

**ENVIRONMENTAL AND SOCIAL MANAGEMENT
SYSTEM
POLICY**

**TVM HEALTHCARE MENA 1 FUND (updated
March 2019)**

MISSION & SCOPE

We aim to generate profit with a purpose by making meaningful investments in the healthcare sector, our area of expertise. In pursuit of this objective, TVM Capital Healthcare combines a promising business rationale connected to a social need and a responsible behavior towards its community, environment and stakeholders.

TVM Healthcare MENA 1 Fund (the “**Fund**”) and its investee companies are committed to managing their activities in a way that delivers highest quality of care to patients, protects the health and safety of its employees, advocates diversity, sustains the environment and contributes to the development of local communities. This applies to the full lifecycle of the Fund’s investments, being comprised of the following phases:

- Pre-Investment;
- Investment;
- Investment Holding Period; and
- Investment Exit.

Our close engagement with the companies on social, environmental and governance (“**ESG**”) aspects, fosters a deep awareness and understanding of ESG issues that protects and enhances the value of our investments, makes us act responsible towards the environment and society, and helps us attract and retain a motivated and loyal workforce, which shares our pursuit of excellence.

This policy and its corresponding procedure framework are an update to the Fund’s Environmental and Social Management System Policies and Procedures Framework dated January 2018. It is prepared for the benefit of, and will be communicated to, the Fund and its investee companies including partners, staff, visitors, patients, stakeholders, contractors, subcontractors, facilities and assets.

COMMITMENTS

The Fund incorporates ESG considerations during the full lifecycle of its investments (including expansions or joint ventures made by its investee companies), through both the Fund and its investee companies committing to the following:

- Complying with IFC’s performance standards on social and environmental sustainability and their related guidance notes and all applicable legislation relating to the environment, health & safety and labour;
- Carrying out ESG due diligence prior to making investments;
- Excluding investments, which fall under the IFC exclusion list or do not comply with the host country or international social and environmental regulatory frameworks;
- Engagement by the Fund of, and provision of support to, investee companies to address key ESG risks and opportunities;

- Communicating environmental and social expectations to all staff and other stakeholders and continually building their capacity to identify ESG risks;
- Implementing a comprehensive social and environmental management system and organizational arrangements to ensure accountability and day-to-day responsibility for ESG matters, including through regular EHS and CSR reporting and communication, which include senior management commitment and input;
- Respecting and supporting human and labour rights (including through identifying risks in its supply chain in this regard), including freedom of association, avoidance of discrimination and prevention of child and forced labour, modern slavery and human trafficking - through integrating and implementing an HR and whistleblowing policy and code of conduct, consistent with IFC Performance Standard 2 and international good practice;
- Implementing all reasonable precautions to prevent accidents and diseases occurring in the course of business operations and providing employees with safe working conditions and a healthy work environment;
- Involving employees in the EHS process and establishing a transparent and open consultation process with stakeholders and affected communities;
- Embracing and celebrating the diversity of people and cultures and positively contributing in each community and country of operations;
- Incorporating resource conservation and energy efficiency measures and minimizing the generation of pollutants and waste; and
- Improving the overall environmental and social performance through enhanced risk management.

APPLICABLE REQUIREMENTS

The Fund applies the following environmental and social standards as criteria to determine the activities that it will not finance and also to establish requirements for investee companies to comply with:

International

- The IFC environmental and social exclusion list.
(http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)
- The IFC Performance Standards (**PS**) on social and environmental sustainability and their guidance notes.
(http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbfd1a5d13d27/PS_English_2012_Full-Documents.pdf?MOD=AJPERES).

http://www.ifc.org/wps/wcm/connect/e280ef804a0256609709ffd1a5d13d27/GN_English_2012_Full-Document.pdf?MOD=AJPERES.

- The IFC environmental, health and safety guidelines for healthcare facilities and manufacturing
- Other international sustainability standards, as may be required by the Fund, such as standards issued by the International Organization on Standardization (**ISO**), the Occupational, Safety and Health Administration (**OSHA**), International Labour Organisation (**ILO**), the Dhaka principles on migration with dignity, or the UN Guiding Principles on Business and Human Rights.

Should the IFC update its Performance Standards and/or EHS Guidelines, the Fund will apply the new requirements to new investments that go to the Fund's investment committee after the date specified in the IFC update.

Local

Investee companies have to comply with standards, policies, manuals and guidelines set by the applicable authorities in the countries in which they operate.

The Fund ensures at the due diligence stage that the legal and regulatory requirements for any new investment are reviewed for amendments and as a result of new laws in the relevant jurisdiction.

The Fund's legal department reviews the regulatory framework of every new country the Fund wishes to invest in, as well as the most up-to-date national environmental and social laws that apply to any new investee company particularly with respect to:

- Air emission and air quality;
- Energy and water use and conservation;
- Wastewater and water quality;
- Waste and hazardous materials use, handling and disposal;
- Soil and groundwater impact;
- Fire prevention and protection;
- Lifecycle impacts of products and services;
- Labor and working conditions;
- Equal pay, gender equality and diversity;
- Occupational health and safety;
- Supply chain management and sourcing; and/or
- Community health, safety and security.

**ENVIRONMENTAL AND SOCIAL MANAGEMENT
SYSTEM
POLICY – PROCEDURE FRAMEWORK**

**TVM HEALTHCARE MENA 1 FUND (updated
March 2019)**

Introduction

This framework is in reference to the Environmental and Social Management System Policy for TVM Healthcare MENA 1 Fund (the “**Policy**”). Since the inception of the Policy, the Fund and moreover its investee companies have entrenched the Environmental and Social Management System (the “**ESMS**”) principles into their day-to-day activities.

Governance

The environmental and social aspects of the Fund are monitored by two ESMS Officers who are jointly responsible for the overall administration and oversight of the Fund’s and investee companies’ ESMS reporting.

Assigned representatives at each investee company monitor the E&S performance of such company. In relation to areas particularly relevant to their business, these representatives report back to the board of directors of the investee company on a periodic basis. As and when necessary, such investee companies submit their performance to the Fund Advisory Board and Investment Committee of the Fund through one of the ESMS Officers. On an annual basis, the Fund prepares an ESG report, including information on its investees. To review, enhance and improve this system, from time to time, a respected third party ESMS Consultant may be engaged by the Fund and the investee companies. As the investee companies grow in size and stature they may also form ESMS Committees to better administer the ESMS Policy and monitor performance.

The Board of Directors of each investee company is responsible for the development of the internal structures within that business to perform, monitor and report on ESG matters.

ESG Committee

The ESG Committee is a cross-functional team responsible for overseeing the embedding and implementation of the Policy and to provide support and oversight in ESG matters and shall always include the ESMS Officers. The composition and focus of the ESG Committee shall be dependent on the relevant phase of the investment. As an example, at the Pre-Investment phase, this shall include the transaction team, whereas during the Investment Holding Period, this shall include the relevant CEO, applicable management team members (such as Quality or HR Managers) and at least one TVM-appointed board member.

When deemed necessary, the ESMS Committee can involve other external consultants on a high social and environmental risk area (such as Fire Safety Consultant, Waste Management Consultant.).

ESMS Officers

The current ESMS Officers for the Fund are the General Counsel and Head of Marketing & Communications for TVM Capital Healthcare Partners.

The ESMS Officers’ tasks are:

- Ensuring that environmental and social due diligence (the “**ESDD**”) is carried out in accordance with the ESG Due Diligence Questionnaire for GPs and their Portfolio, provided by Invest Europe (https://www.investeurope.eu/media/523237/Invest-Europe_ESG_DD_Questionnaire.pdf) for every new investment including, as appropriate, a site visit, screening against S&E requirements and review of S&E documentation. No new investments are expected under the Fund at present;
- Reviewing the result of every ESDD and confirming that the social and environmental risk is acceptable to the Fund as per the Policy and that an E&S section is included in the final investment memorandum;
- Reporting results of ESDD to the Fund Investment Committee and ESG performance to the Fund Advisory Board and engaging external auditors where necessary;
- Negotiating with the investee the social or environmental representations, warranties and covenants and ensuring their incorporation in the investment agreement, as necessary;
- Ensuring that periodic updates and ESG training are provided to the Fund’s investment team and the ESG Committee, which include ESG risks and mega trends in healthcare, construction and labour recruitment in the region, pre-acquisition ESG due diligence, addressing ESG issues in a 100/300 day plan, the Environmental and Social Action Plan the “**ESAP**”), key performance indicators (“**KPIs**”) and ongoing investee company monitoring and ESG incidence management;
- Incorporating an ESG on-boarding document for investee companies and resolving E&S issues in case of non-compliance through identifying and executing ESG initiatives, preparing action plans with specific follow-up procedures as well as monitoring of the key ESG issues identified in due diligence; and
- Initiate, supervise and monitor annual ESG reporting.

Investee Company ESMS Representative

Each investee company will assign an ESMS representative to be responsible for the administration, monitoring and reporting for such investee company’s ESMS in accordance with the Policy. Their responsibilities include: (i) checking the adequacy and implementation of the social and environmental management system, (ii) following up on the social and environmental management program, (iii) assessing new social and environmental risks and developing mitigating measures, (iv) supporting the E&S focal points in any social and environmental matters, (v) carrying out audits on third party waste management contractors and the laundry service providers and (v) evaluating resource saving opportunities and initiatives for community development.

In doing so, the investee companies’ ESMS representatives will supervise the ongoing environmental and social compliance of the investee companies with ESG regulations and the Policy, reporting to the Fund (through the ESMS Officers) and discussions of ESG matters at the

investee company quarterly board meetings. Consolidated reporting to the Fund's ESMS Officers shall occur on an annual basis and/or periodically as may be requested by the ESMS Officers or the ESMS Consultant (as defined below).

ESMS External Consultant

The Fund or the investee companies may from time to time seek to review and improve the ESMS framework with the support of an external Environmental and Social Consultant.

The Consultant may be engaged by the Fund or the Investee companies in relation to:

- Assigning a social and environmental risk category to potential investments;
- Preparing/reviewing the Fund's annual monitoring report for the IFC;
- Preparing/reviewing the Fund's corporate social responsibility report;
- Signing off on environmental performance reports as and when required; and
- Any other environmental and social document as requested by the Fund.

As per the Unitholders agreement between the Fund and the IFC, any successor or replacement of any ESMS Officer, investee company ESMS Representatives or ESMS Consultant shall be acceptable to the IFC.

Supplier and Contractor Pre-qualification and Monitoring

The Fund and investee companies shall have a formalized process for pre-qualification and monitoring of supplier and contractor E&S performance. This process generally includes assessing labour rights and occupational health and safety risks associated with contractor management.

Environmental Category

Investments will follow the IFC's environmental and social risk categorization included below:

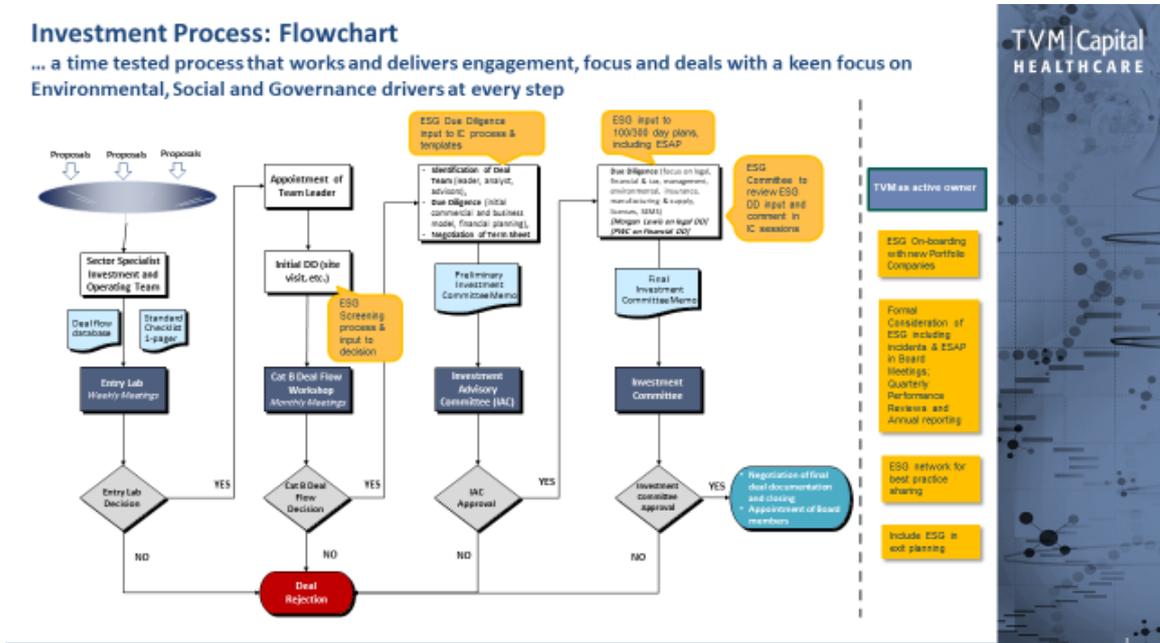
- Category C: Transactions that typically involve investees with business activities with minimal or no adverse environmental and social impacts.
- Category B: Transactions typically involve investees with business activities with limited environmental and social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures and international best practice.

- Category A: Transactions typically involve clients/investees with business activities with significant adverse environmental and social impacts that are diverse, irreversible or unprecedented.

The Fund will mainly invest in healthcare facilities that are expected to fall under Category B.

Investment appraisal and supervision procedures

There are no new investments currently expected for the Fund, however the investment project cycle for investments made by the Fund may be conducted as per the below flow chart. This process is also to be followed by each investee company considering any acquisition, expansion or joint venture:



The investment process can be detailed as follows:

Pre-Investment

1. Initial and notification stage:

At the initial screening and notification stage, investment activities are screened by the Investment Committee to determine if a proposed transaction complies with their requirements for financing and if it is excluded from the IFC’s exclusion list.

(https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist).

Any potential investment which fails the above screening is automatically rejected.

For those prospective investments where risks present significant, adverse environmental and social issues of concern, including reputational risk, and may likely require a major

commitment of E&S resources, the Investment Committee will be notified. Depending on the level and severity of risks, the Fund Investment Committee may notify the IFC.

The Investment Committee will notify the potential investee about the Fund's Policy's requirements and will seek the investee's cooperation in the subsequent ESDD activities, for which a section on E&S matters in any resulting Memorandum of Understanding or Term Sheet may be needed.

2. Appraisal stage:

In order to identify an environmental and social risk category and determine the level of the ESDD required, the ESMS Officers and/or the external E&S Consultant will use the Fund's due diligence checklist and risk assessment tool highlighting the ESG criteria. This may be done in different phases. The ESDD may be conducted at this stage by the External E&S Consultant. The ESMS Officers will review the result of the ESDD and the social and environmental action plan (if any).

This shall include:

- IFC Environmental and Social Risk Categorisation allocation (being either A, B or C as set out above);
- Bespoke E&S scope tailored for target operations;
- Material E&S risks and value creation opportunities documented and considered throughout the due diligence;
- Formalisation of the ESAP; and/or
- E&S issues and ESAP factored formally into the deal valuation and feeding into the Investment Committee approval process.

ESG aspects can result in material commercial consequences, such as:

- Liabilities e.g. due to soil and groundwater contamination;
- Provisions e.g. for repayment of employee bond debt;
- Operating expenditure e.g. cost of waste disposal, current and future;
- Capital expenditure, e.g. upgrades for fire safety compliance to legal requirements;
- Revenue impact e.g. poor H&S performance leading to loss of customer contracts or production downtime due to social unrest or fire; or

- Loss of social “license to operate”, e.g. human rights infringements leading to reputational damage.

3. Formal approval stage and negotiation:

The Fund Investment Committee evaluates the: (i) environmental and social risk category, (ii) the findings of the environmental and social due diligence and (iii) any recommendations for corrective actions to mitigate potential environmental and social risk. The result of this identification, documenting and evaluation of risks and opportunities is to determine whether to proceed with the investment. This will also include the overall strategy for E&S, particularly considering its potential impact on the investment thesis, value creation plan and exit plans.

During the negotiation stage, the ESMS Officers will negotiate and agree with the investee any requirements for social and environmental compliance or corrective actions to be included in the investment’s terms and conditions. These will be represented in legal documents as general E&S definitions, representations and warranties, disbursement conditions, and/or covenants regarding compliance with the requirements as defined by the Policy.

Investment

4. Disbursement:

If and when ESG-related conditions of investment are tied to disbursement of funds, as specified in the relevant investment documentation, the ESMS Officers should ensure that these conditions are met before the disbursement of funds.

Investment Holding Period

5. Monitoring and reporting:

The ESG Committee reviews the ESG management system, at planned intervals, to ensure its continuing suitability, adequacy and effectiveness. This includes:

- Setting E&S priorities in a 100/300 day plan / ESAP.
- Portfolio management reviews and support for investee companies on specific initiatives.
- Provision of data and KPIs linking E&S goals to business performance.
- Considering management incentives around E&S KPIs.
- Reassessment of IFC Environmental and Social Risk Categorisation where there are significant changes to the business and/or deterioration or improvement in E&S performance.
- Measuring and reporting added value from E&S.

- Sharing of lessons learned and good practice.
- Monitoring on a quarterly basis of the social and environmental performance of each investee company and the Fund as a whole in accordance with the Policy.
- Environmental health and safety evaluations of contractors working on construction or fit outs for new investee companies.
- Environmental and social site visits and yearly site visits to third party waste contractors and laundry service providers.
- Regular review of ESAPs.
- Identification of any potential environmental and social risk from enforcement authorities, media, non-governmental organizations, communities or strikes by workforce, fines significant incidents such as fatalities/serious injuries/large scale pollution incidents and reporting to the Fund.
- Assessment of key impacts of operations on workers, communities and the natural environment and finding ways to contribute to environmental sustainability, positive workplace development and community development.
- Reporting of the investee companies' social and environmental performance to the Fund as well as submission of an annual monitoring report to the IFC.
- Participation in Industry E&S Associations.
- Prompt disclosure of E&S incidents to ESMS Officers.
- Engagement with stakeholders to obtain feedback on E&S disclosures and performance.
- Periodic LP reporting and publication which includes: (i) developing ESG due diligence approaches for different types of operations and countries to assess ESG risks and opportunities; (ii) aligning with IFC Risk Categories; (iii) developing guidance on the engagement of external support; (iv) modifying investment committee templates; and (v) ensuring that ESAP is included in the relevant legal documentation.
- Proactive discussion of E&S issues and including in annual/periodic LP/stakeholder conferences and reports/updates.
- Prompt disclosure of E&S incidents to LPs/stakeholders.
- Documenting E&S improvements/achievements and development of case studies for external communication.

- Maintaining on-going dialogue with the investee companies' senior management team to ensure that such companies are implementing the HR and whistleblowing policy and code of conduct and building the necessary ESG processes and corporate governance.
- Requiring all the investee companies to ensure that their Chief Executive Officers and senior management are committed to ESG integration.

Investment Exit

6. Acquirer Access and Due Diligence:

ESG Committee reviews:

- That potential acquirers have access to ESG information as part of the valuation and due diligence process.
- Commissioning/preparation of vendor due diligence to include appropriate disclosure of E&S performance and examples of value addition.
- Presentation of E&S policies, processes and performance to enable the strategic and private equity purchasers (with strong E&S policies) to consider the value of managing E&S factors proactively and alignment with their own standards.