



Vital Capital Fund - Investment Policy and Criteria

Introduction

The purpose of this document is to outline Vital Capital Fund's ("Vital") overall investment policy and consequently the main evaluation criteria Vital will apply in considering potential investments for execution.

This document is intended for external use, and should provide initial guidance for 3rd parties wishing to interest Vital in potential investment opportunities in assessing the prima-facie potential fit of their investment initiatives with Vital's policy and investment screening criteria.

A. General Investment Criteria

1. As a fund focused on Impact Investing, Vital will only consider investing in ventures or businesses which present a strong potential for both significant positive financial returns, as well as positive social impact (further detail outlined in the relevant sections below).
2. Geographically, Vital will focus its investments almost exclusively (at least 90% of committed funds) in Sub-Saharan Africa. Exceptions to this rule may be considered under specific circumstances where potential financial returns and/or ESG and impact are expected to be outstanding and preferably in cases where capabilities and expertise to be obtained may be of value in SSA as well. .
3. Vital will seek to achieve its goals through leveraging the depth and width of experience of its senior leadership team in successfully conducting profitable business operations in Sub-Saharan Africa over the last two decades.
4. While not strictly adhering to a defined list of target industries, Vital will generally focus on several key industries, including agriculture, affordable housing, renewable energy, water, healthcare, education and the environment; however, investments in other industries may also be considered as long as they meet the fund's other investment criteria.
5. Vital is an active investor, and will therefore typically seek to establish a controlling stake in whatever venture or business it will invest in. As a rule, this controlling stake will be achieved through the acquisition of majority equity share in the venture/business in question, however other suitable methods may also be considered, as long as effective control is maintained by Vital. Where appropriate, Vital may consider minority stakes as well, but those would usually be relatively large stakes with significant minority protection rights attached.
6. Vital is a direct investor, and will consequently not consider indirect investments (e.g. through another fund), unless under very specific circumstances.
7. Vital will not provide debt funding as either sole or majority investment vehicle. Debt funding may constitute a minority portion of Vital's overall investment in a given venture/business, but only as an additional component to the main investment, which as mentioned above will typically be in equity or other control/ownership instruments.
8. The fund will consider investing in ventures and businesses in all life-stages, from pre-seed (including complete greenfield ventures) to late-stage mature operations, including turnaround candidates. Vital's aim in all its investments will be to achieve an effective and profitable exit within 5-7 years of initial investment.
9. Based on accumulated experience in Africa, it is Vital's standard policy not to assume an exit (via e.g. IPO, trade sale or M&A) in all its investments; in practice, this means our target IRR (below) must be achieved through the post-tax cashflows to shareholders generated by the business.



B. Financial Investment Criteria

1. In each of its individual investments, Vital will seek to achieve a net (post-tax) overall financial return (expressed in terms of IRR) of 20% on its aggregate investment in the specific venture/business.
2. The IRR calculation will only consider cashflows to Vital's investors, i.e. it will not consider proceeds paid to the GP such as transaction fees, advisory fees or reimbursement of investment screening costs.
3. Generally, we aim for an equity investment ticket size of US\$10-50m. Exceptions to this rule may be considered in specific cases where circumstances warrant.
4. As outlined above, Vital as a rule will invest primarily in equity or equity-like instruments, with debt financing constituting at most a minority portion of the investment.

C. Impact Investment Criteria

1. Vital is a private equity fund created to align with the principles of Impact Investing. Born out of a vision to enhance the quality of life of communities and families in developing African nations, the fund strives for positive development outcomes in the activities it supports.
2. In each of its investment, Vital will seek to invest in investment that addresses an essential, previously unmet need.
3. Vital will seek to invest in companies that generate positive impact to previously underserved communities, at scale.
4. Vital will seek to invest in companies which engages with and generates benefits for the local SSA's community.
5. Vital will seek to invest in companies where impact is intrinsic to its business model.

D. Environmental, Social and Governance (ESG) Investment Criteria

1. Vital practice responsible investment. Through this policy, Vital expresses its commitment to environmental and social sustainability which is inherent to its activity.
2. Apart from a commitment to comply with all applicable ESG laws and regulations of the host country in which the investees are located and operated, Vital aspire to incorporate the IFC's Performance Standards as part of the guiding framework for ESG evaluation. Accordingly, the fund will not finance any of the activities found on IFC's Exclusion List.
3. Vital will not invest in any venture or business that cannot be expected to meet its ESG Policy either from the outset or over a reasonable period of time.
4. As an integral part of its investment assessment process, Vital will consider various ESG factors relevant to the business/venture in question as guided by the IFC Performance Standards and the IFC's Environmental Health and Safety Guidelines. This includes but not limited to working conditions, resource efficiency and pollution prevention, community health, safety and security, biodiversity conservation, the rights of indigenous peoples and preservation of cultural heritage.
5. Vital's general as well as investment-specific ESG provisions and investment conditions will be referred to in the term-sheet and investment agreements.
6. Critical mitigating actions (an action plan) that address gaps between Vital's ESG Policy and the venture/business's present conditions will be included in the agreement as conditions of investment.
7. In addition, and in order to insure the portfolio companies manage ESG risks and impact in a manner consistent with the fund's vision of sustainable development, the fund's ESG policy will be implemented throughout the life-cycle of each investment and incorporated in all relevant processes from initiation to exit.