacity and competencies at the Fund level and, to the extent feasible, at the portfolio company level. ESG&I roles and responsibilities are listed in **Section 6**.

Section 7 and **Section 8** define stakeholder engagement and training and capacity building commitments. Lastly, **Section 9** outlines how the Fund seeks to assess its ESG&I performance.

Figure 1: Key Components of the ESGIMS



2. Fund ESG&I Undertakings

The Fund commits to the following undertakings to support the inclusion of ESG&I considerations as an integral part of its investment process and decision making:

- Support and facilitate adherence to the requirements and commitments established by Alterra’s ESG&I Policy and other components of Alterra’s ESGIMS,
- Accordingly, ensure compliance with the Alterra Exclusion List,
- Accordingly, ensure sufficient organizational capacity and competency at the Fund to effectively implement the ESG&I Policy and other components of the ESGIMS,
- As a component of active ESG&I engagement with investments,
 - work in partnership with portfolio companies to identify and assess ESG&I risks, opportunities, and impacts for all prospective and existing investments,
 - to the extent that ESG risks are material,¹ propose ESG&I action plans with appropriate mitigation measures and support portfolio companies in implementing ESG&I action plans,
 - where relevant and feasible, propose appropriate ESG&I covenants and include these in legal transaction documentation,
 - generally, support portfolio companies in maintaining and/or developing and/or implementing an ESG Management System (ESGMS) commensurate to the level of ESG risk exposure and in line with the Fund’s ESG&I requirements,
 - actively engage with management and directors of portfolio companies on material ESG&I issues,
 - where feasible, identify and actively manage impact opportunities and report on the Fund’s progress against objectives and targets,
 - seek appropriate disclosure on ESG&I performance from portfolio companies, including monitoring and reporting on progress against prescribed ESG&I action plans, major incidents, and selected KPIs,
- Provide regular disclosure of the Fund’s ESG&I efforts to investors,
- Ensure effective grievance mechanisms are in place to receive and formally address complaints or feedback from Fund and portfolio company stakeholders.

¹ Within the context of this document, “material” issues or “materiality” refer to ESG&I impacts or risks that have the potential to have meaningful effect on a company’s financial or operational performance.

3. ESG&I Policies, Principles, Guidelines, and Standards

The Fund's approach to ESG&I management is based off a set of internationally accepted ESG&I policies, principles, guidelines, and standards which have been carefully selected based on their relevance for Alterra and for the Fund and to meet investor and other relevant stakeholder expectations. These form the foundation of the ESGIMS and will be communicated to all relevant stakeholders, including Fund personnel, investors, and underlying portfolio companies.

3.1. Guiding Policies and Principles

Refer to the Alterra ESG&I Policy for the guiding ESG&I policies and principles that the Fund will adopt.

3.2. Applicable ESG&I Laws, Conventions, Guidelines, Codes, and Standards

Alterra's commitment to implement ESG&I considerations is guided by a host of applicable national and international guidelines and good practice standards. The AAA Fund commits to integrating these guidelines and standards into investment decision making and processes in a consistent and robust manner. Alterra will work with all portfolio companies to continually improve ESG&I performance and, in particular, to align with the following:

- Applicable national and local ESG&I laws and regulations,
- The International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (dated January 2012),
- The World Bank Group Environmental, Health, and Safety Guidelines (2007), and
- The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work (1998).

While the following are not applicable to all investments, nor do they include explicit ESG&I requirements per se, they are widely accepted, sustainability-related frameworks that the Fund will use for guidance as applicable:

- Sustainability Accounting Standards Board (SASB) Standards,
- The International Standardization Organization (ISO) Certifications,
- The Task Force on Climate-related Financial Disclosures (TCFD) Recommendations,
- The 2X Challenge: Financing for Women, and
- The United Nations (UN) Sustainable Development Goals (SDGs).

Lastly, Alterra recognizes – and publicly acknowledges – the importance of playing a leading ESG&I role within the private equity sector. As appropriate, Alterra endorses major, internationally recognized initiatives. Currently, Alterra is a signatory to the UN Principles for Responsible Investment and is recognized as a 2X Challenge investment.

The Fund shall not invest in any prospective portfolio company that, in its reasonable opinion, will not meet, over the life of the Fund's investment, the applicable ESG&I requirements as set out in the Alterra ESG&I Policy and the Fund ESGIMS. The Fund may invoke other international standards and/or guidelines as deemed appropriate.

In case of non-compliance of a portfolio company, the ESG&I team will escalate the concern as relevant and necessary to the investment team or to Alterra Partners. Thereafter, Alterra Partners will take the necessary corrective action to address the specific non-compliance.

4. Impact Focus Areas

Meaningful ESG investing is core to Alterra's sustainability strategy. Efforts to identify ESG risks and opportunities and to work with investee companies to develop tailored action plans in response to ESG risks and opportunities, focusing on those which are most material to the companies, represents the bulk of cumulative sustainability undertakings. However, the Fund will also seek to identify and actively drive means

to contribute towards national and international development goals. As such, Alterra will systematically include impact considerations throughout the investment process alongside ESG considerations.

In particular, the Fund will focus on three highly relevant and interrelated impact focus areas in its investments: quality job creation and skills development, women's empowerment, and mitigation of and adaptation to climate change. Across all investments, Alterra will determine if company operations or business models lend themselves to these impact areas. In coordination with the company, Alterra will develop specific, measurable impact targets and report on progress against those goals in a standardized manner. Targets shall be feasible for the specific investment given its size, growth prospects, contextual factors, etc., and shall also consider baseline results obtained during due diligence.

For each focus area, the Fund has developed a strategy document that describes the context, approach, and practical tools and procedures that the Fund will use to guide the integration of these impact considerations into each stage of the investment process (i.e., from deal origination to exit). This includes identifying, qualifying, and assessing potential impact opportunities for prospective investments and the extent to which the Fund can maximize positive outcomes in these areas post-investment.

Figure 2 Impact Focus Areas & Objectives



5. ESG&I Procedures, Tools, and Templates

The Fund shall seek to incorporate ESG&I into each stage of the investment process. The specific ESG&I approach is provided in the sections that follow.

5.1. Screening

At the screening stage, the Fund ESG&I Manager will conduct a high level ESG&I assessment of the prospective investment based on preliminary available ESG&I information. This assessment will comprise the following:

- Assess alignment of the prospective investment with guiding ESG&I policies and principles (refer to ESG&I Policy and **Section 3**),
- Determine whether the prospective investment triggers any prohibited activities based on the Alterra Exclusion List,
- Identify, at a high level, sector- and/or investment-specific ESG&I risks and impacts that will require further interrogation,
- Assign an initial ESG risk categorization as per the European Development Finance Institution (EDFI) harmonized categorization system and the IFC E&S Risk Categorization Guidelines (i.e., Category A, B+, B, C or Category FI-1, FI-2 or FI-3) (refer to **Section 5.1.1** below and **Figure 3**), and
- Define scope of the ESG&I due diligence including the necessary allocation of resources (monetary and personnel) (refer to **Section 5.1.1** below and **Figure 3**).

A key output of the screening process is an ESG&I summary for the Preliminary Investment Committee (IC) that outlines the relevant ESG&I screening findings. The ESG&I Manager will approve the ESG&I summary for inclusion into broader screening documentation. The Preliminary IC shall deliberate on these findings to support their decision as to whether to proceed in considering the potential investment.

5.1.1. ESG Risk Categorization

Each prospective investment must be categorized as Category A, B+, B, or C or, for Financial Institution (FI) Activities, FI-1 (high), FI-2 (medium), or FI-3 (low), in accordance with the level of exposure to potentially

adverse environmental and social risks² and impacts³ associated with that particular investment and its activities. These categorizations are based on the EDFI harmonized categorization system and the IFC E&S Risk Categorization Guidelines.⁴ Refer to **Figure 3** on the next page for a breakdown of these different categories.

The ESG&I Team shall assign an initial risk rating assigned during screening. The initial ESG risk categorization may be revised later in the process as more information becomes available and will ultimately inform the type of ESG&I Due diligence required (e.g., whether an external specialist is needed for all or part of an assessment). Refer to **Figure 3** on the next page for the recommendations pertaining to ESG&I due diligence.

² As per [IFC Performance Standard \(PS\) 1](#), E&S risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting such an occurrence.

³ As per [IFC Performance Standard \(PS\) 1](#), E&S impacts refer to any change, potential or actual, to i) the physical, natural, or cultural environment, and ii) impacts on surrounding community and workers, resulting from the business activity to be supported

⁴ [IFC Environmental and Social Categorization](#)

Figure 3: Definition of the ESG Risk Categorization & associated ESG&I Due Diligence

	Operating Asset	Financial Institution	Example Activities	Associated Due Diligence
High Risk (Cat A or FI-1)	Category A Financed business activities with significant potential adverse E&S impacts or risks that are diverse, irreversible, or unprecedented.	Category FI-1 Existing or proposed portfolio includes substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented	High Risk: large infrastructure projects (e.g., railways, roadways, ports, large dams, long-distance pipelines), heavy manufacturing (e.g., cement and fertilizer production), largescale extractive activities (e.g., mining), large combustible installations (e.g., thermal power stations), long-term financing.	Full ESG&I due diligence completed by externally appointed specialist
Medium-High Risk (Cat B+)	Category B+ Financed business activities with generally limited potential adverse E&S impacts or risks that are site-specific and readily addressed through mitigation measures but having some specific features which can have significantly larger adverse E&S impacts.	-	Medium-High Risk: medium-sized infrastructure projects (e.g., small dams, large handling facilities) large medical facilities, small site-specific combustible installations (e.g., standalone thermal power station with limited generating capacity).	Full or focused ESG&I due diligence completed by externally appointed specialist and the ESG&I Team completing remaining due diligence needed in the latter case
Medium Risk (Cat B or FI-2)	Category B Financed business activities with limited potential adverse E&S impacts or risks that are site-specific and readily addressed through well-known mitigation measures.	Category FI-2 Existing or proposed portfolio includes financial exposure to business activities that have potential limited adverse environmental or social risks/impacts that are few in number, generally site-specific, and largely reversible, and readily address through mitigation measures.	Medium Risk: smaller-scale infrastructure projects (moderate construction projects, upgrades to existing infrastructure, etc.), small to medium-sized hospitals and medical facilities, food and beverage processing, short- to medium- term project financing, etc.	Focused ESG&I due diligence performed by the ESG&I Team and/or by an externally appointed specialist (e.g., the latter being engaged to assess particular areas)
Low Risk (Cat C or FI-3)	Category C Financed business activities with minimal or no adverse E&S impacts or risks.	Category FI-3 Existing or proposed portfolio includes financial exposure to business activities that predominately have minimal or no adverse environmental or social impacts	Low Risk: office-based businesses, professional services (e.g., management consultants), small educational facilities, retail banking, insurance, etc.	Focused ESG&I due diligence performed by the ESG&I Team

5.2. Due Diligence

The ESG&I due diligence of a prospective investment shall either be performed internally by the Fund ESG&I Manager or a competent Fund resource (internal) or by an independent expert (external), depending on the level of ESG&I risks and opportunities associated with the prospective investment (refer to **Section 5.2.1**). Irrespective of whether ESG&I due diligence is internal or external, the following ESG&I considerations will be interrogated:

- Compliance with applicable Fund ESG&I requirements (including prescribed ESG policies, principles, standards, guidelines, etc.) and/or ability to comply with such requirements (refer to the ESG&I Policy and **Section 3**),
- ESG&I material risks identified,
- Whether the ESG risk categorization (i.e., Category A, B, B+, C, FI-1, FI-2, or FI-3) is accurate or needs to be reassigned,
- Potential impact opportunities, particularly within the three focus areas,
- A possible ESG&I action plan which includes recommended avoidance or mitigation measures for ESG risks as well as, where relevant, actions pertaining to opportunities,
- The need for and feasibility of any Conditions Precedent.⁵

The Fund ESG&I Manager will approve relevant ESG&I due diligence findings to share with the IC, either in the form of a comprehensive ESG&I due diligence report or an executive summary.

5.2.1. External Versus Internal ESG&I Due Diligence Assessment

For external ESG&I due diligence instances (e.g., high- and medium-high-risk investments), the Fund ESG&I Manager shall commission an independent party to conduct either a full or a partial assessment and prepare an ESG&I due diligence report and ESG&I action plan. In engaging an external expert, the Fund shall prepare a Terms of Reference (ToR) document and solicit project proposals from several qualified experts. The ToR specifies the scope of the ESG&I due diligence, ESG&I standards to be used, and project deliverables and timeline. The Fund ESG&I Manager shall review the proposals received and make the final selection, with approval of Fund Management.

For internal ESG&I due diligence instances (e.g., low- and applicable medium-risk investments), the Fund ESG&I Manager shall use a tailored ESG&I due diligence questionnaire as a guide to facilitate a desktop review of all prospective investment information. The questionnaires support the development of the ESG&I action plan and guide the type of information to be presented to the IC.

5.2.2. ESG&I Action Plan

When the ESG&I due diligence identifies gaps or areas of non-conformance and/or opportunities, an ESG&I action plan will be developed by the Fund ESG&I Manager and/or external specialist covering recommended corrective actions or impact-related actions. This document forms an important part of the ESG&I management process, as it provides a breakdown of all the actions that a portfolio company is expected to address to comply with Fund's ESG&I requirements. It should include, to the extent possible, associated costs and timings and responsible parties for each item identified, and it should be agreed upon by all parties prior to investment.

The ESG&I action plan is considered a live document that evolves throughout the investment lifecycle in response to any new or existing ESG&I risk exposures, etc., and thereby requires continual Fund oversight and updates from the portfolio company. To this end, it is an important tool to track ongoing ESG&I compliance post-investment.

⁵ A Condition Precedent is a pre-investment condition which, in the opinion of the Fund, and as agreed upon by the IC, needs to be completed prior to any investment becoming effective. Such a recommendation would typically relate to significant contraventions of the ESG&I Policy and ESGIMS contained herein.

5.2.3. Gathering Baseline Impact Data

During ESG&I due diligence, the Fund ESG&I Manager and/or external specialist shall interrogate relevant impact objectives for the investment that were identified during screening. These will be aligned to three impact focus areas for the Fund, as described in **Section 4**.

As part of interrogating these opportunities, relevant baseline information shall be collected during the ESG&I due diligence process to determine the initial status of each impact opportunity area and to draw inferences during subsequent stages of the process and allow for tracking progress during investment.

5.3. Deal Structuring and Approval

Alterra's ESG&I requirements and expectations, including the ESG&I action plan, shall be set out and explicitly highlighted in the investment legal documentation and agreements between Fund and portfolio company before disbursement. While the exact provisions will vary based on the nature of the Fund's investment, inclusion of ESG&I provisions into legal agreements aims to:

- Showcase agreement and understanding between all parties on the Fund's ESG&I requirements, ESG&I action plans developed, reporting expectations, etc.,
- Contractually hold the portfolio company to ESG&I monitoring and reporting requirements,
- Provide portfolio companies with an understanding of adequate financial and technical resources needed to comply with the terms in the legal agreements, and
- Enhance the Fund's leverage and oversight of the portfolio company post-investment.

In this regard, the Fund ESG&I Manager shall work closely with Fund investment teams to determine and include appropriate ESG&I provisions into legal agreements for each prospective investment using the ESG&I Clause Catalogue.

5.3.1. Impact Engagement

Alterra shall also work together with portfolio company management to identify opportunities to improve impact-related performance (see **Section 4**). Together with the portfolio company, the Fund ESG&I Manager, with approval from Fund management, should agree on a set of KPIs to track over the life of the investment to determine progress against the objectives identified. These impact objectives and their associated KPIs shall be included in the ESG&I action plan. Once agreed, the Fund ESG&I Team shall incorporate impact reporting requirements and/or additional action items into the ESG&I action plan as well as in legal agreements, if and as relevant.

5.4. Monitoring, Management, and Reporting

Through ongoing monitoring and management of material ESG&I risks and opportunities, including progress against set ESG&I commitments and objectives, the Fund seeks to:

- Confirm that portfolio companies are delivering on ESG&I commitments and complying with the Fund's ESG&I requirements,
- Facilitate proactive and effective management of ESG risks,
- Track, measure, and report on key ESG&I outcomes,
- Evaluate portfolio companies' ESG&I performance, including progress against set ESG&I action plans and KPIs,
- Provide support to portfolio companies in implementing good ESG&I practices and in driving continual improvement,
- Manage unplanned events occurring at portfolio companies to avoid and/or reduce reputational risk, safeguard operational performance and social license to operate, and
- Support quality disclosures to its stakeholders.

The level and type of ESG&I monitoring and management varies across the investment portfolio depending on the level of ESG risk exposure and of potential impact opportunities associated with a particular investment. Higher risk investments require more stringent and frequent mechanisms of monitoring and management compared to lower risk investments.

A key component of the Fund's monitoring and management process is the cloud-based ESG&I software system the Fund will use. The system allows the Fund to collect, store, and analyse data and documentation relating to its monitoring of portfolio companies.

Major aspects of the Fund's ESG&I monitoring and management are described below.

5.5.1. Major Incident Reporting

All portfolio companies are required to report any major ESG event that has, or could be expected to have, a material adverse effect on the Fund, the portfolio company, the environment, communities in which the company operates, and/or the company's workforce. This includes, but is not limited to, fatalities, serious injuries, fires, incidents of bribery or money laundering, labour strikes, or major pollution incidents.

In the event of an ESG incident, portfolio companies are expected to provide the Fund with an initial notification, in writing, briefly describing the incident, within 24 hours of the occurrence. The initial notification should be followed by a more comprehensive report, that includes a Root Cause Analysis (RCA) and that describes what actions have been taken to remedy the situation, as relevant. An RCA helps to identify and effectively address the causes of an incident and allows for the implementation of effective risk control measures to better mitigate risks going forward. The portfolio company should use the incident reporting template provided by the Fund or in another format acceptable to the Fund that covers all components of a comprehensive RCA. The Fund will provide support to companies with respect to best practices in conducting an RCA as needed.

The Fund ESG&I Manager will acknowledge receipt and review the major incident report once issued by the portfolio company. The Fund's review shall include:

- Providing general oversight and support to the portfolio company during the incident investigation and RCA,
- Objectively assessing the RCA findings to provide the portfolio company with any feedback and guidance to effectively address the incident and mitigate the risk of re-occurrence. The Fund may intervene if the portfolio company requires further support,
- Follow-up on the implementation of effective risk controls measures, and
- Confirming closure of investigation once all corrective actions and/or mitigation measures have been effectively completed.
- Disseminating this information with relevant stakeholders (e.g., Alterra Partners, respective investment teams, and respective investors) to ensure all parties are fully informed and to facilitate insights and lessons learned

The Fund ESG&I Manager will also ensure that any planned follow-up actions are incorporated into the existing portfolio company action plans for on-going monitoring and reporting purposes.

5.5.2. ESG&I Action Plan Monitoring

Ongoing ESG&I action plan monitoring enables the Fund to track its portfolio companies' compliance with set ESG&I action items that have been issued as part of the initial due diligence process or other monitoring activities undertaken throughout the investment lifecycle. Action items can also be set to drive specific interventions or performance linked to the Funds key impact areas, namely quality job creation, women's empowerment, and climate change.

ESG&I action plan monitoring involves periodic discussions with personnel at the portfolio company, including board meetings, meetings with senior management, and meetings with those responsible for ESG

at the operational level, as well as reviews of the company's ESG management system (and components thereof) as they are developed and implemented. The Fund will endeavour to complete site visits at least on an annual basis for each portfolio company to assess progress on the ESG&I action Plan, however the frequency and scope of the site visits is driven by factors that include materiality of ESG risks and a company's performance.

The Fund will prepare updates on each Portfolio Company's ESG&I action plan progress to be shared in an annual Fund ESG&I report (see **Section 5.5.5**).

Any new ESG&I action items and conditions will be agreed upon between Alterra and the prospective portfolio company.

5.5.3. ESG&I KPI Monitoring

The Fund will monitor selected qualitative and quantitative ESG&I KPIs in areas considered material for the portfolio companies' success, as a means to measure on-going ESG&I performance at each portfolio company and across the Fund as a whole.

As part of this process, the Fund will include the selection and development of pertinent KPIs as part of ESG&I DD. The Fund ESG&I Manager will also develop tailored ESG&I reporting questionnaires to be populated by each of the portfolio companies on an annual basis. The questionnaires will be assigned to responsible persons within each of the portfolio companies for them to populate within a specified time period. Each of the questionnaires will contain a set of core ESG&I indicators and metrics to be tracked across the entire portfolio, as well as investment specific ESG&I indicators.

Completed reporting questionnaires and their associated KPIs will be reviewed by the Fund's ESG&I personnel to confirm complete and accurate data and then stored in the Fund's cloud-based ESG&I software system, where further collation and analysis can be performed.

Please note that all KPIs and metrics chosen for reporting are based off international best practice reporting standards and guidance (i.e., Global Reporting Initiative, SASB, IRIS+, SDGs), as well as those required by the Fund's investors.

5.5.4. ESG&I Monitoring Site Visits

The Fund ESG&I Manager shall make ESG&I monitoring site visits to select portfolio companies to review their ESG&I performance on a periodic basis, with the goal of visiting all portfolio companies at least annually. Over and above any specific issues of concern, the general purpose of the site visit is to:

- Assess operations and ESG&I practices,
- Identify areas of strength and weaknesses,
- Develop recommendations for improving ESG&I performance,
- Evaluate adherence to ESG&I commitments and progress against outstanding ESG&I action plan items,
- Determine progress on existing ESG&I related interventions, areas for support and/or additional interventions, and
- Raise awareness of ESG&I and the Fund's expectations.

The Fund ESG&I Manager will document any material findings including any new risk exposures or opportunities identified) and report them to Fund management and/or investment teams, as appropriate. Any recommended actions that are agreed with portfolio companies as part of these visits will be incorporated into existing portfolio company action plans.

5.5.5. ESG&I Reporting

ESG&I data collected from portfolio companies through various ESG&I monitoring and management processes will be collated within the ESG&I software system and presented across the different ESG&I

performance dashboards available by the ESG&I team. Key information from these dashboards may be pulled into quarterly operational reports and shared with investment teams and other stakeholders (e.g., investment committees, boards, investors, etc.) as part of on-going stakeholder engagement activities.

The ESG&I team will report on pertinent ESG&I developments internally at the Fund Manager level on a quarterly basis. These quarterly updates will be used to alert Fund management of key ESG issues across its investment portfolio that may require attention or further interrogation; as well as those areas where positive outcomes are being achieved - which could also warrant further resources or focus.

Furthermore, the Fund seeks to keep its investors and other relevant stakeholders informed on the ESG&I performance of the Fund and its investment portfolio. Therefore, the Fund ESG&I Manager produces an Annual ESG&I Report for distribution to relevant parties. This report aims to showcase the work that has been done on ESG&I related aspects as well as how the Fund is performing from an ESG&I perspective. Notably, the report content and structure will evolve year-on-year. However, the Alterra Annual ESG&I Report shall describe in reasonable detail the following aspects:

- Implementation and operation of the Fund ESGIMS,
- Overall ESG&I performance at a Fund and portfolio company level during the previous financial year, and
- Outcomes of any ESG&I related interventions developed and implemented as part of the Fund's management of portfolio company operations, in particular progress relating to the ESG&I action plan,
- Progress against Fund impact focus areas and objectives set.

5.5. Exit

Towards the end of the investment term, the Fund shall seek to identify and manage any ESG&I aspects that could potentially affect the value or timing of a potential divestment process or its ability to achieve a clean break from liabilities. Furthermore, it is important to consolidate the ESG&I work completed to date and any positive outcomes achieved to ensure that such information is appropriately packaged for bidders to review and to ensure that the Fund is able to effectively communicate its efforts to existing and future stakeholders.

During this stage the Fund ESG&I Manager will consider commissioning an independent ESG&I exit assessment to assess overall performance against its set requirements, as well as to identify any issues of interest to a potential acquirer. The findings from this assessment will provide the investment team with the opportunity to respond to and potentially act on some and/or all ESG&I-related issues prior to the transaction process.

6. ESG&I Organizational Structure and Governance

The implementation of the ESGIMS requires the appointment of competent ESG&I personnel to drive ESG&I efforts within the Fund and its investment portfolio and the involvement of investment teams to support this effort. The specific ESG&I roles and responsibilities associated with each of the Fund's various appointments are outlined below.

6.1. Alterra Partners

The Alterra Partners provide an oversight role with respect to the Alterra ESG&I Policy and ESGIMS. Alterra Partners will strive to:

- Approve the ESG&I Policy and ensure it reflects the Alterra's corporate strategy and the Fund's investment Strategy and values,
- Ensure the ESGIMS is implemented in accordance with Fund's ESG&I commitments and investors requirements,
- Drive a purposeful ESG&I culture across the Fund to limit obstacles to the implementation of the ESGIMS through bottom-up alignment on set ESG&I objectives and vision,

- Ensure that required capacity (internal staff or external expertise) is available to effectively oversee and implement the requirements of the ESGIMS and review internal capacity on an on-going basis, and
- Appoint a competent Fund ESG&I Manager, with a senior position in the Fund and a Fund ESG&I Officer to support the ESG&I Manager. The ESG&I team will have access to necessary resources, whether budgetary or allocation of staff time.

6.2. Fund ESG&I Personnel

The Fund ESG&I team, consisting of the Fund ESG&I Manager and an ESG&I Officer, is responsible for the day-to-day implementation and management of the ESGIMS. Key duties are as follows:

- Ensuring the ESGIMS is applied consistently and effectively in the investment process, meaning:
 - Manage the ESG&I screening and due diligence processes (whether internal or involving an external consultant)
 - Actively engage with investment teams from the early stages of evaluating new investments on ESG&I considerations within the established framework(s),
 - Identify key ESG&I actions and impact objectives and liaise with the investment team to ensure that they are included in investment documents,
 - Maintain an on-going and collaborative engagement with relevant personnel at all portfolio companies; share knowledge and help them identify the most effective ways to improve their ESG performance and complete ESG&I action plan items,
 - Appropriately manage and address any significant ESG&I incidents arising at the portfolio company,
- Report on ESG&I matters to Fund management and Fund LPs, specifically:
 - Ensure timely (as prescribed in legal agreements) and comprehensive ESG&I data collection from portfolio companies,
 - Oversee the implementation and maintenance of a comprehensive, technology-enabled system to continuously monitor KPIs, impact, and progress toward stated ESG&I goals throughout investment lifecycle,
 - Report ESG&I status and action plans in an annual ESG&I report
- Support fund leadership in their on-going engagements with existing and prospective Limited Partners (LPs) and co-investors,
- Ensure the ESG&I Policy and ESGIMS is reviewed on a periodic basis,
- Actively follow latest developments in international best practices and local regulations on responsible investment and bring thought leadership to the investment team and portfolio companies,

6.3. Lead Investment Professionals and Investment Teams

- Adhere to the Fund ESG&I requirements in all business activities,
- Involve Fund ESG&I team in each phase of investment, as appropriate,
- Ensure all investment decisions consider ESG&I factors and are supported by appropriate documentation,
- Ensure legal and investment documents include ESG&I requirements and provisions,
- Remain up to date on portfolio companies ESG&I performance including any ESG&I issues and infringements, new risk exposures, impact interventions, etc.

6.4. Portfolio Company Board Appointee

The appointed Alterra representative on the portfolio companies Board of Directors is responsible for the following:

- Driving the Fund's ESG&I mandate,
- Ensure ESG&I matters are included as an agenda item for discussion at all board meetings (including progress on outstanding ESG&I action items, ESG&I performance, value-add and impact interventions, etc.),
- Report back to relevant investment teams and the Fund ESG&I Manager and management on ESG&I items discussed during board meetings and site visits.

7. Stakeholder Engagement

Stakeholder engagement refers to proactive dialogue, information sharing and interactions between the Fund and its stakeholders. Effective stakeholder engagement facilitates the successful integration of ESG&I at both the Fund and portfolio company level and moreover it drives ESG&I performance. The most central aspect of the Fund's stakeholder engagement is reporting to and ongoing engagement with the Fund's limited partners. This is done via an annual Fund ESG&I report as well as including ESG&I topics in Advisory Committee meetings, investor meetings/forums, and Fund quarterly investor reports.

A second key component of stakeholder engagement is a grievance mechanism to identify, evaluate and address any complaints or feedback received from internal or external stakeholders. This includes ensuring that formal records are kept, appropriate response and reporting of grievances to relevant Alterra Partner and investors, if required.

8. Training and Capacity Building

The Fund will provide appropriate ESG&I training and capacity building to ensure that management, investment professionals and ESG&I resources are equipped with the necessary competencies and expertise to effectively implement the ESGIMS. This involves conducting an annual review which will set out Fund internal training requirements and determine what skills and competencies are needed within the organization to address any existing gaps identified.

9. Performance and System Review

The Fund seeks to assess the adequacy, effectiveness, and performance of its ESG&I efforts. This includes ensuring that the ESGIMS remains up to date with emerging ESG&I trends and best practice. As part of this, the Fund ESG&I Manager will undertake a review assessment on a biennial basis, focusing on the following key elements, but is not limited to:

- Evaluate the Alterra ESG&I Policy against any changes in the Fund and/or Alterra Capital Partners investment strategy, investment portfolio, investor requirements and/ or relevant emerging best practice and norms,
- Evaluate adequacy and performance of internal resources against their assigned ESG&I roles and responsibilities,
- Evaluate the investment team's level of engagement with ESG&I issues and topics (e.g., actively engaging with screening outputs, due diligence reports, IC materials, investment agreements and monitoring and reporting materials, etc.),
- Source and review feedback from various teams including challenges faced when implementing the ESGIMS, recommended areas of improvement, success stories, etc., to derive lessons learned and improve the effectiveness of the ESGIMS,
- Assess the extent to which ESG&I expectations and commitments are being met,
- Define appropriate corrective measures to address any gaps, and improvement areas with the ESGIMS, including adjusting ESG&I objectives to be more realistic,
- Determine necessary resources to implement corrective measures. This may include:

- Additional training and awareness raising
- Improving the oversight of the components and procedures
- Inclusion of ESG&I performance into staff members personal objectives
- Improved ESG&I procedures, tools, and templates
- Use of external specialists to advise the team
- Investigate global ESG&I trends and competitors' approaches to ESG&I.

An unplanned review may be triggered by any changes in shareholder agreements; any failures to appropriately manage ESG&I risks and/or any changes in Alterra's ESG&I policies and principles.

Lastly, Fund management, investors and portfolio companies will be informed of any significant changes to the Alterra ESG&I Policy and ESGIMS.