Environmental, Social and Governance Manual

Vinci Group

Reference: 0411141

www.erm.com

SUMMARY

1 INTRODUCTION

VINCI aims to integrate ESG issues into the investment process followed by the Private Equity, Real Estate and Infrastructure divisions. This should be aligned with Vinci Partners' endorsement to the United Nations' Principles of Responsible Investment (PRI). PRI encourages investors to use responsible investment to enhance returns and better manage risks by:

- Incorporating ESG issues into investment analysis and decision-making processes;
- Incorporate ESG issues into ownership policies and practices;
- Seek appropriate disclosure on ESG issues by the entities in which the company invest;
- Promote acceptance and implementation of the principles within the investment industry;
- Work together to enhance the effectiveness in implementing the Principles; and
- Report on our activities and progress towards implementing the Principles.

The following picture illustrates the PRI´s six principle for responsible investment:

Figure 1.1

PRI´s six principle for responsible investment

Source: PRI Work- Program (2015 – 2016)

2 ENVIRONMENTAL AND SOCIAL GOVERNANCE

2.1 THE COMPANY

Vinci Partners (VINCI) is an independent investment and asset management firm, founded in 2009 by its executives.

Strong ethics, a holistic approach to the market and complete alignment of client and shareholder interests continue to strengthen the reputation that VINCI has built from the outset.

VINCI's partners and employees invest their own capital in the same products as their clients; they pay the same rates; and they expose themselves to the same risks. Doing so continuously proves the firm's credo: Partners are clients, and clients are partners.

VINCI's separate divisions could easily operate independently, but their integration produces significant synergies for both company and clients. The business platform, product offerings and close collaboration have fueled an increase in assets under management from USD 2.32 billion at inception to approximately USD 7 billion in four years of operation.

2.2 SCOPE

The environmental, social and governance (ESG) management system will be applied to all the Private Equity, Real Estate and Infrastructure Investments considered by the relevant Investment Committee or made by VINCI following the date hereof, and will be interpreted in accordance with local laws and regulations.

In cases where VINCI determines it has limited ability to conduct a due diligence or to influence and control the integration of ESG considerations in the investment—for example, in cases where VINCI is a minority shareholder, or where other circumstances affect VINCI's ability to assess, set, or monitor ESG-related performance goals—it may not be feasible to implement ESG-related principles. This condition must be previously approved by the relevant Investment Committee as part of the investment decision process. In such instances where VINCI believes it to be appropriate, reasonable efforts will be made to encourage the portfolio companies to consider relevant ESG-related principles.

2.3 ROLES AND RESPONSIBILITIES

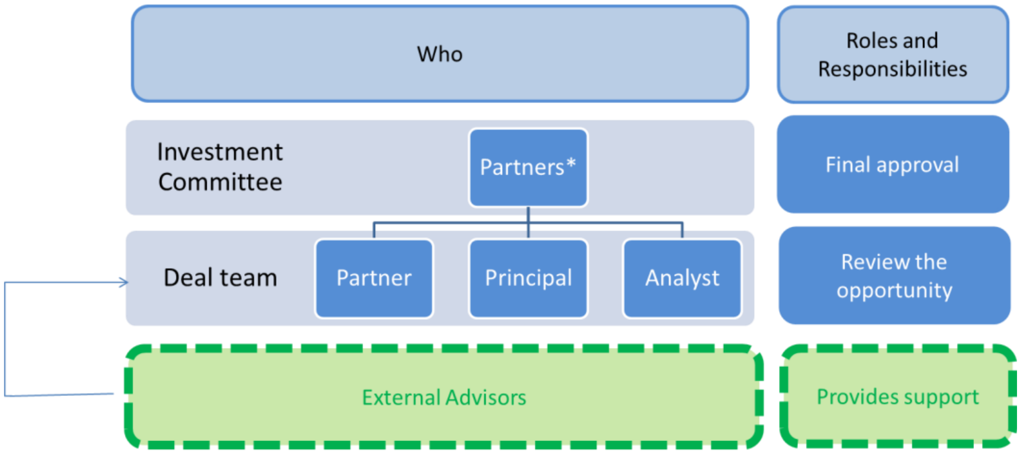
VINCI's team brings together a wide-ranging network of personal and professional relationships across leading industry executives, business owners, corporate managers, financial and operational advisors and consultants and attorneys. This network, combined with the Firm's proactive, top-down identification of target industries and companies, provide a highly-differentiated deal sourcing platform for its Funds.

Upon identification of an investment opportunity, a deal team is defined. The deal team is formed at minimum by a partner, a principal and an analyst . The deal team is responsible to oversee the investment opportunity which includes, among others, to identify if the investment presents any material ESG issues and to determine if further actions must be taken before the investment or during the lifecycle of the Project. In order to support this process, VINCI typically uses services from external advisors to obtain specific industry knowledge and to conduct the ESG due diligence assessment.

All the pieces of information obtained by the deal team, supported by the external advisors, are presented to the Investment Committee, which is formed by all partners of the respective area, plus the CEO and Chairman of Vinci´s Board. The investment committee is responsible to evaluate all pieces of information gathered and define if the opportunity is approved. Final approval of any investment requires a unanimous vote by the Investment Committee.

The following figure illustrates the flow chart of the investment decision:

Figure 2.1 Flow chart of the investment decision



* CEO, Chairman and all partners of the related area

All VINCI employees are training on a regular basis in order to ensure that investment professionals are aware of the importance of ESG Factors during the due diligence phase and monitoring of portfolio companies.

3 ENVIRONMENTAL AND SOCIAL POLICY

This policy outlines VINCI's approach to responsible investment by integrating Environmental, Social and Governance (ESG) matters into the investment process followed by the Private Equity, Real Estate and Infrastructure divisions. VINCI believes that attention to ESG matters in the business course of the firm, usually has positive impacts on the long-term financial performance. VINCI commits to consider material ESG matters in the course of its due diligence and in the monitoring of portfolio investments to the extent reasonably practical.

VINCI also endorses the following United Nations' Principles of Responsible Investment (UN-PRI):

1. We will incorporate ESG issues into investment analysis & decision making process;
2. We will be active owners and incorporate ESG into our ownership policies & practices;
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest;
4. We will promote acceptance and implementation of the Principles within the investment industry;
5. We will work together to enhance our effectiveness in implementing the Principles; and
6. We will report on our activities and progress towards implementing the Principles.

This ESG Policy is applicable to VINCI business, portfolio companies, Real Estate and Infrastructure assets with the goal of improving performance and minimizing adverse impacts in these areas. The policy is based on the following principles:

Environment Aspect:

- Conduct business and establish partnership with high levels of environmental performance;
- Comply with environmental laws and regulations;
- Reduce environmental impact; and
- Preserve natural resources.

Social Aspect:

- Treat people with dignity and respect in a safe workplace;
- Respect the rights of workers, complying with relevant laws and regulations relating to compensation, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare;
- Respect the human rights preventing child and forced labor;
- Provide a safe and health workplace in conformance with national and local law;
- Improve employees' knowledge and skills which may include internal and external training and courses offered by the firm;
- Manage social risks of the supply chain of portfolio companies; and
- Be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.

Governance Aspect

- Conduct business and establish partnership in an ethical manner at all times;
- Establishing independent annual audits and transparent disclosure of portfolio companies' or other investment vehicles financial statements;
- Creating effective board structures;
- Complying with relevant anti-corruption laws and regulations relating to bribery, extortion, fraud and money laundry; and
- Provide timely information to VINCI limited partners on the matters addressed herein, and work to foster transparency about VINCI activities.

3.1 VISION, MISSION AND VALUES

Vision
To be the best and most relevant Brazilian Alternative Investment platform combining capital and talent to build value for the clients.

Mission
Approach capital management in a unique way, based on ethics and experience, ensuring the best long-term financial results, where: PARTNERS ARE CLIENTS AND CLIENTS ARE PARTNERS.

Values
Believe in ethics as the best value in a relationship.
Balance common sense with boldness.
Be consistent in the search for results and in the relationship with clients and partners.
Combine flexibility and creativity with structured processes.

Act with entrepreneurship and with an owner's mindset.
Have discipline in the execution of tasks.
Be resilient when facing challenges.

4 APPROACH TO ESG INTEGRATION TO THE DUE DILIGENCE PROCESS

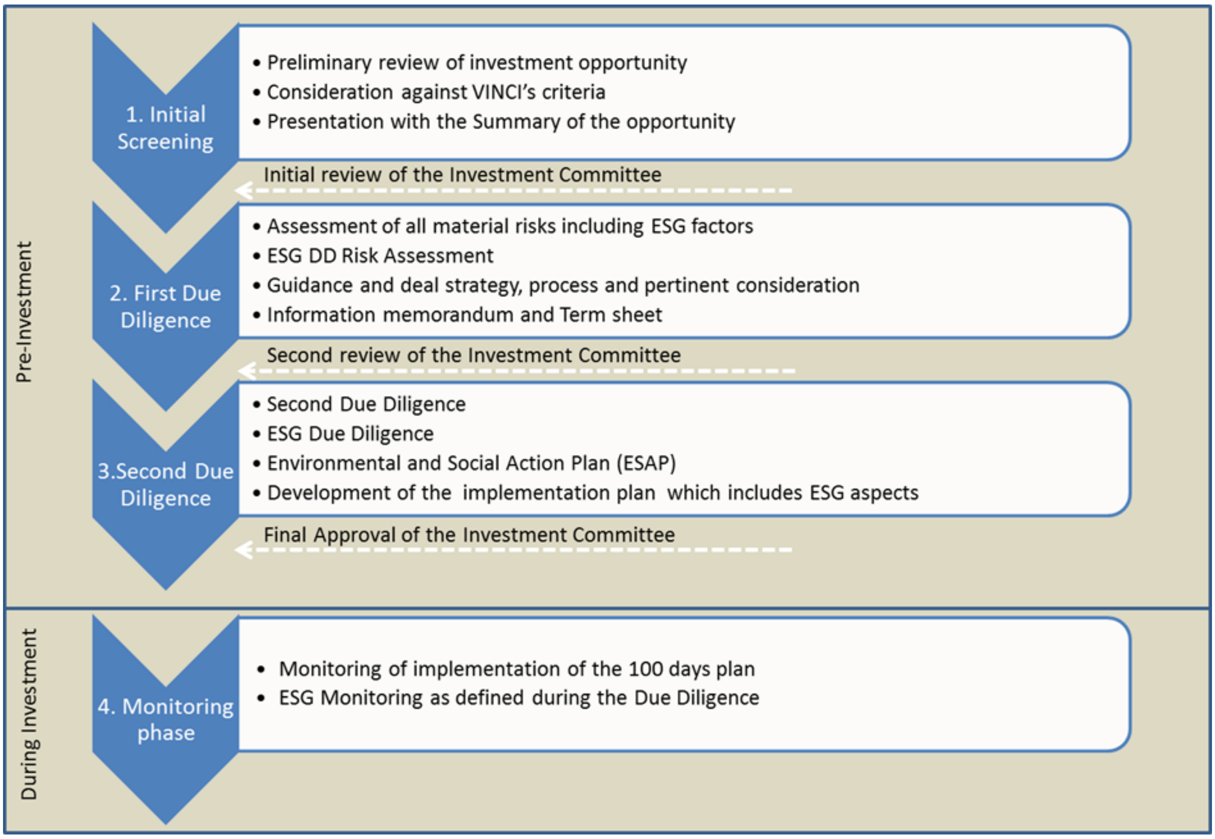
VINCI follows a systematic investment review and decision making process comprised of multi-staged reviews by the Investment Committee.

VINCI seeks to integrate the consideration and thoughtful management of ESG issues throughout the investment cycle. The key objectives of the Firm's investment review and decision-making process are:

(i) effectively manage the pipeline of investments;
(ii) identify key issues early in the investment process and before executing the transaction;
(iii) efficiently allocate the deal team;
(iv) determine a tailored deal execution and due diligence plan; and
(v) provide a forum to solicit the input and views of the team involved.

The following graphic depicts the key steps in the investment review and decision-making process:

Figure 4.1 Investment review and decision-making process



Initial Screening: Upon identification of an investment opportunity, the deal team will generally designate an officer to oversee the investment opportunity during the screening phase. The responsible officer conducts both a top-down and bottom-up analysis to determine if the opportunity meets VINCI's investment criteria in terms of size, projected returns and industry investment theme and governance.

This initial screening process is managed through a pipeline management system, where all relevant information, including source, sector, theme, strategy and relevant financial metrics are registered. When reviewing new opportunities, the deal team often revisits this database to further refine and develop the appropriate screening metrics, and evaluate opportunities more efficiently.

If these criteria are met, the officer prepares a summary presentation describing the opportunity to the broader deal team. If the deal team reaches consensus that further due diligence is appropriate, the initial review is presented to the Investment Committee.

Initial review by Investment Committee: The Investment Committee evaluates the summary presentation developed by the deal team. If the Investment Committee decides by consensus to proceed, the initial due diligence is carried out.

First phase of due diligence: The primary focus of this phase of the investment process is to deepen the Firm's understanding of the investment opportunity through: (i) a detailed industry analysis based on internal and external experts and interviews with suppliers, customers and competitors; (ii) an assessment of the company's management team, through interviews and reference checks; (iii) technical and product assessment to identify potential technological risks, ESG issues and capital expenditures needs; (iv) review of financial statements and development of pro-forma projections, including discounted cash flow projections and comparable and similar transaction analysis; and (v) an analysis of possible exit alternatives.

In this phase, the deal team performs a preliminary review in order to identify if this type of investment presents any material ESG issues and to determine if further actions must be taken before the investment or during the lifecycle of the Project.
To facilitate this process, an initial ESG risk assessment (sample) is available at the ESG Due Diligence Toolkit (sheet 6, Annex 1). It indicates the most likely ESG risks per sector in which VINCI invests. The table contains the main environmental and social issues addressed by some sustainability initiatives, inspired in the International Finance Corporation (IFC) Performance Standards, and a preliminary assessment of the material issues per sector that VINCI invests or plans to invest. Material issues mean those that tend to present a risk in the sector. Low or no risks are classified as 0 (zero), while medium or high risks are classified as 1 (one). The following figure presents part of ESG risk assessment sample.

Figure 4.2 ESG risk assessment sample per sector that VINCI invests or plans to invest

ESG Aspects	Issue	Relevant Issue	Type of business				
			Private Equity		Real State	Infrastructure	
			Porcelain	Education	Green Field	Linear projects	Energy Generation
Risk Assessment	General	Environmental and social	1	0	1	1	1
Environmental	General	Inspections and outstanding claims	1	0	1	1	1
		Permitting	1	0	1	1	1
Social	Labor and work conditions	Decent working conditions	1	1	1	1	1
		Employment of child labor	0	0	1	1	1
	Health and safety	Emergency Planning	1	1	1	1	1
		Sanitary conditions	1	1	1	1	1
	Other social matters	Impact on indigenous peoples	0	0	1	1	1
		Physical and economic displacement	1	0	1	1	1
Governance	Governance	Business integrity	1	1	1	1	1
	Governance	Code of conduct	1	1	1	1	1

Legend: 0 = Low or no risk / 1= medium or high risk

For each new investment analysis, VINCI shall complete the risk assessment table to confirm the material issues. It might occur that, based on a specific region or condition of the target company/project, issues that were not classified as material on the ESG risk sample need to be revised. At this point, it is expected to review the risk criteria for the specific sector and company to identify material issues and to gather preliminary information about such issues. When material ESG issues are identified, they are included in discussion with the Investment Committee to defined how they will be assessed during the following phased – i.e., it can be either conducted internally or by external advisors, as appropriate.

Based on this analysis, the team members will seek to develop a presentation summarizing the opportunity. These documents are presented to the Investment Committee for formal approval.

Second review by Investment Committee: Similar to the initial review, the Investment Committee's decision is obtained by consensus. If the Investment Committee approves the investment opportunity, the deal team members negotiate the term sheet with the seller and/or target company management. If this term sheet is accepted, the investment enters the second phase of due diligence.

Second phase of due diligence: In this final phase of due diligence, the deal team reviews the target company's accounting, legal, tax, regulatory and information technology operations with the objective of identifying potential liabilities and the systems and controls necessary to manage the business effectively. VINCI typically hires consulting firms in order to review the industry fundamentals, business model of the target companies and ESG topics identified as material during the previous phases of the process.

In order to support the ESG due diligence to be performed internally (or by an independent consultant), the toolkit contains the questions to be evaluated during the ESG due diligence, defined based on some sustainability initiatives – please refer to tabs 'DD Environment', 'DD

Social' and' DD Governance'of the toolkit (Annex 1 of this manual). The questions to be evaluated are selected based on the material issues identified during the ESG risk assessment. Related to each question, there are a group of possible answers to be selected based on the condition evaluated during the assessment. When gaps are identified associated with non-alignment with the ESG requirements, and legal non-compliances, actions must be defined to addressing such those gaps.

For each gap identified during the ESG due diligence, actions and deadlines must be defined. The actions defined will included into an Environmental and Social Action Plan ESAP columns available at the Second Due Diligence tabs. The ESAP must include the timeline, the responsible party, priority, complexity and the deliverable or indicator of completion. VINCI will also define means to monitor the implementation of the ESAP, on Project basis, which could comprise either document review and/or project inspection.

The deal team refines the deal structure and may create the framework for legal documents. The deal team pre-identifies high-quality candidates to effectively fill the gaps in the management team identified in the previous phase of due diligence.

The deal team also creates a post-acquisition operating plan, prior to the final approval and execution of the investment. The plan contains clear strategic and operational goals that VINCI seeks to accomplish after the investment to achieve value creation. This plan also includes medium and long-term milestones to help position investment for a successful exit. The most important actions defined in the EASP should be incorporated in post-acquisition plan. The management and the deal team jointly agree on the post-acquisition operating plan.

The final investment memorandum includes any new information obtained during this phase of the process. This investment memorandum, along with the related legal documents and the post-acquisition operating plan, is analyzed in depth by a designated surrogate deal team, who conducts a final screening of the financial model, all key documents, return scenarios, and potential unmitigated risks. With the inputs of this review, the opportunity is presented to the Investment Committee for the final approval of the transaction.

Final approval of the Investment Committee: The final approval of the investment requires a unanimous vote by the Investment Committee.

Monitoring phase: This phase consists of the operational stage, once the deal has been concluded. In addition to the due diligence, some material ESG topics require frequent review during the project life cycle, such as compliance with related permits and implementation of the VINCI's Policy. The topics to be covered as part of the monitoring phase will selected during the due diligence. For those selected, the associated questions will be highlighted in green (together with the ESAP), to be monitoring based on the period defined at the ESG due diligence.

The means to conduct the monitoring phase and the frequency will be defined as part of the project due diligence, and could include: a self-assessment, review of documents, in person review or an independent review by a consulting firm.

5 PUBLIC DISCLOSURE

In accordance with UN-PRI, VINCI Group annually report its responsible investment activities. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

6 ANNEXES

ANNEX 1 ESG TOOL KIT:

- Tab 1: Cover;

- Tab 2: ESG risk assessment (sample): This contains the main environmental and social issues addressed by most sustainability initiatives, inspired in the International Finance Corporation Performance (IFC) Standards, and a preliminary assessment of the material issues per sector that VINCI invests or plans to invest. Material issues mean those that tend to present a risk to the sector. Low or now risk are classified as zero, while medium or high risk are classified as one;

- Tab 3: ESG Risk assessment: For each new investment analysis, VINCI shall complete the risk assessment table to confirm the material issues. It might occur that, based on a specific region or condition of the target company/project, issues that were not classified as material on the ESG risk sample need to be revised.

- Tab 4: DD Environmental due diligence: This contains the environmental questions to be assessed during the environmental due diligence. These questions were defined in order to evaluate either the level of compliance of the proposed project and the best management practices per IFC standards. The questions to be evaluated are defined based on the material issues identified during the ESG risk assessment. Related to each question, there are a group of possible answers to be selected based on the condition evaluated during the assessment. Depending on the response, a proposed corrective action and a monitoring period must be defined by the assessor. When gaps are identified during the ESG due diligence, related actions and deadlines will be included in the Environmental and Social Action Plan (ESAP) section. For each action, the following will be defined: the responsible party, priority, complexity and the deliverable or indicator of completion. In addition to the due diligence, some material ESG topics require frequent review during the project life cycle, such as compliance with related permits. Those questions will be monitored based on the period to be defined during the ESG due diligence.

- Tab 5 DD Social due diligence: This contains the social question, including health and safety topics, to be assessed during the social due diligence. As the environmental spreadsheet, these questions were defined in order to evaluate either the level of compliance of the proposed project and the best management practices per IFC standard. The questions are defined based on the material issues identified during the ESG risk assessment. Related to each question, there are a group of possible answers to be selected based on the condition evaluated during the assessment. Depending on the response or the assessor must defined, a proposed corrective action, a deadline, a means to monitor (deliverable or inspection) and a monitoring period must be defined by the assessor. When gaps are identified during the ESG due diligence, related actions and deadlines will be included in an Environmental and Social Action Plan (ESAP) section. For each action, the following will be defined: the responsible party, priority, complexity and the deliverable or indicator of completion. Those questions will be monitored based on the period to be defined during the ESG due diligence, and

- Tab 6 DD Governance due diligence: This contains the governance question to be assessed during the governance due diligence. These questions were defined based on the Code of Best Practices of Corporate Governance issued by the Brazilian Institute of Corporate

Governance, (IBGC) Topic on Corporate Governance of the Dow Jones Sustainability Index and Chapter of Corporate Governance from the Brazilian Stock Market - Sustainability Index (Índice de Sustentabilidade Empresarial - ISE). Depending on the response, a proposed corrective action and a monitoring period must be defined by the assessor. When gaps are identified during the ESG due diligence, related actions and deadlines will be included in an Environmental and Social Action Plan (ESAP) section. For each action, the following will be defined: the responsible party, priority, complexity and the deliverable or indicator of completion Those questions will be monitored based on the period to be defined during the ESG due diligence.

ANNEX 2 FAQ SECTION

RIO DE JANEIRO
55 21 2159 6000
Av. Bartolomeu Mitre, 336
Leblon - 22431-002

SÃO PAULO
55 11 3572 3700
Av. Brigadeiro Faria Lima, 2.277 – 14º andar
Jardim Paulistano - 01452-000

55 16 2101 4641 | Ribeirão Preto
Av. Presidente Vargas, 2.121 – Sala 106
Jardim América - 14020-260

RECIFE
55 81 3204 6811
Av. República do Líbano, 251 - Sala 301
Torre A - Pina - 51110-160

NOVA YORK
1 646 559 8000
780 Third Avenue, 25th Floor
10017