

INVESTMENT GUIDELINES

PART A - BACKGROUND

Ethos Capital is a Category One Business Licence Company incorporated under the laws of Mauritius, and has made application to the JSE for its issued A Ordinary Shares to be inward listed in the “*Financials – Speciality Finance*” sector on the Main Board of the exchange operated by the JSE under the abbreviated name “ETHOSCAP”, JSE code “EPE” and ISIN MU0522S00005 with effect from the commencement of trade on 5 August 2016. These Investment Guidelines include Ethos Capital's Investment Strategy, which has been formulated in compliance with section 15 of the Listings Requirements, as well as certain other ancillary matters.

PART B - INVESTMENT STRATEGY

1. Definitions

Capitalised words and expressions used in this Investment Strategy shall, unless expressly defined herein or indicated otherwise by the context, bear the meanings ascribed to them in the Investment Guidelines.

2. Investment objective

Ethos Capital's investment objective is to develop a diversified portfolio of investments that will provide its Shareholders with superior long-term returns by leveraging Ethos' active management model to maximise investor returns.

3. Investment focus

3.1 Ethos Capital's investment objective will be achieved through the following investment strategies which are the primary lines of business of Ethos Capital:

3.1.1 **Primary Investments:** consisting of commitments to various Ethos Funds (whether directly or through other intermediate holding entities) during their respective fund-raising processes;

3.1.2 **Secondary Investments:** acquisitions (whether directly or through other intermediate holding entities) of existing Limited Partner interests in the various Ethos Funds;

3.1.3 **Direct Investments:** direct acquisitions of interests in underlying investee companies from Ethos Funds and/or acquisitions of interests in underlying investee companies (whether directly or through other intermediate holding entities) alongside Ethos Funds to the extent that the Ethos Funds require co-investors in the underlying investee companies; and

3.1.4 **Temporary Investments:** Ethos Capital will also make temporary investments in a portfolio of low-risk, liquid debt instruments (including, *inter alia*, South African government bonds and other similar, low-risk, liquid instruments) for cash management purposes, as appropriate.

3.2 For the avoidance of doubt, without derogating from paragraph 3.1, in the case of:

3.2.1 **Secondary Investments:** the Limited Partner disposing of its interest in the relevant Ethos Fund to Ethos Capital will be a third party not Associated with Ethos Private Equity; and

3.2.2 **Direct Investments:** the seller disposing of its interest in the underlying investee companies will be a third party Limited Partners and/or other third party, in each instance, not Associated with Ethos Private Equity.

3.3 Furthermore, the Board will be responsible for making the relevant Investment decision in respect of all Primary, Secondary and Direct Investments. Ethos Private Equity, as investment adviser, may, however, provide investment advice in relation to such Investments. The consent of the relevant Ethos Fund's General Partner, which may be Associated with Ethos Private Equity, will be required for a proposed change of ownership in the Limited Partner's interest in an Ethos Fund, or where Ethos Capital acquires an interest in an underlying investee company from an Ethos Fund.

4. Sectors and geographies

4.1 Ethos Capital's Investments will provide exposure to a broad range of sectors and be implemented through a variety of types of financial instruments, save that Ethos Capital's Investments will:

4.1.1 not involve Investments in any start-up business or any prospective investee company where a material portion of such investee company's business activities and operations (as at the date of investment) constitute a Prohibited Activity (other than a Prohibited Activity

contemplated in paragraph 7.15.11, where the prohibition on investment shall be absolute). For purposes of this paragraph the following shall not be deemed to be a start-up situation:

- 4.1.1.1 any situation or venture (regardless of legal form or structure) involving any existing business or the expansion of any existing business (including the establishment of new facilities); and
- 4.1.1.2 any business that at the time of investment has (or prior to such investment had) any earnings before interest and taxes (EBIT);
- 4.1.2 not sell securities short or directly engage in derivatives investments for speculative purposes unless securities which can be used to cover such short sales or derivative instruments are held by Ethos Capital;
- 4.1.3 not involve entities the principal business of which is:
 - 4.1.3.1 the investment in, or the development of, raw land; or
 - 4.1.3.2 the investment in, or the exploration or development of, oil and gas reserves, hard minerals reserves or other natural resources;
- 5. Ethos Capital's primary focus for its Investments will be companies headquartered in South Africa and other select countries in sub-Saharan Africa (whether directly or indirectly through an Ethos Fund). Generally, an Ethos Fund may invest up to 30% of the Ethos Fund's committed capital in sub-Saharan Africa. Ethos Capital may also invest in new fund strategies outside the existing mandate which exposure will be governed and considered by the Ethos Capital Board.
- 6. **Other parameters**
 - 6.1 Ethos Capital, through its Investments (whether directly or indirectly through an Ethos Fund), will:
 - 6.1.1 without restriction, seek to gain exposure to growth and early-maturity stage businesses in which management teams remain equity incentivised throughout the investment life cycle;
 - 6.1.2 in accordance with the Investment Strategy, and, to the extent applicable, the relevant Ethos Fund's investment strategy, participate in Investments through the most appropriate mechanism, equity and hybrid instruments, credit instruments, including loan notes, bonds or other debt instruments and preference shares; and
 - 6.1.3 make Temporary Investments (including, *inter alia*, South African government bonds and other similar, low-risk, liquid instruments) for cash management purposes, as appropriate.
 - 6.2 Furthermore, all of Ethos Capital's resources are available for investment in accordance with the Investment Strategy, including for use in share repurchases or other returns of capital to Shareholders.

PART C - GENERAL

7. Definitions

- 7.1 "**Associate**" as defined in the Listings Requirements;
- 7.2 "**Board**" the board of directors of Ethos Capital;
- 7.3 "**Category 1**" as defined in the Listings Requirements;
- 7.4 "**Category 2**" as defined in the Listings Requirements;
- 7.5 "**Direct Investments**" acquisitions of interests in underlying investee companies from Ethos Funds and/or acquisitions of interests in underlying investee companies (whether directly or through other intermediate holding entities) alongside Ethos Funds to the extent that the Ethos Funds require co-investors in the underlying investee companies;
- 7.6 "**Ethos Funds**" the funds in which Ethos Capital intends to invest, from time to time, and where the context requires, each of, or collectively, Ethos Fund VI, Ethos Fund VII, Ethos Mid Market Fund I, Ethos Mezzanine Fund and any other fund to be established by Ethos Private Equity or its associate companies acting through their respective General Partners, and "**Ethos Fund**" or "**Fund**" shall mean any one of these;
- 7.7 "**Ethos Private Equity**" Ethos Private Equity Proprietary Limited, a company incorporated under the laws of South Africa with registration number: 2004/003984/07;

- 7.8 **"Investments"** Primary Investments, Secondary Investments, Direct Investments and Temporary Investments;
- 7.9 **"Investment Guidelines"** this document, including the Investment Strategy;
- 7.10 **"Investment Strategy"** the investment strategy and policy set out in Part B of the Investment Guidelines issued in accordance with paragraph 15.7 of the Listings Requirements;
- 7.11 **"Financial Markets Act"** the South African Financial Markets Act, 19 of 2012, as amended;
- 7.12 **"JSE"** JSE Limited, a company incorporated under the laws of South Africa with registration number: 2005/022939/06, licensed as an exchange under the Financial Markets Act;
- 7.13 **"Listings Requirements"** the listings requirements issued by the JSE under the Financial Markets Act to be observed by issuers of equity securities listed on the exchange operated by the JSE, as amended;
- 7.14 **"Primary Investments"** consisting of commitments to various Ethos Funds (whether directly or through other intermediate holding entities) during their respective fund-raising processes;
- 7.15 **"Prohibited Activity"** any one or more of the following activities:
- 7.15.1 production or activities involving harmful or exploitative forms of forced labour or harmful child labour. In this context "forced labour" means all work or service, not voluntarily performed, extracted from an individual under threat of force or penalty and "harmful child labour" means the employment of children that is economically exploitative, 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 mental, spiritual, moral or social development;
- 7.15.2 production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- 7.15.3 the manufacture of equipment (including nuclear products) primarily designed or primarily designated for military purposes;
- 7.15.4 production or manufacture of or trade in tobacco or tobacco-related products;
- 7.15.5 trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
- 7.15.6 production or trade in radioactive materials, excluding the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded;
- 7.15.7 production or trade in or use of unbonded asbestos fibres, excluding the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
- 7.15.8 commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest or carrying on business in a country which is not compliant with the International Tropical Timber Agreement;
- 7.15.9 production or trade in products containing polychlorinated biphenyls;
- 7.15.10 production or trade in pharmaceuticals subject to international phase out or bans;
- 7.15.11 the production, processing or distribution of illegal drugs or substances;
- 7.15.12 production or trade in pesticides/herbicides subject to international phase out;
- 7.15.13 production or trade in ozone depleting substances subject to international phase out;
- 7.15.14 trading in rough diamonds with any country which is not a Participant (as defined in the Kimberley Process Certification Scheme) in the Kimberley Process Certification Scheme;
- 7.15.15 production or trade in products or sectors which are subject to United Nations or European Union embargoes;

- 7.15.16 drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- 7.15.17 pornography or the provision of products or services of a substantially similar nature;
- 7.16 **"SENS"** the Stock Exchange News Service of the JSE;
- 7.17 **"Shareholders"** the holders of A Ordinary Shares and B Shares, constituting the share capital of Ethos Capital, from time to time;
- 7.18 **"Secondary Investments"** acquisitions (whether directly or through other intermediate holding entities) of existing Limited Partner interests in the various Ethos Funds;
- 7.19 **"Temporary Investments"** investments in (i) cash or cash equivalents; (ii) money market instruments, commercial paper or other short-term debt obligations; (iii) interest bearing accounts at a registered broker-dealer; (iv) money market mutual funds; (v) pooled investment funds or accounts that invest only in instruments of the type described in (i) through (iv) and (vi) South African government bonds;
- 7.20 **"Transaction"** as defined in section 9 of the Listings Requirements. For the avoidance of doubt, to the extent that a transaction involving a non-related party is concluded in the ordinary course of business of Ethos Capital in terms of paragraphs 9.2.1 to 9.2.7 (inclusive) below and constitutes less than 10% of the market capitalisation of Ethos Capital, such transaction will not be categorised in accordance with the Listings Requirements. Similarly, paragraph 3.4 of the Listings Requirements shall not apply to Transactions entered into in the ordinary course of business of Ethos Capital, as envisaged in paragraphs 9.2.1 to 9.2.7 (inclusive), and that constitute less than 10% of the market capitalisation of Ethos Capital.

8. **Growth in invested net asset value**

Ethos Capital will focus on achieving growth in invested net asset value in excess of 10%.

9. **Categorisation of Transactions**

- 9.1 All Transactions concluded in accordance with the Investment Strategy will be regarded as being in the ordinary course of business, unless circumstances dictate otherwise.
- 9.2 Investment Transactions undertaken by Ethos Capital will be categorised as provided for by section 9 of the Listings Requirements, save that to the extent that a transaction involving a non-related party is concluded in the ordinary course of business of Ethos Capital in terms of paragraphs 9.2.1 to 9.2.7 (inclusive) below and constitutes less than 10% of the market capitalisation of Ethos Capital, such transaction will not be categorised in accordance with the Listings Requirements. For purposes of applying the Listings Requirements and the definition of 'Transaction' above, and, as approved by the JSE, the following Investment activities are considered to be conducted in the ordinary course of business of Ethos Capital (for purposes of the Listings Requirements) to be undertaken as part of the Investment Strategy:
 - 9.2.1 Primary Investments, Secondary Investments, Direct Investments and Temporary Investments by Ethos Capital;
 - 9.2.2 the acquisition and disposal of listed and unlisted equity and hybrid instruments;
 - 9.2.3 the acquisition and disposal of credit, debit or debt-like instruments, including loan notes, listed and unlisted bonds and redeemable preference shares;
 - 9.2.4 the provision of security, including guarantees;
 - 9.2.5 the advance of (and repayment of) loans and advances to investees and third-parties (including taking security in respect thereof);
 - 9.2.6 the underwriting of committed transactions where such underwriting commitment does not result in the acquisition or disposal of an asset; and
 - 9.2.7 short term and interim cash management.
- 9.3 Subject to paragraph 9.2, Ethos Capital will comply with the Listings Requirements in relation to related party transactions.

10. **Shareholder approvals**

- 10.1 Shareholder approval by way of ordinary resolution will be required for all Category 1 Transactions not entered into in the ordinary course of business of Ethos Capital, as envisaged in paragraphs 9.2.1 to 9.2.7 (inclusive), with non-related parties to the extent that the Transactions fall outside of the ambit of the Investment Strategy.

- 10.2 Subject to paragraph 11, in respect of Transactions with related parties, Shareholder approval will be required in accordance with the thresholds and requirements for such approvals contained in the Listings Requirements.
- 10.3 Shareholder approval will not be required for non-related party Transactions of any size to the extent such Transactions are entered into in the ordinary course of business of Ethos Capital, as envisaged in paragraphs 9.2.1 to 9.2.7 (inclusive), and thus fall within the ambit of the approved Investment Strategy.
- 10.4 Shareholder approval will not be required for Transactions triggered by the enforcement of provisions in agreements entered into between Ethos Capital, the Ethos Funds and other investee shareholders or partners:
- 10.4.1 where such Transactions are pre-approved by Shareholders upon initial investment or acquisition of such investments (whether implicitly or explicitly); or
- 10.4.2 where no Shareholder approval is required in respect of the Transactions in accordance with paragraph 10.3.
- 10.5 It is intended that this pre-approval will relate to come along, go along, pre-emptive, deemed sale, put and call, the exercise of security or other similar provisions that may be contained in agreements between Ethos Capital, the Ethos Funds and other investors or partners in investee companies.
- 10.6 The approvals may be obtained at the time of the original Transactions or subsequently.
- 10.7 Notwithstanding this paragraph 10, the Listings Requirements pertaining to shareholder approvals and communications will apply if any Transaction is categorised as a reverse take-over in terms of the Listings Requirements.
- 11. Ethos Private Equity, Ethos Funds and their respective Associates are not related parties**
- 11.1 The JSE has granted a dispensation to the effect that Transactions entered into in the ordinary course of business of Ethos Capital, as envisaged in paragraphs 9.2.1 to 9.2.7 (inclusive), and thus falling within the ambit of the Investment Strategy, including, Primary Investments, Secondary Investments, Direct Investments and Temporary Investments involving Ethos Capital, Ethos Private Equity, Ethos Funds and their respective Associates, will not be regarded as related party Transactions for purposes of the Listings Requirements, and that Ethos Private Equity, Ethos Funds and their respective Associates will not constitute related parties for purposes of the Listings Requirements and these Investment Guidelines, to the extent that the relevant Transaction is entered into in the ordinary course of business of Ethos Capital, as envisaged in paragraphs 9.2.1 to 9.2.7 (inclusive), and thus falls within the ambit of the Investment Strategy.
- 11.2 For the avoidance of doubt, to the extent that a Transaction involving the parties outlined in paragraph 11.1 does not fall within paragraphs 3.2 or 3.3, to the extent that the Transaction meets the relevant requirements of the Listings Requirements, such Transactions will be regarded as related party Transactions for purposes of the Listings Requirements.
- 12. Communication of Transactions**
- 12.1 All Transactions concluded in accordance with the Investment Strategy will be regarded as being in the ordinary course of business, unless circumstances dictate otherwise.
- 12.2 Subject to the applicable law and regulation, communication with institutional Shareholders and investment analysts will be maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the proactive dissemination of any information considered material to investors and Shareholders.
- 12.3 Communications with Shareholders will be made in accordance with the Listings Requirements, as applicable, in respect of all related party Transactions (including small related party Transactions), except that:
- 12.3.1 to the extent that pre-approval has been obtained from the Shareholders of Ethos Capital in respect of the terms of agreements contemplated in, and in accordance with, paragraph 10.4.1:
- 12.3.1.1 no circular will be required for a Transaction of any size triggered by the enforcement provisions in relation thereto, unless the Transaction is categorised as a reverse take-over in terms of the Listings Requirements, in respect of which the Listings Requirements will apply; and

- 12.3.1.2 only a SENS announcement (and no press announcement) will be made in respect of any size Transactions triggered by the enforcement provisions in relation thereto.
- 12.4 Communications with Shareholders will be made in accordance with the Listings Requirements in respect of all non-related party Transactions, except that:
- 12.4.1 no circulars will be required for any size Transaction as long as the requirements of paragraph 10.3 or 10.4 are met, unless the Transaction is categorised as a reverse take-over in terms of the Listings Requirements, in respect of which the Listings Requirements will apply; and
- 12.4.2 while SENS announcements will be made for Category 1 and Category 2 Transactions, no press announcements will be required for Category 2 Transactions provided that they are not regarded by the Board as price sensitive (as defined in the Listings Requirements).
- 12.5 Notwithstanding the provisions of paragraph 12.3 and 12.4, the information required to be disclosed for a pre-listing statement must be provided if required by the Listings Requirements.
- 12.6 All Transactions will be summarised for Shareholders in the interim and final results announcements and in the integrated annual report.

13. Communication of Investment Strategy

The Investment Strategy is included in Ethos Capital's pre-listing statement and may be made available by the Board in a manner that it deems appropriate (including allowing for it to be accessed on Ethos Capital's website) and including it in Ethos Capital's integrated annual report.

14. Approval of Investment Strategy

The Investment Strategy was approved by Shareholders on 11 July 2016 in compliance with section 15 of the Listings Requirement and the Board on 11 July 2016. Any future material changes to (i) the Investment Strategy must be approved by Shareholders by way of ordinary resolution (ii) the Investment Guidelines (save for the Investment Strategy) must be approved by the Board and the JSE, to the extent required.