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PEMBA CAPITAL PARTNERS

ESG POLICY

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1. OVERVIEW

Pemba Capital Partners (Pemba) has a long-term approach to investing and is committed to growing its portfolio companies. Pemba recognise that consideration of Environmental, Social and Governance (ESG) issues – both negative and positive – is fundamental to building sustainable business success and in turn, enhancing long-term returns.

Pemba believe ESG considerations are important to our business operations and investments, our organisations' culture and accountability to our stakeholders ultimately leading to better outcomes for our society and the environment.

2. PURPOSE

The purpose of this Policy is to document Pemba's commitment and approach to incorporating ESG issues into processes and decision-making, across each stage of the investment lifecycle, including investment, ownership and exit of portfolio companies. The benefits of this will be multifaceted and will include:

- o Reducing ESG risks and enhancing value creation for the investments
- o Building more resilient, sustainable companies delivering better financial returns
- o Meeting the increasing and evolving expectations of investors
- o Contributing to addressing real world environmental and social challenges
- o Supporting the attraction and retention of staff
- o Delivering advantages against peers in an increasingly competitive market

This Policy applies to each stage in the investment lifecycle of all investments from Fund II.

3. ESG ISSUES

Pemba is aware that the businesses in which it invests will impact, and be impacted by, numerous ESG issues, all of which affect their financial performance.

Pemba's approach to investing has resulted in specific focus on high-level sector themes. Our current areas of focus include:

- Education & Training
- Business Services
- Health & Wellness
- Non-Bank Financial Services
- Technology

Pemba recognise that these sectors generally have low exposure to many ESG issues. However, Pemba believe that by improving our understanding of the opportunities and challenges facing sectors, by identifying potential material ESG factors, Pemba will enhance long term investment success.

When identifying material ESG risks and value creation opportunities in our current areas of focus Pemba will be guided by emerging and evolving guidance and market practice. To Pemba, 'materiality' refers to any ESG risks and opportunities that are likely to impact our investment decisions.

Using the SASB Framework, and based on our current sector themes, Pemba have identified the ESG issues as potentially material:

Dimension	ESG Issue
Environment	Energy Management
Social	Customer Privacy
	Data Security
	Customer Welfare
	Selling Practices & Product Labelling
	Employee Engagement, Diversity & Inclusion
Governance	Business Ethics

Exclusions

While application of our investment strategy is unlikely to lead to these investments, for the avoidance of doubt, Pemba is restricted from making investments in any company that derives more than a threshold level of revenue or net asset value from thermal coal (exploration, production, transportation), tobacco or tobacco products (production), pornography (production, service), alcohol (production, retail), controversial Weapons (production), military contracting (production, services) and fire arms (production, retail).

4. OBJECTIVES

This Policy commits Pemba to incorporate ESG issues into processes and decision-making, across each stage of the investment lifecycle. To implement this commitment, Pemba will deliver on the following objectives:

1. Establish appropriate governance, as well as staff awareness and understanding, of ESG issues.
2. Identify, evaluate and account for material ESG issues in investment processes and decision-making including origination, due diligence, and deal transaction.
3. Be an active owner by engaging with and monitoring portfolio companies to improve governance, management and disclosure of material ESG impacts – both negative and positive
4. Leverage the management of ESG risks and growth of ESG value creation opportunities to present a more compelling offer and achieve higher returns for shareholders.
5. Appropriately report to investors and other stakeholders on the implementation of this Policy including any material ESG issues.
6. Engage and collaborate with investors, the industry and others as appropriate, to achieve these objectives.
7. Staying up to date with evolving and emerging ESG trends to ensure our policies remain relevant for all our stakeholders.

How Pemba will deliver on these six objectives is outlined in more detail in the following sections.

5. GOVERNANCE

Pemba understands that delivering on the commitments made in this Policy requires strong governance. Pemba will implement an ESG Governance Framework which consists of the following responsibilities and accountabilities:

- The Board is responsible for approving the ESG Policy and overseeing the implementation and monitoring of compliance with the Policy.
- The Leadership Team/Senior Management Team is responsible for ensuring the ESG Policy is incorporated into processes and decision-making, across each stage of the investment lifecycle, for every investment.
- The Compliance Officer is responsible for incorporating material ESG risks into Pemba’s risk management and compliance processes and ensuring that relevant controls and measures are monitored. They are also

responsible for monitoring any reported ESG incidents to ensure that appropriate action plans are established, and responsibilities allocated to remediate any identified incidents.

- The Transact Team are responsible for operationalising the ESG Policy within Pemba's investment processes.
- The Transact Team is responsible for supporting the portfolio company to develop and deliver appropriate ESG policies, practices and performance.
- The ESG Officer is responsible for supporting the implementation of the ESG Policy and for any ESG reporting that may be required or developed. They are also responsible for delivering Pemba's operations sustainability program.
- The Board of each portfolio company is responsible for overseeing ESG policies and practices and for ESG performance at the portfolio company.
- The CEO of each portfolio company is responsible for delivery of ESG policies and practices and for ESG performance at the portfolio company.
- All Pemba employees are responsible for ensuring they undertake their roles consistent with the achievement of this Policy.

To ensure the responsibilities and accountabilities can be successfully undertaken, the Company will ensure the necessary and appropriate training is provided to each respective team or role.

External ESG expertise may be used as relevant and necessary, to support the delivery of this Policy and the responsibilities and accountabilities as outlined.

6. STRENGTHENING OUR FOUNDATIONS

External Business Operating Framework

Pemba commit to complying with all applicable ESG related legislation and regulations. Pemba will align its business practices with any ESG related legislation or regulations that are relevant, but do not apply to it, such as the Australian Modern Slavery Act. Pemba will also comply with any other relevant ESG requirements, such as industry standards e.g., APRA, ASIC, AICD.

Internal Business Operating Foundations

To ensure Pemba do not create any barriers to implementation, Pemba will ensure alignment between this Policy and other Pemba policies and processes including our Compliance Manual and Staff Handbook.

Following its approval, Pemba will incorporate the commitment and approach to ESG outlined in this Policy into these policies and processes and any others deemed relevant.

Pemba will create alignment of expectations and interests to ensure effective delivery of with Policy, by incorporating ESG requirements into position descriptions, role responsibilities and performance evaluation and remuneration, as applicable.

Foundations with strategic partners

Pemba believe that this Policy is consistent with their fiduciary duty to investors and their obligations to maximise investment returns. To strengthen their relationship with our investors and better meet their growing and evolving ESG expectations with will seek to engage with their investors to understand their key ESG priorities. Pemba will do so through specific engagement exercises, during capital raising and ongoing through regular Advisory Committee meetings. Consistent with this Pemba commit to incorporate ESG into the formal elements of our relationship with investors including Partnership Agreements and any other relevant side letters.

7. INTEGRATION INTO PRE-INVESTMENT PROCESSES & DECISION MAKING

ESG matters will be considered in each phase of the pre-investment cycle, including deal research, sourcing and screening, during due diligence, in making an investment advisory decision, in drafting, negotiating and entering into an investment and in the operating plan (for any identified material ESG risks or opportunities).

Deal sourcing/screening: our Originate team ensures Pemba's values and strategy are aligned to the target company's core values. The alignment of ESG considerations at this initial stage is through two avenues:

- The team ensures they are engaging with a target who exhibit strong ESG values.
- Targets are aligned with Pemba's ESG commitment and approach.

Due Diligence: our Transact team will work with the ESG Officer to conduct due diligence with bespoke approaches for fund investment. Focusing on:

- Management's approach to ESG
- ESG integration into investment process and identification of areas of improvement

In preparing for the due diligence process with respect to a potential investment, Pemba will prepare an appropriate initial list of material ESG issues that it deems relevant to the target company. This list will be approved by the preliminary investment advisory committee.

During due diligence, if Pemba identifies any potential material ESG issue, Pemba will use reasonable efforts to conduct additional due diligence in order to appropriately evaluate the materiality of the potential issue.

An investment will only be made after completing a thorough due diligence, a management team assessment, a detailed operating plan and an appropriate valuation. At each investment committee meeting the team will review the findings and agree next steps. The final decision to invest must be unanimous.

With respect to an investment advisory decision regarding a potential investment, the investment advisory will include, if applicable, the findings of due diligence regarding material ESG matters.

The investment committee will only make an investment decision after it considers and discusses during the investment committee meeting the relevant ESG matters, including findings from the due diligence process.

If appropriate, the investment committee may require that documentation relating to the investment, such as the operating plan, to include provisions which outline our expectation in relation to ESG issues. Additionally, or alternatively, the investment committee may, as appropriate, require a matter relating to a material ESG issue to be monitored during the post-investment monitoring process.

8. INTEGRATION INTO POST INVESTMENT ENGAGEMENT AND MONITORING

Pemba will be an active owner and will incorporate ESG issues into our ownership and engagement policies and practices with portfolio companies.

Ultimately, Pemba seek to grow and develop the companies in which Pemba invest for long-term sustainability and higher value at exit. Pemba will seek to influence our portfolio companies to effectively manage any material ESG risks or grow any material ESG opportunities, to protect and enhance investment returns. Pemba will support portfolio companies to improve their ESG policies, practices and performance consistent with enhancing value creation.

Pemba will work with and support portfolio companies through representation on their boards or other governance structures.

Pemba will monitor progress of portfolio companies delivering on ESG expectations, managing ESG risks and enhancing value creation opportunities and ESG performance including through board reporting and discussions at board meetings.

In partnership with portfolio companies, Pemba will identify key ESG information and data to be disclosed through regular board reporting.

In addition, Pemba will require portfolio companies to report any ESG related incidents to us, consistent with existing incident reporting obligations, and with definitions of ESG incidents and timeframes for reporting.

9. INTEGRATION INTO EXIT STRATEGY

It has been shown that good ESG performance is a proxy for good management and a well-run company. The work Pemba do on ESG through the lifecycle on the investment will reduce ESG risks and deliver ESG value creation opportunities, resulting in more resilient, sustainable companies delivering better financial returns. This will allow us to remove ESG concerns from negotiations, present a more compelling offer and achieve a higher exit multiple.

10. REPORTING

Pemba will provide timely information to investors and other stakeholders on ESG matters.

In particular, Pemba will provide a report annually on the progress implementing this Policy. This report will highlight the action being taken to manage and mitigate ESG risks associated with our investments and to grow ESG opportunities that enhance investment value while contributing to a stronger society or environment.

Any ESG related incidents will also be reported to investors consistent with existing incident reporting obligations and with definitions of ESG incidents and timeframes for reporting in line with investor expectations.

11. INDUSTRY COLLABORATION AND LEADERSHIP

Pemba know that they can achieve better outcomes for society and the environment by collaborating with others than they can on their own. Therefore, Pemba will work with peers and across the industry to promote acceptance and implementation of ESG. Pemba will do this directly and will also consider the benefits of doing this through industry bodies such as the Principles for Responsible Investment (PRI) and the Responsible Investment Association of Australasia.

Pemba typically takes controlling stakes in portfolio companies. As such Pemba generally have sufficient influence to implement our ESG expectations. However, where applicable and appropriate Pemba will collaborate with other investors in portfolio companies to increase the understand and acceptance of integrating ESG at the portfolio company to deliver better investment returns and enhance alignment of expectations across the shareholder group.

Pemba will also align any advocacy or lobbying that Pemba undertake in support of ESG. While Pemba do not lobby governments directly, Pemba will consider joining with peers and across the industry to advocate or lobby in support of ESG through industry bodies such as the PRI and the Investor Group on Climate Change (IGCC).

12. INTEGRATION INTO COMPANY OPERATIONS

Pemba recognises that the potential ESG impacts – both negative and positive – associated with portfolio companies eclipses the impacts associated with Pemba's own operations. However, Pemba also understand it is necessary and important for everyone to play their part in addressing ESG risks and delivering ESG opportunities. For this reason, Pemba will also incorporate ESG issues into operational activities through development of a sustainability program. Given the nature of our operations, this program will focus key ESG issues including:

- Managing climate change risks and carbon emissions reduction
- Improving gender diversity at all levels
- Ensuring a supply chain free of modern slavery

13. POLICY MAINTENANCE AND REVIEW

Pemba will ensure this Policy is implemented, maintained and communicated to all staff. It will also be made available to our investors and other key stakeholders as appropriate.

This is Pemba's first ESG Policy. Pemba expect that as their understanding and practices around ESG issues evolves so too will their Policy. Pemba are committed to continual improvement of this ESG Policy, as well as their ESG practices and performance.

At a minimum, Pemba will review the ESG Policy every two years to ensure it evolves, stays relevant and applicable and reflects best practice.

Pemba will also review the ESG Policy following any signification changes to our business or investment strategy, ESG issues, best practice standards, and relevant ESG legislation or regulations.

Any questions in relation to this Policy should be directed to our ESG Officer:

Shannon Potts via email on ShannonP@pemba.com.au

DOCUMENT AND VERSION CONTROL	
Version 1	24 May 2021. Approved by Board 3 June
Version 2	Pemba change of address update