ARCH ESG POLICY 2025

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1. Introduction – Overview

ARCH Emerging Markets Partners Limited ("ARCH") is committed to managing ESG, and climate risks and opportunities effectively across the investment lifecycle, throughout its portfolio of investments, and within its own operations, recognizing that such risks and opportunities link to its fiduciary duty to its limited partners. ARCH believes that a robust, integrated approach to ESG investing is essential in preserving and enhancing the value of its assets and investments throughout their investment lifecycle.

ARCH's investment strategy directly or indirectly aims to contribute to the UN's Sustainable Development Goals (SDGs) and the Paris Agreement to limit global warming to well below 2°C, not withstanding the ARCH's fiduciary duty to achieve financial returns. From a climate change perspective, ARCH recognizes that climate change will have adverse effect on the global economy and presents both risks and opportunities for its Fund's investments. As such, ARCH aims to play a meaningful role in tackling cllimate change and supporting countries and communities in a successful and just transition to net zero and resillient econommies. Our strategy is therefore made up of the following three building blocks:

1. Investing for a net zero world: Investment decision today affect emissions tomorrow
2. Just transition: Creation of decent jobs and skills development at the forefront of the change
3. Adaptation and resillience: Strengthening adaptation and resillience of sectors, communities, businesses and people to the effects of climate change

We apply a country-specific lens to balancing the following three key needs;

- The need to decarbonise
- The need for energy to remain affordable for people and companies
- The need for energy security

This means that investments that deliver climate solutions to countries with any of the above needs shall not be limited in terms of growth and deployment by trying to achieve net zero themselves.

ARCH recognizes that its own, its investees and its assets' business activities could cause and contribute to adverse human rights impacts. ARCH's salient human risks include asset managers and investees contracting workforces for the construction of assets; resettlement of people to develop assets; health and safety of workers and surrounding communities during construction, installation and maintenance of assets; and investees' supply chain risks.
ARCH acknowledge that it has the responsibility to respect human rights and the ability to contribute to positive human rights impacts. ARCH therefore commits to the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

1.2. Scope of this Policy

This Policy applies to ARCH at the group-level in terms of its internal operations, and all ARCH Fund's wholly-, majority-, and minority-owned companies and assets where the Fund has management control or has representation on the board, and any private equity funds advised by ARCH. This Policy is intended to apply to all asset classes as far as is practical. Where there is no conflict with this Policy, ARCH may adopt additional policies in order to meet local regulatory, lender or co-investor, customer or other stakeholder requirements.

In addition, all third-party contractors of the Funds with responsibility for managing ESG aspects, and those of its investments, must align to the requirements set out in this Policy.

1.3. Amendments

The Head of ESG is the sole individual who may make amendments to this policy with final approval from the audit and risk committee for significant changes to the policy.

When amendments are made to this policy, the policy will be redistributed to staff.

2. ESG Standards

ARCH is committed to conducting its business in line with generally accepted, good, international ESG management practice. Accordingly, it aligns its ESG management practice to the International Finance Corporation;

- IFC E&S Performance Standards (2012) and associated Guidance Notes;
- World Bank Group's general, and relevant sectoral, Environmental, Health, and Safety (EHS) Guidelines;
- The Core ILO Standards; and
- All national laws and regulations pertaining to E&S relevant to each investment.

  ARCH also commits to developing and implementing internal approaches to:
- Implement the recommendations of the International Sustainability Standards Board's International Financial Reporting Standards S2 Climate-related Disclosures; and
- Manage human rights risks based on the UN Guiding Principles on Business and Human Rights including identifying human rights risks, implementing means to avoid infringing on the human rights of others, to address these impacts where they occur, and provide access to remedy to those that are impacted.

ARCH delivers on these commitments through each Fund developing and implementing and Environmental and Social Management System (ESMS).

3. Managing ESG Across the Investment Lifecycle

ARCH's Funds are responsible for implementing their ESMS requirements for managing ESG across each stage of the investment lifecycle, including:

- ESG screening against an exclusion/prohibited activities list (as a minimum based on the IFC's Exclusion List (2007), but tailored to LP requirements) and identification of potential ESG red flags and opportunities;
- ESG due diligence scoped and scaled to the ESG risk level of the transaction;
- Review and consideration of ESG issues and opportunities raised by the due diligence by the Investment Advisory Committee;
- Incorporation of ESG terms including definition of standards and an ESG Action Plan to address significant gaps with Applicable ESG Standards into legal agreements;
- For infrastructure funds, conduction and E&S impact assessment (ESIA) and stakeholder engagement and consultation with affected communities following local and international standards, and developing ESG management plans for construction and operations;
- Active stewardship and monitoring of ESG issues, achieving alignment with the Applicable ESG Standards, and guiding positive ESG outcomes where possible during ownership; and
- Articulation of ESG value creation during ownership at exit.

We believe that responsible investment and active stewardship are integral to long-term value creation. Through constructive engagement with portfolio companies, tailored based on equity stake and thus influence, we seek to drive sustainable growth, enhance resillience, and create lasting value for all stakeholders. Our stewardship approach emphasizes accountability, collaboration, and a long-term perspective, aligning our investment outcomes with broader societal and environmental progress.

4. ESG Communication and Reporting

ARCH'S Funds monitor and review ESG performance on a portfolio-wide basis. Material ESG key performance indicators are assigned to each portfolio company/ asset to assist in ongoing risk management and value creation, and to focus on the continuing improvement of asset-level ESG performance. Each Fund reports on key aspects of ESG progress, performance and material issues across its portfolio internally to its investment advisory committee and ARCH's ESG Function, and externally to its LPs on at least an annual basis.

For ARCH's infrastructure Funds, a stakeholder engagement plan shall be developed and implemented in accordance with IFC PS1, ensuring that interactions with stakeholders are inclusive, transparent and relationship building, driven throughout the whole lifecycle of the project, from planning through to construction and operation.

Each Fund requires its assets and portfolio companies to establish and operate a grievance mechanism in line with IFC PS1 and PS2, through their own ESMSs, that enables third parties (communities in which portfolio companies/assets operate, direct and indirect workers of the portfolio companies/assets, and any other external stakeholders) to raise and resolve concerns about any ESG impacts related to their operations.

5. Policy Oversight and Implementation

This Policy has been approved by ARCH's Audit and Risk Committee and adopted by ARCH's board. Ultimate accountability for implementation of this Policy at the ARCH level sits with the ARCH's Chief Executive Officer, Marlene Jennings. Responsibility for the Policy's implementation and underlying Fund ESMS's sits with the Managing Directors of each Fund. All ARCH and Fund staff shall play a role in contributing to the policy's success and shall be measured and incentivised to do so through ESG criteria being included in ARCH's remuneration policy. In particular, day-to-day implementation rests with the investment and operational teams dedicated to each of the investments, supported by ARCH's Head of ESG.

ARCH has established an ESG Committee, with representation from the CEO, Head of ESG, the Managing Directors of each Fund, Head of Investor Relations and the Non-Executive Director of the Board. The Committee meets regularly, at least quarterly, and has a remit to:

- Review the implantation and effectiveness of this policy.
- Review what internal and external resources and competency are needed to implement the Policy, and, if necessary, make recommendations to adjust ARCH's ESG function, commission external specialists/consultants, and provide training.
- Review ESG factors in strategic asset allocation, including physical, transition and regulatory changes related to climate change into calculations for expected risks and returns.
- Identify emerging ESG trends and laws/regulations in private equity and decide how ARCH will respond.
- Develop and track the implementation of ESG initiatives.
- Review drafted group-level ESG disclosures.

6. Review of this policy

ARCH is committed to an ongoing and long-term process of improving its approach to integrating ESG considerations into the investment process for the funds that it advises. Consequently, this Policy and ARCH's approach will evolve over time, through a process of regular (at least every two years) review, to reflect changes in best practice and structures, technologies, and law.

What's Next

If you have any questions regarding this policy or concerns about ESG please do reach out to the Head of ESG - mmann@archempartners.com