

# **ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY FOR THE RH GROUP**

## POLICY DETAILS

|                          |  |
|--------------------------|--|
| <b>TITLE:</b>            | <b>Environmental, Social and Governance Policy</b> |
| <b>DOCUMENT NUMBER:</b>  |  |
| <b>DEPARTMENT:</b>       | <b>Board</b>                                       |
| <b>EFFECTIVE DATE:</b>   | <b>03 October 2014</b>                             |
| <b>REVISION DONE:</b>    | <b>01 November 2018</b>                            |
|                          | <b>25 September 2019</b>                           |
| <b>NEXT REVIEW DATE:</b> |  |
| <b>COMPILED BY:</b>      | <b>Corporate Vision Consulting (Pty) Ltd</b>       |
| SIGNATURE                |  |
| POSITION                 | Company Secretary                                  |
| <b>APPROVED BY:</b>      | <b>David Sekete</b>                                |
| SIGNATURE                |  |
| POSITION                 | Director (Chairman of the Board)                   |

|                   |   |
|-------------------|---|
| Company           | RH Managers Proprietary Limited   |
| ESG               | Environmental, Social and Governance  |
| RH Managers       | RH Managers Proprietary Limited   |
| ESMS              | Environmental and Social Management System  |
| E&S               | Environmental and Social  |
| Fund Manager      | RH Managers Proprietary Limited   |
| IFC's             | International Finance Corporation's   |
| UNPRI             | United Nations Principles for Responsible Investment  |
| The Companies Act | The Companies Act, No. 71 of 2008   |
| King IV           | The King IV Report on Corporate Governance for South Africa 2016                              |
| RH Group          | Razorite Healthcare and Rehabilitation Fund I and Fund II, RH Bophelo Limited, RH Africa Fund |

## 1. INTRODUCTION

RH Managers Proprietary Limited (the Company) is the Fund Manager for the Razorite Healthcare and Rehabilitation Fund I and Fund II, RH Bophelo Limited and the RH Africa Fund. The Fund Manager is committed to helping its investors grow their financial assets by ensuring that their investments are well governed and sustainable. We recognise that Environmental, Social and Governance (ESG) factors can affect investment performance and expose potential investment risks. We therefore aim towards integrating the impact of ESG factors into the Company's investment process. The foundation of our approach is aligned to the United Nations Principles for Responsible investing. These principles and guidelines serve as a platform for our investments.

## 2. OUR COMMITMENT

The Company recognizes Environmental and Social Risk Management as serious issues that require systems to monitor and control in line with legal requirements within the industry. RH Managers is committed to promoting the use of appropriate Environmental and Social Management System (ESMS) in order to improve the management of the Environmental and Social (E&S) implications of its portfolio.

The Company will document a framework to facilitate the implementation of appropriate ESMS within RH Managers with the prime objective of reducing E&S impacts within its portfolio. The ESMS will be integrated within the overall credit risk management framework of the Company.

RH Managers outsources its ESG reporting to independent service providers and the Company's ESMS will guide all service providers on the Company's expectations for Environmental and Social Risk Management.

### **Criteria for selecting service providers**

When selecting an ESG service provider, the Company will ensure that the service providers:

- Have sufficient capacity to undertake the Company's reporting on its portfolio companies and the sub-projects within a portfolio.
- Reporting standards are based on the International Finance Corporation's ("IFC's") Performance Standards on Environmental and Social Sustainability, United Nations Principles for Responsible Investment ("UNPRI"), The Companies Act, No. 71 of 2008, as amended ("the Companies Act"), The King IV Report on Corporate Governance for South Africa 2016 ("King IV") and other local environmental and labour laws and regulations applicable to the Company.
- Incorporates risks pertinent to specific countries where investments are made out of South Africa.
- Adapts their reporting requirements to take into account specific funders E&S reporting requirements.
- Adapts their reporting requirements to take into account changes in compliance with laws and legislations as well as any changes in the nature of the Company's activities.
- Recognise the need to be dynamic and keep abreast of healthcare legislative amendments whilst being flexible in their approach to tailor their analysis accordingly.

The Company commits to the following principles for responsible investments:

- Incorporating ESG issues into investment analysis and decision making;
- Seek appropriate disclosure of ESG issues from investee companies;
- Promote acceptance and implementation of the principles at investee companies;
- Develop appropriate metrics to measure ESG performance;
- Work together with the investee companies in enhancing the principles; and
- Report on the activities and progress on the implementation of the principles.

### **3. POLICY**

#### **3.1 ENVIRONMENTAL**

##### **3.1.1 Objective:**

- To protect the environment.
- To encourage the efficient use of resources.
- To minimise our contribution to climate change both from our direct operational activities and indirectly through our investee companies.

##### **3.1.2 Operational approach:**

- Access and minimize any negative impact on the environment arising from operations.
- Monitor and measure resource usage.
- Reduce the amount of energy used and by continuing to utilize energy saving measures.

##### **3.1.3 Investment aim:**

- Invest in business that consider the impact of its operations on the environment.
- Invest in business that operate within compliance of environmental legislation.
- Ensure that investee companies take into account the impact of climate change.

#### **3.2 SOCIAL**

##### **3.2.1 Objective:**

- To ensure a high and sustainable employment level.
- To promote equal opportunities.
- To contribute to the personal development of employees.
- To provide a safe and healthy working environment for employees.

##### **3.2.2 Operational approach:**

- Conform to all relevant legislation, including safety, health and environmental.
- Comply with the requirements of the Employment Equity Act and Skills Development Act.
- Remunerate employees fairly.
- Train staff on safety awareness.
- Invest in the development of our employees.

##### **3.2.3 Investment aim:**

- Ensure that investee companies comply with the requirements of the Employment Equity Act and Skills Development Act.
- Assess specific risks arising from work activities and introduce measures to eliminate or reduce the risks.

### **3.3 GOVERNANCE**

#### **3.3.1 Objective:**

- To eliminate or mitigate conflicts of interest.
- To encourage corporate fairness, transparency and accountability.
- To enhance shareholder value and to protect the interest of shareholders.
- To commit to values and ethical conduct.
- To manage risks effectively.

#### **3.3.2 Operational approach**

- Ensure audit committee independence.
- Ensure that the majority of board members are independent, and that board consists of suitable skilled members.
- Incorporate a code of ethics into the business culture.
- Remunerate executives fairly.
- Comply with all relevant regulations.
- Ensure the company maintains a good reputation and acknowledge that our relationship with our stakeholders affects the company's reputation.

#### **3.3.3 Investment aim:**

- Ensure that investee companies uphold high standards of business integrity and honesty.
- Ensure that investee companies comply with all relevant laws and legislations.

## **4. PLANNING AND IMPLEMENTATION**

The Company's process during the planning and implementation of its ESG programme is as follows:

- 4.1 Access the impact of all new investments in each of the Company's major ESG factors as part of the appraisal process.
- 4.2 The Company will give each new investment a risk rating on each ESG factor in order to determine the appropriate level of management and monitoring required.
- 4.3 The Company will assist investee companies in developing action plans to address areas of non-compliance with the ESG factors.
- 4.4 The Company will encourage investee companies to adopt and implement policies relating to ESG factors where risks are identified.
- 4.5 The Company will encourage investee companies to continuously improve in areas of risk.

## ESG REPORTING ORGANOGRAM

Step 1: Investment tabled at Investment Committee (IC) for 1<sup>st</sup> IC approval.

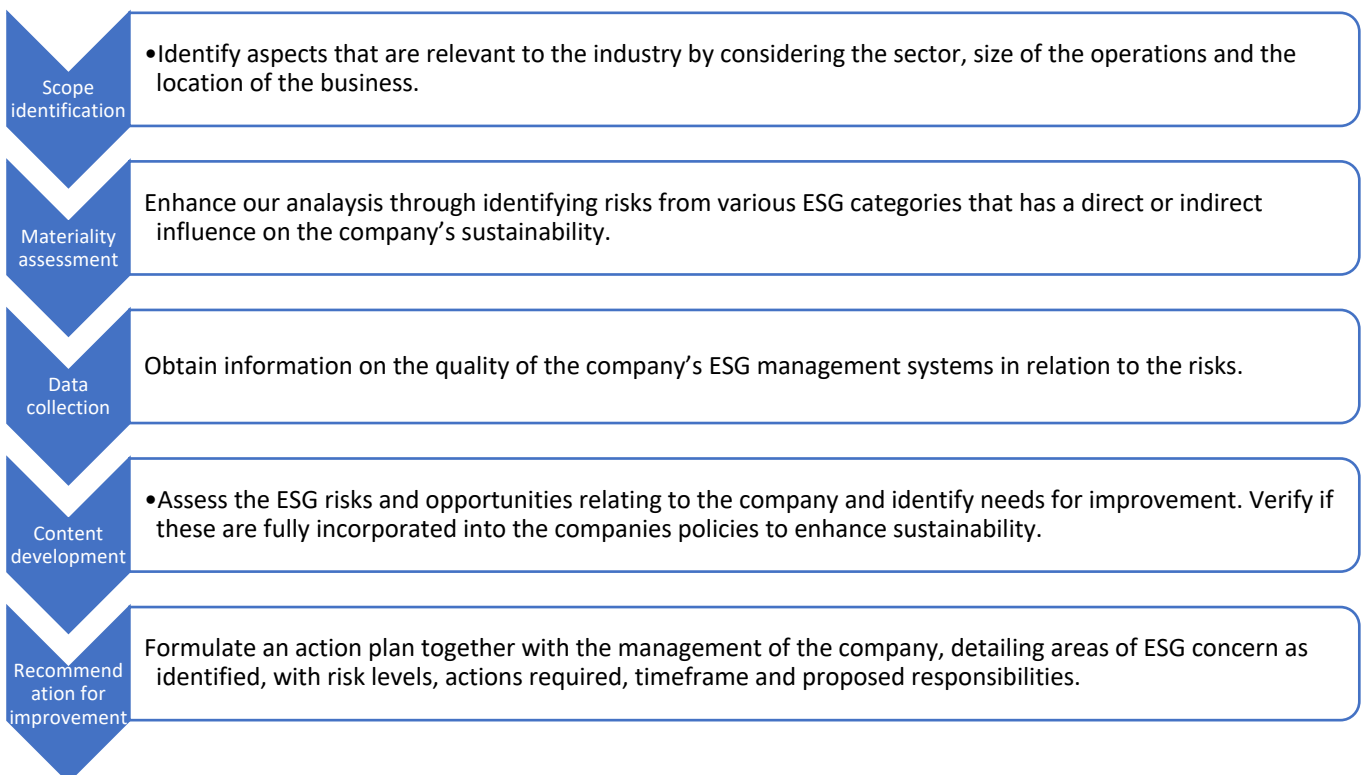
Step 2: If approved at 1<sup>st</sup> IC, ESG due diligence undertaken by independent consultants.

Step 3: ESG due diligence findings tabled at 2<sup>nd</sup> IC for review and approval

Step 4: If the investment is approved at 2<sup>nd</sup> IC, ESG quarterly reporting undertaken by independent consultants.

### Pre-investment:

#### a) ESG Due Diligence Process



#### ESG risks to be addressed prior to investment

- Ensure that ESG risks highlighted from the due diligence that requires immediate action are complied with prior to investment.

#### b) Post investment

- Quarterly ESG reporting is undertaken. Investments are monitored to ensure that ESG risks are managed.
- Greenfield projects are monitored during the construction phase and is phased in through into the operating phase.
- A consolidated report is prepared annually for RH Managers investments.

## 5. MONITORING, REVIEWING AND AUDITING

- 5.1 The Company will select appropriate metrics to measure ESG performance.
- 5.2 The Company will report quarterly on its ESG statistics.
- 5.3 The Company will perform an annual ESG audit on the implementation of the ESG policies and related procedures.

*Refer to Annexure A for our Reporting Framework*

## 6. EXCLUSION LIST

RH Managers (Pty) Ltd will not finance/invest in any activity, production, use, distribution, business or trade involving:

- 1. Forced labour<sup>1</sup> or child labour<sup>2</sup>.
- 2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
  - a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
  - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
  - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
- 3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations.
- 4. Destruction<sup>3</sup> of High Conservation Value areas<sup>4</sup>.
- 5. Radioactive materials<sup>5</sup> and unbounded asbestos fibres.
- 6. Pornography and/or prostitution.
- 7. Racist and/or anti-democratic media.
- 8. In the event that any of these following products form a substantial part of a project's primary financed business activities<sup>6</sup>:
  - a) Alcohol beverages (except beer and wine);
  - b) Tobacco;
  - c) Weapons and munitions; or
  - d) Gambling, casinos and equivalent enterprises.



- 1 Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.
- 2 Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.
- 3 Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.
- 4 High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).
- 5 This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.
- 6 For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.

**Approved by the board of directors:**

---

Chairman of the Board

---

Date

## RH MANAGERS ESG REPORTING FRAMEWORK

## CODES

| DESCRIPTION OF RISK  | RISK LEVEL |
|--|------------|
| Serious impact – control measures requires immediate attention | HIGH       |
| Moderate impact - improve control measures                     | MEDIUM     |
| Minimal impact - review control measures                       | LOW        |

## 1. ENVIRONMENTAL REVIEW

| No.                        | Detail  | Risk level | Page |
|----------------------------|---|------------|------|
| <b>DURING CONSTRUCTION</b> |   |            |      |
| <b>1.1</b>                 | <b>Environmental compliance</b>                     |            |      |
| 1.1.1                      | Environmental audit reports                         |            |      |
| <b>1.2</b>                 | <b>Resource efficiency and pollution prevention</b> |            |      |
| 1.2.                       | Resource efficiency policy                          |            |      |
| <b>POST CONSTRUCTION</b>   |   |            |      |
| <b>1.3</b>                 | <b>Environmental impact</b>                         |            |      |
| 1.3.1                      | Environmental management systems                    |            |      |
| <b>1.4</b>                 | <b>Resource efficiency and pollution prevention</b> |            |      |
| 1.4.1                      | Resource efficiency                                 |            |      |
| 1.4.2                      | Waste management                                    |            |      |

## 2. SOCIAL REVIEW

| No.                        | Detail                           | Risk level | Page |
|----------------------------|----------------------------------|------------|------|
| <b>DURING CONSTRUCTION</b> |                                  |            |      |
| <b>2.1</b>                 | <b>Socio-economic impact</b>     |            |      |
| 2.1.1                      | Construction jobs                |            |      |
|                            | a) Local labour                  |            |      |
|                            | b) Subcontracting of local SME's |            |      |
|                            | c) Skills development            |            |      |

|                          |  |  |  |
|--------------------------|--|--|--|
| 2.1.2                    | Stakeholder engagement plan                    |  |  |
|                          | a) Social impact                               |  |  |
|                          | b) Public participation                        |  |  |
| 2.1.3                    | Health and safety                              |  |  |
|                          | a) Traffic management                          |  |  |
| <b>2.2</b>               | <b>Transformation</b>                          |  |  |
| 2.2.1                    | Transformation plan or strategy                |  |  |
| <b>POST CONSTRUCTION</b> |  |  |  |
| <b>2.3</b>               | <b>Socio-economic impact</b>                   |  |  |
| 2.3.1                    | Transformation plan revision                   |  |  |
| 2.3.2                    | Labour and working conditions                  |  |  |
|                          | a) Working conditions                          |  |  |
|                          | b) Protection of workforce                     |  |  |
|                          | c) Occupational health and safety              |  |  |
|                          | d) Supply chain management                     |  |  |
|                          | e) Training and development                    |  |  |
| 2.3.3                    | Broad-Based Black Economic Empowerment         |  |  |
| 2.3.4                    | Stakeholder relations                          |  |  |
| 2.3.5                    | Community health and safety                    |  |  |
| <b>2.4</b>               | <b>Transformation</b>                          |  |  |
| 2.4.1                    | Transformation plan and strategy               |  |  |
| 2.4.2                    | Skills development, socio-economic development |  |  |

### 3. GOVERNANCE REVIEW

| No.                        | Detail                          | Risk level | Page |
|----------------------------|---------------------------------|------------|------|
| <b>DURING CONSTRUCTION</b> |                                 |            |      |
| <b>3.1</b>                 | Board composition               |            |      |
| 3.1.1                      | Steering committee              |            |      |
| <b>POST CONSTRUCTION</b>   |                                 |            |      |
| <b>3.2</b>                 | <b>Board</b>                    |            |      |
| 3.2.1                      | Board composition               |            |      |
| 3.2.2                      | Balance of power at board level |            |      |
| 3.2.3                      | Directors independence          |            |      |
| 3.2.4                      | Board diversity                 |            |      |
| <b>3.3</b>                 | <b>Executive management</b>     |            |      |
| <b>3.4</b>                 | <b>Board policies</b>           |            |      |
| 3.4.1                      | Board charter                   |            |      |
| 3.4.2                      | Ethics policy                   |            |      |
| 3.4.3                      | Donation policy                 |            |      |
| 3.4.4                      | Risk management policy          |            |      |
| <b>3.5</b>                 | <b>Board committees</b>         |            |      |
| 3.5.1                      | Audit and risk committee        |            |      |

|            |  |  |  |
|------------|--|--|--|
| 3.5.2      | Social and ethics committee            |  |  |
| 3.5.3      | Remuneration and nominations committee |  |  |
| <b>3.6</b> | <b>Auditors</b>                        |  |  |
| <b>3.7</b> | <b>Remuneration</b>                    |  |  |
| 3.7.1      | Remuneration policy                    |  |  |
| <b>3.8</b> | <b>Directors development</b>           |  |  |
| 3.8.1      | Board induction                        |  |  |
| 3.8.2      | Director performance assessment        |  |  |
| <b>3.9</b> | <b>Risk management</b>                 |  |  |
| 3.9.1      | Risk management plan                   |  |  |
| 3.9.2      | Risk management policies               |  |  |
|            | a) Political donation                  |  |  |
|            | b) Anti-corruption                     |  |  |
|            | c) Anti-competitive practice           |  |  |
| 3.9.3      | Succession policy and plan             |  |  |