



Environmental, Social & Governance (ESG) Policy

Our approach to ESG at Archipelago Capital Partners (ACP) is centred on a basic question: How do we invest in profitable opportunities that drive growth and economic development for companies and people today, while enhancing their ability to sustain such growth?

Our success as an asset manager anchored in Southeast Asia is tied to the long-term growth and economic development of the region. Growing income level creates more investment opportunities for us. Faster growth attracts more investments in the market that can raise the valuation of our investments. Addressing the question of sustainable growth and development is therefore an essential part of our business. It is also core to our values as a responsible investor.

This Policy outlines our ESG commitments and serves as a framework to guide all our related activities, implemented through our Corporate Governance Policy, our Operations Compliance Manual (OCM) and our Environmental and Social Management System (ESMS).

Scope

This Policy applies to all funds and companies managed by ACP or its affiliates.

Roles & Responsibilities

Our entire firm is responsible for ESG:

- **Board of Directors and our CEO** set the direction of our ESG strategy and oversee its implementation.
- **Investment Committee** considers ESG matters in investment decisions, with a member designated as overall ESG lead.
- **Investment Team** ensures the implementation of our ESG Policy throughout the investment process, from deal evaluation and execution, through engagement and monitoring, to eventual exit.
- **Compliance Officer and ESG Officer** monitor the implementation of our OCM and ESMS throughout our investment operations, liaising with our Board, Investment Committee, Investment Team and stakeholders as necessary.

Our Position on ESG

We adhere to the following principles on ESG in all our operations:

- **Uphold strong governance standards, with zero tolerance for corruption.** We maintain strict policies and internal controls in line with the requirements of the Monetary Authority of Singapore, to address issues including bribery, corruption, money laundering and terrorism financing. We provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and implement policies that align the interests of shareholders and management in both our own operation and our portfolio companies. We are committed to conducting business with integrity and take zero tolerance approach to any bribery or corruption. We extend the same standards for our portfolio companies by requiring the adoption of anti-corruption and whistleblowing policies. We maintain a Valuation Committee, supported by an independent advisor, to present fair valuation of our investments to our LPs.
- **Mitigate the material ESG impact of our investments.** The material E&S risks and opportunities lie in the portfolio companies we invest in. Guided by our ESMS, we ensure all

our target and portfolio companies are evaluated against and maintain compliance with the following standards and principles:

- [ACP Exclusion List](#)
- Applicable national and international laws, regulations, and conventions on environment, labour, health, safety and social issues
- IFC Performance Standards 2012

To achieve the maximum impact on what is truly material, we identify ESG focus specific to each company through materiality assessments informed by leading standards including Sustainability Accounting Standards Board (SASB).

- **Promote workplace where talents can thrive, with zero tolerance towards discrimination and sexual harassment.** We believe in performance, and we are committed to providing a workplace where our employees are respected for their differences and can grow and thrive based on merits and nothing else. We see diversity as one of the levers that help us achieve this goal. We regularly review our workplace diversity to ensure there is no conscious or unconscious bias. We actively promote diversity of perspectives and experiences in our recruitment and promotion process. We are committed to maintaining a workplace free from discrimination and sexual harassment and will take all necessary actions to ensure a professional work environment in our own operation and at our portfolio companies. We ensure such practice by establishing a grievance mechanism at our firm and portfolio companies.
- **Respect human rights.** We respect human rights of those affected by our investment activities and commit to assess that our investments do not flow to companies that utilise child or forced labour. We engage our portfolio companies to assess their suppliers where appropriate, to ensure that we do not procure products or services from sources with high risks of human rights violation. Our commitment is reflected in our [Exclusion List](#) and our adoption of IFC Performance Standards.
- **Build capability.** We continually build the capacity of our staff to identify and successfully manage ESG risks and opportunities, including our Board, Senior Management, Investment Team, Support Team and Operating Partners. We seek to grow and improve the companies in which we invest for long term sustainability. We work with portfolio companies through representation on their boards and other support structures, with the goal of improving performance and minimizing adverse impacts in ESG areas. Led by our ESG Officer, we conduct regular review of our ESG Policy and related systems to ensure continuous improvement, with any changes proposed approved by the CEO of our firm.
- **Integrate climate considerations into our investments.** The Southeast Asian region we invest in faces a unique challenge. On one hand, there is a strong need to fuel growth to reduce poverty and improve living standards. On the other, there is an urgent need to decouple the growth from methods and technology that adversely impact the climate. With this challenge in mind, we commit to integrating climate risks and opportunities into our investment decision-making and continuously improving our capabilities and methodology as knowledge develops.

ESG integral to our Investment Process

We embed ESG considerations across our investment process:

- **Origination:** We integrate ESG themes when conducting our investment research on potential investment opportunities, with a view to address the growing market demand for sustainable products and services.
- **Investment screening and Due diligence:** We conduct initial screening to assess target companies' ability to meet our ESG Policy. After the initial screening, we carry out ESG due diligence to identify key ESG risks and opportunities associated with the target companies, with the assistance of third-party experts where appropriate. Findings from the due diligence are reported to the Investment Committee and key improvement areas are developed into an ESG action plan.

- **Deal structuring:** We ensure that appropriate legal and control mechanisms are built into the deal structure, to maximise alignment with target companies and relevant counterparties and ensure compliance with our ESG Policy and implementation of the ESG action plan.
- **Engagement and Monitoring:** We ensure the management of each portfolio company understand our ESG Policy commitments. We provide close support so portfolio companies can align their activities to those commitments as appropriate. We monitor progress on ESG action plans and performance metrics at our portfolio companies.
- **Exit:** We position our portfolio companies towards sustaining their ESG strategy and initiatives post our exit, by supporting long-term strategy development where appropriate and communicating our work with potential buyers to facilitate continuity.

Transparency and Stakeholder engagement

We are committed to transparency and open engagement with our stakeholders on all ESG matters, through:

- Communicating our ESG Policy to our staff, Limited Partners, target and portfolio companies, and interested parties.
- Obtaining ESG disclosures and performance metrics from our portfolio companies and providing timely information to our Limited Partners and stakeholders.
- Reporting on the implementation of our ESMS on an annual basis.
- Engaging with relevant stakeholders, including members of adversely affected communities or civil society, either directly or through representatives of portfolio companies, as appropriate.
- Maintaining a grievance mechanism on our [website](#) for our internal and external stakeholders.

Signed



Jovasky Pang, CEO

Effective Date

6 Aug 2024

Archipelago Capital Partners Exclusion List

ACP and our portfolio companies in the Archipelago Asia Focus Fund II and following funds shall not invest in following activities:

1. Activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented ([IFC Environmental & Social Category A](#))
2. Production or trade¹ in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora
3. Production or trade in weapons and munitions (including weapons of mass destruction)²
4. Production or trade in alcoholic beverages (excluding beer and wine)²
5. Production or trade in tobacco or tobacco products (including alternative tobacco heating products such as vaporisers and electronic cigarettes)²
6. Gambling, casinos and equivalent enterprises²
7. Production or trade in radioactive materials³
8. Production or trade in unbonded asbestos fibres⁴
9. 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)
10. Production or activities involving forced labour⁵ or child labour⁶
11. Coal related activities
12. Prostitution related activities
13. Manufacture, production, or sale of pornography
14. Manufacture, production, or sale of narcotics (including cannabis and any product with cannabis as an ingredient), harmful drugs and substances
15. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
16. Destruction⁷ of High Conservation Value areas⁸

The Fund, except when engaged in **microfinance** activities as specified below*, must also apply the following exclusions:

17. Commercial logging operations for use in primary tropical moist forest
18. Production or trade in wood or other forestry products other than from sustainably managed forests

* When investing in **microfinance** activities, the Fund will apply the following additional items:

19. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products
20. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples (as defined in Standard 7 of the IFC Performance Standards), without full documented consent of such peoples

¹ Production or trade covers activities across the value chain including importation and distribution.

² This does not apply to project sponsors who are not substantially involved in these activities. For portfolio companies, "substantially involved" means more than 10% of their consolidated balance sheets or earnings or more than 20% of revenues from the Excluded Activity, whichever is lower. For financial institutions (e.g., banks), "substantially involved" means a cumulative portfolio exposure of 5% or more to investees/borrowers classified as having a substantial exposure according to the definition provided for the portfolio companies.

³ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is understood to be trivial and/or adequately shielded.

⁴ This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

⁵ Forced labour means all work or service, not voluntarily performed, extracted from an individual under threat of force or penalty.

⁶ Persons may only be employed if they are at least 15 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Ar.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases, the higher age shall apply. The minimum age for any type of employment or work which is likely to jeopardise the health, safety or morals of young persons shall not be less than 18 years.

⁷ 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.

⁸ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance. See <https://www.hcvnetwork.org/>.