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## **Environmental, Social and Governance Policy**

**Updated at: 4 January, 2024**

### **Policy**

Africa Growth recognizes the importance of Environmental, Social and Governance (ESG) issues and their impact on raising funds, making investments, managing portfolios, and creating value. This policy statement outlines Africa Growth's commitment to ESG investing and describes how we endeavour to seek out investments that:

- Create and protect long-term value,
- Utilise ethical, compliant business practices,
- Promote transparency and effective management of material ESG risks,
- Consider the needs of stakeholders both internal and external to the company, and
- Embrace a diverse, equitable and inclusive culture.

### **Scope**

This policy applies to all private investments made by Africa Growth in the current and future fund vehicles.

### **Objectives**

Africa Growth engages, to the best of its ability, in activities that:

- Adhere to the highest standards of conduct with the intention to avoid negligent, unfair, or corrupt business practices,
- Share knowledge and best practices on ESG-related matters throughout our network of investment professionals and portfolio companies,
- Engage with stakeholders and Limited Partners to accommodate their views and initiatives on ESG issues and align our initiatives when appropriate,
- Encourage portfolio companies to establish ESG policies and practices, including practices to measure ESG performance where applicable, and
- Identify ESG issues, including both risks and opportunities, as a key part of the investment process, both prior to the acquisition of the portfolio companies as well as during portfolio management and ownership of the company when appropriate.



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## **Pre-Investment and Post-Investment Approach**

### **Pre-investment:**

Africa Growth assesses potential ESG risks and opportunities throughout its investment process, at the earliest stages, from initial market research and deal screening to initial discussions with the Founders and management teams of potential target companies, and then more rigorously through dedicated ESG due diligence of the opportunity. We brief our dedicated ESG Advisory Board on opportunities that we are interested in and as they are escalated from initial screening to stages-of-interest. We actively recruit one member of our ESG Advisory Board into Founder / management discussions, once we have indicated interest and have green-lighted an active due diligence process on the investment target.

Our ESG due diligence aims to identify material sustainability risks in order to address them in our discussions with the target company's management team. Africa Growth is conscious of and wholly respects that certain of our Limited partners and Co-investors will identify sector exclusion policies and such considerations and policies are judiciously reviewed and discussed in appropriate meetings. When any material ESG issues are flagged, they may be escalated to our broader ESG Advisory Board for discourse and brainstorming.

Africa Growth's view is that Sustainability, ESG and ethical/moral/human dignity issues may ultimately have a potential material negative impact on the value of our investment position and thus to the relevant Africa Growth fund (both economically and reputationally). We also acknowledge that our ability to identify and evaluate potential sustainability and ESG risk/opportunities can only be validated post-acquisition and that full access to the company resources do enable us to help brainstorm and partner with the target company in developing a customised action plan to address and to mitigate any identified risks.

### **Post-investment / ownership phase:**

The initial step for us is to leverage initial information captured during our screening, diligence and deal structuring processes in order to develop objectives in an actionable Portfolio Implementation Plan ("PIP"). Our initial screening questionnaire during the diligence phase often informs high-level issues and potential areas of improvement. These ESG risks and opportunities that have been identified must often be validated



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post-acquisition with full access to company resources in order to develop an appropriate PIP.

We take our responsibility as shareholders seriously, especially with respect to the healthy dialogue with management of Portfolio companies to pursue and implement policies which promote sustainable and responsible business practices. The lines of communication are important to Portfolio company monitoring to ensure that Management is promoting ESG practices, to maintain long-term alignment of interests, properly evaluate and fine-tune the ESG strategy of leadership, and promote compliance with transparency and appropriate disclosure of information.

The tools which we use for governance are a combination of standard corporate governance frameworks and also a number of more innovative measures. On the latter, we have actively engaged consortiums to help us refine our ESG metrics in the venture space (e.g., VentureESG) and also best-in-class technology platforms (Novata) which aims to be the Gold-standard in private company ESG metrics and reporting. They have a number of Blue-chip Private equity firm clients and we are in discussions to be a leading Frontier VC client whereby we will help them develop their platform for ESG reporting in the VC space while leveraging their automated data capture and analytics platform for ourselves and our Limited partners / co-investors. This is still relatively early in our process, but we are excited by the potential opportunity.

## **ESG Guidelines**

When Africa Growth selects investments, we consider profitability as well as impacts on people and the planet. Our ESG investment guidelines are designed to provide a transparent and objective framework to perform sustainability due diligence. In addition, these guidelines form the foundation for actionable ESG criteria that we use to screen investments; see attachment 1. Our guidelines include:

### **ESG Governance**

- ESG risk and mitigation measures are periodically reviewed and approved at the executive / board level
- Performance indicators measure progress on material ESG issues
- Material ESG issues, including greenhouse gas emissions data, are adequately and accurately disclosed



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- Litigation, regulatory violations and associated corrective actions are disclosed in an open, transparent manner

### **Sustainable Business Practices**

- Compliance with ethical business practices is non-negotiable and well defined
- Investments in cyber security safeguard data
- Sustainable supply chain considerations are included in product design, raw material selection, manufacturing, packaging, transportation, and waste disposal
- Contractors are required to comply with a vendor code of conduct

### **Care for People**

- Robust health and safety policies work to protect employees and the public
- Discrimination of any kind is specifically prohibited
- Specific and measurable policies strive to create a diverse, equitable and inclusive culture

### **Safeguarding the Environment**

- Procedures and best management practices aim to achieve compliance on land, air, and water issues, and help to predict and prevent adverse impacts to the environment
- Energy efficiency, use of renewable energy, and climate change mitigation activities are incorporated into operations, as appropriate
- Investments support a circular economy that reduces, reuses, and recycles waste, preserves nature, and reduces pollution

### **Care for Community**

- Policies protect human rights across all aspects of the value chain
- Investments support programs that benefit communities
- Stakeholder feedback is solicited and addressed as appropriate

### **Performance**

Africa Growth commits to measure our own ESG progress, drive results and hold ourselves accountable by adopting the KFG performance indicators described below:



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1. We review our ESG Policy and Guidelines annually at the partner level and make substantive changes as needed to stay on the leading edge of ESG excellence;
2. We use our ESG Investment Screening Questionnaire to screen potential investments and we screen out investments that fail to meet our standards;
3. We value ESG education and sponsor or participate in 1-2 ESG investment related events each year;
4. We continually build and engage a wide and diverse set of advisors to enhance our ability to accurately frame, measure, and assess progress on ESG issues.

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