Article 10: SFDR product disclosure

Sustainable investment objective of the financial product

The investment objective of the Fund is to generate attractive risk-adjusted returns by investing primarily in sustainable investments focusing on ESG metrics to drive performance.

Environmentally sustainable investments relate to Resource Efficiency, encompassing the entire spectrum of natural resources, and/or Pollution Control, including all types of pollution affecting water, air, soil and human health, use of circular economy

Social investments include human rights, labor conditions, gender diversity and representation of minorities and indigenous people in the workforce, social mobility and career progression, youth employment in the target company and the supply chain. The fund will ensure equality and non-discrimination so that adverse risks do not fall disproportionately on marginalized groups.

Good governance investments include stakeholder engagement and disclosure, gender diversity in management, anti-corruption, anti-bribery, harassment in the workplace, presence of boards, transparency, independence and reporting.

Investment strategy

The investment strategy foresees investments in mezzanine debt to companies in East Africa and Zambia which are exposed to ESG factors and are considered, based on our proprietary methodology, sustainable investments.

In seeking to identify environmentally sustainable and socially responsible investments with strong governance standards, the fund employs a disciplined and uncompromising fundamental bottom-up investment research process, leading to a high conviction, concentrated portfolio of companies.

Proportion of investments

The fund aims at maintaining a minimum share of sustainable investments of 80% of its net asset value.

Monitoring and reporting of sustainable investment objective

Monitoring

The fund has develop a proprietary Sustainability scoring model which is used to assess and monitor its investments. An ESG action plan is created for the target company to follow in the first 100 days post- closing of the transaction. The plan sets out improvement projects to address priority sustainability risks with clear KPIs and targets derived from industry benchmarks and best practices. At the end of the 100 days, the action plan is reviewed and it forms the basis of an annual ESG roadmap that aligns with the fund's ESG objectives.

Reporting

The Fund's sustainability report is an aggregation of individual portfolio companies' sustainability reports that highlight company performance against material ESG themes and sustainability risks. Each company report is drafted by the Sustainability team, an independent team from the investment team.

Our reporting practices are aligned with international standards such as the Global Reporting Initiatives (GRI) and the Task Force on Climate-related Financial Disclosure (TCFD) and are tailored to meet the specific disclosures of relevant stakeholders, including investors, regulators and local communities.

Methodologies

To measure the achievement of sustainable objectives, EG-EEF has developed a sustainability scoring model, our single holding indicator, which represents in one figure, between 0 and +100%, the compliance of the company with ESG. The fund assesses 70 Key Risk Indicators across the supply chain, the company's operations and use and disposal. It analyzes Environmental, Social and Governance factors in compliance with ILPA, UN PRI, UN SDGs and other relevant regulations. The Fund invests in companies that meet the minimum EG-EEF Sustainability score representing investments in companies that are sustainable businesses. EG Capital will work further with the target company to improve its ESG standing and deliver superior returns.

Data sources and processing

The data and information useful for the application of the EG-EEF Sustainability score are collected during due diligence and periodically over the duration of the investment, by the Sustainability team with the support of the investment team. The data and information necessary are obtained from a range of sources, with the aim of guaranteeing completeness and quality of information, including: documentation issued by the target companies, internal analysis, external data provider information, calls with experts and with the management. The data gathered is processed by the Sustainability team and the performance of the companies is assessed against the market. Within the limitation of available data and with a low share of estimates, the Sustainability team always strives to assess the net environmental impact, after considering feedback loops and negative effects from technology evolution.

The process is formalized in an internal policy to ensure transparency, homogeneity and accuracy in the application of the methodology.

Limitations to methodologies and data

Our approach is based on an internal proprietary analysis that is fed by research, company analysis and discussion with experts. The process is standardized, formalized in an internal policy and as transparent and detailed as possible. Some limitations are intrinsic in the nature of the analysis as it relies on third party information and target company's disclosures that may in some cases be restricted and may affect the depth of the analysis. Nonetheless, such limitations do not affect the attainment of the sustainable investment objective, as data is verified against multiple sources or, where this is not viable, considered not sufficient and the investment process discontinued.

No significant harm to the sustainable investment objective

Calculating the Sustainability score allows to assess whether the prevailing contribution to environmental sustainability is positive or null across multiple environmental issues and therefore represents a first test on do not significant harm to environmental objectives. Furthermore, the integration of ESG assessment is an integral part of the investment process and contributes to the identification and control of the potential negative effects associated with investments, including social and governance ones.
The analysis takes into account, across the different phases of the ESG program, through an internally defined process:

- the principal adverse impact indicators (i.e. mandatory and relevant additional indicators);
- the guiding principles of the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles of Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Due diligence

Prior to investment, a robust due diligence is conducted on all potential investments that have passed the initial screening phase. The Sustainability team, with the help of external consultants, assesses sustainability risk materiality on a quantitative and qualitative scale against ESG themes such as environment, climate change, governance, health, safety and social issues. A detailed assessment of investment performance against these themes is performed to determine whether there are any unmanageable risks (red flags) that would halt the transaction. If the decision to invest is made, as standard practice, sustainability objectives are included in the investment roadmap. The fund shall seek to grow and improve the companies in which it invests for achievement of long-term sustainability.

Engagement policies

To encourage ownership of ESG at both fund and investee level, there is frequent engagement between the Operations/ESG & impact officer, company management, and monitors ESG performance of the fund and in consultation with the Risk and Investment Committees and third-party expert consultants. During the holding period EG-EEF will continue monitoring negative impacts through a combination of data collection and internal analysis. Findings deriving from the monitoring activities are integrated into our engagement and active ownership practices to ensure the mitigation of any risks of negative impacts (i.e. on DNSH principles) that may have arisen post-investment and minimum safeguards continued compliance.

An escalation process has also been put in place, based on findings from the aforementioned phases, consisting of additional company engagement activities and progress analysis in respect of mitigation of negative impacts.

The escalation process may ultimately result, based on severity of the negative impacts by an investee company, in disinvestment from the company.

Attainment of the sustainable investment objective

No specific index is designated as a reference benchmark to meet the sustainable investment objective.

The fund will not invest in any company where an identified adverse impact or performance has not been resolved in accordance with this policy