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Ethos Private Equity Pty Ltd ("Ethos") is entering an exciting new phase of its sustainable investing journey. Over its 35 years of operation, Ethos and its Portfolio Companies (PCs) have attained a high level of Environmental, Social and Governance (ESG) compliance in their operations. Our aspiration is to position the Firm to deliver a higher standard of ESG value add and impact intentionality in our investment choices and active ownership model. The appointment of a specialist ESG Manager, Rachel Cochran, is an important catalyst for this aspiration to transition into action. Our active ownership model that drives financial outperformance is powerfully positioned to deliver positive environmental, societal and governance impacts. Equally, rising investor awareness and increasingly sophisticated ESG reporting frameworks, are driving a growing impetus for the private equity industry to strengthen its ESG performance through an impact mindset. Our investment mission is to deliver returns by building better businesses and we see a significant opportunity for Ethos to leverage its investment and value-add expertise and experience in elevating our ESG impact in the future.

Our Sustainability Report provides an assessment of both Ethos and its PCs’ ESG performance for 2018. We have relied on ESG data available from our PCs in preparing this Report. Going forward we intend to use this data and the insights we have been able to generate from it to set short, medium and long-term goals for our PCs that align to our overall ESG Strategy and drive future ESG performance.

We have chosen to use the UN Sustainable Development Goals (SDGs) and IFC Performance Standards (IFC PS) as our reporting framework for this report. The IFC PS and SDGs are widely recognised as the benchmark standards for our industry and have been used as the structure for data collection from our PCs. The data collection exercise has revealed that our PCs are at different stages of maturity along the performance curve, with some being more advanced than others in the breadth and depth of their data sets. Where the data is not yet available, it is noted in the Report and we will work to ensure that it is available for the next reporting cycle. Furthermore, it is important to note that we are reporting on data that is relevant to our PCs’ activities regarding ESG risks and opportunities.

In embarking on this journey, we will actively engage all our stakeholders in order to benefit from their input, expertise and insight. We intend to strengthen our collaborative relationships with both existing and new Limited Partners (LPs) regarding their ESG requirements. From an Ethos perspective, we intend to strengthen the ESG capacity and capability of our investment and value-add professionals, build on our transformation success through our various Broad-based Black Economic Empowerment (B-BBEE) programmes and strengthen our Corporate Social Responsibility (CSR) activities. As an active owner, we will work with our PCs to drive their ESG performance by elevating executive awareness through networking and information sharing; developing ESG measurement tools; and providing insight that can be linked to specific, actionable ESG initiatives.

The next phase of our ESG journey is about unlocking the potential change to environmental and societal impact of our Firm and our PCs. Being successful in this ambition is not only critical to our long-term sustainability but core to our values of seeking win-win solutions for all our stakeholders. We look forward to walking this journey with you and thank you for your ongoing support.

Stuart MacKenzie, CEO
Ethos is a leading investment firm managing private equity and credit investments in sub-Saharan Africa.

With a 35-year history, we have an unparalleled record of successful, sustainable investing across multiple economic and political cycles. Over that period, we have completed 108 transactions, 96 of which have been realised, in seven Large Equity Funds.

Ethos is pursuing a growth vision. The firm has built a renowned platform with a strong track record that has provided sufficient scale to develop a multi-product offering. Accordingly, Ethos launched a Mid Market Fund in 2016, followed by a Mezzanine offering in 2017 and an AI Fund in 2018.

In parallel, a permanent capital vehicle – Ethos Capital – was established in 2016 to supplement the firm’s traditional LP base and provide public market investors with a unique opportunity to access a diverse portfolio of unlisted assets actively managed by Ethos.

Ethos has developed a unique set of competencies that have been refined with the aim of consistently helping companies to grow and generating superior returns for investors. Ethos has continually sought to establish new standards for the private equity market through creativity and innovation. The result is a time-proven approach that is embedded within Ethos’ philosophy as to what the firm believes to be key to driving replicable returns.

We are continuously assessing fund and investment strategies; driving innovation and addressing investor needs as core to our long-term success. We believe that our vision is an appropriate strategy for sustained success and these new products will form the cornerstone of our Alternative Assets ambition.

Stuart MacKenzie, CEO
ETHOS FUND VI HIGHLIGHTS

FUND SUMMARY

US$ 805 million in commitments, currently in value creation and follow on phase. Fund investments are principally in South Africa with up to 20% committed capital for investment in the rest of sub-Saharan Africa. The final close date was December 2012.

22,706 total employees across the Fund Portfolio Companies

ZAR 70m spent to date across the Fund Portfolio Companies on training equivalent to 2% of annual payroll for 2018

15% of total employees across the Fund Portfolio Companies are female

B-BBEE

More than 50% of Portfolio Companies have obtained B-BBEE Level 4 or higher (year of 2018)

Over ZAR 9m spent to date across the Fund on CSR projects

1. Data unavailable for two Portfolio Companies on CSR spend

Portfolio Company Composition by Investments

- Industrial Services/Equipment/Transportation: 30%
- Food Producers: 14%
- Industrial (Fast Moving Consumer Goods): 13%
- Healthcare: 2%
- Telecomms: 6%
- Paper & Packaging: 7%
- Media & Entertainment: 10%
- Business Services: 5%
- Retail/Wholesale: 13%
- Automotive Parts: 13%
In embarking on this journey, we will actively engage all our stakeholders in order to benefit from their input, expertise and insight. We intend to strengthen our collaborative relationships with both existing and new Limited Partners (LPs) regarding their ESG requirements.

Stuart MacKenzie, CEO
ETHOS MID MARKET FUND I HIGHLIGHTS

FUND SUMMARY

ZAR 2.5 billion in commitments, currently in the investing phase. The majority of the Fund’s capital is to be invested in control or joint control positions in small-to-medium sized companies with strong management teams and good growth prospects. Investment is principally in South Africa, with up to 25% of committed capital available for investment in the rest of sub-Saharan Africa.

4,640 total employees across the Fund Portfolio Companies

ZAR 18m spent to date across the Fund Portfolio Companies on training equivalent to 2% of annual payroll for 2018

36% of total employees across the Fund Portfolio Companies are female

More than 75% of Portfolio Companies have obtained B-BBEE Level 4 or higher (year of 2018)

CSR

Over ZAR 3m spent to date across the Fund on CSR projects

1. Note that the statistics presented include Autozone, Eazi Access and T赢saver which have also been reported for Fund VI.
2. Information not available for 2 PICs for 2018.

Portfolio Company Composition by Investments

- Mobile Telecomms: 21%
- Industrial (FMCG): 16%
- Consumer Automotive Parts: 16%
- Retail/Wholesale: 16%
- Internet Service Providers: 6%
- Mobile Telecomms: 9%
- Technology Media & Telecommunications: 22%
- Accessory & Distribution: 21%
- Corporate Branding Solutions: 10%
- Industrial Equipment: 10%

Note: Information not available for 2 PCs for 2018.
Ethos is pursuing a growth vision. The firm has built a renowned platform with a strong track record that has provided sufficient scale to develop a multi-product offering.

Stuart MacKenzie, CEO
**Fund Summary**

US$ 118 million in commitments, currently in the investing phase. The fund has one portfolio company, in the food and beverage industry in Malawi. The fund’s geographic focus is East and Southern Africa.

**Portfolio Company**

Note as there is one Portfolio Company in the Mezzanine Fund at present, information on that company is presented separately.

**Investment Geographies**

- Tanzania
- Mozambique
- Malawi
- Zambia
- Namibia
- Botswana
- South Africa
- Zimbabwe
- Burundi
- Rwanda
- Uganda
- Kenya
- Ethiopia

**Fund Contributions by Investor Source**

- Private Entities: 31%
- DFIs: 69%
ETHOS ARTIFICIAL INTELLIGENCE FUND HIGHLIGHTS

FUND SUMMARY

ZAR 640 million in commitments, currently in the investing phase. The Fund’s strategy is to invest in companies where algorithmic decision making can be deployed in multiple places in the value chain which can impact the value of the business. To date, 29% of funds have been invested in South Africa and 71% in the rest of sub-Saharan Africa.

- **334** total employees across the Fund Portfolio Companies
- **32%** of total employees across the Fund Portfolio Companies are female
- **ZAR 7m** spent to date across the Fund Portfolio Companies on training equivalent to 9% of annual payroll for 2018.¹

¹ Information not provided for all Portfolio Companies

Portfolio Company Composition by Investments

- Healthcare: 29%
- FinTech: 71%
Fund Contributions by Investor Source

<table>
<thead>
<tr>
<th>Investors Source</th>
<th>Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>16%</td>
</tr>
<tr>
<td>Private Entities</td>
<td>84%</td>
</tr>
</tbody>
</table>

Ethos has developed a unique set of competencies that have been refined with the aim of consistently helping companies to grow and generating superior returns for investors.

Stuart MacKenzie, CEO

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2 Tyne Bank is a new investment (28/06/2019) and so has not completed a reporting cycle and is therefore excluded from this Report.
We have reviewed our ESG strategy for the coming year and refreshed the initiatives for implementation. Our continued objective is to be our investor’s trusted partner, delivering positive social and environmental impacts through our investment choices.

**ESG STRATEGY GOALS**

1. Build on the basics for ESG management across Ethos Private Equity.
2. Support deal teams and investment professionals in addressing ESG trends across the business.
3. Continue to strengthen ESG performance within Portfolio Companies through relationship building, support and technology innovation.
4. Consolidate existing relationships with stakeholders.
5. Communicate our ESG message and understand our impact aspirations.

**IMPLEMENTATION ACROSS 4 ESG PILLARS**

1. **Ethos Private Equity: Addressing ESG trends affecting the business**
2. **Updating: Tools to manage ESG risk and opportunities across Portfolio Companies**
3. **Developing Ethos Identity: Brand, Perception and Communication**
4. **Impact: Developing our Impact Aspirations**

**ESG STRATEGY GOALS**

On 1st April 2019, Rachel Cochran, (née Conti) joined Ethos as the Senior Manager for ESG. With over 15 years’ experience in the environmental industry, Rachel relocated to Johannesburg from Hong Kong at the end of 2015. Rachel is a Chartered Environmentalist and Chartered Scientist and is a registered Professional Natural Scientist with the South African Council for Professional Natural Scientists.

She has worked in Europe, Asia and 16 countries across the African continent. During her time as a consultant, Rachel supported private equity funds and DFIs in their investment decisions regarding environmental and social risk.

The appointment of the Senior ESG Manager demonstrates Ethos’ commitment to the management of ESG and represents a move away from ESG compliance as a minimum towards value add and creation. The appointment was also a priority for prospective LPs into the Mezzanine Fund and is a significant investment on Ethos’ behalf to have a designated person responsible for ESG matters.

Rachel notes that the move to Ethos was attractive as an opportunity to create change in-house and influence on ESG matters across a wide range of PCs in different sectors and geographies. The multifunctional role of the ESG Manager appealed to Rachel’s sense of challenge and since joining Rachel has actively embarked on a programme of reviewing and recognising existing exemplary ESG behaviour and working together with colleagues building on the next steps.
ESG HAS A PIVOTAL ROLE IN THE INVESTMENT PROCESS AT ETHOS

Ethos has in place a robust environmental, social and governance management system (ESGMS) which instils ESG considerations at every stage of transacting activities, from screening to exit in order to maximise financial value and positive societal impact. The ESGMS is reviewed regularly and is due to be reviewed and updated as part of the 2019 activities, as required by the ESG Strategy.

**DEAL SOURCING & SCREENING**
Deal Team leverages sector intelligence, networks and Ethos brand to identify opportunities of interest to take to initial Deal Forum IC.

**EXECUTE COMMERCIAL DD**
The Deal Team (supported by the Value Add Team and External Service Providers) assesses a business’ investment plan; its feasibility and the requirements of ESG in order to seek a commitment to invest from the Deal Forum IC.

**VALUE ADD SUPPORT**

**IDENTIFY RELEVANT SECTOR ASSETS**
Deal Team leverages sector intelligence, networks and Ethos brand to identify opportunities of interest to take to initial Deal Forum IC.

**EXECUTE ESG DD**
ESG DD includes identifying critical risks, developing opportunities for improvement and assessing feasibility of action plan for investment decision (supported by external service providers for Cat A and B investments). Results presented at IC by ESG team.

**EXECUTE**
ESG presents view and action plan

**FINAL IC & INVESTMENT**
(ESG presents view and action plan)

**BI-ANNUAL LP REPORTING**
(SEC reports via questionnaire)

**DRIVE SECTOR AWARENESS**
ESG highlights the risk parameters as per the IFC Performance Standards associated with specific sectors and provides guidance on sectors of interest to transaction teams. Categorisation will be undertaken and key ESG risks and opportunities will be identified, including against the UN Sustainable Development Goals.

**EXECUTE ESG DD**

**MONITORING & REPORTING**

**VALUE ADD SUPPORT**

**COMMUNICATE & VERIFY ESG PATH**
At Exit, ESG team drives the closure of outstanding ESG agenda items and value uplift opportunities while also highlighting the positive work completed throughout the business to new buyers as well as any unresolved challenges.

**DRIVE PORTFOLIO PERFORMANCE**
Deal Team forms active part of SEC committee (through appointment of an SEC Champion) responsible for monitoring implementation of the E&S work plan throughout investment in conjunction with financial and operational monitoring of the business.

**VALUE ADD SUPPORT**

**CLOSING SALE OF BUSINESS**
Deal Team are responsible for guiding the business toward the exit process and closing outstanding issues as well as opportunities for upside to maximize value creation at sale.

**VALUE ADD SUPPORT**

**QUARTERLY REPORTING**
(Team reports financial performance)

**EXIT**

**FINAL IC & INVESTMENT**
(Deal Team presents view and executes)

**DEAL FORUM INVESTMENT COMMITTEE**
(Commercial review given go-ahead)

**FINAL IC & INVESTMENT**
(Deal Team presents view and executes)

**DRIVE SECTOR GOVERNANCE & POLICY**
Social & Ethics Committee ‘SEC’ appointed within portfolio company to drive adoption of an SEC policy, reporting and the realization of ESG Action Plan developed during DD process. Ongoing collaboration with portfolio company on ESG matters.

**COMMUNICATE & VERIFY ESG PATH**

**DEAL FORUM INVESTMENT COMMITTEE**
(ESG Risk factors identified)

**EXECUTE**
ESG presents view and action plan

**FINAL IC & INVESTMENT**
(ESG presents view and action plan)

**BI-ANNUAL LP REPORTING**
(SEC reports via questionnaire)

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**EXECUTE ESG DD**

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**VALUE ADD SUPPORT**

**QUARTERLY REPORTING**
(Team reports financial performance)
The following section highlights the ESG performance of our Portfolio Companies across the funds.

The Portfolio Company activities have been aligned to the SDGs. Alignment with the SDGs has been classified as Operations (direct impact on the SDGs from internal operations including supply chain and staff, business administration and manufacturing etc), Products & services (direct impact on SDGs through products and services offered to the market) and Philanthropic (a result of charitable or altruistic action).
BUSINESS OVERVIEW

• An industrial rental equipment and support services company that provides forming, shoring and scaffolding ("FSS"), portable and modular buildings ("RLMB"), and sanitation services.
• Serves construction, mining, and industrial maintenance sectors.
• Operates across multiple geographic regions, international comprises operations in Australasia and United Kingdom.

“The Waco Group is well positioned to make an impact through the services and products they offer, in particular initiatives have been implemented to improve the safety, security and dignity of users of their sanitation services. A focus on safety in their industrial service business lines has also resulted in an improvement in lost time injuries.”

Nomthi Mothejoa, ESG Champion, Associate, Value Add

Working Towards the UN Sustainable Development Goals

Employees have access to the Employee Wellness Programme providing confidential support and assistance to employees and direct family members, 2,500 staff have enrolled on the Programme. Waco Kwikform also offers its employees a counseling and well being programme.

OPERATIONS

Waco through Sanitech, has modified and relaunched a new product in the form of portable waste water treatment plants to reduce water usage. The plants are modular and are solar powered.

PRODUCTS & SERVICES

Waco has implemented a comprehensive CSI programme throughout the Group and as a consequence a number of excellent initiatives have been implemented. This has resulted in the much needed support to a number of worthy local communities, significant employee engagement and a positive awareness in the community of Waco’s effort to give back to the communities in which they operate.

PHILANTHROPIC

The Waco Foundation approves tertiary education and high school bursaries with ZAR 750,000 spent in 2018 calendar year. Waco also offers all of its employees Adult Basic Education Training (ABET).

OPERATIONS

Waco International has a code of conduct, HR policy, grievance policy and a training and development policy protecting the rights of employees. Waco Africa has an Employee Trust with 5% shareholding. The Trust also has a mandate that at a minimum, 85% of the beneficiaries must be from a previously disadvantaged background.

OPERATIONS

Waco Kwikform has launched an initiative aimed at reducing the use of resources (labour and material) as part of the ‘War on Waste’ programme.

PRODUCTS & SERVICES

Waco through Sanitech, has modified and relaunched a new product in the form of portable waste water treatment plants to reduce water usage. The plants are modular and are solar powered.

INITIAL INVESTMENT: JULY 2012

<table>
<thead>
<tr>
<th>Sector</th>
<th>Headquarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial support services</td>
<td>Johannesburg, SA</td>
</tr>
</tbody>
</table>

Alignment with SDG classified as: Operations (direct impact on the SDGs from internal business administration and manufacturing) and Products & Services (direct impact on the SDGs through products and services offered to the market and philanthropic (a result of a charitable or altruistic action).
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
• Sanitech has developed several resource-efficient solutions for the increasingly water-stressed southern Africa region. The steam clean toilet uses steam and a rotating bowl to save water and bypass the need for water infrastructure. The NIC toilet reduces water usage to 100 times less than a conventional domestic toilet. To reduce the costs associated with waste removal, Sanitech developed portable and scalable waste water and water treatment plants to enable it to treat waste on site.

SOCIAL, HEALTH, SAFETY AND SECURITY
• Waco Africa has achieved a Level 2 B-BBEE rating effective until November 2019.
• The Cadet Scheme provides high-potential individuals from previously disadvantaged backgrounds with core business skills. The scheme is offered to existing employees who do not have a matric certificate or National Qualifications Framework (NQF) level 4 qualification. Cadets are enrolled in a learnership involving practical work and after-hours study towards an NQF level 4 in general management, followed by on-the-job mentorship and exposure to different elements of the business. This is available to internal NQF level 4 candidates who receive on-the-job mentorship. 22 new cadets have been placed in the 2018/2019 NQF level 4 General Management learnership programme and 11 of the previous level 4 graduates have enrolled on the NQF level 5 learnership. Waco has extended the programme by employing 6 young black graduates as graduate cadets who go through a 12 month intensive rotational motorship programme. Waco is also sponsoring 7 university students in civil, mechanics and logistics to ensure a future supply of black management cadets. Waco is also sponsoring 7 university students in civil engineering, mechanics and logistics.
• Targets have been set for the next 12 – 24 months to promote at least 1 designated employee to a senior management position, including 1 designated employee to the SGB Cape Exco and convert more skilled contract workers to permanent.

GOVERNANCE
• Environmental management is governed by a Group environmental policy and annual environmental plans and audits developed by each business unit.
• An environmental peer group comprising operational executives responsible for safety, health and environment ensures that the operators’ SHE management plans are compatible with the Group policy and best practice is shared across the Group.
• The Company has implemented a Whistle Blowers hotline.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Environmental management is governed by a Group Environmental Policy and Annual Environmental Plans and audits developed by each business unit.

People are a key resource to Waco and the company has set up a training company (Waco Africa Human Resource Development (Pty) Ltd) to ensure continuous high quality training.

Waco has installed resource efficient waste water treatment plants to manage sanitary waste.

Key Relevant Performance Highlights

Historically Disadvantaged South African Employees enrolled in Waco Africa Cadet Scheme to date. Currently there are over 70 disabled Black learners enrolled in the Group’s learnership programme.

Waco employees enrolled on Waco Wellness Programme

Improvement in safety performance reflected in decline in LTIFR (Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million hours worked).

Data produced from annual ESG questionnaire as completed by portfolio company and Waco Sustainability Report 19/12/2018 Data correct as of 28/02/2019.

0.91 0.85 0.42 0.49 0.38
2014 2015 2016 2017 2018

Lost Time Injury Frequency Rate
CASE STUDY:

INNOVATIVE PRODUCT
ADDRESSING SUSTAINABLE
DEVELOPMENT GOAL 6:
CLEAN WATER AND SANITATION –
THE KHUSELA DRY SANITATION
TOILET (DST)

Sanitech is part of the Waco
International Group, which enables
Sanitech to access the latest
technologies and designs from around
the world. Sanitech is the leading
portable sanitation company in
South Africa as well as offering
professional washroom hygiene
services. Sanitech provides solutions
across various industries such as
mining, construction and government.

THE ISSUE
There are an estimated 5 million pit
latrines in South Africa. In terms of
the norms and standards for schools
in South Africa, plain pit and bucket
latrines are not allowed. Despite this
there are still over 4,000 schools across
the country that only have plain pit
latrines as toilets, and more than 30
schools in the Eastern Cape have no
ablution facilities at all. During 2018,
two five-year old school children
drowned in pit toilets at schools in
South Africa. Sanitech felt that they
had the right tools in place to address
the urgent issue regarding poor
sanitation. In addition, Sanitech wanted
to develop resource efficient solutions
for the increasingly water stressed
environment in Sub Saharan Africa.

THE OBJECTIVE
was to develop a product that:
- protects children from harm and
  reduces the risk of falling into an
  open pit.
- ensures that the user has a dignified
  experience when using the facility, e.g. the odour and sight of the waste
  must be eliminated.
- makes sure that there is no more
direct exposure to the raw waste
and the health risks associated with
this.
- protects and prevents the con-
tamination of underground water re
sources by containing the waste
instead of allowing the waste
to leach into the underground
water system with the resultant
contamination.

THE JOURNEY:
Having briefed the Research & De-
velopment (R&D) department on the
above scope, the Sanitech teams
got to work. By the middle of 2018,
Sanitech achieved the goal set and
developed their patented DST unit.
This unit can be retrofitted to an
existing pit latrine to not only prevent
children from falling in to the pits, but
also to prevent the spread of disease,
is easily serviceable and protecting
the groundwater environment from
potential contamination. What makes
Sanitech’s Khusela DST so unique is the
patented rotating bowl that ensures
that not only is it impossible for a child
to fall through, but it covers the waste
and prevents the odour of the waste
permeating upwards into the unit.
A specially developed containment
system prevents the waste from leach-
ing into the underground water and
the waste can be pumped out which
ensures that the pit does not have to
be rebuilt on another site when it is full.

To date 277 units have been
installed in South Africa and Sanitech
also works in conjunction with
various companies as part of their
CSI initiatives in order to install these
units in rural schools and informal
settlements.

THE RESULTS:

<table>
<thead>
<tr>
<th>SAFETY</th>
<th>Children cannot fall in</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER</td>
<td>Dry Sanitation solution - preserves scarce water resources</td>
</tr>
<tr>
<td>DIGNITY</td>
<td>No faecal exposure for both the user and service teams - rotating bowl seals waste from the user</td>
</tr>
<tr>
<td>HYGIENE</td>
<td>Minimal odour if maintained properly</td>
</tr>
<tr>
<td>ENVIRONMENT</td>
<td>Bladder below houses the waste - no environmental pollution through seeping on walls</td>
</tr>
<tr>
<td>LAND SHORTAGE</td>
<td>Enables continued use of pit latrines without abandoning them when full</td>
</tr>
<tr>
<td>COST EFFECTIVE</td>
<td>Sealed rotating bowl enables no foreign objects which improves serviceability</td>
</tr>
<tr>
<td>FLEXIBILITY</td>
<td>Can be retrofitted into existing pit latrines as well as installed as new</td>
</tr>
<tr>
<td>CAPACITY</td>
<td>The bladder is expandable (can hold up to 2000 litres of waste)</td>
</tr>
<tr>
<td>TAMPER PROOF</td>
<td>The service hatch is tamper proof and provides additional health and safety benefits</td>
</tr>
</tbody>
</table>

CONCLUSION:
The Khusela DST unit is an improvement
to existing pit latrines that addresses
the health and safety shortfalls and
servicing problems, whilst ensuring
that environmental and underground
contamination cannot occur.
Establishment of the Wellness Centre for chronic medication including on site doctor and counselling for employees. Driver safety training programme implemented.

**BUSINESS OVERVIEW**

- RTT is Africa’s largest privately-owned parcel distribution company.
- The company provides supply chain solutions, secure transportation, warehousing and distribution and other value-added services on a fully-integrated basis.
- RTT’s footprint extends across sub-Saharan Africa, comprising over 128,800m² of warehousing and cross docking facilities with a fleet in excess of 1,200 vehicles.

- The business Road Traffic Safety (RTS) project is largely complete with a number of key initiatives already in place:
  - Driver engagement forum to diagnose key factors contributing to road safety incidents;
  - Ongoing driver training;
  - On the road, real time speed and fatigue monitoring;
  - Driver merit systems;
  - Rigid alcohol and substance abuse policies; and
  - Improved driver recruitment processes.
- These initiatives have contributed significantly to the much improved incidents statistics and have resulted in RTT achieving ISO 39001 certification for road safety – the first company in South Africa to receive this certification.
- These initiatives have contributed significantly to the much improved incidents statistics and have resulted in RTT achieving ISO 39001 certification for road safety – the first company in South Africa to receive this certification.
- RTT has a clear action plan relating to Transformation for the next 12 – 18 months to maintain a level 3 (Revised Transport Sector Codes still to be gazetted). This includes the establishment of an educational trust which will be used to facilitate studies and training for previously disadvantaged individuals as well as partnering with qualifying owner drivers.

**PHILANTHROPIC**

- Establishment and continued funding for the SweetWater Home Project for orphans from previously disadvantaged communities.
- RTT Precious Cargo Educare Centre cares for employees’ children at select facilities for up to 50 children between 2 months and 6 years old.

**OPERATIONS**

- Development of targets to reduce carbon footprint for 2019 by 10% through increased on site waste recycling, reduced electricity and water use and reduction of vehicle emissions.
- RTT has a code of conduct, HR policy, grievance policy and a training and development policy protecting the rights of employees.

**WORKING TOWARDS THE UN SUSTAINABLE DEVELOPMENT GOALS**

- Initial Investment: June 2014
- Sector: Industrial transportation services
- Headquarters: Johannesburg, SA
- IFC Category: B
- B-BBEE: 3

- Establishment of the Wellness Centre for chronic medication including on site doctor and counselling for employees. Driver safety training programme implemented.
- RTT has a code of conduct, HR policy, grievance policy and a training and development policy protecting the rights of employees.
- Development of targets to reduce carbon footprint for 2019 by 10% through increased on site waste recycling, reduced electricity and water use and reduction of vehicle emissions.
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Alignment with SDG classified as Operations (direct impact on the SDGs from internal operations including supply chain and staff, business administration and manufacturing etc), Products & Services (direct impact on the SDGs through products and services offered to the market) and Philanthropic (as result of a charitable or altruistic action).
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
- ESG committee established in Q2 of 2018 with a senior member from each business unit being responsible for monitoring and reporting energy and water usage, recycling initiatives, carbon emission calculations and fuel saving initiatives. A tracking tool has been developed to gather information.
- A Carbon Footprint assessment was completed in December 2017 to drive energy and waste saving initiatives with 85% average waste recycling achieved per month across the divisions.
- Well water harvesting has been implemented at the Cape Town division.
- IT equipment upgraded to Energy Star rated equipment to be more energy efficient.
- Green band driving implemented in all RTT owned vehicles reducing fuel consumption by 7 – 12%.

GOVERNANCE
- In Q2 2019 a Business Continuity Plan (incorporating the disaster recovery plan will be instituted).
- To date, over 100 RTT employees have attended ethics training with a focus on Anti Bribery and Corruption (ABC).
- The implementation of ISO 39001 has resulted in reduced traffic incidents, including reduced occurrence of speeding fines.

SOCIAL, HEALTH, SAFETY AND SECURITY
- RTT Group obtained a Level 3 B-BBEE status valid until November 2019
- The RTT Education Trust has been established for the benefit of previously disadvantaged individuals as well as partnering with qualifying owner drivers.
- ISO 39001 accreditation with Global Conformance (GC) Mark (the first in South Africa) was received for the Road Transport Management System in Johannesburg, one of the first of 462 organisations worldwide to achieve the accreditation.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Systems are in place to ensure that EHS risks are identified and managed effectively, with the documentation to demonstrate this.

Workforce is a key component of RTT operations and the HR Director was appointed to manage the staff component in line with applicable requirements.

RTT operates a large fleet of vehicles travelling 5.6 million km per month; RTT is undertaking initiatives to reduce carbon footprint.

A Road Transport Management System is being rolled out across South Africa and ISO 39001 awarded in Johannesburg operations to improve road safety.

Key Relevant Performance Highlights

Total cost saving of ZAR 8.8m from 09/16 - 08/18
- 70% reduction in pedestrian accidents
- 25% reduction in vehicle accidents
- 44% reduction in traffic fines
- Total cost saving of ZAR 8.8 million

132 employee learnerships in 2018

22% of staff received training during FY 2018, representing more than ZAR 3 million training spend

Fuel consumption (petrol and diesel, kl)

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 25/02/2019

Fuel Consumption (Petrol and Diesel, KL)

- 12,000
- 6,000
- 3,000
- 0

2015 2016 2017 2018

ETHOS FUND VI

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

132 employee learnerships in 2018

22% of staff received training during FY 2018, representing more than ZAR 3 million training spend

Fuel consumption (petrol and diesel, kl)

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 25/02/2019

Fuel Consumption (Petrol and Diesel, KL)
CASE STUDY:
CULTURAL CHANGE THROUGH DRIVING ROAD SAFETY ADDRESSING SUSTAINABLE DEVELOPMENT GOAL 3 (GOOD HEALTH AND WELL BEING)

THE CHALLENGE
The business has 22 branches through South Africa and cross border, covering most towns in SA. There is also an express parcel service moving in high density traffic areas with a fleet ranging from motorbikes to truck tractors. The fleet travels 66.5 million kilometres annually delivering to 5800 stores in 800 shopping centres. A culture change was needed to create sustainability in the business, and by doing so, reduce costs and negative impacts to employees and communities (fatalities of both employees and third parties, injuries, traffic fines, accidents resulting in vehicle damage and associated costs for downtime, freight loss and reputation).

THE OBJECTIVE
The programme was to facilitate a positive culture change across all RTT employees in the Group and to use this to drive behaviour change, enabling an improvement in the overall work environment and increase employee engagement. This would further help improve the safety of surrounding communities for both employees and South African citizens, by reducing road deaths and accidents (and thus contribute to Sustainable Development Goal 3), as well as facilitating a reduction in the carbon footprint, allowing RTT to benchmark against a global standard and focus on long term sustainability rather than short term goals.

THE JOURNEY
Started with an investment in technology, upgrading operating systems with a strong focus on high visibility real time data, developing data dashboards and implementing Route Optimisation and Dynamic Routing. Through the 'Butterfly Effect' (small changes have large effects), RTT acknowledged that driver safety is the responsibility of the entire Company and so the drivers (the RTT engine room) were actively engaged to understand the behaviours of drivers and managers. Through the adoption of a coaching approach, an independent employee survey was undertaken to establish employee satisfaction levels, self awareness training for managers on how to manage staff, improved driver recruitment process and implementation of a Driver Merit System. A larger focus was placed on driving behaviour in the yard and real time speed monitoring, rigid alcohol and substance abuse policies and live dashboards showing real time metrics were implemented. This approach was implemented across the value chain, providing training and guidance to third party suppliers and line haul suppliers. A Wellness Centre was also established that provided an on site doctor and counselling facilities, a chronic medication dispensary, an improved staff canteen and eating areas, upgraded ablution facilities and transport home after hours. Ongoing driver training was conducted via Weekly Toolbox Talks and emphasis was placed on all staff through the RTT Training Academy.

THE RESULTS
RTT received international recognition as one of the first to achieve ISO 39001 certification for Road Safety in South Africa as well as being the first organisation globally to be recommended and issued with the Global Conformity and GC-Mark “Verified Safe Transport” Mark and Certificate.

Noticeable changes have been affected within RTT with improved employee morale resulting in lower staff turnover, improvement in brand reputation and a reduction in the number of social media complaints. Cost containment resulted in competitive pricing models in difficult economic climates and demonstrated an impact on the socio economic climate across the broader South African community.

Cost saving of R8,789,424 between September 2016 and August 2018 (qualify)

Source: RTT
Autozone has a HR policy, code of conduct, grievance policy and a training and development policy protecting the rights of employees.

**BUSINESS OVERVIEW**

- The largest privately-owned automotive parts aftermarket retailer and wholesaler in Southern Africa.
- Outlets are geographically widespread throughout South Africa, which includes:
  - A central distribution centre and head office
  - Nine regional distribution centres servicing wholesale and retail customers
  - Around 200 retail branches throughout South Africa

- Launched in 1999 and has an estimated 22% market share.
- The ESG challenge for Autozone is to position the company to outperform in this area. A succession plan to address Employment Equity at the Senior Management Levels is ongoing.
- Autozone achieved a Level 5 B-BBEE rating in July 2019.

- In the last year Autozone has placed great emphasis on the positive contribution it can make within South Africa as a whole. As such, we are proud to have achieved a level 5 B-BBEE rating.”

Autozone has a HR policy, code of conduct, grievance policy and a training and development policy protecting the rights of employees.

Autozone addresses employee wellness issues by ensuring that employees have access to the Employee Assistance Programme, including access to primary healthcare where needed.

Autozone participates in learnership programmes. Standard training is provided to all staff to cover OHS, generic sales, customer service, retail and wholesale supervision and generic management.

“In the last year Autozone has placed great emphasis on the positive contribution it can make within South Africa as a whole. As such, we are proud to have achieved a level 5 B-BBEE rating.”

Horisane Marivate, ESG Champion, Senior Associate, Value Add
Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Policies and procedures are being consolidated into a single environmental and social management system to manage EHS risks.

Autozone has an OSHAC committee that ensures compliance with the South African OHS Act and have monthly meetings to check as part of internal reviews.

Emergency Response and Preparedness Plans have been prepared for each site and are periodically reviewed.

The ESG challenge for Autozone is to position the company to outperform in this area. A succession plan to address Employment Equity at the Senior Management Levels is ongoing.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Policies and procedures are being consolidated into a single environmental and social management system to manage EHS risks.

Autozone has an OSHAC committee that ensures compliance with the South African OHS Act and have monthly meetings to check as part of internal reviews.

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The ESG challenge for Autozone is to position the company to outperform in this area. A succession plan to address Employment Equity at the Senior Management Levels is ongoing.
**B U S I N E S S  O V E R V I E W**

- Twinsaver is a leading manufacturer in the South African consumer tissue industry.
- The business currently leads in the 1-ply segment and is the second largest branded player in the 2-ply segment.
- The business also manufactures away-from-home tissues and other disposable household products such as paper towels and serviettes.
- Twinsaver owns a national recycling business called Econamic (previously Neopak Recycling) which primarily collects waste paper for Twinsaver.

- The Company is open to the input and guidance provided by the SEC.
- ESG risks have been identified and are well mitigated. The ESG opportunities are also being identified and driven towards.
- Policies, procedures and communication across the SEC is well managed and the Company is making good strides in the advancement of empowerment across the pillars of transformation.
- The Company has maintained a Level 5 (expired in March 2019) through the different Code changes. Efforts are underway to further uplift their next rating with several initiatives across the pillars (targeting a Level 4), including implementing the YES programme.

“**The appointment of the new CEO and CFO, working together with the existing team, has brought sustainability to the forefront of the Twinsaver business from institutionalising employee health and safety, significantly increasing recycling activity to proactive maintenance of equipment, the fully integrated business planning has had a profound impact on the employee and customer experience.**”

Tim Souter, ESG Champion, Partner

**WORKING TOWARDS THE UN SUSTAINABLE DEVELOPMENT GOALS**

**Twinsaver** has a code of conduct, HR policy, grievance policy and a training and development policy protecting the rights of employees.

**Twinsaver** is the largest tissue manufacturer and user of recycled paper fibre in South Africa across all ranges.

**INITIAL INVESTMENT: MARCH 2015**

**ETHOS FUND VI & MID MARKET I FUND**

**T W I N S A V E R**

**Tim Souter, ESG Champion, Partner**

**SECTOR**

**INDUSTRIALS**

**Headquarters**

**Johannesburg, South Africa**

**IFC CATEGORY**

**B**

**B-BBEE**

5

**PRODUCTS AND SERVICES**

Twinsaver is the largest tissue manufacturer and user of recycled paper fibre in South Africa across all ranges.

**OPERATIONS**

Adult Education Training is provided to employees to address the fundamental skills of reading, writing and literacy and numeracy skills.

**TIMELINE:**

- **INITIAL INVESTMENT:** MARCH 2015
- **SECTOR:** Industrials
- **Headquarters:** Johannesburg, South Africa
- **IFC Category:** B
- **B-BBEE:** 5

**Alignment with SDG classified as:**
- **Operations** (direct impact on the SDGs from internal operations including supply chain and staff, business administration and product design)
- **Products & Services** (direct impact on the SDGs through products and services offered to the market) and **Philanthropic** (a result of a charitable or altruistic action).
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
- Energy saving initiatives have to date produced a 5% energy saving across all of the manufacturing sites.
- Over 60% of the water used in manufacturing is now sourced from boreholes (reducing reliance on reservoirs and river systems).
- Tissue based products are 100% biodegradable. A chlorine-free, sulphate-based bleaching agent is used that is less harmful to the environment.
- Twinsaver sources all Virgin Fibre from sustainably managed forests.

SOCIAL, HEALTH, SAFETY AND SECURITY
- Standard Operating Procedures (SOPs) (including OHS) have been developed across all sites and plants, including the establishment of a SHEQ committee.
- Significant time has been invested into developing educational options for employees from basic education through to on-the-job training and managerial courses being offered.
- All material used in the Recycled Fibre tissue is sourced from informal recycling collectors, providing sustainable incomes to communities in need while extending the lifespan of landfills to perform optimally.

GOVERNANCE
- Ethics Code and Disclosure details have been circulated to all employees at all sites. Marketing material in the form of posters and information cards have been disseminated.
- Redundant stock primarily donated in line with the Company’s CSI policy and principles for organisations and charities close to the communities in which they operate in the area of health and hygiene.
- Committees have been established and terms of references updated, with the first meetings having been held.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

The Green Choice mark indicates a Twinsaver product that is made from 100% recycled paper material.

Tissue products are 100% biodegradable.

ISO 9001
All sites certified

Development of standard operating procedures (including OHS) across all plants. Monthly OHS review kicked off. Implementation of recommendations from audits and observations also being undertaken.

Community upliftment and infrastructure projects aided by donation of sludge by-product of the Recycled Fibre paper manufacture process; this is used to make bricks.

Key Relevant Performance Highlights

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 21/02/2019
Neopak has environmental Key Performance Indicators (KPIs) focused on responsible production measuring electricity, water and gas consumption and solid waste disposal.

OPERATIONS

Neopak has a code of conduct, HR policy, grievance policy and a training and development policy protecting the rights of employees.

OPERATIONS

New Gopferth corrugator at Wadeville will increase efficiency by replacing two lines with one.

OPERATIONS

There is enhanced scrutiny and systems being put in place to avoid safety incidents. The SEC is key to monitoring these changes and management of ESG risks.

OPERATIONS

The Company has maintained its Level 4 B-BBEE rating (valid until August 2020). Management control and Employment Equity remain key focus areas in order to retain Level 4.

OPERATIONS

The Company has some target areas to improve on regarding ESG performance.

OPERATIONS

Over the last year Neopak has seen a major improvement in the safety record with a 40% reduction in the Lost Time Injury Frequency Rate at all sites. This positive result is attributed to a key drive on behavioural safety focusing on the Neopak 3 safety obligations; taking care of yourself, taking care of others, listening when advice is given”.

Michael Jensen, ESG Champion, Partner
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
- The Rosslyn Mill has put in place a project to improve the capacity of the water recirculation loop to improve water consumption.
- There are plans for improved water usage in relation to the water treatment plant and an energy co-generation project, these will be implemented once business performance improves.
- AIB (food safety) certification was obtained at Wadeville operations.

SOCIAL, HEALTH, SAFETY AND SECURITY
- New HR Director appointed.

GOVERNANCE
- Ethics Code and Disclosure details have been circulated to all employees at all sites. Marketing material in the form of posters and information cards have been disseminated.
- Redundant stock primarily donated in line with the Company’s CSI policy and principles for organisations and charities close to the communities in which they operate in the area of health and hygiene.
- Committees have been established and terms of references updated, with the first meetings having been held.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Key Relevant Performance Highlights

- 68% of employees received training in 2018.
- 5 learners absorbed into business on completion of learnership programme.
- 64% Neopak uses recycled material in its mill process including newspaper, office waste paper and printer waste, magazines and brown kraft paper, plastics (PET, HDPE, LDPE and PP), glass and food and beverage cans.
- 64% of recycled material is used to produce corrugate. Neopak participate in the PAMSA waste management programme.
- 180,000 in tonnes of recyclable waste processed by Neopak per annum.
- Neopak is accredited by ISO standards and Forestry Stewardship Council.

Neopak recycling engages with local entrepreneurs to facilitate procurement of recyclable materials from the informal sector, thus leading to more job creation.

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 01/03/2019.
Working Towards the UN Sustainable Development Goals

Eaton Towers has a medical insurance and pension scheme in place for its employees. OPERATIONS

Additional sites have been constructed in areas with poor or lack of coverage. In Uganda, sites were constructed in refugee camps and the team works closely with the office of the Prime Minister and Mobile Network Operators (MNOs) to identify further coverage gaps in remote areas.

PRODUCTS & SERVICES

Alignment with SDG classified as: Operations (direct impact on the SDGs from internal operations including supply chain and staff, business administration and manufacturing etc); Products & Services (direct impact on the SDGs through products and services offered to the market) and Philanthropy (a result of a charitable or altruistic action).

“Eaton Towers is a leading pan African independent tower company (“ITC”) with current operations in Uganda, Ghana, Kenya, Burkina Faso and Niger. It owns and manages a tower portfolio and its customers comprise blue chip GSM operators in the respective countries. Eaton Towers has completed the acquisition of the Bharti Airtel assets in Uganda, Ghana, Kenya, Burkina Faso and Niger. It is the most geographically diversified ITC on the African continent and its portfolio has grown from 1,499 prior to the Bharti Airtel transactions to c.5,000 towers.

In December 2013 Eaton Towers launched its third capital raise when it was selected as sole bidder to enter the due diligence stage of a transaction to acquire a tower portfolio from Bharti Airtel in selected African countries. Ethos’ relationship with Development Partners International (“DPI”), an incumbent shareholder in Eaton Towers, created the opportunity to participate in the US$345 million capital round.

The Company has shown significant commitment and improvement to ESG considerations through the development of an ESMS from scratch and in particular, placed a real effort on governance and uniform implementation of policies across 5 geographies.”

Tim Souter, ESG Champion, Partner
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
• Constantly review energy consumption at sites. The introduction of green energy and hybrid systems has reduced the run hours of diesel generators reducing emissions and frequency of refuelling thereby reducing spillages.
• Developed a Group level standard for Private Security and disseminated across all country operations.
• In Uganda, the Environment Regulator (National Environment Management Authority) recognised Eaton Towers for supporting them in promoting environmental awareness through the World Environment Day Celebrations.
• Diesel is a major input on sites, and carries the risk of spillage. Containment bunds have been installed on a number of sites (with plans for all sites with diesel generators) which contain spillage and allow for simple clean-up.

GOVERNANCE
• Formalised and implemented tailored principles for land acquisition and compensation that align with the intent of Performance Standard 5 (Land acquisition and involuntary resettlement). Completed and included in ESMP and disseminated to contractors.
• The integrated management system was successfully certified against ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. Carbon calculator for emissions was verified and certified against Greenhouse Gas standard ISO 14064-2006.

SOCIAL, HEALTH, SAFETY AND SECURITY
• Use of technology to code sites and control entry was introduced to ensure that only authorised individuals can access the site, thus ensuring public health and safety, as well as reducing vandalism and site downtime.
• New sites have been built in areas where the population is considered disadvantaged and where there is poor coverage.

In 2018 approximately 53% of newly developed sites were constructed in these areas. 19 sites in Burkina Faso, 45 in Ghana, 45 in Kenya, 19 in Niger and 66 in Uganda were developed in poor coverage areas.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards


Workforce is a key component of Eaton Tower’s operations and training has been critical to upskilling the staff through provision of internal and external training of staff on H&S, fire safety and emergency fire drills, anti-bribery and corruption etc.

The Company has successfully implemented a programme of improving their energy efficiency by making improvements to their grid and diesel consumption by using alternative energy sources.

Use of technology to code sites and control entry was introduced to ensure that only authorised individuals can access the site, thus ensuring public health and safety, as well as reducing vandalism and site downtime.

Key Relevant Performance Highlights

All of Eaton Towers in the country operations are certified.

Data produced from annual ESG questionnaire as completed by portfolio companies. Data correct as of 22/02/2019.
B U S I N E S S  O V E R V I E W

- Eazi Access (Eazi) provides work-at-height and material handling solutions to various sectors across the economy, through the rental, sales, service, training of its machinery.

- Eazi currently has 2,000 machines, representing the largest and most diverse fleet on the continent and has a stated long-term ambition of reaching market demand levels in South Africa and sub-Saharan Africa.

- The business services the mining, heavy and light construction, entertainment, manufacturing, FMCG, transport as well as the oil and gas sectors.

- Eazi focuses on the rental, sales, service, training of equipment through:
  - Six regional hubs in Midrand, Witbank, Cape Town and Durban within South Africa and Windhoek and Matola in sub-Saharan Africa
  - Seven Depots
  - Six Sub-Depots
  - Multiple Customer Sites

- The medium term focus for Eazi over the next 12 – 24 months is on:
  - Adoption of a Company ethics charter by all employees of the Company while focusing on a whistle blowing function.

WHISTLE BLOWERS

- Assessing and improving the state of labour to address high staff turnover, to ensure employment equity is prioritised and generally improving the organisational culture.

- Implementation of the Environmental Risk Matrix System which has been formalised and strengthened with the introduction of an operations manager in the business.

- Developing a B-BBEE strategy for the business aligned to its business objectives.

- The Company is currently rated a Level 4 (expiry in June 2019). The B-BBEE Committee worked with external consultancy to develop and execute a B-BBEE strategy to achieve a level 4. The focus has been on upskilling staff, management structures, procurement and supply chain and supporting black entrepreneurs and supply chain.

Eazi has partnered with Momentum to implement a wellness programme in South Africa. Family Assistance Benefit is offered 24/7, 365 days a year to all full time employees.

Eazi University provides training, development and learnerships for employees, including people with disabilities. SETA funded training and specialised Diesel Mechanic Apprentices.

Eazi has a code of conduct policy, grievance & disciplinary policy together with a training & development policy protecting the rights of employees.

Eazi supports a number of organisations through its CSR activities that align with multiple SDGs.

Working Towards the UN Sustainable Development Goals

Alignment with SDG classified as:

Operations (direct impact on the SDGs from internal operations including supply chain and staff, business administration and manufacturing etc), Products & Services (direct impact on the SDGs through products and services offered to the market), and Philanthropic (a result of a charitable or altruistic action).

Sector: Rental & Sales of niche Industrial equipment

Headquarters: Johannesburg, South Africa

IFC Category: B

B-BBEE: 4

INITIAL INVESTMENT: JANUARY 2016

ETHOS FUND VI

Titi Sekhukhune, ESG Champion, Partner, Mid Market Fund
**Examples of Recent ESG Developments**

**Environmental**
- The Company has implemented waste management policies and procedures relating to the safe disposal of oil, tyres, batteries, scrap steel and general waste, in line with South African environmental legislation.
- Hybrid Tier 3 diesel engines are being considered as an alternative to current technology, when diesel quality is available in South Africa.
- Policy and processes have been formally adapted and implemented empowering the SHEQ Manager to ensure that all spills are cleaned within 24 hours of the event.
- ISO 9001 certification is currently in progress with Shared Services aimed at being certified by December 2019. The benefits accrued have come from reviewing Eazi’s processes through the New Eazi Way initiative and the successful integration of these within the business.

**Social, Health, Safety and Security**
- The diversification of market segments and understanding their respective regulations has been a key driver to organisational change. This has led to the realignment of employee positions to specialist functions, while gaining a tiered client centric approach, aimed at creating a more sustainable business model. These changes have been off the backdrop of a weak trading environment.
- All training provided to clients on equipment usage include emergency preparedness and response procedures.
- The Company is providing training consistent with the requirements of OHSA to ensure that employees are aware of the potential hazards and that there are sufficient procedures to identify and manage the potential occupational hazards.

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“It is rewarding to see the business prioritise safety as its top strategic objective for the medium term. The leadership of the business is driving a culture shift in the organisation that has seen group safety performance for the first six calendar months in 2019 show steady year on year improvement in - halving Lost Time Injuries and Lost Time Days. The business has also invested in Safety Awareness training to help assist in reducing the number of vehicle accidents.”
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Titi Sekhukhune, ESG Champion, Partner Mid Market Fund

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**Managing ESG Risks Across the Business: Applicable IFC Performance Standards**

A suitable level of ESMS is in place throughout Eazi’s operations.

**Key Relevant Performance Highlights**

- Workforce is a key component of Eazi operations. The Exco team, lead by the CEO consisting of COO, CFO, CHRO were recently appointed into their roles.
- The content of HR policies have been reviewed in line with IFC PS 2 and national legislation.
- The Company has implemented waste management policies & procedures.
- The location of the Company’s operations in industrial areas together with the policies and procedures in place, result in minimal impact on the surrounding community.

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1 Data for January – July 2018 and January – July 2019
CASE STUDY:
STAKEHOLDER ENGAGEMENT
JOURNEY: ADDRESSING SUSTAINABLE DEVELOPMENT
GOAL 8: DECENT WORK AND ECONOMIC GROWTH

Eazi Access identified its key stakeholders, on individual, organisational, and community levels. These are employees, machine operators, customers, investors as well as the community in which it operates. The engagement between the stakeholders was reviewed, and it was decided to consolidate its 7 fragmented brands into a unified brand with a more structured stakeholder engagement approach.

This focused approach on stakeholder engagement, through a brand consolidation, has led to the development of: a monthly printed newsletter – ‘High Times’, monthly video blogs, SpeakEazi suggestion boxes, notice boards, and posters being placed in all branches. In addition, regular branch meetings, departmental meetings and one-on-one meetings are held, ensuring our employees are kept up to date on all matters related to safety.

Two monthly competitions are run, the first being a Delight the Customer competition whereby employees are recognised for going above and beyond the normal call of duty. The second is designed to be a fun competition, which drives company and industry knowledge. This is through a crossword, a word search, or a spot the difference competition based on Eazi Access products and services.

Employees’ birthdays are celebrated with birthday messages shared weekly. Engagements are further supported through a structured and collaborative platform, as well as email focused initiatives e.g. From the Desk of Brett Kimber (important CEO announcements), marketing mailers, and a dedicated SpeakEazi email address (compliments, complaints or wrong-doing can be reported through this channel). An initiative which is driven by Eazi Access’s CEO, called Ask Brett? also allows for any direct, work-related communication with the CEO.

Eazi Access’s employee engagement has, equally important, extended into the wellness of our employees with a birthday day-off, and a 4-month paid maternity leave policy being introduced. More than that, a formal wellness programme, through Momentum has been made available to employees. This programme offers our employees assistance in; legal matters, claims procedures, trauma and assault assistance, together with HIV protection treatment, emergency medical services, and bereavement counselling.

Eazi Access’ stakeholder engagement has further been improved through a focused Socio Economic Development (SED) programme to assist non-profit organisations in a more sustainable manner. Eazi Access is dedicated to, and strives towards, the upliftment of the community through 5 (Qualibooks Naledi, New Jerusalem Children’s Home, Kirsty Watts Foundation, Oliver’s House, and the Manger Care Centre) consistent and sustainable investment initiatives. These initiatives are focused on making a difference by improving the level of education, and overall well-being of the communities in which they operate and are aligned to the Sustainable Development Goals.

In addition to the SED programme, Eazi Access is engaged with local communities through various CSR initiatives. These initiatives are selected and run by the respective branches based on their local community needs. These initiatives include: blood drives, donations to animal care centres, children’s care facilities being upgraded, investment into school libraries through book distributions, and numerous other activities aligned to national initiatives such as Mandela Day.

Eazi Access’s machine operators are also sourced from the local communities, upskilled to operate the Eazi Access machinery, and kept informed of any Eazi Access news either through a weekly SMS, or the internal monthly ‘High Times’ newsletter.

Proactive media engagement has ensured the positive management of all industry and organisation related news being shared through press releases. These are published in print or online with publications with which, established media relationships have been created and maintained. This is then shared with customers, through a bi-monthly customer newsletter. The key customer account management focus is thus further supported.

Our engagement further extends to our shareholders, who receive the ‘High Times’ newsletter, video blogs, as well as media press releases, ensuring they are kept up to date with all activities taking place within the organisation. In addition, formal quarterly, and bi-annual committees have been set up and serve as informative and review management tools.

The consolidation of the fragmented brands into a singular brand, with key messaging being delivered in a structured and focused approach, has led to Eazi Access’s stakeholders being kept informed consistently across various communication platforms. This in turn has resulted in engaged stakeholders with a shared understanding of Eazi Access.

ONE OF THE EXAMPLES OF EAZI ACCESS’ ENGAGEMENT INITIATIVES

We are women, we are workers, we stand together.’ These simple but powerful words were spoken by Lilian Ngoyi, one of the leaders of the 1956 Women’s March.

Lilian had started training as a nurse but circumstances prevented her from continuing and she worked as a machinist in a clothing factory for over 10 years.

Today, many women have greater opportunities to take on work that suits their skills – just ask our technicians, Naomi Milanzi and Tsembela Tshwati, our many of our operators and store assistants. To all the women out there particularly in TEAM EAZI, we say...
You are responsible for your own safety and for the safety of others.

All accidents are preventable. Do not take short cuts. Always follow the rules.

If you are not trained, don’t do it. Use the right tools & equipment and use them the right way.

Assess the risks before you approach your work. Never wear loose clothing or slippery footwear.

Do not indulge in fooling around while at work. Practice good housekeeping.

Always wear Personal Protective Equipment (PPE).
THE BEVERAGE COMPANY

Glynn Potgieter, ESG Champion, Principal

BUSINESS OVERVIEW

• The Beverage Company (TBC) produces Carbonated Soft Drinks (“CSD”), water and energy drinks primarily using its own brands Refreshhh!, Jive, Coo-ee and Reboost.

• TBC is the largest private label CSD bottler to major retailers in Southern Africa and is also the licensed bottler and distributor for Pepsi.

• TBC is the largest independently owned beverage producer and distributor in South Africa with a national production and distribution footprint.

• Over the past 12 months, the team at TBC has made meaningful progress and has put the foundations in place to drive the ESG agenda forward. The team has delivered on a number of key milestones including:
  - Upskilling through participating in ESG specific training initiatives;
  - Electing a dedicated ESG champion who has demonstrated capacity and drive to use the ESG platform to extract commercial benefit for the business; and
  - Board approved work plan for the next 12 months.

• In summary, the shareholders and board are supportive and the primary building blocks and structures for a functioning ESG system are in place.

• The Company was rated a Level 8 for B-BBEE (certificate expired on February 2019). Since the expiration of the certificate, the Company commenced engagement with a new rating agency and is currently working on a B-BBEE scenario and gap analysis with BEE123 to improve their FY19 rating. Transformation is a priority and a standing item on the SEC agenda.

• A Group wide process and action plan has been put in place to assist and monitor the integration of the bolt-on acquisition of the PepsiCo business into TBC. This includes items raised in the due diligence report. The action plan is monitored at the SEC meetings.

TBC is recycling waste water streams for use in existing manufacturing processes reducing the use of municipal water consumption.

OPERATIONS

Refreshhh Els for Autism: through the Refreshhh water range, 25c for every bottle sold is donated to the foundation.

PHILANTHROPIC

Per litre of product produced, there has been a reduction in water used from 1.8 litres to 1.3 litres over the last 24 months at the Cape Town facility.

OPERATIONS

TBC has a code of conduct, HR policy, grievance policy and a training and development policy protecting the rights of employees.

OPERATIONS

TBC are members of PETCO in support of recycling initiatives.

OPERATIONS

In summary, the shareholders and board are supportive and the primary building blocks and structures for a functioning ESG system are in place.

“TBC is making great strides with its health, safety and environmental agenda. Water resource and energy use for this F&B company are key operational considerations and TBC’s ambitious plan of achieving zero waste to landfill by 2020 and attaining ISO 50001 based management system demonstrates a strong commitment to improved performance.”

Glynn Potgieter, ESG Champion, Principal

INITIAL INVESTMENT: APRIL 2017

Sector Headquarter

Food & beverage Johannesburg, South Africa

IFC Category B-BBEE

B

8

Alignment with SDG classified as: Operations (direct impact on the SDGs from internal operations including supply chain and staff, business administration and manufacturing etc), Products & Services (direct impact on the SDGs through products and services offered to the market) and Philanthropic (a result of a charitable or altruistic action).
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
• Initiatives have been implemented to assess the potential risk for contaminated land at the Johannesburg facility associated with the underground storage tank. Results showed that there was no contamination into surrounding environment.
• As a continued initiative to reduce the litre per litre consumption, TBC have partnered with the Council for Scientific and Industrial Research (CSIR), who are running a programme to support manufacturing companies improve their overall sustainability.
• TBC is currently assessing the use of boilers at their facilities with a view to reduce Greenhouse Gas Emissions and better understand their energy performance in line with the South African Carbon Tax requirements.
• TBC has set a target of zero waste to landfill by 2020.

SOCIAL, HEALTH, SAFETY AND SECURITY
• A national OHS officer was appointed in February 2019.
• The Company has in place OHS representatives at both manufacturing facilities in Johannesburg.
• Additional initiatives to be implemented include the development of a monitoring control to ensure that all new/existing installations that meet the definition of a Material Hazardous Installation (MHI) are identified and recorded, ensuring that a risk assessment is conducted for all MHI facilities and that the Emergency Preparedness Plan is updated.
• Further action will be undertaken to assess noise risk exposure at both manufacturing facilities in Johannesburg.
• Application of the Company’s EHS policy to the supply chain and assessment of forced/child labour policies for the supply chain.

GOVERNANCE
• The Board and its sub-committees have been constituted and are fully functional.
• An independent Chairman has been appointed.
• Committee has been constituted with the first meeting held in October 2018. The SEC meetings are held on a bi-annual basis. The Committee has oversight at Board Committee level on ESG.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Systems are in place and are being updated to ensure that EHS risks are identified and managed effectively, with the documentation to demonstrate this.

TBC intends to roll out its EHS policy to its supply chain as the organisation expands its manufacturing activities.

Water usage rates have been improved per product produced. Water recycling mechanisms being implemented to reduce municipal water consumption.

Screening risk assessments undertaken ruled out presence of MHI for on site boilers. CO2 tanks subject to 5 yearly assessments.

Key Relevant Performance Highlights

0.5 litres reduction of water used per litre of product produced, down from 1.8L at the Cape Town facility over 24 months.

23% of employees received training in FY2018.

70% reduction at the Isando Plant of waste going to landfill was achieved over a 3 month period in 2018.

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 22/02/2019.
CASE STUDY:

UPDATED SAFETY, HEALTH AND ENVIRONMENTAL (SHE) AGENDA: TOWARDS SUSTAINABLE DEVELOPMENT GOAL 8 (DECENT WORK AND ECONOMIC GROWTH)

TBC has embarked on an ambitious programme of updating its SHE programme over the last year. The appointment of a dedicated OHS Manager and on site Safety Officers has led to a rigorous programme of on site SHE audits and reviews which has resulted in visible management improvements. A roadmap to 2020 and beyond has been developed culminating in a SHE management system covering SHE policies, health and safety standards, environmental standards and procedures.

TBC is also striving for improved environmental performance and has set a target of zero waste to landfill by 2020. Partnering with waste collection providers, TBC is mapping out their waste generation and investigating the potential for replacing non recyclable material with recyclable ones. Waste segregation bins have also been installed at pilot sites and have resulted in a significant waste to landfill reduction.

Partnering with waste collection providers, TBC is mapping out their waste generation and investigating the potential for replacing non recyclable material with recyclable ones.
The medium term focus for Primedia over the next 12 – 24 months is on:

- Primedia Group is currently a B-BBEE Level 1 (expires November 2019). Primedia’s B-BBEE rating is of high importance to the business as the business also needs to comply with the ICT Charter. A detailed B-BBEE gap analysis was undertaken for each division and high level action plans were devised to address some of the gaps. Transformation is a priority and a standing item on the SEC agenda.

- During 2018, Primedia conducted an Employee Engagement survey; Group Human Capital has since completed identifying the key areas of improvement spanning all divisions and has launched the Investors in People programme across all Divisions.

- Based on outcomes from the Employee Engagement Survey, an improved Employee Welfare Initiative has been put in place with a newly appointed supplier.

**BUSINESS OVERVIEW**

- A leading media and advertising company in South Africa, with a footprint across Africa.
- Founded in 1994 and was listed on the Johannesburg Stock Exchange (JSE) in 1995. In 2007, it was taken private by a consortium led by the Mineworkers Investment Consortium (MIC).
- Comprises three divisions:
  - Broadcasting (70% of EBITDA) – owns and operates SA’s most popular premium music and radio stations and a highly respected news brand;
  - Out-of-Home (22% of EBITDA) – operations include outdoor billboards, in store and mall advertising with operations across 11 African countries; and
  - Cinema & Entertainment (8% of EBITDA) operates SA’s largest cinema chain Ster Kinekor.

**INITIAL INVESTMENT: DECEMBER 2017**

**IFC Category**

- B

**B-BBEE**

- 1

“Primedia’s LeadSA held their 4th annual Changemakers Conference in October 2018. The event, which celebrates active citizenry and the courage to effect positive change in South Africa, was attended by over 100 delegates including big business, CSI groups, NGO’s and active citizens.”

Frances Cronje, ESG Champion, Senior Associate

1 Note that Ster Kinekor was exited by Primedia in December 2018
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
• A suitable level of ESMS is in place throughout Primedia’s operations, however, given the nature of the businesses, this is considered a low risk area.
  • An exercise to set the ESG KPIs is being undertaken.

SOCIAL, HEALTH, SAFETY AND SECURITY
• The Company is providing employees with documented policies and procedures that are clear and understandable.
  • The Company has and continues to operate based on the principle of equal opportunity and fair treatment.
  • The Company has in place sufficient procedures to identify and manage potential occupational hazards.
  • The Company provides training to all new employees as part of on-boarding.
  • The Company has developed a Grievance Mechanism.

GOVERNANCE
• The Board and its sub committees have been constituted and are fully functional.
  • An independent Chairman has been appointed.
  • A Code of Ethics Policy has been put in place.
  • Anti-corruption and bribery policies have been put in place.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

A suitable level of ESMS is in place throughout Primedia’s operations, however, given the nature of Primedia’s businesses, this is a low risk area.

Occupational health and safety is to become a mandatory reporting matter across the Group, with a focus on OHS induction and training for new joiners.

Key Relevant Performance Highlights

24% of staff trained in calendar year 2018.

80,000 optometric tests have been conducted and more than 10,400 pairs of spectacles have been provided to those in need through Ster-Kinekor’s Vision Mission.

Gender split in calendar year 2018

58% 42%

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 26/02/2019.
Vertice is renowned for its ability to deliver specialist quality, state-of-the-art medical technology and skills transfer.

Business Overview

• Vertice (VMTG) was established by Fund VI in May 2018 to acquire the Amayeza Group, operating as a buy and build strategy.

• Amayeza Group, established in 1998, markets and distributes medical devices, products and instrumentation across 11 medical specialisations, including cardiology, spine, and neurology.

• This business is renowned for its ability to deliver specialist, quality, state-of-the-art medical technology and skills transfer.

The medium term focus for VMTG over the next 12 – 24 months is on:

• Transformation is a priority and is a standing item on the SEC agenda. Vertice are currently at a Level 8 B-BBEE rating. During Q1 ’19 the company implemented a B-BBEE Employee Trust to achieve 25% B-BBEE Equity ownership in VMTG and are targeting a Level 4 B-BBEE rating for the Group.

• Work streams are in place to integrate all acquisitions and to roll out governance policies and protocols to newly acquired businesses.

• Prioritise the division of the business. This will result in several benefits including cost saving and simplification of B-BBEE ratings, ISO certification, DTI submissions and audits etc. This is targeted for implementation on 1st March 2020.

• Re-locating warehouses to a centralized warehouse allowing for cost savings on rent and efficiencies in logistics.

“Vertice has recently established a ‘Vertice Care Team Committee’ to drive the Company’s corporate social responsibility commitments. As part of this initiative, paper recycling has been implemented. This not only addresses the new POPI act, ensuring the confidentiality of Vertice’s clients and patients by disposing their collected information correctly, but also reduces the Company’s waste being sent to landfill.”

Jonathan Lowick, Industry Specialist, Healthcare

Working Towards the UN Sustainable Development Goals

Vertice markets and distributes medical devices, products and instrumentation across 11 medical specialisations.

Initial Investment: May 2018

Sector
Healthcare

Headquarters
Pretoria, South Africa

IFC Category
C

B-BBEE
8

Vertice has a HR policy, code of conduct, grievance policy and a training and development policy protecting the rights of employees.

Alignment with SDG classified as
Operations (direct impact on the SDGs from internal operations including supply chain and staff, manufacturing etc), Products & Services (direct impact on the SDGs through products and services offered to the market) and Philanthropic (as result of a charitable or altruistic action).

Jonathan Lowick, Industry Specialist, Healthcare
Vertice is actively managing the Greenhouse Gas (GHG) Emissions contribution from the business activities through a GHG inventory with the next step to set reduction targets.

Workforce is a key component of Vertice and the Company is developing Employment Equity Plans for approval and implementation. OHS training is conducted to prevent and prepare employees for any H&S risks.

Vertice has a good understanding of its resource use, with water consumption being key. The next step is to set water consumption reduction targets.

The Company is drafting a plan relating to public health and safety and developing a CSI programme.

Melissa Nicholson, ESG and Compliance Co-ordinator

Once a foundation of good governance and compliance is set in a portfolio company the journey to adding value and opportunity can begin.
Kevro has established an Employee Forum which has yielded significant improved communication channels between employees and management. This is in addition to working on anti-corruption measures, employment equity and skills development focus areas, a code of conduct, HR policy and a grievance policy.

OPERATIONS

Kevro has developed a Learning and Development Plan for 2019 and a Talent Management Framework to develop existing talent, attract new talent and build on current capacity.

OPERATIONS

The business has a good corporate governance framework, with solid controls in place. An improved IT environment is expected to further enhance the control environment. Management is taking proactive measures to improve employee engagement and satisfaction. The board has decided to appoint an independent, non-executive Chairman, and the equity consortium is shortlisting potential candidates.

The business has made significant progress in embedding a culture of safety awareness and behavioural safety through various risk management processes and interventions in their operating environments. These interventions have shown early signs of success as zero lost time injuries were reported in recent months.”

KEVRO

Paula Mokwena, ESG Champion, Senior Associate, Mid Market Fund

BUSINESS OVERVIEW

• Founded in 1990, Kevro is Africa’s largest value-add supplier of corporate-branded Brand-Able solutions, spanning Corporate and Promotional Apparel, Gifting, Workwear, Sportswear, Headwear, and Display.

• Kevro owns several well-known brands, including the industry flagship, BARRON. Furthermore, Kevro owns the product development link of the value chain. Ownership of its brands allows Kevro the flexibility to decide category and product offerings.

• The company operates as a “trade-only” supplier to c. 10,000 resellers from six locations in South Africa, a branch in Windhoek, Namibia as well as a joint-venture in Nairobi, Kenya. Kevro also has a dedicated sales team that services key regions in West Africa.

• Kevro’s B-BBEE rating improved from a Level 7 rating to a Level 4 rating in March 2019. The Management Control pillar still needs improvement. However, management has a scorecard improvement strategy, which includes prioritizing appointment of EE candidates at all management levels.

• Kevro are driving ESG specifically around transformation and attention is being given to Health & Safety. To this end, the Chief Operating Officer and General Manager of the Factory have implemented a company-wide health and safety plan. In addition, a Safety Officer has been appointed to assist with monitoring the safety standards, including collecting information and liaising with the Department of Labour.

• Kevro re-instated the Employee Wellness Plan developed for 2018 and all staff have access to on-site clinics providing primary health care; the service is being fully utilised by employees.

INITIAL INVESTMENT: OCTOBER 2017

Sector: Consumer: Branded clothing/gifts

Headquarters: Johannesburg, South Africa

IFC Category: B-BBEE

Paula Mokwena, ESG Champion, Senior Associate, Mid Market Fund

Working Towards the UN Sustainable Development Goals

KEVRO

Paula Mokwena,
ESG Champion, Senior Associate, Mid Market Fund

Consumer:
Branded clothing/gifts

Johannesburg,
South Africa

C

4

“Kevro has made significant progress in embedding a culture of safety awareness and behavioural safety through various risk management processes and interventions in their operating environments. These interventions have shown early signs of success as zero lost time injuries were reported in recent months”.

Alignment with SDG classified as: Operations (direct impact on the SDGs from internal operations including manufacturing, business administration and manufacturing etc), Products & Services (direct impact on the SDGs through products and services offered to the market) and Philanthropic (a result of a charitable or altruistic action).
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
• The company is investigating energy saving efficiencies and setting targets for improvement over the coming year.

SOCIAL, HEALTH, SAFETY AND SECURITY
• The company conducted its second Employee Satisfaction Survey in August 2018. The survey indicated a slight decrease of 1% in employee satisfaction from the results of the 2017 survey. Management has put in place various initiatives to address the concerns raised which include the need for monthly employee forums and talent management.

GOVERNANCE
• All committees have been constituted (Board, Remco, Nomco, S&E Committee and Risk & Compliance Committee).
• The terms of reference for the Board and committees have been approved.
• In November 2018 a COO was appointed and is responsible for operational strategy implementation and process optimisation.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Systems are in place to ensure that EHS risks are identified and managed effectively, following the King III checklist.

Supply chain risks in Asia have been identified as key for labour considerations regarding child labour. Measures have been taken which involved suppliers pledging to check the ages of employees prior to employment to manage the risk and follow up actions implemented.

The company has engaged with two firms to understand initiatives available to reduce consumption of electricity through improved efficiencies.

Key Relevant Performance Highlights

2018
The Company increased their year on year spend for training in 2018.

11
learnership programmes for disabled learners across general education and training certificate business practice NQF1 and 20 employees on a learnership programme for general management NQF3.

ZAR 1m
of old stock donated to New Beginnings NGO in Johannesburg.

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 22/02/2019.
BUSINESS OVERVIEW

- Echotel (Echo) is a South African corporate Internet Service Provider (“ISP”). The business was established seven years ago by the current management team. The company primarily services South African high-end SME and enterprise clients.
- Echo provides Information and Communications Technology (“ICT”) services through an aggregation of third party networks.
- The company leverages over 60 partners through interconnect agreements to aggregate data connectivity, internet, virtual private networks, and security and cloud services.
- The company leverages over 60 partners through interconnect agreements to aggregate data connectivity, internet, virtual private networks, and security and cloud services.

The medium-term focus for Echo over the next 12 – 24 months is to continue the journey to formalise the business in a manner that does not extinguish the entrepreneurial flair by:

- Establishing the relevant Echo board sub-committees and ensuring the right governance structures are in place ahead of the Gondwana acquisition.
- Developing a sustainable B-BBEE strategy for the business aligned to its business objectives. HR, along with the Exco are tasked with developing this solution.
- Developing and implementing the following policies: Code of Conduct and Code of Ethics Policies; Grievance policy and mechanisms; Gift Declaration Policy.
- Echo’s ESG journey is taking time relative to other companies in the portfolio given the small size of the business. However due to the current low level of risk, we are comfortable with the amber rating.

ENVIRONMENTAL

- Echo’s head office is located in a “Green Building”, which implements energy and water saving mechanisms.

SOCIAL, HEALTH, SAFETY AND SECURITY

- Occupational Health & Safety: The Company has in place sufficient procedures to identify and manage potential occupational hazards. There is also a Health and Safety committee.
- The content of HR policies were found to be in accordance with the requirements of national legislation and IFC PS (apart from not having a grievance policy and mechanism in place).

GOVERNANCE

- The Board has been constituted and is fully functional and in the process of establishing the following sub-committees of the board of directors:
  - Social and Ethics Committee
  - Remuneration Committee
  - Audit and Risk Committee

“Over the last year, Echotel has made positive strides in entrenching strong governance principles throughout the organisations. There is a firm commitment from all stakeholders to continue on this path of excellence.”

Examples of recent ESG developments

- Alignment with SDG classified as: Operational (direct impact on the SDGs from internal operations including supply chain, products and services), Products & Services (direct impact on the SDGs through products and services offered to the market), Philanthropic (a result of a charitable or altruistic action).

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 01/03/2019.
Establishment of a Wellness programme for all Chibuku staff and family. HIV/Aids initiatives maintained through the supply chain including for Chibuku staff, distributors, sorghum farmers and Tavern Mamas.

Operations

- Since EMP3’s investment into Chibuku, the Company has compiled an Environmental and Social Action Plan (ESAP) and Business Integrity (BI) Plan for implementation.
- The ESAP was discussed (and implementation started) at the first ESG sub-committee meeting in February 2019 and is due for review at the next meeting (anticipated for Q3 2019).

Operations

- Over 5000 farmers in the communities provided with free red sorghum seeds by Chibuku through a formal contract agreement. Chibuku buys back the harvested red sorghum product from the farmers for processing.

Operations

- Budgeted initiatives to drive employment equity through deliberate attraction, recruitment and retaining of female and physically-challenged employees at all levels.

Operations

- Chibuku has an ethics policy, HR policy, grievance policy and a training and development policy protecting the rights of employees.

Operations

- “The short shelf life of Chibuku’s core product means that lost time or supplies can quickly translate into lost value. The value of the business is immediately linked to the wellbeing of its employees, suppliers and customers, and Chibuku has embraced a culture and policies that put sustainability at the forefront of its business.”

Richard Onyango, ESG Champion, Principal, Ethos Mezzanine Partners
EXAMPLES OF RECENT ESG DEVELOPMENTS

ENVIRONMENTAL
• The Company is working through the actions identified in the Environmental and Social Action Plan (ESAP), which commits Chibuku to undertaking a number of initiatives across IFC PS 1, 2, 3, 4 and 6 in the coming years.

SOCIAL, HEALTH, SAFETY AND SECURITY
• As part of the ESAP action items, Chibuku is working with its supply chain to develop and implement policies relating to security, human rights and corporate social responsibility and to raise awareness thereof.

GOVERNANCE
• An ESG sub-committee (of the Board) has been established comprising the national Technical Manager, National Quality Assurance and Health and Safety Manager, HR and Corporate Affairs Manager and operational managers, as well as Ethos representatives.

Managing ESG Risks Across the Business: Applicable IFC Performance Standards

Chibuku has in place appropriate policies and procedures commensurate with the ESG risks associated with the business. Documentation is in place to demonstrate this.

Action is underway to review risks associated with the supply chain to the main business. A risk register is also being developed to identify the key occupational health and safety risks.

Chibuku is implementing a long-term programme to deliver water, energy and waste improvements in its operations.

Chibuku has in place a CSI policy and will be developing a community investment strategy. Work is ongoing on a human rights policy that also covers the supply chain.

Key Relevant Performance Highlights

128 hours
CPL employees receive an average of 128 hours of training per year.

12
females in high skilled positions in the Company in addition to 589 women employed indirectly as ‘Tavern Mamas’.

18,000,000
MWK (US$ 24,000) spent on community development contributions for 2018.

Data produced from annual ESG questionnaire as completed by portfolio company. Data correct as of 22/02/2019.
CASE STUDY:
WORKING WITH LOCAL COMMUNITIES: TOWARDS SUSTAINABLE DEVELOPMENT GOALS 1, 5 and 8

BACKGROUND
Chibuku has maintained active and open stakeholder engagement activities with the local communities residing in the areas in which it operates for over 10 years now. Amongst the numerous social initiatives which Chibuku has embarked on, it developed an outgrower scheme with local small scale farmers to uplift the farmers’ subsistence earnings through contract farming.

PROJECT SCHEME
A contract is signed between small scale farmers and Chibuku. The farmers are organised through the Agriculture Development Divisions (ADDs). These are government-funded structures established to give technical advice and enhance the farming expertise at the village level. Chibuku funds and facilitates the free issue of red sorghum seed to the interested parties. Subsequently Chibuku buys back the sorghum grain from the farmers. The harvested red sorghum is then delivered to the Chibuku’s warehouses in 50kg bags across all of its breweries. At the point of receipt, the sorghum grain is tested both for quality and moisture content as prescribed by Chibuku.

However, it should be noted that not all small scale farmers sell back to Chibuku. They are free to sell to vendors and middlemen where they run various open-market risks (including sharp pricing practices). For these reasons, Chibuku encourage the farmers to sell to corporate organisations to realise maximum returns on their farming efforts. On the same note, Chibuku does not discriminate when buying sorghum. More than 90% of the contract farmers have small acreages of land that cannot satisfy the tonnages required by Chibuku. Chibuku therefore buys both from contract farmers as well as from small-scale farmers who are not contract farmers. Chibuku’s only requirements are that all farmers from whom it purchases should belong to groups organised by ADDs.

THE RESULTS
In 2018, more than 5000 farmers were targeted in the small scale contract farming scheme. Before the growing season, Chibuku advertised the scheme on the local radio to attract wider participation, and the response was overwhelming. Chibuku purchased 5 tonnes of seed for distribution across the 3 regions in Malawi where they operate; 2 tonnes each in the Southern and Central regions and 1 tonne in the Northern region. There were some initial delays in distributing the seed due to the delayed starting of the rainy season, however the distribution was completed on time to enable each farmer to plant the correct seed.

Throughout the growing period, Chibuku conducted several field visit trips. The ADD Extension Officers also undertook engagement with the farmers providing ongoing support and technical advice. At the same time, the Agricultural Extension Officers provided Chibuku with the estimated harvest tonnage for planning purposes, telling Chibuku well in advance of the tonnages it would likely be able to source from each area. This helped Chibuku plan for procurement of the residual requirements. Additional activities were also undertaken to engage with farmer cooperatives in the Southern region in Mwanza, Blantyre and Chikwawa (which are under the supervision of the Small Holder Farmers (SFFRM)) as well as other subsistence farmers.

THE CHALLENGES
Whilst implementation of the outgrower scheme during 2018 was considered a success, there were some initial issues which had not been anticipated:

- Transport was a problem since the rural small-scale farmers do not own vehicles. This an on-going problem which makes mobility difficult for the farmers.
- The farmers struggled to collect the seed as they were unable to reach the designated distribution points.
- The farmers also struggled to mobilise and deposit their harvested sorghum at one pick-up point for Chibuku to collect or for them to ferry in a hired truck as a group to sell to Chibuku.

“More than 90% of the contract farmers have small acreages of land that cannot satisfy the tonnages required by Chibuku.”
Lack of planning also affected the farmers’ output, with some farmers initially allocating a small plot of land for the seed, but asking for more seed later so that they could increase their yield. Unfortunately at this point all of the seed had been distributed.

Other farmers’ output was affected by the weather:
- Some farmers planted too early because of poor timing for first rains. But rains delayed and ultimately proved unsustainable and they lost yield.
- Others were affected by heavy rains which resulted into floods. These too lost yields and sold less.

**IMPROVEMENTS FOR 2019**
To overcome these challenges during the forthcoming season, Chibuku intends to make several visits to the farmers during the growing season:

1. To provide assurance to the farmers that Chibuku will buy their product.
2. To assess their progress with crop cultivation as well as estimate their projected yields.
3. To suggest solutions for significant challenges they may face.
4. To continue building its working relationship with the small scale farmers as valued suppliers to Chibuku as well as strengthen stakeholder engagement with ADDs throughout the districts.
5. To work with Farmers Clubs & Farmers Associations to wide the net of potential suppliers and reduce the risk of sorghum grain deficit.

“Chibuku funds and facilitates the free issue of red sorghum seed to the interested parties.”
Chibuku indirectly employs 589 women working as 'Tavern Mamas' across Malawi. Chibuku's taverns are run by the ladies who own all of the working capital for the taverns. The Mamas also employ other ladies in the selling of the beer as well as employing cleaners, guards and serving ladies. Most of the Mamas are managing female headed households and have been empowered for over 20 years as Chibuku's valued business partners. This initiative also supports the Malawian Government's Women Empowerment Project and the Poverty Alleviation Projects through Small Enterprise Development.

The Taverns are Chibuku’s price-settlers and centres for driving recommended retail price compliance; as such, the Mamas are given incentives such as:
- Thursday credit, payable Monday to boost weekend sales;
- month-end credit to boost month-end sales; and
- Chibuku-branded clothing for special functions. Chibuku also funds HIV initiatives and Mama Peer Educator training for the Mamas as part of the CSR programmes in the supply chain.

EXAMPLES OF REAL SUCCESS STORIES
Mama Odetta Tsikulamowa Chairlady of Luchenza Tavern in Thyolo has served in Chibuku taverns for the past 30 years. As a result of her employment she has been able to send her children to school and colleges abroad.

Mama Odetta Tsikulamowa Chairlady of Luchenza Tavern in Thyolo has served in Chibuku taverns for the past 30 years. As a result of her employment she has been able to send her children to school and colleges abroad.

CHIBUKU'S OTHER CSR WORK STREAMS ALSO INCLUDE:
- Retailer Development Program – Training Distributors, bar-owners and Mamas in best trade practices.
- Enterprise Development – Giving favorable trading terms to Mamas, sorghum farmers & distributors for their social-economic development.
- HIV/AIDS Activities in the Supply Chain – to ensure the well being of all business partners (Employees, Mamas, Distributors).
- Environmental Initiatives – Working with stakeholders to plant trees along riverbanks, recycling, refuse & effluent management.
- Stakeholder Engagements – engaging Government relevant departments, working with NGO's, journalists, local communities and development partners.

“Chibuku indirectly employs 589 women working as ‘Tavern Mamas’ across Malawi.”

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ETHOS IS COMMITTED
to supporting economic growth, meaningful B-BBEE and economic transformation in South Africa. We do this by setting the strategic compass and vision to drive B-BBEE transformation activities in our PCs and with our internal processes in order to assist and maintain the achievement of achieve meaningful, sustainable and successful levels of B-BBEE both externally and internally. We also actively monitor our performance and give specific guidance where there are gaps identified.

Ethos implements strategies that embrace the requirements and ‘spirit’ of B-BBEE, namely by influencing changes on our Boards and in our C-Suites, prioritising the employment of more Black staff, supporting skills and enterprise development initiatives, and having specific workshops and engagements for our teams and PC’s on relevant thematic topics to support implementation programmes. We also focus on embracing diversity and inclusion through targeted initiatives.

We believe that this combination of activities not only supports the South African economy, the government’s economic development policies and our broader stakeholders, but also results in improved performance and returns to our investors.

“Ethos implements strategies that embrace the requirements and ‘spirit’ of B-BBEE, namely by influencing changes on our Boards and in our C-Suites.”
OUR CSI ACTIVITIES

As a company based in South Africa, we strongly recognise our role in the broader South African community with regards to CSI.

As such we have implemented a Social Impact Programme which supports initiatives at the forefront of education, which we believe is critical to the upliftment of our communities and empowerment of disadvantaged people in South Africa.

The Social Impact Programme is reviewed on a regular basis to ensure that our initiatives, time and financial contributions are best aligned with Ethos’ purpose and strategic ambition as well as the UN Sustainable Development Goal 4, Quality Education (specifically target 4.B).

For the period under review and for the purposes of this Report, we have highlighted Ethos’ continued support and focus on education initiatives, which equates to 70% of Ethos’ annual corporate social investment spend.

UN Sustainable Development Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Target 4.B: By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries.

The Trust is overseen by a committee headed by independent chairman, Mr. Peter Mageza, and reports quarterly to the Ethos Board of Directors and the Ethos Sustainability Committee. Formal budget and review processes are in place, whereby regular feedback and reporting is provided by The Tomorrow Trust on the progress of our beneficiaries together with annual site visits to the educational institutions.

The Trust launched its bursary programme in January 2013, in partnership with The Tomorrow Trust, offering four beneficiaries opportunities to study undergraduate courses at universities in Cape Town, Johannesburg and Pretoria in the areas of Finance, Engineering and Accounting.

In 2017, we increased our bursaries to support eight students. This number has increased year on year to ten students in 2019. Beyond financial contributions to academic fees, learning material and living costs, our close collaboration with The Tomorrow Trust provides beneficiaries with a mentorship and vacation work programme to enhance opportunities for future employment.

Many Ethos staff members support this programme as mentors, giving up numerous hours of their time to coaching and encouraging our students. In order to measure the impact of our programme, we monitor and support all our students post graduation, enabling them the best chance of success. We are proud to note that six of our students have graduated and are currently completing internships with major financial institutions and secured permanent employment in Johannesburg.
Established by the United Nations, Mandela Day is a global call to action that celebrates the idea that each individual has the power to transform the world, the ability to make an impact. The initiative promotes volunteering and community service. Annually Ethos staff contribute and participate in various charity drives for Mandela Day (e.g. 67 Blankets Drive, Children of Fire). In 2018, in partnership with Rays of Hope, Ethos staff sponsored 26 families by preparing a ‘Household Hamper’ comprising cleaning and sanitation products costing ZAR 450. On Mandela Day the staff spent 67 minutes together packing the hampers and a team delivered them to Rays of Hope for distribution.

This project began operating in the northern Johannesburg township of Alexandra in 1991 and has grown to a network of 8 community-based projects, focusing on education, unemployment, health care, and orphans and vulnerable children. Over 2,600 people are impacted in total.

As such, the organisation is hands-on, having developed close relationships with community leaders, the police, high schools, the Alexandra Clinic and the Department of Social Development, which has enabled it to leverage appropriate assistance when available and necessary.
This is the first South African social enterprise that develops, promotes and facilitates greening, climate change action, food security and sustainable natural resource use and management. Food & Trees for Africa (FTFA) is a leading Section 21 NPO that addresses food security, environmental sustainability, education and greening.

Since 1990, over 4.2 million trees, 1000’s of permaculture food gardens, bamboo projects and organic farms have been planted for poor communities. Many of our staff have elected, in honour of their birthdays, to donate a tree in barren landscapes in an effort to offset carbon emissions towards a greener, more sustainable and lower carbon South Africa. Over the last three years c.90 Ethos trees have been planted.

At the beginning of 2019, Ethos donated ZAR 6,345 towards the planting of trees at two beneficiary schools in Mpumalanga; Phelwane and Gigimani Primary Schools had both applied to FTFA for indigenous shade trees. The 47 trees will offset 17.41 tonnes of CO₂ over a 40 year life span. Trees planted included Natal Mahogany, Sausage Tree and Water Berry.

“Since 1990, over 4.2 million trees, 1000’s of permaculture food gardens, bamboo projects and organic farms have been planted for poor communities.”

Green Office employs disabled people to clean and strip old print cartridges, allowing the units to be completely recycled. Through its work in the three main areas of recycling, cartridge collection and skills development, economic and environmental challenges and gives beneficiaries the ability to lead financially empowered lives while also making a meaningful contribution to the environment. Ethos donates all of our used cartridges to the programme.

Ethos have supported Native Nosi as a result of an initial introduction to Mokgadi Mabela when she visited Ethos for National Women’s Day in 2018. To date Ethos have enjoyed approximately 100 bottles of honey (including staff orders) produced by Native Nosi.

Mokgadi Mabela, is a third-generation female beekeeper who has followed in her grandfather and father’s footsteps. She harvests and sells pure, raw honey from environmentally sustainable hives placed on farms and in rural communities across Gauteng, Mpumalanga and Limpopo. Mokgadi was recently awarded a Food XX Award for her contribution as a female farmer. She attributes her success to the fact that “customers increasingly want to know where their food comes from and how it has been produced”.

This is a NPO that collects bread bag tags and bottle tops. The plastic from these items is ‘exchanged’ for wheelchairs for underprivileged recipients. Since 2013, the Sweethearts Foundation has handed over 260 wheelchairs to beneficiaries having collected in excess of 13,401 kgs of bottle tops and 2,262 kgs of bread bag tags.

Ethos has supported this initiative by donating our milk and water bottle tops, staff also collect their bread bag tags and bottle tops.
Compiling this report is a significant team effort. The Ethos ESG team would like to thank each of our portfolio companies for taking the time to make a meaningful contribution to this report. We sincerely hope they, in turn, derive as much benefit as Ethos has.

To our ESG Champions… thank you for your insights, patience and perseverance.

For any further information, please contact any of the below:

RACHEL COCHRAN
Senior Manager for ESG
rcochran@ethos.co.za

MELISSA NICHOLSON
ESG and Compliance Co-ordinator
mnicholson@ethos.co.za

Jos van Zyl
Chief Operating Officer
jvanzy@ethos.co.za

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jvanzy@ethos.co.za

GLOSSARY / ABBREVIATIONS

ISO 13485 Medical devices – Quality management systems
ISO 9001 International standard that specifies requirements for a quality management system
ISP Internet Service Provider
ITC Independent Tobacco Company
JSE Johannesburg Stock Exchange
KL Klisfore
KPIs Key Performance Indicator
LDPE Linear-density polyethylene
LP Limited Partner
LTIFR Last Time Injury Frequency Rate
MHI Material Hazardous Installation
MIC Mineworkers Investment Consortium
MNO Mobile Network Operators
NGO Non-Governmental Organization
NPO Non-Profit Organisation
NIC Toilet New Improved Concept Toilet
Nomco Nominations Committee
NGF National Qualifications Framework
OHS Occupational Health and Safety
OHS Management systems certification
OSHAC Occupational Safety and Health Administration Committee
OTIF On time in full
PAMS A Paper Manufacturers Association of South Africa
PC Portfolio Company
PET Polyethylene Terephthalate
PETCO South Africa PET recycling Company
POPI Act Protection of personal information
PP Polypolyene
R&D Research and Development
Remco Remunerations Committee
RLMB Portable and modulo buildings
RTP Road Traffic Safety
SDG Sustainable Development Goal
SEC Social & Ethics Committee
SEDA Social Economic Development
SETA Sector Education and Training Authority
SFFRM Small Holder Farmers
SHEQ Safety, Health, Environment and Quality
SOAPs Standard Operating Procedures
SSP Student Sponsorship Programme
TBC The Beverage Company
UN United Nations
VMG Vertical Mechatronics Group
YES Youth Employment Service Initiative in South Africa
ZAR South African Rand