Signatory to:

Operating Principles for Impact Management

October 2022
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ABOUT MEDITERRANIA CAPITAL PARTNERS

Founded in 2013, Mediterrania Capital Partners is a private equity firm focused on growth investments in SMEs and mid-cap companies in Africa. Headquartered in Malta and with offices in Abidjan, Algiers, Barcelona, Cairo, Casablanca, we invest in consolidated and growing companies with a focus on value creation and sustainable development.

Through our investments, we support industries directly linked to improving people’s quality of life, such as construction, food manufacturing and distribution, healthcare, education and financial services.

Over the years we have built a solid portfolio of consolidated and growing companies, leaders in their respective sectors. Today, our partner companies employ more than 20,000 people in North and Sub-Saharan Africa.

Mediterrania Capital Partners’ investment process provides the required structure to build a strong and diversified asset platform. From the identification of a project to its divestment, we follow a defined set of guidelines with one clear purpose: to invest wisely, seeking financial return for its investors and stakeholders while generating positive outcomes for communities and the environment.
Disclosure Statement

Mediterrania Capital Partners (the “Signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”).

This Disclosure Statement serves to fulfil Mediterrania Capital Partners’ obligations pursuant to Principle 9 of the Impact Principles.

This Disclosure Statement affirms that all Mediterrania Capital Partners investments, including their (i) policies and practices and (ii) impact management systems, have been managed consistently with the applicable Principles since October 2021.

This Disclosure Statement applies to the following assets (the “Covered Assets”): Mediterrania Capital (II) and Mediterrania Capital (III).

The total assets under management pursuant to the Impact Principles amount to €390 million\(^1\) as of 31\(^{st}\) December 2021.

Rajaa Berrkia
Partner and Director of Sustainable Development and Risk Management

October 2022

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\(^1\) Corresponding to approximately USD 461 million based on an average USD/EUR ratio of 1.183 (end 2021).
PRINCIPLE 1 –
Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Since its inception in 2013, Mediterrania Capital Partners believes that every investment contributes to short- and long-term positive and negative social and environmental effects. Our investment thesis is about investing in companies whose primary reason for being is not philanthropic or environmental. Our strategy covers a much broader range of activities that address the world’s most pressing challenges in sectors such as microfinance, affordable and accessible basic services including housing, healthcare and education.

ESG is fully integrated into Mediterrania Capital Partners’ investment analysis and investment decisions. Our approach seeks to maximise gains, through active ownership, for investors and stakeholders while supporting the economic and social development of African communities through job creation and the improvement of work conditions, advanced education programmes and women empowerment.

The tight combination of financial aspects and ESG factors is a must, as creating robust and sustainable frameworks helps build more resilient and valuable companies.

Mediterrania Capital Partners actively seeks opportunities to create long-term, sustainable value and applies international ESG standards to each investment, regardless of the local regulatory environment.

In 2020, we designed an ESG Rating System that has become the backbone of our investment process. It measures a company’s ESG performance based on verifiable reported data. It has been applied to existing and all new investments since June 2020.

In 2021, we undertook a review of our mission and investment strategy, bringing increased focus on gender diversity and climate change for a better tomorrow.

Our strategy is aligned with the World Bank’s twin goals, which are SDGs 1 and 10: ‘No Poverty’ and ‘Reduced Inequality’.
At the strategic sector level, we promote investment projects in Healthcare, Education and Financial Inclusion, contributing to SDG 3, SDG 4, SDG 9 and SDG 17.

Across sectors and countries, we seek to promote gender equality, energy efficiency, employment creation and economic growth, environmental and social sustainability, and climate-change adaptation and mitigation, contributing to SDG 5, SDG 7, SDG 8, SDG 12 and SDG 13, respectively.
PRINCIPLE 2 –
Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognising that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Rajaa Berrkia, Partner and Director of Sustainable Development and Risk Management at Mediterrania Capital Partners, sits on the Investment Committee and the ESG Board Committee where she provides strategic input.

Mediterrania Capital Partners monitors its impact and ESG performance, both at the fund portfolio level as well as individual investments, as a key part of its ongoing portfolio management. An ESG scorecard is used to track and manage key positive impact and ESG objectives throughout the lifecycle of investments. This is carried out in line with broader fund reporting. The ESG scores/ratings are designed to track impact achievements and measure a portfolio’s relative ESG performance, commitment and effectiveness transparently and objectively across 11 main themes (derived from the IFC Performance Standards) (IFC PS), based on privately collected data.

Mediterrania Capital Partners’ ESG rating system

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During the Investment Committee (IC) decision-making process, Mediterrania Capital Partners establishes a baseline rating and key impact metrics to be monitored over the holding period. This baseline assessment is complemented and adjusted based on the findings of the ESG Due Diligence, which is conducted post IC approval. The description of the impact rationale and score calculations, along with the impact metrics to be monitored, are presented in the IC papers at the Final IC. Monitoring is undertaken bi-annually or annually, depending on the project category, as part of portfolio reviews.

The ESG rating indicates the sustainability and ethical impacts of an investment by tracking the investment’s impact rating against the baseline and annual ratings. The rating is defined by measuring where an investment is acting best and worst. It also indicates the best and worst investments within the fund portfolio to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to other portfolio companies. The ESG rating ranks scores in both value and letter grades from D to A+. The scores range from “100”, indicating a very satisfactory system, to “0” indicating that there is no system in place. A higher rating is an indication of more robust data, equating to a more accountable and transparent company.

Through this rating system, Mediterrania Capital Partners can make better choices and support portfolio companies by emphasising ethical and sustainable measures in their structure.

Mediterrania Capital Partners produces an annual Sustainability report using the information gathered during monitoring activities. This report usually includes a review of each portfolio company’s progress against its ESG objectives and action plan as well as the progress made in the fund’s activities relative to its objectives.

All investment professionals and members of the ESG team are assessed against the core values of the company – one of which is Sustainability – as part of the annual review process. This means that Sustainability achievements are routinely acknowledged alongside traditional KPIs and that measurable ESG targets are set in executive pay packages. The incentive structure is tied to annual bonuses.
**Principle 3 –**
Establish the Manager’s contribution to the achievement of impact

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

By the time we acquire a company, we already have a clear value creation plan and often dedicated value creation teams within our firm.

Mediterrania Capital Partners aspires to offer both financial and non-financial value to its investments. To do this, we establish ambitious value creation initiatives for each investment that goes beyond typical levers such as G&A cost-cutting, sales force effectiveness and strategic sourcing. These may include reorganisation, technological improvements, creating digital and automated business models, addressing ESG factors and hiring and retaining talent, all of which are systematically planned out in detail before any investment is made.

**MCP impact value creation model**

<table>
<thead>
<tr>
<th>Deal origination</th>
<th>Due Diligence</th>
<th>Performance improvement</th>
<th>Before exit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop optimal target search criteria</td>
<td>Validate Investment Thesis</td>
<td>Capture quick wins and deploy value creation plans</td>
<td>Maximise investment returns before sale</td>
</tr>
</tbody>
</table>

**Identify value**
1. Identify growth companies through a proactive process
2. Identify unique investment opportunities aligning with global strategy
3. Understand opportunities “sweet spot”
4. Focus resources on viable targets
5. Confirm

**Validate value**
1. Apply a fundamentals driven approach
2. Implement a thorough due diligence process
3. Reduce acquisition risks
4. Validate embedded value
5. Determine growth business plan

**Accelerate value**
1. Implement growth business plan
2. Bring in expertise of highly experienced team
3. Challenge management teams to outperform using incentives and goal setting
4. Retain and incentivise top management talents
5. Redesign governance and organisation
6. Accelerate value and capture step change improvements and quick wins
7. Increase functional capabilities and implement processes
8. Accelerate and sustain EBITDA, cash and revenue

**Optimise value**
1. Implement a proactive process to identify growth companies
2. Identify unique investment opportunities aligning with global strategy
3. Understand opportunities “sweet spot”
4. Focus resources on viable targets
5. Confirm
Mediterrania Capital Partners considers that ESG and Impact factors form an integral part of long-term value creation. We believe that ESG has become a new driver of disruptive change, informing investment choices, fund strategy and business transformation.

For each target company, we examine ESG value drivers early in the deal process. Systematic ESG Due Diligence helps us uncover value by assessing how we can avoid value erosion and drive ESG performance to, firstly, preserve current value and, secondly, create value through strategic initiatives. We examine products and services from cradle to grave, from source materials and multiple supplier tiers to waste and recycling.

Mediterrania Capital Partners’ cross-sector impact themes mentioned above will be measured to identify areas where the investment has or would have the greatest impact. This includes an ESG materiality assessment of assets to identify emission-intensive companies and any opportunities to reduce their carbon footprints. We also draw up a Gender Equality Scorecard to ensure the portfolio can provide appropriate financial returns and measurable impact, including aspects such as women being economically empowered through investment and development activities across six gender vectors: pay equity, workforce participation, benefits & professional development, leadership & governance, workplace environment and women-powered value chains.
### ESG Performance summary from MCP 2021 Annual Sustainability Report

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td>79%</td>
<td>Of portfolio companies have an official environmental policy</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>Of portfolio companies pursue a sustainable energy policy</td>
</tr>
<tr>
<td></td>
<td>86%</td>
<td>Of portfolio companies have pollution prevention and waste management policy</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>93%</td>
<td>Of portfolio companies provide health insurance and pension plans to employees</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>Of portfolio companies have an employee training and development programme</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>Of portfolio companies have an OHS policy</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>Of portfolio companies prohibit child labour and forced labour</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>64%</td>
<td>Of portfolio companies have an independent board member</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>Of portfolio companies produce annual audited financial statements</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>Of portfolio companies have audit and remuneration committees in place</td>
</tr>
<tr>
<td></td>
<td>86%</td>
<td>Of portfolio companies have implemented board level metrics that help bridge the gap between strategies and resultant operational achievements and efficiencies</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>Of portfolio companies pursue fair employment which prohibits discrimination in the workplace</td>
</tr>
</tbody>
</table>
**PRINCIPLE 4 –**

Assess the expected impact of each investment, based on a systemic approach

*For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions:*

1. What is the intended impact?
2. Who experiences the intended impact?
3. How significant is the intended impact?

The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Assessing the impact of each investment forms the basis of Mediterrania Capital Partners’ impact measurement process. We operate a clearly defined, systematic process to assess and quantify the expected impact of investments, incorporating our cross-impact sectors, standardised metrics (e.g., IRIS+) and standardised sustainability reporting (e.g., SASB).

Mediterrania Capital Partners also links the underlying investments’ purpose with the Sustainable Development Goals (SDG) target(s) addressed in the countries in which they operate.

Before we approve any investment, we assess its expected impact based on our cross-sector impact objectives and the expected contribution to the SDGs.

Our reporting indicators on which investments must report are as follows:
• Common indicators: a list of core impact indicators applicable to all investments. These are derived from the IRIS+ catalogue of metrics, a baseline for impact investors.

• Sector-specific indicators: investments also must report on indicators specific to the sectors in which they operate.

• Additional indicators specific to each investment: additional indicators specific to each investment and related to the company’s business model are also defined and tracked.
**PRINCIPLE 5 –**

Assess, address, monitor and manage potential negative impacts of each investment

> For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees’ ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Mediterrania Capital Partners has developed and adopted an ESG Policy, last updated in September 2022, that defines our commitment to sustainable development and responsible business practices.

Our policy requires us to comply with all applicable host-country laws and regulations as well as the relevant international obligations regarding all investments. We have developed it in accordance with internationally and nationally accepted ESG principles, standards and guidelines, referred to as the “Reference Framework”.

The Reference Framework is made up of the following standards:

- IFC Performance Standards
- World Bank Group EHS Guidelines
- The Equator Principles
- The ILO conventions covering core labour standards and the basic terms and conditions of employment
- United Nations Guiding Principles on Business and Human Rights
- Applicable international treaties and protocols
- Applicable local, national and international environmental and social (including health & safety) laws and regulations of the country in which the portfolio company is located

In support of our policy, Mediterrania Capital Partners’ Environmental and Social Management System includes guidance and procedures for implementation.

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2 See [https://www.mcapitalp.com OPERATING-PRINCIPLES/](https://www.mcapitalp.com OPERATING-PRINCIPLES/)
During our initial screening, we review each target company’s activities against the Exclusion List, which prohibits investment in particularly high-risk sectors and contexts. We conduct an initial reputational risk assessment and categorise the E&S risks at the pre-screening stage, as well as conducting preliminary know-your-customer (KYC) reviews and considering the risks related to sanctions lists and financial crime.

Mediterrania Capital Partners requires all investments with potential medium or high inherent environmental and social risks and adverse impacts to achieve compliance with international standards on environmental and social management and performance over a reasonable period.

We focus on the key ESG impacts, benefits, risks and opportunities relevant for each investment. The higher the risks are, the more stringent the requirements of our Action Plan become. We provide support to the portfolio in meeting the requirements of the Action Plan and monitors compliance through regular communications and monitoring visits. All portfolio agreements include a legal undertaking to ensure compliance with ESG requirements, including the Action Plan.

The ESG team at Mediterrania Capital Partners has increased from one part-time member to two members in the past four years, one of whom is full-time. Our Director of Sustainability also acts as a Business Integrity Officer and Risk Officer.

Mediterrania Capital Partners is a signatory to the UN-backed Principles for Responsible Investment (PRI). In 2020, the PRI assessed our adhesion to the PRI Principles and awarded us an A and B, for Private Equity and Governance, respectively, for the second consecutive year.
**Principle 6 –**

Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The ratings provided through our rating system offer a view of the impact achieved to date vs. the baseline at the time of investment. These enable our ESG team to evaluate progress against targets and the resulting impact outcomes, including cases of negative impacts, delays or underperformance.

ESG and Impact data is collected from investments on a regular basis (quarterly and annually). The data is collated into the Quarterly Report and the Sustainability Report, which highlight the ESG performance of investments. Both reports are shared with investment teams and relevant external stakeholders and investors. The Sustainability Report states our achievements and provides an outlook on the key sustainability topics that we examined. It also provides an outlook on our sustainability targets.

For each investment, we produce an ESG dashboard during the investment process before closing, and this dashboard is agreed upon with the portfolio management. This dashboard includes financial, human resources and E&S aspects as well as investment-specific information (for example, the number of beds and bed turnover and occupancy ratios for a healthcare company, or the gross loan portfolio for a FI) that is collected annually by the ESG team.

Every quarter, our investments are discussed in the portfolio review meeting responsible for monitoring their progress against set targets: financial, environmental, social and impact. If any major deviations are detected, the ESG team clarifies the reasons and takes action when applicable.
Each investment completes a self-rating questionnaire once a year, and this is used to compare results and complete the annual Sustainability report.

Recognising the importance of stakeholder voices and seeking to offer a channel to hear any complaints, Mediterrania Capital Partners is developing a formalised external grievance mechanism scheduled for completion in 2023. This will provide a platform for individuals or organisations to submit grievances about perceived or actual instances of improper or unfair treatment regarding our firm or its investments. All grievances will be reviewed by our ESG Board Committee, which will seek to find a fair, timely and objective resolution.
PRINCIPLE 7 –

Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Responsible exit strategies for Mediterrania Capital Partners require forethought and planning far in advance of the exit itself. In fact, the exit is a factor that we consider before even selecting an investment.

As ESG performance is a significant measure of business health, value and longevity, communicating successful ESG management is vital in establishing a competitive advantage at sale and demonstrating the high value of both the portfolio businesses and our firm.

The Mediterrania Capital Partners process comprises concrete steps for making a responsible exit. It includes an exit checklist, which includes questions designed to assess new ownership intentions related to ESG and whether the proposed exit will impact employees, local communities and the local environment.

For each investment, an exit assessment is carried out to ensure that ESG work will continue and be increased after Mediterrania Capital Partners' exit. This identifies potential risks to the potential buyer’s reputation following the divestment, information on previous investments, concerns regarding the integrity of the investment, the new buyer’s ESG practices, any conflict of interest, etc. When necessary, an action plan is set up to mitigate these risks and ensure commitment to continuing with the ESG agenda.
PRINCIPLE 8 –
Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Monitoring the impact of our investments is a fundamental part of our investment process to establish that we are acting consistently with our investment policies, processes and agreed fund terms regarding ESG management.

Our ESG team tracks the impact and ESG performance of each investment on an annual basis. This is captured in the ESG scorecards held for each investment. The review occurs annually through the holding period and at exit.

Quarterly ESG review meetings are held with the portfolio’s management to discuss key initiatives, responsibilities, action plan status, potential delays and remedies. ESG is also reviewed during the quarterly portfolio review meetings with the investment team. This is a critical step in updating the firm on impact progress, capitalising on lessons learned and mitigating risks.

As we continue our impact journey, we will consistently review our system to strengthen its ability to indicate our impact in a more consistent and structured manner at every stage of the investment cycle. We already do this to keep up to date with new ESG trends and global ESG-related standards, building on our experience accumulated in over a decade of operations in the region and drawing from our knowledge gained through collaboration with portfolio companies, investors and broad-based impact investing and responsible investing industry associations and initiatives.
For example, growing expectations regarding the COVID-19 pandemic drove the demand for several clear themes. In 2021, diversity, equity and inclusion—or DE&I—became increasingly important for us as we continued to focus on Board and workforce diversity policies and practices at our firm and portfolio levels, in two important areas: equal gender pay and CEO remuneration.

Another growing trend in 2022 is a greater awareness of climate change impacts, reflecting both the existential threat of global temperature rise and the race against time to act and growing acceptance of the need for fast action. We have started assessing the impact of climate change on our strategy, governance, risk management, policies, procedures and portfolio, as well as on our climate-related disclosure and reporting obligations.
**PRINCIPLE 9 –**

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Statement affirms that our procedures are aligned with the Impact Principles and will be updated annually on or before the anniversary of the effective date of our Letter.

Mediterrania Capital Partners will be completing the first independent verification in 2023, aligning with the requirement for an external verification of the Impact Principles. This verification will be repeated at least every three years.