

argos.  
wityu

ESG Approach | Responsible Investment Code

2020



# CONTENT

## Contents

1.	PRINCIPLES.....	3
2.	OBJECTIVES AND POLICIES.....	4
2.1	The environment.....	4
2.2	Social matters.....	4
2.2.1	Labour and working conditions.....	4
2.2.2	Health and safety.....	5
2.2.3	Other social matters.....	5
2.3	Governance: business integrity and strong corporate governance.....	5
3.	EXCLUSIONS.....	7
4.	INVESTMENT AND PORTFOLIO COMPANY PROCEDURES.....	8

As a private equity fund manager, Argos Wityu has a long-term investment horizon and is ideally placed to implement improvements in ESG management in its portfolio companies over time, adding value to these investments. Argos believes that by building stronger portfolio companies, improving its brand and avoiding excessive regulations, it is in the industry's interest to make and structure investments in a way which ensures that the benefits accrue to society as well as to its investors.

Sustainable private sector development requires responsible business management of environmental, social and governance ("ESG") matters. This Investment Code defines Argos Wityu's principles, objectives and policies for sustainable and responsible investment with respect to ESG. It also includes an "Exclusion List" (investment restrictions) which specifies businesses and activities in which Argos Wityu will not invest.

## 1. PRINCIPLES

Argos Wityu and, to the extent of its rights when dealing with portfolio companies, will:

- Comply with all applicable laws;
- Endeavour to reduce adverse impacts and enhance positive effects of the business on the environment, workers and all stakeholders;
- Commit to continuous improvements with respect to management of the environment, social matters and governance;
- Work over time to apply relevant international best practices as standard, with appropriate targets and timetables for achieving them;
- Remain pragmatic and use ESG actions as drivers for value creation;
- Communicate to our investors on socially responsible investment principles and policies in portfolio companies

## 2. OBJECTIVES AND POLICIES

### 2.1 The environment

#### Objectives

- To operate best practice environmental standards
- To endeavour to reduce adverse impacts and enhance positive effects on the environment in all portfolio companies;
- To encourage portfolio companies to make efficient use of natural resources and to protect the environment wherever possible;
- To support the reduction of greenhouse gas emissions which contribute to climate change in portfolio companies.

#### Policy

Argos Wityu and its portfolio companies will:

- Operate in compliance with applicable local and national laws (as a minimum);
- **Assess the environmental impact of their operations** as follows:
  - Identify potential risks and appropriate mitigating measures through an environmental impact assessment where portfolio company operations could involve loss of biodiversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste or other significant negative environmental impacts; and
  - Consider the potential for positive environmental impacts from portfolio company activities;
- **Take appropriate actions to mitigate environmental risks, repair environmental damage, and enhance positive effects** as follows:
  - Where an activity is assessed to present significant environmental risks, work over time to apply policies and guidelines, if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and
  - As appropriate, work over time towards international best practice standards.

### 2.2 Social matters

#### 2.2.1 Labour and working conditions

#### Objectives

- To require portfolio companies to treat all their employees and contractors fairly and to respect their dignity, well-being and diversity;
- To require portfolio companies to work over a period of time towards full compliance with the ILO Fundamental Conventions and with the UN Universal Declaration of Human Rights.

#### Policy

Argos Wityu and its portfolio companies will:

- Comply with applicable local and national laws (as a minimum);
- Not employ or make use of forced labour of any kind;
- Not employ or make use of harmful child labour;
- Pay wages which meet or exceed industry or legal national minimum;
- Promote suitable training and development opportunities;
- Treat their employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin;
- Allow consultative work-place structures and associations which provide employees with an opportunity to present their views to management, and;

- For remote operations involving the relocation of employees for extended periods of time, ensure that such employees have access to adequate housing and related services.

### 2.2.2 Health and safety

#### Objectives

- To ensure safe and healthy working conditions for employees and contractors of the portfolio companies;
- To safeguard the health and safety of all those affected by the portfolio companies.

#### Policy

Argos Wityu and its portfolio companies will:

- Encourage a positive safety culture and behaviour;
- Comply with applicable local and national laws (as a minimum);
- Assess the health and safety risks arising from work activities; and
- Take appropriate actions to eliminate or reduce risks to health and safety as follows:
  - Where an activity is assessed to present significant health and safety risks, work over a period of time to apply the relevant policies and guidelines, if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and
  - As appropriate, work over a period of time towards international best practice standards for health and safety.

### 2.2.3 Other social matters

#### Objectives

- To be objective, consistent and fair with all stakeholders of portfolio companies;
- To recognise and, as appropriate, promote the social development impact of the portfolio companies.

#### Policy

Argos Wityu and its portfolio companies will:

- Take account of their impact on employees, contractors, the local community and all others affected by their operations as follows:
  - Identify potential adverse effects and appropriate mitigating measures through a social impact assessment in cases involving resettlement, critical cultural heritage, indigenous peoples, non-local labour or other issues where the negative impact could be significant; and
  - Consider social development contributions; and
- Take appropriate actions to mitigate risks, reverse negative impacts, and enhance positive effects.

## 2.3 Governance: business integrity and strong corporate governance

#### Objectives

- To ensure that the portfolio companies exhibit honesty, integrity, fairness, diligence and respect in all business dealings;
- To enhance the good reputation of Argos Wityu and the Funds;
- To promote international best practice in relation to corporate governance in portfolio companies.

## Policy

Argos Wityu and its portfolio companies will:

- Comply with all applicable laws and promote international best practice, including those laws and international best practice standards intended to prevent extortion, bribery and financial crime;
- Uphold high standards of business integrity and honesty;
- Deal with regulators in an open and co-operative manner;
- Ensure all employees understand that the making or receiving gifts in the course of business can be perceived as corruption or bribery;
- Prohibit the making of payments as an improper inducement to confer preferential treatment;
- Prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- Properly record, report and review financial and tax information;
- Promote transparency and accountability grounded in sound business ethics;
- Use information received from its partners only in the best interests of the business relationship and not for personal financial gain of employee;
- Clearly define responsibilities, procedures and controls with appropriate checks and balances in company management structures; and
- Use effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues.

### 3. EXCLUSIONS

Fund capital will not be invested in the following businesses or activities:

- Production or trade in any product or activity deemed illegal under applicable local and national laws or regulations;
- Businesses for which the main source of income and/or main activity is derived from:
  - Manufacturing or dealing with arms;
  - Manufacture of tobacco products;
  - Human cloning
  - Gambling
  - Pornography

## 4. INVESTMENT AND PORTFOLIO COMPANY PROCEDURES

Argos Wityu places a strong emphasis on an active partnership with its portfolio companies, and has implemented procedures to identify and track the ESG performance of a portfolio company. Transparency and influence of ESG performance is achieved through board representation, CEO and senior management dialogue and strong relationships. Portfolio companies are required to fully embrace this Investment Code and as such, each portfolio company manager commits to an Investment Code similar in substance.

The Argos Wityu ESG procedure towards portfolio companies consists of:

1. Before acquisition:
  - a. Internal ESG questionnaire executed by the deal team and the management team of the company;
  - b. ESG due diligence by an external advisor;
  - c. Key ESG and compliance clauses integrated in the shareholders agreement and the corporate documentation.
2. Following the acquisition:
  - a. Select and implement one key ESG action with the management to improve on, and implement dedicated reporting on this specific action;
  - b. ESG KPIs integrated in the quarterly Argos Wityu reporting.
3. During the investment period:
  - a. Integration of key ESG topics and developments in the Paddle application;
  - b. Reporting of ESG management comments and KPIs on a quarterly basis;
  - c. Follow up and feedback on the key ESG action in the board of directors at least once a year.
4. Exit:
  - a. If relevant: ESG due diligence.

Via this procedure and active follow-up, Argos Wityu envisages that portfolio company managers will:

- Embrace ESG issues, matters and considerations;
- Work towards continuous improvements in these areas, with targets for improvements as appropriate;
- Monitor the progress towards relevant action plans and targets for improvements;
- Monitor and record incidents that result in loss of life, material effect on environment; or material breach of law, and any corrective actions taken;
- Consider the cumulative effects of Fund investments with respect to the Investment Code and:
  - Minimise adverse effects;
  - Maximise development impact; and
  - Promote synergies;
- Identify major risks and opportunities associated with climate change and promote the application of international best practice standards in the reduction of emissions of greenhouse gases;
- Keep up-to-date on new developments with respect to relevant international agreements and best practice standards.