

## **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, labour rights, human rights, employee relations, prohibitions on child and forced labour, equal opportunities and non-discrimination, and occupational health and safety compliance.

To respond to the threats of climate change, we have 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’s investment professionals are expected to incorporate this framework when evaluating potential investment opportunities and managing and monitoring existing investments.

Post-investment, we assist portfolio companies in developing, implementing and monitoring the progress of ESG initiatives within their organisation. For each portfolio company, there is at least one Affinity partner serving as a director, as well as one or two other investment professionals who serve as directors or observers. Our active ownership roles and representation on the Board of Directors across these portfolio companies allow us to supervise managements’ commitment in addressing ESG issues. The ESG initiatives and activities of the portfolio companies are included in the quarterly reports for the investors. Should there be material reputational issues that have arisen and on ESG incidents that have occurred, 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 the Policy that provides guidance to Affinity’s investment professionals on the integration of ESG issues in the investment process. The common ESG issues that may need to be taken into consideration 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
- Labour rights, human rights and employee relations
- No child or forced labour
- Equal opportunities, diversity and non-discrimination
- Staff training and retention
- Labour union and collective bargaining agreements
- Corporate philanthropy and community programmes
- Consumer protection and data privacy
- Compliance with applicable laws and regulations

## Governance

- Transparency and accountability
- Proper records and reports on financial and tax information
- Effective board representations
- Anti-competitive behaviour
- Anti-corruption, anti-bribery, anti-fraud, anti-money laundering and economic sanctions policies
- Whistleblowing policy
- Policy on making 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