



## SILVERSTREET'S RESPONSIBLE INVESTMENT CODE

This Responsible Investment Code applies to funds managed or advised by SilverStreet Capital LLP ("**SilverStreet Funds**"). SilverStreet first adopted its Responsible Investment Code on 26 January 2011.

Sustainable private sector development requires responsible business management of environmental, social and governance ("**ESG**") matters.

This Responsible Investment Code defines the principles, objectives, policies and management systems for sustainable and responsible investment with respect to the SilverStreet Funds.

It also includes an exclusion list, which specifies businesses and activities in which the SilverStreet Funds will *not* invest.

### 1. CORE PRINCIPLES

The SilverStreet Funds, and the businesses in which their capital is invested, will:

- comply with all applicable laws and regulations (including Luxembourg and UK laws);
- as appropriate, minimise principal adverse impacts on sustainability factors and enhance positive effects on the environment, workers, and all stakeholders. 'Sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery;
- commit to continuous improvements with respect to sustainability factors;
- work over time to comply with the relevant international best practice standards,<sup>1</sup> with appropriate targets and timetables for achieving them; and
- employ management systems which effectively address ESG and sustainability risks and realise ESG opportunities as a fundamental part of a company's value.

### 2. OBJECTIVES AND POLICIES

In order to achieve the Core Principles, the SilverStreet Funds are managed in accordance with the following objectives and policies:

#### 2.a. THE ENVIRONMENT

##### Objectives

- To minimise adverse impacts and enhance positive effects on the environment, as relevant and appropriate, from the businesses in which the SilverStreet Funds' capital is invested.
- To encourage the businesses in which the SilverStreet Funds' capital is invested to make efficient and sustainable use of natural resources, for example soil, land, livestock, forestry, biodiversity and water and, to take a preventive and precautionary approach to protect the environment wherever possible.

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<sup>1</sup> As referenced in this Investment Code and as may develop over time.

- To support the reduction of greenhouse gas emissions which contribute to climate change from the businesses in which the SilverStreet Funds' capital is invested.<sup>2</sup>
- To encourage the development of environmentally friendly technologies.
- To ensure the fair treatment of animals.

## Policy

Businesses in which the SilverStreet Funds' capital is invested 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 business 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;<sup>3</sup> and
  - consider the potential for positive environmental impacts from business activities; and
- take appropriate actions to mitigate environmental risks, ameliorate environmental damage, and enhance positive effects as follows:
  - where an activity is assessed to present significant environmental risks, work over time to apply the relevant IFC policies and guidelines,<sup>4</sup> if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and
  - work over time to comply with international environmental best practice standards;<sup>5</sup>
- Ensure the fair treatment of animals according to local and international guidelines, as appropriate.

## 2.b. SOCIAL MATTERS

### 2.b.i. LABOUR AND WORKING CONDITIONS

#### Objectives

- To require the businesses in which the SilverStreet Funds' capital is invested to treat all their employees and contractors fairly and to respect their dignity, well-being and diversity.
- To require the businesses in which the SilverStreet Funds' capital is invested to work over time towards full compliance with the International Labour Organization ("ILO") Fundamental Conventions<sup>6</sup> and with the United Nations ("UN") Universal Declaration of Human Rights.<sup>7</sup>

<sup>2</sup> In line with the 1994 United Nation Framework Convention on Climate Change and the associated 2005 Kyoto Protocol ("UN Framework Convention"), see [www.unfccc.int/2860.php](http://www.unfccc.int/2860.php) as may be amended from time to time.

<sup>3</sup> Activities with potential significant adverse environmental impacts which are diverse, irreversible or unprecedented.

<sup>4</sup> The 2006 International Finance Corporation ("IFC") Policy and Performance Standards on Social and Environmental Sustainability ("Performance Standards") and the 2007 IFC Environmental, Health and Safety Guidelines ("IFC EHS Guidelines"), as may be amended from time to time. IFC EHS Guidelines include general guidelines and industry sector guidelines for forestry, agribusiness / food production (including fisheries), general manufacturing, oil and gas, infrastructure, chemicals (including pharmaceuticals), mining and power. See [www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards](http://www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards) and [www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate](http://www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate).

<sup>5</sup> Including the range of internationally certifiable environmental standards issued by the International Organization for Standardization ("ISO"), the ISO 14000 series, notably including standards for environmental management systems (ISO 14001) and greenhouse gas emissions (ISO 14064-65), as may be amended from time to time. See [www.iso.org](http://www.iso.org).

<sup>6</sup> The ILO Fundamental Conventions are the Conventions on Freedom of Association and Collective Bargaining; Forced Labour; Child Labour; and Non-Discrimination, as may be amended from time to time. See [www.ilo.org/ilolex/english/docs/declworld.htm](http://www.ilo.org/ilolex/english/docs/declworld.htm) for the texts of these Conventions and a list of the countries that have ratified each of them.

<sup>7</sup> See [www.un.org/Overview/rights.html](http://www.un.org/Overview/rights.html)

- Businesses should support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses.

## Policy

Businesses in which the SilverStreet Funds' capital is invested 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;<sup>8</sup>
- pay wages that are reasonable and which also meet or exceed industry or legal national minima;
- 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, or HIV status;
- 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 basic services.

## 2.b.ii. HEALTH AND SAFETY

### Objectives

- To attain safe and healthy working conditions for employees and contractors of the businesses in which the SilverStreet Funds' capital is invested.
- To safeguard the health and safety of all those affected by the businesses in which the SilverStreet Funds' capital is invested.

### Policy

Businesses in which the SilverStreet Funds' capital is invested will:

- 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,<sup>9</sup> work over time to apply the relevant IFC policies and guidelines,<sup>10</sup> if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and
  - as appropriate, work over time to comply with international best practice standards for health and safety and, the substitution of hazardous materials;<sup>11</sup>

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<sup>8</sup> As defined by the ILO C138 Minimum Age Convention from 1973 and the ILO C182 Worst Forms of Child Labour Convention from 1999. See [www.ilo.org/ilolex/english/docs/declworld.htm](http://www.ilo.org/ilolex/english/docs/declworld.htm)

<sup>9</sup> Activities that could have a severe health or safety impact for workers or affected communities.

<sup>10</sup> The IFC Performance Standards and the IFC EHS Guidelines, as may be amended from time to time. IFC EHS Guidelines include general guidelines and industry sector guidelines for forestry, agribusiness / food production (including fisheries), general manufacturing, oil and gas, infrastructure, chemicals (including pharmaceuticals), mining and power. See [www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards](http://www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards) and [www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate](http://www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate).

<sup>11</sup> Including OHSAS 18001, the international occupational health and safety management system specification, and industry specific international good practice standards related to the safety of product use, e.g. the international Good Manufacturing Practice ("GMP") standards for food and pharmaceutical products promoted by the World Health Organization ("WHO"), see

- adopt an HIV/AIDS policy

## **2.b.iii. OTHER SOCIAL MATTERS**

### **Objectives**

- To be objective, consistent and fair with all stakeholders of the businesses in which the SilverStreet Funds' capital is invested.
- To recognise and, as appropriate, promote the social development impact from the businesses in which the SilverStreet Funds' capital is invested.
- To promote local food production.

### **Policy**

Businesses in which the SilverStreet Funds' capital is invested will:

- ensure adequate involvement and consultation of local communities in the preparation and development of the project, including honest and transparent communication of the impacts of the project;
- 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;<sup>12</sup> and
  - consider social development contributions; and
- take appropriate actions to mitigate risks,<sup>13</sup> ameliorate negative impacts, and enhance positive effects.

## **2.c. GOVERNANCE: BUSINESS INTEGRITY AND GOOD CORPORATE GOVERNANCE**

### **Objectives**

- To ensure that the SilverStreet Funds, and the businesses in which the SilverStreet Funds' capital is invested, exhibit honesty, integrity, fairness, diligence and respect in all business dealings.
- To enhance the good reputation of the SilverStreet Funds.
- To promote international best practice in relation to corporate governance in the businesses in which the SilverStreet Funds' capital is invested and, working against corruption in all its forms, including extortion and bribery.<sup>14</sup>

### **Policy**

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[www.who.org](http://www.who.org).

<sup>12</sup> Activities with potential significant adverse social impacts which are diverse, irreversible or unprecedented.

<sup>13</sup> As relevant, by applying IFC Performance Standards on Land Acquisition and Involuntary Resettlement; Indigenous Peoples; and Cultural Heritage; as may be amended from time to time. See [www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards](http://www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards).

<sup>14</sup> Including the 2004 Organisation for Economic Cooperation and Development ("OECD") Principles of Corporate Governance, as may be amended from time to time. See [www.oecd.org](http://www.oecd.org).

The SilverStreet Funds, and the businesses in which their capital is invested, will:

- comply with all applicable laws and promote international best practice,<sup>15</sup> including those laws and international best practice standards intended to prevent extortion, bribery and financial crime;
- not provide improper benefits to customers, agents, contractors, suppliers, employers or to government officials;
- uphold high standards of business integrity and honesty;
- deal with regulators in an open and co-operative manner;
- prohibit all employees from making or receiving gifts of substance in the course of business;
- prohibit the making of payments as 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 by any 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

The SilverStreet Funds' capital will not be invested in the following businesses or activities:

- production or activity involving forced labour or child labour;
- production of or trade in any product or activity deemed illegal under applicable local or national laws or regulations, or banned by global conventions and agreement, such as certain:
  - hazardous chemicals, pesticides, pharmaceuticals and wastes;<sup>16</sup>
  - ozone depleting substances;<sup>17</sup> and
  - endangered or protected wildlife or wildlife products;<sup>18</sup>
- production of or trade in arms, i.e., weapons, munitions or nuclear products, primarily designed or primarily designated for military purposes;
- production of, use of or trade in unbonded asbestos fibres;<sup>19</sup>
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- Cross-border trade in waste and waste products unless compliant with the Basel Convention;
- production and distribution of racist, anti-democratic and/or neo-Nazi media;
- Destruction of Critical Habitat<sup>19b</sup>; or
- Production or activity involving forced labour or child labour.

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<sup>15</sup> Including the 2005 UN Anti-Corruption Convention, see [www.unodc.org/unodc/en/treaties/CAC/index.html](http://www.unodc.org/unodc/en/treaties/CAC/index.html); the 1997 OECD Anti-Bribery Convention, see [www.oecd.org](http://www.oecd.org); and, as relevant, the 2005 Extractive Industries Transparency Initiative (“EITI”), see [www.eitransparency.org](http://www.eitransparency.org); as may be amended from time to time.

<sup>16</sup> Including those specified in the 2004 Stockholm Convention on Persistent Organic Pollutants (“POPs”), see [www.pops.int](http://www.pops.int); the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, see [www.pic.int](http://www.pic.int); and the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see [www.basel.int](http://www.basel.int); as may be amended from time to time.

<sup>17</sup> As covered in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer, see [www.ozone.unep.org](http://www.ozone.unep.org), as may be amended from time to time.

<sup>18</sup> As covered in the 1975 Convention on International Trade in Endangered Species or Wild Flora and Fauna (“CITES”), see [www.cites.org](http://www.cites.org), as may be amended from time to time.

<sup>19</sup> This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

The SilverStreet Funds' capital will not be invested in businesses for which the following activities or products are, or are intended to be, a significant source of revenue:

- gambling;
- alcoholic beverages;
- illegal drugs;
- pornography or prostitution; or
- tobacco or tobacco related products.<sup>20</sup>

#### 4. MANAGEMENT, MONITORING AND REPORTING SYSTEMS

Where the General Partner has effective control or significant influence over portfolio companies<sup>21</sup> through the SilverStreet Funds, it will procure that such portfolio companies sign an undertaking confirming that they will operate in line with the Responsible Investment Code.

The General Partner will, in these cases where it has effective control or significant influence establish and maintain management systems (e.g. SEMS / ESMS) for ESG matters <sup>22</sup> which:

- assess the impact of all new investments on ESG matters as an integral part of the investment appraisal process;
- give new investments a risk rating using the ESG Scorecard on ESG issues to determine the appropriate level of management and monitoring;
- if an investment is made despite identified shortcomings in relation to identified ESG issues or sustainability risks, or if any issues should arise during the investment period, assist the portfolio company concerned to develop an “ESG Action Plan” to address such issues, with appropriate targets and timetable for improvements;
- require the managers of portfolio companies to work towards continuous improvements in these areas, with targets for improvements as appropriate;
- encourage the managers of portfolio companies to adopt and implement policies relating to SilverStreet’s ESG and Impact Policy, particularly where businesses entail significant risks;
- monitor portfolio companies’ performance against SilverStreet’s ESG and Impact Policy and their progress towards the ESG Action Plan and targets for improvements;
- ensure that each portfolio company produces an annual ESG report that is discussed and approved by the directors of the portfolio companies;

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<sup>19b</sup> Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat’s ability to maintain its role is lost. Critical Habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered species as defined by the IUCN Red List of Threatened Species or as defined in the relevant National legislation; areas having significance for endemic or restricted –range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

<sup>20</sup> Except, in the case of tobacco and alcohol production only, with an appropriate timeframe for phase-out.

<sup>21</sup> The General Partner will be deemed to have significant influence over a Portfolio Company where the Partnership has (i) an ownership interest in the Portfolio Company in excess of 50%, which is presumed to be a level that allows for participation in the financial and operating policies of a Portfolio Company (if the percentage is lower but gives rise to the same participation, this will also meet the definition of significant influence); or (ii) board representation to a level that allows for participation in determining the financial and operating policies of the Portfolio Company; or (iii) rights to influence the financial and operating policy decisions of the Portfolio Company pursuant to a shareholders’ or similar agreement.

<sup>22</sup> Further guidance on ESG management systems and assessments is provided in CDC’s Toolkit for Fund General Partners, see [www.cdcgroup.com](http://www.cdcgroup.com). Guidance on environmental and social management systems and assessments is provided in IFC Performance Standard 1, see [www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards](http://www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards). ISO 14001 is a certifiable international standard to help organisations minimise how their operations negatively affect the environment, see [www.iso.org](http://www.iso.org).

- monitor and record incidents involving portfolio companies that result in loss of life, material effect on the environment or breach of law and, promote appropriate corrective actions; and
- consider this Responsible Investment Code in all investment and divestment activities.

To demonstrate the implementation of the Responsible Investment Code, the General Partner will:

- report annually to limited partners on the implementation of the ESG management systems and on the performance of portfolio companies against this Responsible Investment Code in a reasonable and transparent format;
- set targets for improvements where appropriate; and
- as soon as possible inform limited partners about incidents involving portfolio companies that result in loss of life, material effect on the environment, or material breach of law, and any corrective actions taken.