Responsible Investment Code

LeapFrog Investments

Introduction

LeapFrog Investments ("**LeapFrog**"), believes that the private sector has an important role to play in the pursuit of global social and environmental development goals, including the UN's Sustainable Development Goals, and that sustainable private sector development requires responsible business management of environmental, social and governance ("**ESG**") matters. LeapFrog has developed this Responsible Investment Code (the "**RIC**") to set out an overarching policy defining the environmental and social objectives and principles that guide LeapFrog Emerging Consumer Fund III (the "**Fund**") and its portfolio companies to achieve sound environmental and social performance, including compliance with national laws, the Exclusion List and internationally recognizable norms, such as IFC Performance Standards.

1. Principles

The Fund, and the businesses in which its capital is invested, will:

- comply with applicable laws as a minimum;
- conduct its business in line with the UN Global Compact's ten principles in the area of human rights, labour, the environment and anti-corruption and the IFC Performance Standards;[1]
- as appropriate, minimise adverse impacts and enhance positive effects on the environment, customers, employees, and all stakeholders (including the affected communities);
- as appropriate, commit to continuous improvements with respect to management of ESG matters;
- as appropriate, work overtime to apply the relevant international best practice standards outlined in this RIC, with appropriate targets and timetables for achieving them; and
- employ management systems which effectively address ESG risks and realise ESG opportunities as a fundamental part of a company's value.

2(a). Environment and Social Aspects

Objectives

- To strive to reach specific and measurable social or environmental goals articulated for each Fund.
- To minimise adverse impacts and enhance positive effects on the environment, communities and employees as relevant and appropriate, from the businesses in which the Fund's capital is invested.
- To encourage the businesses in which the Fund's capital is invested to make efficient use of natural resources and to protect the environment wherever possible.[2]
- To support the reduction of greenhouse gas emissions which contribute to climate change.[3]
- To take the necessary action as appropriate to increase resilience to climate change by the businesses in which the Fund's capital is invested.
- To ensure the businesses in which the Fund's capital is invested work within a defined timeframe towards full compliance with the International Labour Organization's ("**ILO**") Declaration on Fundamental Principles and Rights at Work,[4] and with the United Nations ("**UN**") Universal Declaration of Human Rights.[5]
- To be objective, consistent and fair with all stakeholders of the businesses in which the Fund's capital is invested.

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[1] As outlined here: **https://www.unglobalcompact.org/what-is-gc/mission/principles**; and IFC's Performance Standards on Social & Environmental Sustainability, dated January 1, 2012.

[2] In line with the UN Global Compact principles and the Rio Declaration on Environment and Development: **https://sustainabledevelopment.un.org/rio20/futurewewant**

[3] In line with the 1994 United Nation Framework Convention on Climate Change ("UN Framework Convention") and the associated 2016 Paris Agreement, see **www.unfccc.int/2860.php** as may be amended from time to time.

[4] See **http://www.ilo.org/declaration/lang--en/index.htm** and **http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf**

[5] See **www.un.org/Overview/rights.html**

- To recognize and, as appropriate, promote the social aspects of the development impact from the businesses in which the Fund's capital is invested.

Policy

The Fund and the businesses in which its capital is invested will:

- operate in compliance with applicable local and national laws (as a minimum);
- assess the environmental, health and safety and community risk and impact of the portfolio company operations and categorize those operations accordingly into high, medium and low risk operations through FIIRM (as defined below);
- where an activity presents high risk for the environment; labour health, safety and security; and/or the community,[6] identify these risks and impact through an adequate evaluation, carry out gap analysis by applying the relevant IFC Performance Standards and EHS guidelines,[7] design appropriate targets and timetable for improvements;
  - for greenfield operations, and if necessary for expansions, evaluate these risk and impacts through an adequate environmental and social impact assessment;[8]
  - for existing operations: evaluate these risks and impacts through an adequate environmental and social audit[9];
  - for each high-risk operation: consider the potential for positive impacts and opportunities from business activities and design appropriate Action Plans to achieve them[10].
- as appropriate, work in a defined timeframe towards international environmental best practice standards;[11]
- pay wages which meet or exceed industry or legal national minima;
- not allow excessive working hours, which can pose a risk on health and safety;
- 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.

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[6] Determined according to FMO's E&S Toolkit for private equity funds ((http://www.fmo.nl/l/library/download/urn:uuid:3352b39f-2ceb-47aa-9a99-7e7f82f1b68d/fmo_pefeands_toolkit.zip?format=save_to_disk&ext=.zip)

[7] The IFC Performance Standards and the IFC EHS Guidelines, as may be amended from time to time. See http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability+framework/2012+edition/2012-edition#PerformanceStandards

[8] Requirements for an adequate impact assessment are included in IFC Performance Standard 1, Assessment and Management Systems, Guidance Notes (Annex A)

[9] Requirements for an adequate assessment are included in IFC Performance Standard 1, Assessment and Management Systems, Guidance Notes (Annex B)

[10] Each Action Plan should be formatted as a table and should contain the following elements: item to be improved, proposed corrective action, priority, schedule and cost estimate.

[11] 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.

2(b). Governance: Business Integrity and Good Corporate Governance

Objectives

- To ensure that the Fund, and the businesses in which the Fund's capital is invested, exhibit honesty, integrity, fairness, diligence and respect in all business dealings.
- To enhance the good reputation of the Fund.
- To promote international best practice in relation to corporate governance in the businesses in which the Fund's capital is invested.[12] Policy The Fund, the Fund Manager, and the businesses in which the Fund's capital is invested, will:
- comply with applicable laws and promote international best practice,[13] including those laws and international best practice standards intended to prevent extortion, bribery and financial crime;
- apply, toward each portfolio investment, procedures implementing the obligation of vigilance in conformity with the standards of the Financial Action Task Force on money-laundering (FATF);
- not enter into any contract (including but not limited to the contracts in connection with any portfolio investment), that shall give rise to Sanctionable Practice, or Anti-Competitive Practice;[14]
- not invest in, enter into any transaction or business relationship with, or for the benefit of, any individuals, persons, institutions, group, entities, sector or activity sanctioned by the United Nations, the European Union, the United Kingdom, the United States of America, France, Singapore and Mauritius; of Illicit Origin; listed on the Financial Sanctions List; or giving rise to Sanctionable Practice;
- not invest in any portfolio company, and will use best efforts consistent with fiduciary duty to disinvest in an existing portfolio company, upon becoming aware that such portfolio company's equity originates from Illicit Origin and/or the investment involves a business relationship with any persons, group or entities listed on any of the Financial Sanctions Lists. The Fund and the Fund Manager shall inform the Limited Partner upon becoming aware of any of the abovementioned events;
- 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 undue substance according to local custom in the course of business;
- prohibit the making of payments as improper inducement to confer preferential treatment;
- prohibit company contributions to political parties or political candidates, where these could constitute conflicts of interest;

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[12] Including the 2004 Organization for Economic Cooperation and Development ("**OECD**") Principles of Corporate Governance, as may be amended from time to time. See **www.oecd.org**.

[13] Including the 2005 UN Anti-Corruption Convention, see **www.unodc.org/unodc/en/treaties/CAC/index.html**; the 1997 OECD Anti-Bribery Convention, see **www.oecd.org**; and, as relevant, the 2005 Extractive Industries Transparency Initiative ("**EITI**"), see **www.eitransparency.org**; and all applicable local legislation pertaining to bribery or corruption, as may be amended from time to time. In addition, the Fund will inform the businesses in which its capital is invested regarding the Fund's anti-bribery obligations in conducting investment activities under the laws potentially applicable to its operations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act

[14] Limitations on Anti-Competitive Practice will be applied in the context of local law, under which portfolio companies operate.

- properly record, report and review financial and tax information;[15]
- 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. Management and Reporting Systems

LeapFrog has established, and will maintain, an Environmental and Social Management System (ESMS). This includes FIIRM, LeapFrog's in-house profit-with-purpose performance management framework that tracks profit-with-purpose performance along material dimensions: financial, impact, innovation and risk management. FIIRM is also a tool used by deal teams to assess company risk pre-investment, including the critical elements of client protection, good governance and policy, and enterprise risk management. LeapFrog has also established an "Integrity and Anti-Corruption Compliance System" ("IACC") and will document, maintain, and comply with policies, procedures, systems and controls, consistent with its respective business and investment profile, to identify and manage integrity and anti-corruption compliance risks with respect to the Fund.

Schedule 1

Exclusion List

The Fund will not finance any activity involving the production, use of, trade in, distribution of:

1. Harmful or exploitative forms of forced labor,[16] child labor[17] or harmful child labour[18]
2. Any product, activity or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
    a. Ozone depleting substances, PCB's (Polychlorinated Biphenyl's) and other specific hazardous pharmaceuticals, pesticides/herbicides or chemicals;
    b. Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
    c. Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations

[15] LeapFrog utilizes the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), see **www.iasb.org**; and the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC"), see **www.privateequityvaluation.com**.

[16] Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

[17] Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

[18] Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

4. Destruction[19] of High Conservation value areas[20]
5. Radioactive materials[21] and unbounded asbestos fibres[22]
6. Pornography and/or prostitution
7. Racist and/or anti-democratic media
8. Alcoholic beverages (except beer and wine)
9. Tobacco
10. Weapons and munitions; or
11. Gambling, casinos and equivalent enterprises

The Fund, except when engaged in microfinance activities as specified below*, must also apply the following exclusions in addition to the Exclusion List:

- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

* When investing in microfinance activities, the Fund will apply the following items in addition to the Exclusion List:

- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples (as defined in Standard 7 of the Performance Standards), without full documented consent of such peoples.

Schedule 2

Client Protection Principles: Financial Services

LeapFrog's approach to investing in businesses that provide quality, relevant and affordable financial services reflects the following client protection principles, based on the Smart Campaign's Client Protection Principles, enhanced for insurance. The Fund will promote among its Portfolio Companies:

a. **Appropriate product design and delivery.** Adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

b. **Transparency of pricing and terms.** The communication of clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.

c. **Appropriate claims payment days.** The implementation of processes that ensure timely payment of claims, and track performance against a benchmark number of claims payment days.

d. **Prevention of over-indebtedness, for credit providers.** The implementation of processes that ensure companies take adequate care in all phases of their credit process to determine that clients have the

[19] Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use; or (2) modification of a habitat in such a way that area's ability to maintain its role is lost.

[20] High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (http://www.hcvnetwork.org).

[21] This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

[22] This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing, as relevant).

e. **Responsible pricing.** That pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be profitable and sustainable. Providers will strive to provide positive real returns on deposits.

f. **Ethical staff behaviour, through appropriate training.** The company and its agents treat clients fairly and respectfully, are appropriately trained, that they do not discriminate, and that adequate safeguards are in place to detect and correct corruption as well as aggressive or abusive treatment by staff and agents, particularly during the product sales process and realization of product collections, claims and/or benefits.

g. **Mechanisms for redress of grievances.** Timely and responsive mechanisms for processing of complaints and problem resolution for their clients, and the use of these mechanisms both to resolve individual problems and to improve their products and services.

h. **Integrity and privacy of client data.** Processes that ensure the privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions, and that data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.

The Fund will promote adherence to these principles and will monitor adherence in each Portfolio Company. These client protection principles and the Fund's monitoring framework may be iteratively improved in line with industry developments on client protection for micro- and mass-market financial services.

Schedule 3

Quality and Ethical Standards: Healthcare

The Fund's approach to investing in quality, relevant, ethical and affordable healthcare services for low income or excluded people reflects the following principles, based on the Social & Environmental Policy of the Overseas Private Investment Corporation,[23] and other global standards:

a. **Quality care.** The Fund will promote among its Portfolio Companies adherence to international best practice standards for patient care and clinical quality. Specifically:

   i. All companies providing patient care must obtain satisfactory accreditation, based on a quality evaluation of the technical competence of the institution's resources and organization by an internationally recognized accreditation organization (such as those recognized by the International Standards for Quality in Healthcare, ISQua, including Joint Commission International). In the case of a health care service provider for which accreditation standards are not realistically suitable, certification or similar high quality rating will be sought by a third-party expert in the health care field.

   ii. All companies operating hospitals, medical centers, and other projects that purchase pharmaceuticals for the purpose of providing them, directly or indirectly, to patients shall restrict drug purchasing to pharmaceuticals registered for use in the host country and, as practical, to drug suppliers that comply with the World Health Organization's Good Manufacturing Practices for both imported and locally produced goods.

b. **Medical Ethics.** The Fund will promote among its Portfolio Companies the responsible consideration of medical ethical issues. All companies providing health care services to patients must, either at the time of investment or soon after, have a Social and Ethics committee in place. Issues under the purview of the committee will include, but are not limited to, informed consent, medical ethics, end of life policies, compensation for mistakes, and antibiotic stewardship.

c. **Informed consent.** Companies providing healthcare services that entail medical risk to the patient will adhere to the ethical principles of general and informed consent of Joint Commission International. As practical, the Fund will promote among Portfolio Companies standard operating procedures for informing patients about, and obtaining consent for, treatment.

[23] See here: https://www.opic.gov/sites/default/files/consolidated_esps.pdf

d. **Medical Liabilities.** The Fund will promote among its Portfolio Companies standardized policies and insurance programs, as appropriate, to cover adverse medical events, including appropriate patient compensation and institutional and clinical learning.

e. **Responsible Pricing.** The Fund will promote among its Portfolio Companies the responsible pricing of healthcare. Responsible pricing will be guided by principles that promote availability, affordability, quality, and sustainability, and companies will be encouraged to consider the impact of price on patients and disease, availability and cost of other treatments, and market dynamics and competition.

f. **Antibiotic Stewardship.** For companies with the ability to diagnose and prescribe treatments for infectious disease, the Fund will promote a commitment to the responsible use of antibiotics, in line with the principles of the Antimicrobial Stewardship Standards of Joint Commission International.[24]

g. **Clinical trials.** Companies participating in clinical trials, including experimental treatments, and/or the utilization of patient data for scientific research, will enrol or observe minimum standards necessary to enrol in an internationally recognized clinical trials registry, such as the World Health Organization's (WHO) International Clinical Trials Registry Platform or the United States National Institutes of Health's ClinicalTrials.gov. Standards will uphold the WHO's and Council for International Organizations of Medical Sciences' International Ethical Guidelines for Biomedical Research Involving Human Subjects.

The Fund will promote adherence to these principles and will monitor adherence in each Portfolio Company. These principles and the Fund's monitoring framework may be iteratively improved in line with industry developments on standards for low-income access to health services.

[24] https://www.jointcommission.org/assets/1/6/New_Antimicrobial_Stewardship_Standard.pdf