

ESG Responsible Investment Policy

Our Approach to a Sustainable Investment Environment

Affinity believes that the assessment of Environmental, Social and Governance (“ESG”) risks and opportunities in the investment process is essential to developing a sustainable long-term investment environment that aligns the interest of Affinity, our portfolio companies, and our investors. We have in place a Responsible Investment Policy (“Policy”) since 2012 and we are proud signatories to the United Nations (“UN”) supported Principles for Responsible Investment (“PRI”) since 2017.

The Policy embraces the six principles of the PRI and the ten principles of the UN Global Compact. Included in the Policy are sector-specific ESG considerations across nine target sectors, including food & beverage, retail, healthcare, education, and manufacturing, and a negative investment list composed of prohibited sectors.

Throughout the investment process, our investment professionals are required to consider and assess ESG issues and external consultants are engaged to assist in due diligence. The issues being considered include but are not limited to: environmental management, labor rights, employee relations, modern slavery, prohibitions on child and forced labor, equal opportunities and non-discrimination, and occupational health and safety compliance.

In response to the threats of climate change, Affinity has incorporated climate change-specific risks and opportunities into the Policy. This framework is largely based on the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).

Affinity has formalized our approach to managing human rights risks and opportunities into the Policy to ensure internationally recognized human rights are respected across our investment activities. Our approach is based on the UN Guiding Principles on Business and Human Rights (UNGPs), which clearly outlines a corporation’s responsibility to respect human rights in its business operations and provide access to remedy for affected people who have experienced harm.

Affinity’s investment professionals are expected to consider ESG topics in evaluating potential investment opportunities and monitoring existing investments; our ESG due diligence toolkit supports our investment team in considering both sectoral ESG concerns and systemic sustainability issues such as climate change and human rights.

Post-investment, we assist portfolio companies in developing, implementing, and monitoring the progress of ESG initiatives within their organization. Affinity’s active ownership roles and representation on the Board of Directors across these portfolio companies allow us to supervise managements’ commitment in addressing ESG issues. Each portfolio company has at least one Affinity partner serving as a Director, plus one or two other investment professionals who serve as Directors or observers. Each portfolio company’s ESG progress is included in the quarterly reports for the investors. Should there be material reputational issues or ESG-related incidents, Affinity will inform the investors as soon as practicable.

Affinity also has in place Operating Guidelines on Integrating Environmental, Social and Governance Issues in Investment Process (“Operating Guidelines on ESG”), which is a supplement to this Policy. Operating Guidelines on ESG provides guidance to Affinity’s investment professionals on the integration of ESG issues in the investment process. Common ESG issues that may need to be considered in an investment opportunity include:

Environmental

- Pollution, greenhouse gas emissions and carbon emissions
- Impact on climate change
- Treatment and recycling of waste
- Treatment of any hazardous materials
- Material usage and sourcing, including procurement from recycled or sustainable sources
- Energy usage and energy savings initiatives
- Water sources and usage, and water conservation
- Environmental protection – provisions in the business plan for current and future environmental expenditure
- Compliance with applicable environmental laws and regulations

Social

- Occupational health and safety compliance and performance
- Labor rights and employee relations
- No child or forced labor
- Equal opportunities, diversity and non-discrimination
- Staff training and retention
- Labor union and collective bargaining agreements
- Corporate philanthropy and community programs
- Consumer protection and data privacy
- Compliance with applicable human rights and labor laws and regulations

Governance

- Transparency and accountability
- Proper records and reports on financial and tax information
- Effective board representations
- Anti-competitive behavior
- Anti-corruption, anti-bribery, anti-fraud, anti-money laundering and economic sanctions policies
- Whistleblowing policy
- Policy on giving and receiving gifts in the course of business
- Prohibition on political lobbying and donations
- Proper and cooperative dealings with local regulators
- Compliance with applicable laws and regulations

THIS DOCUMENT REPRESENTS THE EXECUTIVE SUMMARY OF OUR POLICY, WHICH INCLUDES FURTHER DETAILS ON HOW WE APPROACH ESG INTEGRATION, PORTFOLIO STEWARDSHIP AND STAKEHOLDER ENGAGEMENT. WE HAVE NOT INCLUDED THE LONGER VERSION OF OUR POLICY FOR CONFIDENTIALITY PURPOSES.