

# ALTERRA Capital Partners

3 Melrose Boulevard, Melrose Arch, Unit 6a 1st Floor  
Johannesburg, South Africa, 2196  
Tel: +27 11 034 2000

## I. Statement of Continued Support

March 3, 2022

Dear Stakeholders,

I am pleased to confirm that Alterra Capital Partners reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment, and Anti-Corruption. In this annual Communication on Progress (COP), we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture, and daily operations.

As an Africa-focused private equity firm, Alterra believes that the most significant way it can support the principles of the Global Compact is by actively managing Environmental, Social, and Governance (ESG) risks within its portfolio companies. In 2021, in preparation for new investment activity, Alterra onboarded a dedicated ESG team comprising a head of ESG and an ESG officer. Throughout the year, the ESG team, with the support of Alterra leadership, has worked to develop a comprehensive ESG management system that provides clear policies and procedures for how Alterra will integrate ESG considerations, including those pertaining to human rights, labour, the environment, and good governance, into its investing.

Going forward, Alterra intends to expand reporting on ESG considerations and to familiarize the firm's investment professionals on more streamlined integration of ESG considerations into investment processes. We commit to a culture of responsibility and to continual improvement and will maintain and enhance, as needed, the ESG management system that governs how we incorporate ESG considerations, including those promulgated by the United Nations Global Compact, into our processes.

Sincerely yours,



Partner  
Alterra Capital Partners

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## II. Description of Actions

### A. Human Rights Principles

Throughout 2021, Alterra worked to develop an Environmental, Social, Governance, and Impact Policy (ESG&I Policy), the basis for its overall ESG and impact approach, and affiliated policies and procedures, collectively representing the ESG and Impact Management System (ESGIMS). Alterra's ESG&I Policy states Alterra's commitment to social sustainability. Specifically, it commits to follow the International Finance Corporation (IFC) Environmental and Social Sustainability Performance Standards, which emphasize that "[b]usinesses should respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to." Within the framework of the IFC Performance Standards, "human rights" are understood to be those enumerated by the UN Declaration on Human Rights. As stated in the ESG&I Policy, Alterra requires portfolio companies to comply with any local regulations or laws relating to human rights.

Alterra's ESGIMS is designed to support the inclusion of international best practices regarding social and community sustainability and human rights in the investment process. In adopting the ESGIMS, Alterra commits to conduct comprehensive ESG due diligence for each investment to identify any significant negative human rights impacts arising from portfolio company operations. As dictated by the ESGIMS, Alterra will work with companies to implement corrective actions to address and mitigate any negative impacts and will report on that progress. An external grievance mechanism, a component of ESGIMS, enables external stakeholders to bring grievances directly to Alterra, should the need arise.

Potential human rights issues for Alterra's portfolio companies, based on past experiences, include:

- Impacts related to labor conditions (such as those covered by the ILO Declaration and Core Conventions), including excessive working hours, inadequate pay, discrimination, workplace safety, child labor, forced labor, and barriers to labor organizing or collective bargaining, and working conditions for temporary or migrant workers.
- Impacts on local communities related to land use, land acquisition and resettlement, such as on their livelihoods or their cultural heritage.
- Environmental or social impacts that affect local communities' health and safety, livelihoods, or access to water and sanitation.

### B. Labor Principles

Alterra's ESG&I Policy, and the related policies and procedures comprising the ESGIMS, commit Alterra to promoting fair labor standards and safe working conditions at portfolio companies. Specifically, Alterra's ESGIMS commit Alterra to the principles regarding labor standards found in the IFC Performance Standards (IFC Performance Standard 2 in particular), the ILO Core Conventions, and the World Bank's Environmental, Health, and Safety Guidelines.

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Throughout 2021, Alterra worked to develop this ESG&I Policy so that it aligned with international best practices regarding employment and occupational health and safety standards. Alterra's ESGIMS commits it to conduct comprehensive ESG due diligence for each investment which will identify any significant negative labor impacts arising from investee company operations. As dictated by the ESGIMS, Alterra will work with companies to implement corrective actions to address and mitigate any negative impacts and report on that progress. Potential labor considerations for Alterra's portfolio companies, based on past experiences, include:

- Adequate policies and practices to address non-discrimination, freedom of association and collective bargaining, and prohibitions on forced labor and child labor.
- Managing the adverse impacts on employees in case of a retrenchment, i.e., the loss of a significant number of jobs.
- Sufficient systems to identify occupational health and safety risks and to mitigate those risks (e.g., providing workers with personal protective equipment).
- Managing, to the extent possible, labor, and occupational health and safety risks within a company's supply chain or in the contracted workforce

## C. Environmental Principles

Alterra's ESG&I Policy, and the related policies and procedures of the ESGIMS, commit Alterra to avoiding and/or mitigating negative environmental impacts arising from portfolio company operations and to seeking out opportunities to mitigate the effects of climate change. Specifically, Alterra's ESGIMS commits Alterra to principles pertaining to resource efficiency, waste management, pollution prevention, biodiversity conservation, and sustainable management of living natural resources as found in IFC Performance Standards and the World Bank's Environmental, Health, and Safety Guidelines.

Throughout 2021, Alterra worked to develop this ESG&I Policy so that it aligned with international best practices. As a component of its ESGIMS, Alterra developed a new strategy document to address climate change specifically. As dictated by the ESGIMS, Alterra will conduct comprehensive ESG due diligence for each portfolio company and will work with companies to implement corrective actions or opportunities for improvements. Alterra will also report on progress and has committed to using the Taskforce on Climate-Related Financial Disclosures (TCFD) to report on actions pertaining to climate change.

Potential environmental issues for Alterra's portfolio companies, based on past experiences, include:

- Avoiding or reducing pollution (the release of air pollutants but land and groundwater contamination, noise pollution, pesticides, etc.).
- Managing waste arising from company operations, including wastewater, solid waste, and hazardous waste.
- Exploring opportunities for better resource efficiency (e.g., renewable energy sources, more efficient water usage, etc.)

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### D. Anti-Corruption Principles

Alterra is committed to the highest ethical standards, as stipulated in its Code of Conduct, Ethics, and Values, a code that Alterra enhanced in 2021. As a financial intermediary, Alterra also recognizes that sustainable investment returns are established on a foundation of ethical and responsible behavior and business integrity. Accordingly, Alterra includes know your client and other governance-related matters in its due diligence and will not invest with any partners suspected of unethical behavior. Alterra is also committed to working with its portfolio companies to support the development and/or adoption, as needed, of commensurate anti-corruption policies and procedures based on Alterra's standards. In 2021, Alterra made significant enhancements to its compliance-related controls.

## III. Measurement of Outcomes

In 2021, Alterra made significant adjustments to its policies and procedures. Alterra's ESGIMS was revised to strengthen expectations around ESG reporting. Alterra portfolio companies are expected to report on progress made on any corrective actions to address ESG shortcomings and/or opportunities identified pre-investment (including in the areas of human rights, labor, environmental management, and anti-corruption).

Going forward, Alterra plans to expand its utilization of a software service developed specifically for tracking, collating, and monitoring ESG key performance indicators. The system will allow Alterra to collect a standard set of KPIs for all companies as well as ones created for a company's specific risks. Indicators pertinent to the UNGC that Alterra will collect for all companies include indicators on types and amount of employee benefits received, if a company has explicitly endorsed the ILO labor conventions, and if the company underwent an external audit in the past year. Portfolio companies are also required to report to Alterra any major ESG incident, for example a work-related serious injury or death, or a major environmental incident, to develop root cause analysis reports, and to implement action plans where necessary to avoid similar incidents in the future.