

Operating Principles for Impact Management Vital Capital Disclosure Statement

June 2022

About Vital Capital

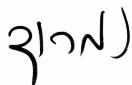
Vital Capital is a high-performing investor in growth markets. We leverage our deep operational expertise to identify overlooked opportunities, building successful, scalable businesses that transform lives. We turn critical challenges associated with the provision of water, food, healthcare, and sustainable infrastructure into high-return opportunities that deliver impact at scale.

Confirmatory statement of alignment with the Operating Principles for Impact Management

Vital Capital (the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles").

This Disclosure Statement applies to assets under management in alignment with the Impact Principles of US\$350 million as of 30th of June 2022.

Signed:

A handwritten signature in black ink, appearing to be 'Nimrod Gerber'.

Name of Institution: Vital Capital

Authorized Representative: Nimrod Gerber

Title: Managing Partner

Date: 30/06/2022

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.

- ∖ Vital Capital is an impact investor that uses the power of successful, scalable businesses, to solve critical social and environmental challenges in growth markets. Since inception in 2011, Vital Capital's investment strategy has been guided by the conviction that creating positive, sustainable impact can go hand-in-hand with delivering market-rate, risk-adjusted returns for our investors. Central to Vital Capital's approach is how we leverage our deep operational expertise to build innovative businesses from the ground up and rebuild strong, scalable businesses that solve fundamental societal challenges. Vital Capital's mission driven investing aims to achieve 'Transformed and improved well-being of underserved communities in growth markets and the environment'.
- ∖ Vital Capital has taken a thematic approach addressing four critical challenges: Food, Water, Healthcare, and Sustainable infrastructure. With a focus in sub-Saharan Africa, our impact approach is rooted in the belief that increasing the availability and affordability of essentials is expected to drive transformative impact in critical social and environmental challenges.
- ∖ Vital Capital's impact strategy has been developed with firm and thematic level logic models. The firm level impact thesis articulates the role of the investor and the pathway to achieving Vital Capital's ultimate impact mission. Each thematic theses demonstrates the causal relationships between thematic activities, outputs, outcomes, and long-term impact objectives which are linked to the Sustainable Development Goals. These ensure that our impact objectives are tied intrinsically with our investment strategy and 100% of investments create impact.
- ∖ With a vision to build vital, future-proof companies, we work with investees across all four themes to drive innovation in one or more strategic areas: Climate (investing in climate solutions and resilience and implementing decarbonization strategies), Gender (working with investees to achieve alignment with the 2X Challenge) and Jobs (improving job quality and driving job creation).

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 recognizing 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.

- \ Vital Capital's impact management approach is comprehensive and integrated across all stages of investment decision-making through to exit. By using our unique dual gatekeeper model, we weigh financial and impact considerations when underwriting and managing investments. Only transactions that have potential for both are pursued. VC's approach is characterized by assessing relevant risks and opportunities, monitoring performance and engagement with portfolio companies, and using information gathered through monitoring and engagement to report to stakeholders and drive improved performance.
- \ Translating this approach into practice, we have established a 4-gate investment evaluation process, where our dual-track model investment team follow a formalized review from deal origination, through preliminary screening and due diligence, to investment decision making. This process integrates a 2-gate committee process (Investment Committee + Impact Committee).
- \ Deals are initially screened and reviewed for alignment with Vital's impact objectives with a standardized ESI screening and preparation of an initial rating through Vital Capital rating tool, the Vital Impact Diamond. In due diligence, impact objectives are validated with KPI's selected from our ESI KPI dashboard to gather baseline data for which future performance will be measured against. The initial Impact Diamond is validated, and SDG contribution is assessed.
- \ All investments are subject to rigorous final assessment by the Impact Committee and a separate Investment Committee, which function independently of one another. Each committee has the power to veto any proposed investment. With this approach, Vital ensures complete independence of decision-making between the two groups, while impact, ESG and financial factors are treated equally and evaluated jointly by Vital's investment team as part of the due diligence process.
- \ In post-investment impact management, impact is monitored on a periodic and basis assessing ESI performance against preliminary KPIs, and the Impact Diamond is evaluated on an annual basis. investment professionals work toward impact objectives which are part of their annual appraisal process.

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.

- \ With decades of operational experience of transforming, managing, and growing impactful businesses across growth markets at ground level, we founded Vital Capital in 2011, recognizing our unique advantage. By using our practical expertise and local business insight we could identify and invest in overlooked opportunities. In selecting and managing its investments, Vital Capital draws on the extensive experience, operational strength, market insight and deep local relationships of its management team. Vital considers investing in ventures and business in two ends of the investment spectrum: greenfield stages and special opportunities seeking a control position. This makes Vital less likely to compete on over-subscribed investment opportunities. Vital Capital leverages its capabilities to organize and manage at ground level, driving impact goals with local communities, business leaders and key decision-makers to build coalitions and tap into a more diverse resource of ideas, expertise, and experience.
- \ Vital Capital's four themes were selected based on the intersection of our unique operational expertise, under-funded, high-demand consumer segments, and the potential to achieve transformative impact aligned with global priorities. Those elements allow Vital to have a unique contribution as an investor by:
 - o Differentiated, impact-focused origination and due diligence processes
 - o Responsible investment structuring to facilitate business growth
 - o Strategic building, enhancement and turnaround of companies' operations and impact through experience, deep operational expertise, and networks
 - o Identifying key market gaps and developing overlooked greenfield opportunities
 - o Signaling that impact matters across the stakeholder spectrum to drive impact results
- \ Vital Capital explicitly measures its contribution to each investment in our impact rating tool, the Vital Impact Diamond. The contribution dimension assesses the level of Vital Capital's contribution to the social/environmental outcomes that people/planet experience, relative to what would have been achieved anyway. Investments are rated as partially or solely dependent on Vital Capital's involvement and active engagement. The counterfactual should be validated to the extent possible based on market research, stakeholder feedback and other available evidence.

Principle 4

Assess the expected impact of each investment, based on a systematic 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.

- \ Since 2015, Vital Capital has rated potential investments with its proprietary impact rating tool, the Vital Impact Diamond. Working with the industry towards impact standardization, alongside a matured investment strategy, we have updated the Impact Diamond to reflect our evolving approach.
- \ Each of the Impact Diamond's four dimensions is designed to manifest a potential investee's alignment with our impact strategy and to evaluate the impact of the investment in question according to four key dimensions. In each dimension, a rationale, with supporting information should be provided for context, to support assumptions, and highlight issues for consideration should the deal progress:
 1. Evaluating strategic alignment with Vital's impact objectives and an assessment of the Impact Management Project's "What", "Who" and "How Much" dimensions.
 2. Assessing the level of Vital Capital's unique contribution to the social/environmental outcomes that people/planet experience, relative to what would have been achieved anyway.
 3. Identifying the three most material risks to the achievement of Impact and analyzing these risks according to the likelihood and consequences of the risk occurring.
 4. Gauging the opportunity to build future-proof companies and incentivizing performance in one or more: Climate (building climate solutions, resilience and implementing decarbonization strategies), Gender (evaluating alignment with the 2X Challenge), and/or Jobs (improving job quality and driving job creation).
- \ The Impact Diamond is used for the first time at screening stage to assess the potential impact of the investment in question.

- \\ In due diligence, the Impact Diamond is validated based on baseline data and a deeper analysis of the target investment. This is also the stage at which opportunities to increase impact over the course of the investment are identified and documented.
- \\ As impact objectives are identified, KPIs are determined and selected from Vital Capital's KPI Library, an index of industry-aligned to ensure robustness, consistency, and comparability of the data (aligned with GRI, IRIS, Joint Impact Indicators).

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.

- \ To Vital Capital, being a responsible investor is a precondition to being an impact investor. Therefore, Vital's ESG approach is comprehensive, guided by international standards and implemented throughout the investment cycle. Vital Capital has adopted the [IFC's sustainability framework](#) and [EHS guidelines](#) and implemented an extensive investment process to categorize, assess, screen, and improve investees' ESG performance.
- \ Vital Capital's Impact Management and Measurement process has been integrated completely with the Environmental and Social Management System. Together, these systems form Vital Capital's proprietary Environmental, Social and Impact (ESI) Management System, underpinned by Vital Capital's ESI Policy.
- \ The ESIMS outlines the ESI requirements and standards that VC and its portfolio companies are expected to adhere to. It defines how VC will manage ESI considerations at each stage of the investment process, including the identification, assessment, management and reporting of material risks, opportunities and impacts that could influence the long-term success of VC and its portfolio companies.
- \ Vital Capital's pre-investment ESG screening and due diligence follows Vital Capital's Environmental & Social Screening, Evaluation and Monitoring Procedures. The result of the detailed due diligence will be an ESI Action Plan. During the deal structuring and approval stages, VC will define the ESI conditions for the investment.
- \ As part of the post-investment monitoring process, performance against relevant ESG indicators, progress against the ESI Action Plan and notable ESI updates/incidents are reported on a periodic basis. This forms the basis of engagement with portfolio companies and guides the Vital Capital team in providing appropriate support to ensure that risks are managed and mitigated appropriately.

Principle 6

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

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

- \ Vital Capital is committed to impact accountability and acknowledges the importance of comparable and systematic impact measurement. Vital Capital evaluates its investees on a periodic and annual basis.
- \ At the outset of the investment, KPIs (encompassing ESG indicators and impact output and outcome level metrics) are selected for portfolio company reporting at pre-determined intervals. This is used to assess progress towards targets, where relevant, or changes in KPIs over the period in question, and in comparison, to the baseline. This is supplemented by a reporting template which seeks to capture supporting information to contextualize performance and capture relevant organizational updates.
- \ These two reporting frameworks are used as the basis for engagement with portfolio companies in order to encourage and support them to drive impact and pursue impact opportunities as identified at the outset of the investment, and as outlined in the ESI Action Plan.
- \ At the time of the annual reporting, the Vital Impact Diamond is re-assessed to evaluate the extent to which the potential Impact of the investment as estimated at the outset of the investment is on track to materialize.
- \ The reporting is implemented by the Vital Capital investment team and the information is shared with Vital Capital's committees and LPs.

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.

- ∖ Vital Capital's approach to embedding impact throughout the investment decision-making process, as well as the robust monitoring and management applied for the duration of the investment is designed specifically to warrant, that environmental and social impact considerations have intrinsic impact and are integrated into the portfolio company's core business practices. Such an approach enables Vital Capital to review, document and improve decisions and processes on an ongoing basis and to implement, where feasible, systems that would enhance the prospects for sustained impact beyond exiting an investment.
- ∖ As specified in Vital Capital's ESIMS, when selling a company Vital Capital will consider, among other things, the ability of the buyer to maintain the social and environmental achievements realized so far. When feasible, relevant contractual commitments may be considered.
- ∖ Upon an investment reaching the end of an investment period, Vital Capital will look to identify any ESI aspects that could potentially affect the value of the company or timing of a potential divestment process or VC's ability to achieve a clean break from liabilities. Over and above risk management issues, Vital Capital seeks to demonstrate the good ES work completed to date and any positive outcomes and contribution achieved from ESI efforts and interventions to potential acquirers, which may improve the bidder's appetite. In turn, Vital Capital will look to assess potential bidders' commitment to ensure sustained ESI impact post Vital Capital's divestment.
- ∖ As part of this process, Vital Capital may consider commissioning an independent ESI exit assessment to assess the overall performance against its set requirements, as well as to identify any issues of interest to a potential acquirer. The findings from this assessment or an internal assessment by Vital Capital will provide the firm with the opportunity to respond to and potentially act on some and / or all ESI-related issues prior to the bidding process.
- ∖ The outcomes of an external / internal assessment are expected to be a clearly written exit ESI Due Diligence Exit Assessment report, which will form part of the overall ESI exit package to potential bidders.
- ∖ Vital Capital is intentional in its approach to creating lasting impact at each stage of the Firm's investment process – from deal origination, through preliminary screening and due diligence, to post-investment monitoring, reporting and finally, exit.

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.

- \ Vital Capital monitors company ESI performance on a periodic basis through select qualitative and quantitative KPIs in areas considered material to the portfolio companies' success. This enables Vital Capital to drive on-going ESI performance at each portfolio company and, across Vital Capital as a whole.
- \ The data collected through the reporting templates is consolidated for internal impact monitoring of the performance across the portfolio and used to report back to Committees and LPs.
- \ Through periodic investment monitoring, Vital Capital reviews investees' progress against projected impact goals, baseline impact data and previous periodic reports. This information allows for improvement of operational, strategic, and management processes based on lessons learnt in order drive the continued intentional achievement of Impact across the portfolio. The periodic reviews also consider completion of a company's ESIAP, accounting for potential negative impacts and mitigation thereof.
- \ The outcome of the verification process is used further, to reflect on and review Vital Capital's environmental social impact management system and overall approach for improvements. Systemic updates will be discussed and aligned with the investment team and communicated to the Impact Committee.

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 re-affirms the alignment of Vital Capital's environmental and social impact management systems with the Impact Principles and will be updated annually.
- \ The independent assurance report on the alignment of Vital Capital with the Operating Principles for Impact Management is planned for the second half of 2022. Vital Capital intends to undertake verification every 3 years.