

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) SUMMARY

1. Summary

The following summary is based on the Rx Healthcare Fund LP ("Rx Healthcare Fund" or "RxHF") Environmental, Social and Governance Policy (June 2016).

It is Rx Healthcare Fund policy to ensure effective management of ESG issues by integrating ESG considerations into all steps of the investment process, from pre-investment screening to exit. To accomplish this Rx Healthcare Fund shall review all investment opportunities against its Investment Code as well as the AfDB and IFC Exclusion List, in addition to the respective local social and environmental requirements in the countries of RxHF investments, for compliance. RxHF incorporates International best practice standards such as the IFC Performance Standards and the CDC Group's guidance on corporate governance and business integrity as a key component of its guiding framework for ESG evaluation. RxHF will also be compliant with the AfDB Operational Safeguards standards and ISS Policy.

2. Introduction

Rx Healthcare Fund effectively pays attention to ESG matters at all stages of the investment process. Noting the long term nature of private equity investments, Rx Healthcare Fund values this opportunity to create a socially and environmentally responsible platform of investments implementing sustainable improvements in ESG management across its investment portfolio. In light of the above, and in line with its policy, Rx Healthcare Fund shall fully integrate ESG considerations into its investment process from initial screening, through due diligence, transaction structuring and investment agreements, to monitoring and reporting, and all the way to the exit and realization process. The following summary presents the key contents of the ESMS and the action plan proposed to manage the operations impacts and risk.

3. RxHF Environmental and Social Policies and Management Commitment

It is Rx Healthcare Fund policy to ensure effective management of ESG issues by integrating ESG considerations into all steps of the investment process, from pre-investment screening to exit. To accomplish this Rx Healthcare Fund shall review all investment opportunities against its Investment Code as well as the AfDB and IFC Exclusion List, in addition to the respective local social and environmental requirements in the countries of our investments, for compliance. RxHF also incorporates the IFC Performance Standards and the CDC Group's guidance on corporate governance and business integrity as a key component of their guiding framework for ESG evaluation. The approach to the management of ESG issues starts with an assessment and mitigation of ESG risks for proposed investments. Their risk assessment of potential opportunities, shall accordingly assign to each investment an ESG risk rating at the pre-investment screening phase. Based on the outcomes of the assessment a suited level of ESG due diligence shall be allocated and accordingly an allocation

of internal/external resources to support the process. Where projects shall be deemed of a high ESG risk profile, the Fund will, on as need basis, utilize third party independent experts and consultants, for a focused impact assessment and mitigation recommendations. The outcomes of this process shall be incorporated into RxHF transaction documentation and investment plan, which shall lay the path for post investment implementation strategy.

During the post investment phase, Rx Healthcare Fund shall capitalize on controlling stakes across its investment portfolio, in line with its platform creation strategy, to standardize ESG best practice and assist investee companies to effectively and pro-actively mitigate environmental, health and safety, and social risks. In cases where full avoidance of adverse impacts would not be feasible, the Fund will seek the placement of necessary management and other controls to limit the possibility and magnitude of such adverse impacts.

Additionally, in cases where Rx Healthcare Fund is a minority shareholder, it may not be feasible to enforce full ESG-related practices as desired by the Fund. In such instances, alignment with co-shareholders and management at the transaction structuring phase shall be sought. Additionally, reasonable efforts to the best of the Fund manager's ability will be made to encourage such portfolio companies to consider relevant ESG-related practices.

For each investment, RxHF shall monitor ESG performance on an on-going basis throughout the Fund's holding period. Accordingly, Rx Healthcare Fund shall periodically receive required reporting from investees on ESG issues, implementation, and improvements; which accordingly shall be reported to the Fund's investors on a periodical basis as necessary.

Rx Healthcare Fund commits to the following:

- i. All investments and financing done by Rx Healthcare Fund shall be structured to meet the requirements of this Policy;
- ii. Rx Healthcare Fund shall consider environmental, climate change, health & safety, and social issues associated with target companies when assessing potential investments, as well as during the holding period following investment;
- iii. Rx Healthcare Fund shall seek to grow and improve the companies in which it invests for achievement of long-term sustainability and to benefit its stakeholders, including on environmental, social, and governance issues. To that end, Rx Healthcare Fund will utilize the relevant governance tools within its portfolio companies with respect to environmental, health & safety, and social issues, with the goal of improving performance and mitigating any adverse impacts;
- iv. Employ governance structures that enhance oversight in the key areas of audit, risk management, and potential conflicts of interest, and to implement policies that align the interests of owners and management;
- v. Remain committed to compliance with applicable international and local labor laws in the countries in which Rx Healthcare Fund invests; support payment of competitive wages and

- benefits to employees; provide a safe and healthy workplace in compliance with national and local law; and, consistent with applicable law, and to respect the rights of employees to join unions and collective bargaining;
- vi. Respect the human rights of those affected by Rx Healthcare Fund's investment activities and seek to confirm that Rx Healthcare Fund does not invest in companies that utilize child or forced labor or maintain discriminatory policies;
 - vii. Rx Healthcare Fund is committed to the principles of transparency, accountability and stakeholder engagement. In that light the Fund shall provide timely information to Rx Healthcare Fund's limited partners on the matters addressed herein, and work to foster transparency about Rx Healthcare Fund's activities;
 - viii. Support and encourage portfolio investee companies to advance the same principles and practices upheld by the Fund;
 - ix. Rx Healthcare Fund deems commitment to ESG as an interactive and on-going process of assessment and evaluation, and is therefore committed to updating its policies and procedures accordingly.

4. Description of proposed FI operations – nature and scale

The objective of the Fund is to build an integrated developed asset base in North Africa and roll out proven business models to Sub-Saharan Africa. For this, the Fund will provide growth capital to established healthcare companies in Egypt, Morocco, and Tunisia, and make acquisition or develop greenfield healthcare assets in key countries of Sub-Saharan Africa such as, not limited to, Ethiopia, Kenya and Nigeria, transferring the knowledge and experience. The target countries were selected on the basis of developmental potential, solid market and demographic fundamentals, and the need for impactful healthcare investments across the value chain, and potential for quick action-ability within the strategy framework of the RxHF.

Sub-sectors of Investment: The Fund will focus on the activities of Hospitals, Pharmaceutical and Health insurance/education. The investment strategy to be pursued is as follows:

- **Hospitals** (general and specialized, and diagnostic centers/imaging specialized labs): Assuming majority and sizable minority stakes via investing in established assets in North Africa, in addition to replicating successful business model via Greenfield projects in SSA (limited)
- **Pharmaceutical** (manufacturing and distribution/pharmacies): Acquiring significant minority stakes in growth oriented companies seeking to expand products portfolio, capacity base and geographic footprint
- **Complementary service segments (health insurance, medical supplies and medical education):** supporting management to assume control of assets, all of which adds to the portfolio towards a healthcare integrated platform

5. Potential environmental and social risks associated with FI operations

Environmental and social issues associated with Health Care Facilities include the following:

- **Waste management (partially managed by sub-contractor):** Waste from health care facilities (HCF) can be divided into two separate groups. The first consists of general waste, similar in

composition to domestic waste, generated during administrative, housekeeping, and maintenance functions. The second group consists of specific categories of hazardous health care waste. Health care facilities should establish, operate and maintain a **health care waste management system (HWMS)** adequate for the scale and type of activities and identified hazards. Facility operators should undertake regular assessment of waste generation quantities and categories to facilitate waste management planning, and investigate opportunities for waste minimization on a continuous basis.

- **Emissions to air (incineration done by sub-contractor):** Sources of air emissions at HCFs may include exhaust air from heating, ventilation, and air conditioning (HVAC) systems, ventilation of medical gases and fugitive emissions released from sources such as medical waste storage areas, medical technology areas, and isolation wards. Emissions may include exhaust from medical waste incineration if this waste management option is selected by the facility. In addition, air emissions may result from combustion related to power generation. Recommended prevention and control for power generation combustion source emissions are addressed in the **General EHS Guidelines**.
- **Wastewater discharges:** Wastewater from HCFs often has a quality similar to urban wastewater. Contaminated wastewater may result from discharges from medical wards and operating theaters (e.g. body fluids and excreta, anatomical waste), laboratories (e.g. microbiological cultures, stocks of infectious agents), pharmaceutical and chemical stores; cleaning activities (e.g. waste storage rooms), and x-ray development facilities. Wastewater may also result from treatment disposal technologies and techniques, including autoclaving, microwave irradiation, chemical disinfection, and incineration (e.g. treatment of flue gas using wet scrubbers which may contain suspended solids, mercury, other heavy metals, chlorides, and sulfates). Depending on the effectiveness of hazardous waste management practices (in particular waste segregation strategies described above), hazardous health care wastes may enter the wastewater stream, including microbiological pathogens (wastewater with a high content of enteric pathogens, including bacteria, viruses, and helminthes / parasitic worms), hazardous chemicals, pharmaceuticals, and radioactive isotopes.
- **Occupational health and safety:** Occupational health and safety impacts during the construction and decommissioning of health care facilities (HCF) are common to those of most civil construction facilities and their prevention and control is discussed in the General EHS Guidelines. General health and safety hazards occurring in HCFs include manual handling injuries, such as sprains and strains from lifting and carrying patients; falls, trips, and slips; injuries caused by moving objects; and mental stress. These and other typical physical hazards are discussed in the General EHS Guidelines. HCF health and safety hazards may affect health care providers, cleaning and maintenance personnel, and workers involved in waste management handling, treatment, and disposal. Industry specific hazards include the following:
 - Exposure to infections and diseases
 - Exposure to hazardous materials / waste
 - Exposure to radiation
 - Fire safety

- **Community Health & Safety:** Community health and safety issues during the construction, operations, and decommissioning of HCFs are generally common to those of most industrial facilities, and are discussed in the General EHS Guidelines. Community hazards associated with health care facility environments, particularly related to hazardous health care waste, necessitate that members of the public receive adequate information regarding potential infection hazards within the facility, and at associated waste disposal sites (e.g. landfills). Guidance on community disease transmission is provided in the General EHS Guidelines.

6. Proposed environmental and social risk management process

- A. Initial Screening:** At the initial screening of a potential investment opportunity, Rx Healthcare Fund shall assess whether the investment proposition is in line with its ESG policies and guidelines, additionally ensuring that the investment does not violate the Fund's exclusion list. If a potential investment includes any of the businesses or activities listed as excluded by the fund manager, the investment may not proceed to due diligence phase.

The Fund manager would be pleased to additionally obtain a copy of its DFI investors' exclusion lists, and to contact and consult with its DFI investors if the fund manager should have any doubts as to whether a potential investment would fall within or beyond its DFI investors' exclusion list. In very rare and specific circumstances, the fund may proceed with an investment, while not being permitted as per one or more of its DFI investor's exclusion lists, however it shall not in such a case deploy that investor's capital for that investee company.

If there are other reasons why the fund manager would question whether a potential investment is in line with its ESG policies, the fund manager shall assess whether the operations of that company could be brought in line with its policies over a reasonable timeframe and thus whether to proceed to due diligence or not.

Rx Healthcare Fund shall identify opportunities for improvements (where noticed) and shall rate ESG risks as an integral element of the initial screening of potential investment opportunities. The risk rating shall determine how much attention a particular investment shall accordingly receive during the due diligence and whether specialist assistance is required.

- B. Due Diligence:** Rx Healthcare Fund recognizes that the due diligence stage is where the fund manager can most effectively assess the ESG credentials of the potential investee company and the risks involved in a particular investment. During due diligence, the fund manager shall thoroughly check the company's compliance with all relevant laws and regulations and with the standards stipulated in the fund's ESG policy and Investment Code.

A detailed due diligence questionnaire on ESG matters shall be requested from the management of potential investee companies to establish the key areas to focus on; (a detailed questionnaire is provided with this policy manual). If the investment involves significant risks, an environmental

and social impact assessment, conducted by specialists, would be utilized to complement the fund manager's own due diligence. The fund manager shall additionally assess the quality of the potential investee company's management systems in relation to the identified ESG risks and opportunities for improvements.

At the conclusion of its due diligence phase with respect to a potential investment, and based on the outcome of such diligence, the fund manager will formulate an action plan together with the management of the potential investee company, detailing the areas of ESG concern as identified in the pre-screening and due diligence processes, with the risk levels, actions required, timeframe, proposed responsibilities and costs involved.

The Fund shall categorize companies into the specific ESG risk-level (e.g. Category A / High risk; Category B / Medium risk; Category C / Low risk). The fund manager will then fully employ through the due diligence phase the additional assessments required commensurate with each level of risk rating. Accordingly for Category A rated projects an environmental and social impact assessment will be required. The environmental and social impact assessment shall be a formal, in-depth study by technical specialists to consider thoroughly the potential and actual negative impacts of a business on the environment and local communities, and how any negative impacts can be mitigated. For Category B rated projects the Rx Healthcare Fund shall initiate a limited environmental and social assessment (ESA/ESMP), which shall include an overview of the project's operations, and which may require a site visits to identify potential environmental and social impacts, in order to be satisfied that the project is in compliance with all applicable regulatory and policy requirement.

Below is an outline of the environmental and social risk assessment process and procedures:
E&S Assessment Process/Procedures:

Screening and Risk Rating

- The assessment process is initiated by screening and risk rating the company according to the ESG risk-categorization;
- If there is no significant impact then the environmental and social impact assessment is not required, and shall be substituted with a limited E&S assessment whose scope shall be determined on a case by case basis to address the relevant risks and mitigations.
- If significant impacts are identified through screening and risk rating (i.e. project is Category – A / High risk), an E&S impact assessment as defined above will subsequently ensue, thereby proceeding to the next steps

Scoping

- This stage requires technical consultations with stakeholders and authorities in order to identify the actual risks and fully understand their possible effects on the environment and social matters;
- This stage shall include conducting a report on the company's operations and a site visit.

Baseline study

- Once the risks are fully understood, the fund manager initiates a baseline study;
- A baseline study would be utilized as relevant for green-field operations as a reference for potential impacts associated with future operations.
- Once the actual and potential impacts are fully understood, a recommendation will be made on whether they are acceptable, require mitigation, or are unacceptable.
- Appropriate mitigation measures would be identified, with associated cost estimates.

Impact assessment

- Rx Healthcare Fund will retain the services of specialized consultants to undertake such assessments if triggered;
- The impact assessment shall take into account technical consultations with local stakeholders in order to measure the environmental and social impact;

Mitigation measures

- At this stage of the procedure the manager shall consider mitigation measures in order to avoid, reduce or compensate for the E&S impacts;

Consideration of alternatives

- Consultations will be conducted where relevant/necessary regarding alternatives for mitigation measures;

Environmental and social action plan

- The fund manager should use the environmental and social impact assessment as a basis for discussions with the management of the potential investee company to reach a clear agreement on expected actions during the investment duration, based on the identified risks and mitigation measures. These measures shall be specified in an action plan, which shall be agreed upon as part of the investment/transaction agreements.

- C. Investment Decision:** At the time of the investment decision, the fund manager shall present to the investment committee a comprehensive proposal including all of the aspects of the ESG analysis so that these findings can be assessed by the investment committee in the context of the deal as a whole ahead of finalizing the investment committee's decision to approve/proceed with a specific transaction. The investment proposal paper shall cover all the relevant ESG elements and include an action plan for necessary improvements over the investment duration identified during the pre-investment screening and due diligence phases, with the associated implementation timeframe and costs.
- D. Investment Agreements:** During investment negotiations with respect to a potential investment, the Fund Manager shall do the following:

- i. The fund manager shall present its ESG policies and guidelines to the management of a potential investee company at an early stage in their interactions to clarify expectations on both parts;
- ii. Establish that the potential investee company has ESG policies which are in line with the fund manager's ESG policies and guidelines and investment code.;
- iii. The action plan for necessary improvements, as applicable on case by case, shall be discussed and agreed upon between the fund manager and the management of the potential investee company;
- iv. Before making the investment, the fund manager shall seek a formal legal commitment in the transaction documentation from the potential investee company to adhere to the fund manager's ESG policies.

E. Investment Monitoring: During the investment period, the fund manager in addition to standard investment monitoring, shall focus on effectively monitoring its investment from an ESG perspective, with an emphasis on:

- Ensuring the portfolio company's on-going compliance with all legislation relating to ESG matters and with the standards stipulated in the fund's ESG policy;
- Timely implementation of action plans for ESG improvements;
- Encouraging the managers of the portfolio company to work towards continuous improvements;
- Ensuring that any new risks, issues or opportunities for improvement that may emerge are dealt with in a timely and appropriate manner;
- Monitoring and recording any serious incidents involving portfolio companies that result in loss of life, serious injury, material effect on the environment, or material breach of law, and promoting appropriate corrective actions;
- Recording and reporting key performance indicators to the fund's investment committee, governing body, investors, and other stakeholders (for the sake of which the Fund shall establish a website on which to publish relevant ESG reports to relevant communities and stakeholders);
and
- To the best of the fund manager's knowledge, reviewing the Rx Fund and portfolio companies' strategy in due course, in the light of any necessary changes in regulation, markets, and relevant technologies, calling for an ESG review over the investment duration.

ESG issues shall be monitored at the portfolio company's board level and reported to the Fund's investors in line with their reporting requirements; should there be no requirement for such reporting by some investors; it shall be reported in the Fund's reports at least once a year. Rx Healthcare Fund aims to be transparent about its businesses to help broaden the public understanding of its activities and how its investments promote private sector development and economic growth. In light of that, the fund manager will make information about its ESG policies and the performance of portfolio companies available to the broader public through its website and annual reports. The Fund's reporting shall cover inter alia:

- The ESG policies and guidelines of the fund and its portfolio companies;
- Highlights of improvements made to portfolio companies periodically during the investment period;
- Highlights of key ESG issues encountered and corresponding actions;
- Illustrations of the business impact for the Fund's ESG Policies across its portfolio, e.g. cost savings, revenue increases, new certifications, financial improvements and access to capital etc;
- Number of employees, employee diversity and developmental impacts achieved including (in due course) taxes paid to local governments; and healthcare impacts achieved;
- Case examples where applicable illustrating how portfolio companies provide increased access to healthcare services, goods, technology and healthcare infrastructure for local populations, with comments (where applicable) about any improvements to quality, availability, and prices.

Rx Healthcare Fund Reports shall to the best of the fund manager's efforts and knowledge provide a balanced and complete picture of the fund manager's investments besides show-casing success of the Fund and its Portfolio investments in vis-à-vis Environmental, Social and Developmental milestones. Any serious incidents and corrective actions undertaken or underway.

7. ESMS implementation capacity

Rx Healthcare Fund recognizes the importance of senior management commitment to the effective achievement and implementation of its Environmental and Social Management System (ESMS). Therefore the Fund senior management team shall work to ensure requisite support and top management leadership and commitment to ESG policy and ESMS implementation is sufficiently provided and in place. Rx Healthcare Fund is further keen on ensuring that the necessary organizational framework and capacity is in place to enable the effective implementation of the Fund's ESMS. In keeping with its commitment to ESG goals and considerations, and the successful implementation of its ESMS; the Fund shall within its organizational framework assign a dedicated in-house ESG officer to properly support its internal organizational capacity, to monitor and implement the Fund's ESG policy and ESMS framework throughout the fund's operating cycle from screening to exit.

Rx Healthcare Fund senior management will further commit to ensuring that all employees at all levels within the Fund Management team are aware that ESG policy and ESMS implementation are an

integral commitment to Rx Healthcare Fund. Capitalizing on its strategy and noting the importance of having in place the necessary organizational capacity and resources for an effective implementation of Fund's ESMS and ESG action plans; Rx Healthcare Fund shall seek in coordination with the senior management of respective portfolio investees to assign clear ESG and action plan implementation responsibilities within the portfolio investees. Such responsibilities and roles shall be on a case by case basis identified and assigned to an investee team which shall be assembled to comprise relevant function heads; which teams shall be led by a designated team leader/E&S officer. The investee E&S officer shall be responsible for following up and reporting on action plan implementation, and reporting requirements. Investee E&S teams and E&S officers shall be empowered to effectively implement their roles, and shall report to the CEO and Board of Directors. E&S team leaders shall additionally liaise with Rx Healthcare Fund's ESG officer in regards to implementation, monitoring, and reporting requirements ensuring open and close communication channels between the Fund and investees' vis-à-vis ESG and ESMS implementation issues.

Resources: The Fund will allocate the necessary financial resources in order to support its internal ESMS implementation plan requirements as follows:

- Hire an in-house ESG officer and build the Fund team's organizational capacity for ESG requirements and ESMS implementation; financial resources are allocated within the Fund's cost budget
- Cover the Fund team's training costs; a training budget is included in the Fund's annual expenditure plan, which includes allowance for ESG and ESMS related trainings
- During the investment process, the Fund will allocate necessary ESG related due diligence costs, in addition to further ESG advisory requirements to be included as part of the transaction cost for each respective investee on a per transaction basis

In addition to the above the Fund shall seek to secure necessary financial resources for ESMS implementation at portfolio investee level as follows:

- Portfolio Investees related ESG and ESMS action plan implementation costs shall be allocated on the investee's P&Ls on a case by case basis. This shall include any necessary personnel hires (permanent or temporary); and/or advisory/consultancy related expenses, and training costs).
- Additionally the fund shall seek to the extent possible to incorporate coverage of the necessary post-investment ESG financial requirements into the transaction agreements with counter parties including co-shareholders and investee company management, via shareholder and management agreements. Such agreements shall clearly state that the financial resources sufficient to implement the ESMS and action plans at investee level will be covered by the company as part of its business plan expenditures.

Expertise: The Fund recognizes the importance of putting in place the requisite organization capacities as part of its organizational structure in order to effectively implement its environmental and social management systems. Qualified ESG personnel with the required skills and knowledge will be recruited and dedicated to implementing and monitoring the ESG framework across the fund's

portfolio and activities as per the implementation plan. RxHF will appoint an in-house ESG officer who shall be responsible for the Environmental, Social and Governance (ESG) and ESMS framework.

Training: In recognition of the importance of training to facilitate organizational implementation of the ESMS at both the Fund and Portfolio level, Rx Healthcare Fund will facilitate detailed training programs as necessary for its in-house team members, in addition to supporting training programs at the investee level, to ensure relevant task owners are well informed, committed, and capable of delivering their target milestones, and to ensure effective implementation of the ESMS procedures.

At portfolio level, Rx Healthcare Fund shall work to identify the type of training that managers and workers need in order to effectively implement action plans and improved procedures. The training program will distinguish between those who only need basic ESMS training and those who need more advanced ESMS training to carry out their responsibilities.