Novastar Ventures Disclosure Statement

Operating Principles for Impact Management

July 2023

NOVASTAR

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Disclosure Statement
Operating Principles for Impact Management

INTRODUCTION

Novastar Ventures Limited ("Novastar Ventures" or "Novastar") hereby affirms its status as a signatory to the Operating Principles for Impact Management (the "Impact Principles"). Crafted by the International Finance Corporation (IFC) in consultation with external stakeholders, the Impact Principles support the development of the impact investing industry by establishing a common discipline and framework for the management of investments to create social and environmental value.

Novastar was founded to join and fuel an entrepreneurial movement that is transforming markets and sectors in Africa. Together, we aim to create enduring value for the many, not just the few; for planet *and* people; for future generations *and* this one…for good.

Working from the vibrant entrepreneurial centres of Lagos, Nairobi and London, Novastar partners with gritty optimists forging solutions to the continent's biggest problems. We believe these are the companies that will become the truly valuable enterprises of the future. We see in Africa a matchless opportunity to reimagine industries in ways that signal a new, sustainable, inclusive development path for the world.

While we are active in the 'impact investing community', we prefer to describe our core motivation in terms of creating enduring value in the broadest sense: financial, social and environmental. As described in this Disclosure Statement, that core motivation is integrated in our investment strategy, process and measurement.

This Disclosure Statement applies to all three funds managed by Novastar at this time, comprising USD $200.5 million:

- Novastar Ventures East Africa Fund I LP (NVI)
- Novastar Ventures Africa Fund II LP (NVII)
- FMO Novastar Co-investment Facility LP

The pages that follow describe how Novastar incorporates and applies the Impact Principles into our investment strategy and process. We have also identified areas where we are working toward better alignment and where our investment strategy and process differs from the Impact Principles.

Steven R. Beck
Co-founder and Managing Partner
Novastar Ventures
31st July 2023

Principle 1: Define strategic impact objective(s), consistent with the investment strategy
The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- Novastar's vision is to see sub-Saharan Africa populated with an increasing number of entrepreneurs building and growing innovative businesses that generate enduring value for the many, not just the few; for planet *and* people; for future generations *and* this one…for good.
- Novastar's mission is to find and back the leading examples of commercial innovation to generate deep, enduring value for people and planet, and connect them to the capital markets for scale.
- Novastar was established on the premise that sustainable, scalable benefits to the overwhelming majority of households in East and West Africa will derive from the commercial growth and success of businesses that either, (a) serve their latent demand for basic goods and services, or (b) incorporate them in the value chain of their business. The largest market opportunities in our principal regions are those that address the basic needs of mass market consumers or incorporate them in the value chain of the business.
- Novastar applies an intentional, rigorous Social Value Screen (described in Principle 2 below) to every new investment – a screen that is explicitly codified in the funds' governing documents.
- Our funds are segment- rather than sector-focused. Novastar's core expertise is to understand the basic needs and behaviours of everyday consumers and suppliers in Africa; understanding their lifestyles, the friction that slows them down, the tools that lift them up, and the informal markets where they live, work and shop.
- Venture investing is well-suited to this task. Profitably serving these markets at scale requires innovative, often tech-enabled business models to widen market access, reduce cost and improve quality of basic goods and services. Novastar portfolio companies that do this successfully have the potential get to scale and thereby generate strong financial returns for the funds and their investors.
- As a result of this investment strategy, our diversified portfolio companies advance the 12 Sustainable Development Goals shown below.

- Novastar has adapted and employed the Impact Management Framework ("IMP") – the consensus framework for measuring, managing, and reporting impacts on sustainability. According to the IMP, impact is understood and measured across the dimensions shown in Figure 1 below. We have added a dimension to the original IMP framework – How – to explain how the funds expect to generate social and environmental value.

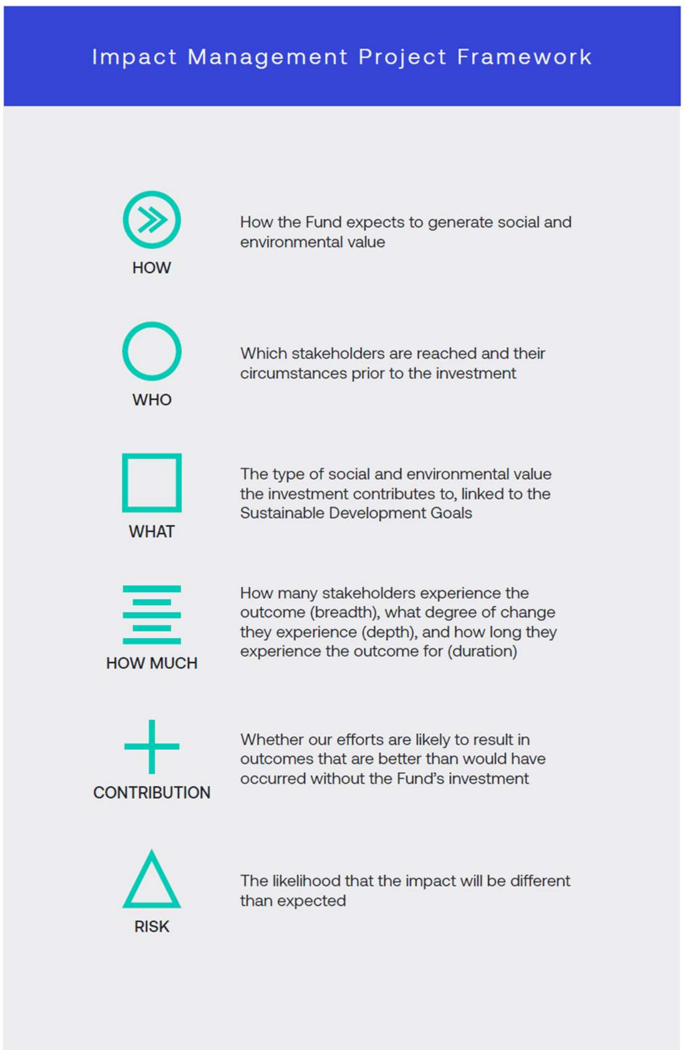

Figure 1: Adapted Impact Management Project Framework

Principle 2: Manage strategic impact on a portfolio basis
The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- Novastar was founded on the belief that sustainable, scalable benefits to the many – not just the few - in our regions will naturally result from the commercial growth and success of businesses that (a) serve their latent demand for basic goods and services, and/or (b) incorporate them in the value chain of the business.
- The investment strategy and policy for each of our funds incorporates a formal Social Value Screen that each new investment must satisfy. A Social Value diligence report is produced for each new investment and presented to the fund's Investment Committee (IC) for consideration and approval.
- Novastar positively screens for investments where profitable commercial growth and the scale of benefits are clearly and strongly correlated and avoid investments that entail a trade-off between social and financial value. At the time of Novastar's initial investment, the company must satisfy at least one of the following three criteria:
  - Core business is to provide basic goods and services to the many, not just the few[1]. That is, the commercial success depends on profitably serving mass market consumers; and/or
  - Business model generates large-scale benefits to mass market suppliers who are integral to the value chain of the business; and/or
  - Novastar's investment is designated and structured to enable the business to serve and/or benefit the mass market.
- Novastar uses qualitative criteria and income proxies in the Social Value Screen to ensure the business can get to scale by serving the many, not just the few, in our territories. "The many" are typically individuals and households with limited access to affordable, quality basic goods and services. Their incomes are often insecure, reliant on unskilled employment, agriculture, or other low productivity, part-time or informal market activity. They typically live in areas that are under-served and offer inadequate infrastructure.
- By adhering to the Social Value Screen, Novastar has not only demonstrated the core investment thesis (social benefits derive from positively screened commercial ventures), but has also generated significant environmental value, confirming the interdependence of social and environmental justice in our territories.

[1] We seek to avoid pejorative labels like "Base-of-the-Pyramid", opting instead of the language of "the many, not just the few". In practice, this means economically active customers, suppliers and employees that constitute most of the population in our principal geographies without which our portfolio companies could not get to scale.

- Novastar measures, monitors, and reports on social and environmental value, Environmental, Social & Governance (ESG) commitments and performance, alongside financial and operational performance at the portfolio company and fund level on a quarterly and annual basis. Reporting requirements are enshrined in the funds' governing documents and in the investment agreements with each portfolio company.
- Novastar is an active investor. Novastar has board representation on every portfolio company board. A dedicated investment manager and team engage very frequently with portfolio company leaders on a wide range of topics including business strategy, talent & organization, capital structure and governance. Integral to the Novastar investment manager role is the measurement, monitoring, and reporting on social and environmental value during the life of the investment.
- Novastar and its fund investors rely on the coherence of the investment thesis, rigor of the Social Value Screen, and transparency of reporting to ensure our shared goal of inclusive value creation is faithfully pursued and effectively achieved. To date, Novastar-managed funds do not directly link the general partner's profit share with the creation of social and/or environmental value. Novastar believes that impact measurement, and determining contribution and attribution are still too nascent and subjective for this approach to have the desired effect. As the measurement, reporting and auditing of non-financial value matures, Novastar will consider opportunities to align general partner incentives more directly with the achievement of inclusive value.

Principle 3: Establish the Manager's contribution to the achievement of impact

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- When Novastar began VC investing in 2014, there was no venture asset class in East Africa. The venture ecosystem on the continent was nascent. In this context, Novastar has been supplying scarce capital to early-stage businesses pursuing high-potential yet unproven business strategies while actively connecting them with investors both inside and outside the region and promoting venture investing on the continent.
- Since Novastar started investing in Africa, VC funding on the continent has grown 16-fold[2] to $6.5 billion in 2022. Novastar cannot take sole credit for starting this flywheel, but as one of the first institutional VC investors at scale on the continent, Novastar can claim a catalytic contribution to the development of the VC asset class on the continent with many more regional and international VCs backing innovative businesses serving the needs of consumers and suppliers on the continent. Indeed, since Novastar started, several of its development finance institution investors have established dedicated venture strategies and teams to deploy venture capital in Africa.
- At a portfolio company level, Novastar is often the first institutional investor in the business. Core to its mission and strategy, Novastar is an active investor, securing board director seats in each of its portfolio companies, and developing a trusted advisory relationship with the founders. From this trusted position, Novastar exercises governance and proactive support for the business as it grows and changes across a wide range of issues and challenges including business strategy, talent & organization, capital structure and fundraising.
- As a well-known early investor, Novastar plays a signalling role to the capital markets catalyzing third party investment of $5.03 for every $1 Novastar has invested.[3]
- As often the first institutional investor in our portfolio companies – our contribution to the impact the portfolio company generates is larger and more catalytic than our ultimate ownership stake in the company would imply. In some cases, the company (and its social and environmental value) would not even exist without our investment and on-going support.
- Rather than trying to assign a percentage contribution to the total social and environmental value generated by our portfolio companies, Novastar reports the total social and environmental value generated by each portfolio company.
- Novastar leverages technical assistance grant facilities from some of its investors to support the companies on ESG-related matters. These grants have also been used to help portfolio companies better understand their impact on customers, suppliers and employees.

[2] Source: AVCA Venture Capital in Africa Report 2022
[3] As of December 31, 2022, calculated from the sum of total investment in Novastar portfolio companies at the same time or after Novastar's investment in NVI.

Principle 4: Assess the expected impact of each investment, based on a systematic approach
For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- Novastar's investment strategy rests on the belief – now well demonstrated – that sustainable, scalable benefits to the many – not just the few - in our regions will naturally result from the commercial growth and success of businesses that (a) serve their latent demand for basic goods and services, and/or (b) incorporate them in the value chain of the business, so long as Novastar faithfully and rigorously applies its Social Value Screen prior to each new investment.
- Novastar positively screens for investments where profitable commercial growth and the scale of benefits are clearly and strongly correlated and avoid investments that entail a trade-off between social and financial value. Novastar thereby mitigates risks of misalignment between commercial and social/environmental objectives.
- The Social Value diligence report produced for each new investment and presented to the fund's Investment Committee (IC) includes a clear articulation of:
    - **How** the prospective portfolio company satisfies the screen;
    - **Who** benefits (the direct beneficiaries, be they customers, suppliers, and/or employees);
    - **What** are the nature of the benefits;
    - **How much** social and environmental value is expected (breadth, depth and duration). The Social Value diligence report outlines the metrics to be used to measure the social and environmental value. These metrics are aligned with IRIS+ standards where possible. In cases where relevant metrics don't exist within IRIS+, we create bespoke metrics that best capture the value generated by the company. They are agreed with the company as

a required quarterly reporting rubric to enable monitoring and corrective actions where possible.

- Baseline social impact metrics are included for each company in Novastar's first quarterly report to investors after the company has been added to the Novastar portfolio.
- With support from some of its fund investors, Novastar has commissioned several third-party 'deep dive' research projects to gain a better understanding of the depth of social and environmental value generated by certain portfolio companies and refine and enhance the metrics used to track that value. Where indicated, Novastar has adjusted the reported social/environmental benefits accordingly.
- During due diligence prior to investment, Novastar pays particular attention to founder core motivation and the risk of mission drift. This is elaborated under Principle 6 below.
- While the Social Value diligence report highlights risks to the company's impact thesis, this is an area that Novastar intends to enhance going forward.

Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- The governing documents of each of Novastar's funds require adherence to an Investment Code – see Appendix A - adopted by European development finance institutions and strong ESG policies and practices.
- Novastar has developed an ESG policy and management system (ESGMS) based on the IFC Performance Standards[4] to complement its strategy for creating social and environmental value for people and planet, to maximise value for investee customers, shareholders, workers, and future generations, and minimise negative environmental and social impacts generated by the activities of its portfolio companies.
- Novastar partners actively with its portfolio companies to ensure objective, consistent, and fair treatment of all stakeholders, and the adoption of good corporate governance. The goal is to develop companies that act with integrity, fairness and diligence in all dealings, promote international best practice with regard to the environment, communities and employees, while also delivering the social and financial benefits that derive from the company's commercial growth and development.
- ESG is not only about compliance and risk management but also about value creation. There is a well-demonstrated correlation between ESG performance and financial & commercial performance.
- Novastar is pragmatic in its approach, tailoring ESG expectations and action plans to the stage of development of each portfolio company. As a venture fund backing early-stage companies, Novastar works with founders and management to weave strong ESG management practice into the fabric of the businesses from the beginning. Novastar leverages its iterative, multi-round investment approach (multiple, milestone-based investment rounds) to ensure that ESG practices in our investees are progressively enhanced and implemented, keeping pace with the growth and maturity of their business.
- Novastar integrates ESG risk assessment into the investment process for all new and follow-on investments:

[4] https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk

- Conducting ESG due diligence on a potential investee based on the risk assessment, and agreeing an explicit ESG Action Plan for ESG improvements;
- Incorporating obligations for ESG compliance and reporting into the legal documentation of the investment, and where appropriate, making subsequent rounds of investment dependent on the achievement of ESG milestones;
- Reporting on any Serious Incidents[5] to the Limited Partners (and other parties as may be required), including remedial actions taken to avoid such incidents in the future;
- Where necessary and feasible, making Technical Assistance grants to assist the investees with ESG training and implementation;
- Requiring investees to minimize their adverse impacts and enhance positive effects on the environment and all stakeholders (including employees and any affected communities);
- Requiring investees to comply with the legal and regulatory requirements in the jurisdictions where they operate, at a minimum, and work over defined time frames towards relevant international Environmental & Social norms and standards;
- Requiring investees to observe international standards of business integrity and governance;
- Requiring investees to ensure a preventive and precautionary approach with respect to their environmental and social impacts. If negative environmental or social impacts are unavoidable, they must be appropriately mitigated or compensated for;
- Encouraging investees to establish open dialogues with their stakeholders on the environmental and social impacts of their activities; and
- Encouraging investees to consider the potential for positive impacts and opportunities from business activities (e.g., certifications to enter new markets, strengthening of supply chain structures/management, and employee training).

- Novastar investees provide quarterly and annual monitoring reports outlining progress on ESG Action Plans.
- Novastar's Anti-Bribery Policy, Anti-Money Laundering checks, 'Know Your Customer' (KYC) Procedures and Statement on Human Rights are part of the mandatory ESG Policy.

[5] Serious Incidents include incidents and accidents that result in a loss of life, material effect on the environment, material breach of law.

Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately
The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

- As described earlier Novastar has adapted and employed the Impact Management Framework ("IMP") – the consensus framework for measuring, managing and reporting impacts on sustainability. The Social Value diligence report produced for each new investment and presented to the fund's Investment Committee (IC) includes a clear articulation of: How the prospective portfolio company satisfies the screen, Who benefits (the direct and indirect beneficiaries, be they customers, suppliers, and/or employees), What are the nature of the benefits, How much social and environmental value is expected (breadth, depth and duration).
- The Social Value diligence report outlines the metrics to be used to measure the social and environmental value. These metrics are aligned with IRIS+ standards where possible. In cases where relevant metrics don't exist within IRIS+, we create bespoke metrics that best capture the social and environmental value generated by the company. They are agreed with the company as a required quarterly reporting rubric to enable monitoring and corrective actions where possible. Baseline social impact metrics are included for each company in Novastar's first quarterly report to investors after the company has been added to the Novastar portfolio.
- Novastar reports the social and environmental value created by each portfolio company and the funds overall to investors on a quarterly basis. Each fund's annual report includes a more in-depth analysis of non-financial value versus expectations, drawing out lessons learned.
- Alongside the investment management team, Novastar's data team regularly reviews each portfolio company's financial, operational, social and environmental metrics and supports revisions and enhancements to these as the business grows and changes.
- Novastar employs measures to manage the risk that our portfolio companies stray from the original assumptions about social value creation made at investment. Knowing 'prevention is better than cure', the most effective risk mitigating measures are applied prior to investment. The following measures can be seen as an escalating menu to be deployed according to our assessment of the magnitude of the risk of mission drift. In this way, Novastar manages social value mission drift much the same way as ESG risks are managed:

- The first and most important is selecting a business that only succeeds by benefiting mass market, underserved consumers and/or suppliers. In these cases, there can be no misalignment between commercial success and social impact for these populations.
- Diligence founder-entrepreneur values and motivations. As early-stage investors Novastar is often the first external institutional investor in the businesses with the founder-entrepreneur(s). As a routine part of due diligence Novastar assesses the character and motivation of the entrepreneur. If the founders are strongly motivated by the potential for social value creation alongside commercial success, the risk of mission drift is mitigated.
- Establish social impact reporting requirements in the investment agreement. Quarterly reporting provides early warning of mission drift or variance from the social value thesis, enabling Novastar to engage founders and senior management early to take corrective action where possible.

Principle 7: Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- Novastar screens investment opportunities, indexing for those that will generate exceptional social and environmental value as a natural consequence of their commercial growth and success. Applying this approach, Novastar has backed 24 companies out of over 2,000 assessed (< 1.2%) over the past nine years; there isn't a problem with deal flow.
- At the time of initial investment, Novastar considers potential exit routes, timing, alignment with founders, and the potential for financial and social/environmental value creation. The exit thesis is formally reviewed quarterly by the Novastar investment team, and by the Investment Committee at each new financing round. In the quarterly reviews, the Novastar investment team reviews expected social value alongside expected financial value.
- As a venture fund manager, Novastar expects there to be failures in the portfolios – companies that fail commercially and thus where social/environmental value may not endure. In such cases, Novastar works with the company board, management, and other investors to ensure the responsible winding down of the business considering all the stakeholders of the business: employees, customers, suppliers, and the community in which the company operates. Where positive social and/or environmental value endures (e.g., via the installed base of beneficial products), Novastar continues to measure and report on these impacts.
- Novastar expects that the bulk of the financial and social value created will arise from a third of the companies in the portfolio. As these 'emerging winners' are identified, Novastar prioritizes time and energy with these businesses, seeking to maximize both financial and social value from them.
- Novastar considers exit opportunities – both partial and full – as they arise throughout the life of the investment.

Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned
The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- Novastar is committed to reviewing and improving the systems and procedures for assessing, managing, and reporting the social and environmental value generated by portfolio companies based on learning from experience and evolving industry standards and best practices.
- Over the past year, Novastar has adapted social value measurement and reporting to align with the Impact Management Project as the internationally accepted standard.
- Starting in 2016, Novastar has commissioned third party deep-dive research into the social/environmental performance of several portfolio companies. The research findings have been helpful to portfolio company management and Novastar, providing insight into customers, their behaviour, and the nature, extent and duration of value delivered.
- Novastar reports on the progress of social and environmental value over time in quarterly and annual reports to our investors. Each fund's annual report includes a more in-depth analysis of non-financial value vs. expectations, drawing out lessons learned.
- Based on company performance, forecasts and the social value thesis, Novastar is able to project social/environmental performance by company on the key 'how much/breadth' measures and sum those 'common impact metrics' across the portfolio to provide a fund-level view. On this level NVI and NVII are each far exceeding initial impact projections.
- While Novastar's ESG diligence process and management system helps to mitigate negative impacts from portfolio companies, going forward Novastar seeks to strengthen the measurement and reporting of negative impacts from the operations of each portfolio company.

Principle 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment
The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- This Disclosure Statement affirms Novastar's alignment of its impact management systems with the Impact Principles.
- Novastar will get independent verification of this alignment. We have chosen our preferred provider and will complete the verification in early 2024.
- In addition, Novastar is seeking support from its investors to conduct additional third-party deep-dive research to validate the social and environmental value created from its portfolio.

Appendix A:

INVESTMENT CODE

Novastar Ventures Africa Fund II LP (NVAF) actively seeks to generate positive social benefits by investing in businesses whose commercial success and corporate practices produce long-term benefits for all their stakeholders. Novastar therefore works with investee businesses to grow commercially successful businesses that generate positive social impact, while establishing and constantly improving their environmental, social and governance practices (ESG). The goal is to encourage the development of companies that act with integrity, fairness and diligence in all their dealings, promote international best practice with regards treatment of the environment, communities and employees, whilst also delivering the social and financial benefits of commercial development. We believe that the effective implementation of the Investment Code described below enhances the long-term value of our investee companies.

The Investment Code below defines NVAF's principles, objectives, policies and management systems for sustainable and responsible investment with respect to ESG.[1]

1. PRINCIPLES

NVAF, and the business in which its capital is invested, will:

- Comply with all applicable laws;
- As appropriate, minimise adverse impacts and enhance positive effects on the environment, workers, and all stakeholders;
- Commit to continuous improvements with respect to management of the environment, social matters and governance;
- Work over time to apply relevant international best practice standards,[2] 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.

[1] NVAF's Investment Code is compatible with the 2006 International Finance Corporation ("IFC") Policy and Performance Standards on Social and Environmental Sustainability ("IFC Performance Standards"). See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards. A Fund Manager that follows the IFC Performance Standards fulfils the requirements on the Environment and Social Matters set out in this Investment Code. The Investment Code is also compatible with the 2007 agreement for common environmental and social standards among the European Development Finance Institutions ("EDFI Rome Consensus").

[2] As referenced in this Investment Code and as may develop over time.

2. OBJECTIVES AND POLICIES

2.a. THE ENVIRONMENT

Objectives

- To minimise adverse impacts and enhance positive effects on the environment, as relevant and appropriate, from the business in which NVAF's capital is invested.
- To encourage the business in which NVAF's capital is invested to make efficient use of natural resources and to protect the environment wherever possible.
- To support the reduction of greenhouse gas emissions which contribute to climate change from the business in which NVAF's capital is invested.[3]

Policy

The Business in which NVAF's capital is invested will:

- Operate in compliance with applicable local and national laws (as a minimum);
- Assess the environmental impact of their operations as follows:
  - Identify potential risks and appropriate mitigating measures through an environmental impact assessment where business operations could involve loss of biodiversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste or other significant negative environmental impacts;[4] and
  - Consider the potential for positive environmental impacts from business activities; and
- Take appropriate actions to mitigate environmental risks, ameliorate environmental damage, and enhance positive effects as follows:

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[3] In line with the 1994 United Nation Framework Convention on Climate Change and the associated 2005 Kyoto Protocol ("UN Framework Convention"), see www.unfccc.int/2860.php as may be amended from time to time.

[4] Activities with potential significant adverse environmental impacts that are diverse, irreversible or unprecedented; mindful of potential cumulative, secondary or synergistic impacts that may occur as a consequence.

- Where an activity is assessed to present significant environmental risks, work over time to apply the relevant IFC policies and guidelines,[5] if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and
- As appropriate, work over time towards international environmental best practice standards.[6]

2.b. SOCIAL MATTERS

2.b.i. LABOUR AND WORKING CONDITIONS

Objectives

- To require the business in which NVAF's capital is invested to treat all their employees and contractors fairly and to respect their dignity, well-being and diversity.
- To encourage the business in which NVAF's capital is invested to work over time towards full compliance with the International Labour Organization ("ILO") Fundamental Conventions[7] and with the United Nations ("UN") Universal Declaration of Human Rights.[8]

Policy

The business in which NVAF's capital is invested will:

- Comply with applicable local and national laws (as a minimum);
- Not employ or make use of forced labour of any kind;

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[5] The IFC Performance Standards and the 2007 IFC Environmental, Health and Safety Guidelines ("IFC EHS Guidelines"), as may be amended from time to time and adopted by NVAF. IFC EHS Guidelines include general guidelines and industry sector guidelines for forestry, agribusiness / food production (including fisheries), general manufacturing, oil and gas, infrastructure, chemicals (including pharmaceuticals), mining and power. See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards and www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate.

[6] 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.

[7] The ILO Fundamental Conventions are the Conventions on Freedom of Association and Collective Bargaining; Forced Labour; Child Labour; and Non-Discrimination, as may be amended from time to time. See www.ilo.org/ilolex/english/docs/declworld.htm for the texts of these Conventions and a list of the countries that have ratified each of them.

[8] See www.un.org/Overview/rights.html

- Not employ or make use of harmful child labour;[9]
- Pay wages which meet or exceed industry or legal national minima;
- 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.

2.b.ii. HEALTH AND SAFETY

Objectives

- To attain safe and healthy working conditions for employees and contractors of the business in which NVAF's capital is invested.
- To safeguard the health and safety of all those affected by the business in which NVAF's capital is invested.

Policy

The business in which NVAF's capital is invested will:

- Comply with applicable local and national laws (as a minimum);
- Assess the health and safety risks arising from work activities; and
- Take appropriate actions to eliminate or reduce risks to health and safety as follows:
  - Where an activity is assessed to present significant health and safety risks,[10] work over time to apply the relevant IFC policies and guidelines,[11] if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and

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[9] As defined by the ILO C138 Minimum Age Convention from 1973 and the ILO C182 Worst Forms of Child Labour Convention from 1999. See www.ilo.org/ilolex/english/docs/declworld.htm

[10] Activities that could have a severe health or safety impact for workers or affected communities.

[11] The IFC Performance Standards and the IFC EHS Guidelines, as may be amended from time to time and adopted by NVAF. See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards and www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate.

- As appropriate, work over time towards international best practice standards for health and safety.[12]

2.b.iii. OTHER SOCIAL MATTERS

Objectives

- To be objective, consistent and fair with all stakeholders of the business in which NVAF's capital is invested.
- To recognise and, as appropriate, promote the social development impact from the business in which NVAF's capital is invested.

Policies

The business in which NVAF's capital is invested will:

- Take account of their impact on employees, contractors, the local community and all others affected by their operations as follows;
  - Identify potential adverse effects and appropriate mitigating measures through a social impact assessment in cases involving resettlement, critical cultural heritage, indigenous peoples, non-local labour or other issues where the negative impact could be significant;[13] and
  - Consider social development contributions; and
- Take appropriate actions to mitigate risks, ameliorate negative impacts, and enhance positive effects.[14]

2.c. GOVERNANCE: BUSINESS INTEGRITY AND GOOD CORPORATE GOVERNANCE

Objectives

- To ensure that NVAF, and the business in which NVAF's capital is invested, exhibit honesty, integrity, fairness, diligence and respect in all business dealings.
- To enhance the good reputation of NVAF.

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[12] Including OHSAS 18001, the international occupational health and safety management system specification, and industry specific international good practice standards related to the safety of product use, e.g. the international Good Manufacturing Practice ("GMP") standards for food and pharmaceutical products promoted by the World Health Organization ("WHO"), see www.who.org.

[13] Activities with potential significant adverse social impacts that are diverse, irreversible or unprecedented.

[14] As relevant, by applying IFC Performance Standards on Land Acquisition and Involuntary Resettlement; Indigenous Peoples; and Cultural Heritage; as may be amended from time to time and adopted by NVAF. See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards.

- To promote international best practice in relation to corporate governance in the business in which NVAF's capital is invested.[15]

Policy

NVAF, and the business in which NVAF's capital is invested, will:

- Comply with all applicable laws and promote international best practice,[16] including those laws and international best practice standards intended to prevent extortion, bribery and financial crime;
- 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 substance in the course of business;
- Prohibit the making of payments as improper inducement to confer preferential treatment;
- Prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- Properly record, report and review financial and tax information;[17]
- 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.

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[15] 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.

[16] 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; as may be amended from time to time.

[17] NVAF promotes 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