MEDITERRANIA
CAPITAL PARTNERS

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Climate Policy

1. Our vision on Climate Change

Mediterrania Capital Partners invests in companies standing at the core of the African socio-economic system. Climate change is rapidly and dramatically increasing the threats on human health, food and water security and socio-economic development in Africa, and it is paramount that we not only take climate physical and transition risks into account within our investment strategy, but also seek value creation opportunities because of the global transition to a low carbon economy.

Mediterrania Capital Partners integrates a climate dimension at all stages of our investment cycle, fully embedded into our existing ESG processes, and for all portfolio companies, to improve their resilience to climate change and support them in their energy and carbon transition pathway.

We also have a responsibility towards our institutional investors that extends beyond mere financial obligations, and entails having a long-term view of the impact of our investments on climate change.

When sourcing for new investments, we target market leaders with growth potential operating in sectors that are critical for Africa's path to growth. Pursuing only the most attractive deals in terms of value creation and financial returns, we will favor those investment opportunities that have a clear and direct impact on the communities and economies in Africa, those that are not only climate resilient, but also do not contribute to global warming.

This document describes our approach on climate investing to provide guidelines for the team, as part of the risk appraisal process, to make reasonable investment decisions by identifying and managing the level of climate risks to which it is exposed to through its portfolio companies.

This policy will apply to all investments and will be interpreted in accordance with the guidelines from the internationally recognized Taskforce on Climate Financial Disclosure (TCFD) as well as with local laws and regulations.

Mediterrania Capital Partners' investment professionals are responsible for ensuring that the consideration of climate issues is integrated into investment decisions. Where additional expertise is required, the team will engage external resources as relevant and necessary.

We will seek to update the policy continually, as appropriate.

2. Roles and Responsibilities

The climate dedicated governance will be performed by the in-house team of sustainability professionals, led by the Director of Sustainability & Risk Office which is also a Partner of Mediterrania Capital Partners.

What do we cover?

Specialized in the African market that is particularly already strongly impacted by climate change, Mediterranean Capital Partners recognizes that climate change will generate both risks and opportunities for its portfolio companies. The TCFD lists how those risks and opportunities can be appropriately analyzed and monitored:

Physical risks:

- ✓ Acute risks: event-driven exposures, including the increased severity of extreme weather events (cyclones, hurricanes, floods, etc.)
- ✓ Chronic risks: longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea-level rise or chronic heat waves, for example

Transition risks:

- ✓ Policy and legal risks: the evolution of regulations and potential litigation or legal risk
- ✓ Technology risks: technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system
- ✓ Market risks: the effects of climate change on supply and demand
- ✓ Reputation risks: changing customer or community perceptions related to climate considerations

Opportunities according to the region, market, and sector:

- ✓ Resource Efficiency: the reduction of operating costs by improving energy efficiency of assets, processes and value chains
- ✓ Energy Sources: energy cost savings by shifting energy usage toward low-emission energy sources
- ✓ Products and Services: improvement of the competitive position thanks to innovation and development of new low-emission products and services
- ✓ Markets: diversification and better positioning due to opportunities seized in new markets or types of assets
- ✓ Resilience: adaptive capacity to respond to climate change

3. Our climate goals and commitments

Mediterrania Capital Partners seeks and commits to the following considerations for new investments:

- ✓ Do not invest in companies operating in the Joint Exclusion List.
- ✓ Support portfolio companies improving their climate resilience and support them in their energy transition pathway.

4. The approach of climate integration in the investment cycle

Mediterrania Capital Partners will seek to integrate climate issues throughout the entire investment cycle.

a) From the very start of the investment process:

During the screening phase, a climate risk level will be defined, based on the updated Joint Exclusion list and a sectorial transition risk matrix. This matrix gives a first overview of companies' risk exposure, and the high climate risk projects will not be considered after the screening phase.

Once the investment gets the approval of the Investment Committee, the due diligence process begins (cf. ESG Policy). The Due Diligence process will include a climate review to assess climate physical and transition risks. The transition risk matrix will be used as a baseline to identify the most material topics for companies.

Then, the ESG action plan (cf. ESG Policy) is drawn up including costs and timings and agreed with the investee company. It includes the following climate objectives:

- ✓ Improve the activities' climate resilience with adaptation plans for vulnerable assets

- ✓ Initiate a transition (decarbonization) pathway

Finally, if all the evaluations are positive, the shareholder agreement is signed. This agreement includes the undertaking by the investee company that the business will be performed in line with Mediterrania Capital Partners' policies and ethical standards.

b) During the holding period:

After completion of the closing, we will agree with company management on a climate roadmap, based on a detailed green-house gas footprint that we will request every portfolio company to complete within 12 months of closing, to provide a baseline of GHG emissions (scope 1,2 and 3) and initiate a robust reduction plan.

The footprint will be revised frequently based on the climate risk level of the company.

In parallel, both parties will agree on a reporting methodology through which the portfolio company reports all actions (both planned and executed) its results and progress against the set objectives. Setting the right KPIs allows us to focus on material business issues and help build commitment as well as track performance. Climate indicators will include tons of CO2eq. emitted/year and optional sector specific KPIs when applicable (e.g. share of renewable energy in the total consumption, etc.). The KPIs will be integrated to the ESG questionnaire filled in by portfolio companies. The progress and follow-up steps are presented to the portfolio company's Board and Mediterrania Capital Partners team.

The frequency of the reporting is annual.

c) Exit phase

During the exit phase, when applicable, based on the formerly made ESG and climate reports, we will consolidate the climate data of the portfolio company over the holding period. We will produce a report to communicate to potential buyers the improvements of the company on ESG and climate.

5. Transparency and Reporting

Mediterrania Capital Partners reports on the process and results of its climate strategy application in its annual sustainability report to the Limited Partners, during its Annual General Meeting and as a part of the annual Principles for Responsible Investment (PRI) public disclosure in line with the TCFD recommendations. We use the input of an external consultant performing the climate risks analyses to draft the climate part of the report.