



Novastar Ventures Disclosure Statement

The Impact Principles

July 2025



Disclosure Statement The Impact Principles

INTRODUCTION

Novastar Ventures Limited (“Novastar Ventures” or “Novastar”) hereby affirms its status as a signatory to 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 the bold founders 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 four funds managed by Novastar at this time, comprising USD \$263.5 million:

- ✦ Novastar Ventures East Africa Fund I LP (NVI)
- ✦ Novastar Ventures Africa Fund II LP (NVII)
- ✦ Novastar Ventures Africa People and Planet Fund III LP (NVIII)
- ✦ 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 2025

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 Impact 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.
- ★ Novastar tracks a variety of impact metrics across its portfolio and, where possible, aligns these to IRIS+ metrics.

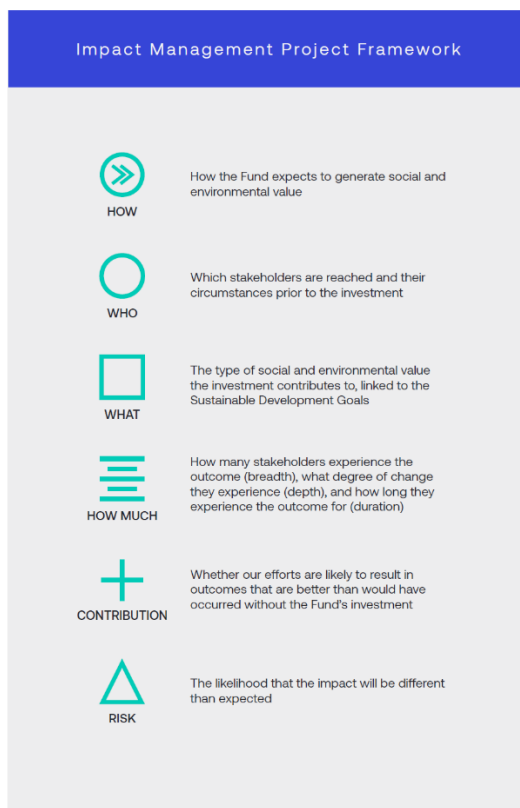


Figure 1: Adapted Impact Management Project Framework

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 Impact Screen that each new investment must satisfy. NVI and NVII screens for only social impact, while NVIII screens for social and environmental impact (see below). An Impact 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 social and climate benefits are clearly and strongly correlated and avoid investments that entail a trade-off between social, environmental and financial value.
- ★ At the time of NVI and NVII'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 few¹ 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.
- ★ At the time of NVIII's initial investment, the target company must satisfy at least one of the following criteria:
 - ◆ The company provides solutions that enhance climate resilience for the Many (see definition below);

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.

- ♦ The company enables the removal or avoidance of greenhouse gas emissions (CO₂e) and, at scale, benefits the Many as end consumers or suppliers;²
 - ♦ The company enhances biodiversity and/or soil health and, at scale, benefits the Many as end consumers or suppliers;
 - ♦ NVIII's investment is designated and structured to enable the business to satisfy one of the three criteria above.
- ✦ Novastar uses qualitative criteria and income proxies in the Impact 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.
 - ✦ 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 tracks and reports on a number of social and environmental value metrics across the portfolio. Portfolio companies report this data to Novastar on a quarterly basis. Below is a (non-exhaustive) list of the metrics collected:
 - ♦ Direct Beneficiaries, and proportion that are low-income
 - Total Employees, and proportion that are (i) female and (ii) low-income
 - Total Consumers, and proportion that are (i) female and (ii) low-income
 - Total Suppliers, and proportion that are (i) female and (ii) low-income
 - ♦ Tonnes of greenhouse gas emissions reduced, avoided or sequestered.
 - ♦ Tonnes of waste avoided, removed, recycled
 - ♦ Hectares of land improved for biodiversity and / or soil health
 - ♦ Direct adaptation & resilience beneficiaries reached
 - ♦ Indirect adaptation & resilience beneficiaries reached
 - ♦ Personnel Expenses
 - ♦ Payments to Governments
 - ♦ New Investment Catalysed
 - ✦ Novastar is an active investor. Novastar has board representation on every portfolio company board. A dedicated investment manager and team engage very frequently with

² CO₂e is a metric used to compare the emissions from various greenhouse gases based on their global-warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming.

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.
- ★ Novastar investment team members are measured and rewarded based upon the achievement of the Fund's common commercial and impact objectives. All Novastar team members are thus motivated to support each investment. Novastar does not offer incentives or rewards on a deal-by-deal basis, thus avoiding conflicts of interest between investment 'champions' that might otherwise arise within the team.

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 to 9x to \$3.2 billion in 2024.³ 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 representation in 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 \$5.8 for every \$1 Novastar has invested.⁴
- ✦ 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.

³ Partech Africa Report 2024

⁴ As of December 31, 2023, calculated from the sum of total investment in Novastar portfolio companies at the same time or after Novastar's investment in NVI and NVII.

- ★ 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.

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 by NVI and NVII – 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 impact screen prior to each new investment. Leveraging the deep understanding of the behaviors of the Many developed over NVI and NVII, NV III backs early- and growth-stage businesses that align the short-term economic interests of the Many – a young, rapidly growing population - with climate-smart solutions.
- ★ Novastar positively screens for investments where profitable commercial growth and the scale of social and environmental benefits are clearly and strongly correlated and avoid investments that entail a trade-off between social, environmental and financial value. Novastar thereby mitigates risks of misalignment between commercial and social/environmental objectives.
- ★ Novastar applied a social impact (only) screen for NVI and NVII and therefore has a decade of experience assessing social benefits and establishing whether they will scale along with the commercial growth of the business. For NVIII, we have developed and rigorously apply a screen for climate mitigation and adaptation impact. To ensure that we are rigorous about the application of this climate screen, we designed an Impact Screening Tool that is used to ensure the consistent application of the climate logical framework, from the climate risks specific to the country and population, to the solution offered and the strength of the logical consequence of its success driving mitigation and / or adaptation outcomes. When necessary, we will engage independent experts to help validate the social and environmental impact in due diligence.

- ✦ The Impact 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 impact screen;
- ✦ **Who** benefits (customers, suppliers, employees and the Planet);
- ✦ **What** is the nature of the benefits;
- ✦ **How much** social and environmental value is expected (breadth, depth and duration). The Impact due 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 and environmental 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 conducts interviews with target customers, to understand the breadth (including TAM) and depth of the challenges, a customers climate vulnerability (if applicable) and whether the company is offering an effective solution. The affordability of the solution and the beneficiaries' willingness to pay is also assessed as an indicator of product-market fit and whether the solution can scale. The team also pays particular attention to founder core motivation and the risk of mission drift (elaborated under Principle 6 below). Novastar documents the findings of its due diligence in its Impact diligence report.
- ✦ As per Impact Frontiers guidance, we assess the key impact risks in our Impact diligence report.

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 Standards⁵ 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:

⁵ 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 Incidents⁶ 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.

⁶ 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 Impact 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 Impact Screen, Who benefits (the climate impact plus 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 Impact 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 and environmental 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. Where necessary and financially feasible, Novastar commissions 3rd party impact deep dives to better understand a company’s impact on the end-beneficiary, particularly the depth of impact. Any updates are then incorporated into the metrics that we track on a quarterly basis.
- ✦ 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.
- ✦ The investment management 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 commercially by benefiting mass market - underserved consumers and/or suppliers – and generating climate impact (either through greenhouse gas emission mitigation or climate adaptation and resilience). In these cases, there can be no misalignment between the commercial success of the company and its social and environmental impact. In instances where impact is underperforming, it will be primarily due to commercial underperformance, and vice versa. In instances of impact underperformance, Novastar aims to work alongside the company to fix the commercial performance knowing that this will naturally result in an improved impact performance.
- ◆ 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 and environmental value creation alongside commercial success, the risk of mission drift is mitigated.
- ◆ Establish social and environmental impact reporting requirements in the investment agreement. Quarterly reporting provides early warning of mission drift or variance from the social and environmental 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.

- ✦ 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 and environmental 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. The Investment Committee convenes as an “Exit Committee” where there is an opportunity for full or partial exit of a portfolio company. The IC considers the expected financial and impact implications of the potential exit routes, and provides approval or otherwise, applying principles of responsible exit.
- ✦ For investments which are exited by way of sale or IPO, Novastar will seek to ensure where possible that sound ESG practices and improvements continue under the new ownership. Novastar will conduct an exit review to assess how the new ownership may affect ESG matters and take into consideration the impact that new ownership will have on employees, local communities and the local environment.
- ✦ In the event that an investment is wound down, Novastar will review the key ESG issues associated with this to ensure where possible that the investee continues to honour their ESG obligations and ensure that liquidators act appropriately towards debt collection and asset recovery.

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.
- ★ Novastar has adapted its impact 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. These insights further build our understanding of the behavioural economics of the everyday consumer and producer and inform our investment decisions going forward.
- ★ 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.
- ★ Novastar is in the process of executing an Impact Action Plan which was formed in collaboration with its LPs to further strengthen our impact management processes. We have also incorporated recommendations from the Bluemark verification that took place in 2024.

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 received independent verification of its disclosure from Bluemark in February 2024. BlueMark is a leading provider of impact verification services in the impact investing market. The company was founded with a mission to "strengthen trust in impact investing" and to help bring more accountability to the impact investment process. BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark is headquartered at 915 Battery St, San Francisco, CA 94111, USA.
- ✦ Please see link to our [independent verification by Bluemark here](#).
- ✦ Novastar expects to commission the next independent verification of its disclosure and alignment with the Impact Principles in the first half of 2026.
- ✦ 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.

NOVASTAR VENTURES AFRICA PEOPLE AND PLANET FUND III LP

INVESTMENT CODE & MANDATORY PROVISIONS

INTRODUCTION

Novastar believes it should invest in a responsible fashion, considering environmental and social (“E&S”) and governance (including business integrity) (“ESG”) matters. Effective management of these matters reduces risks to workers, the environment, local communities and other stakeholders, and implementation of good ESG practices is increasingly associated with a wide range of business benefits including access to markets, reduced staff turnover, cost efficiencies in production and enhanced stakeholder relations.

This investment code (the “Code”) sets out Novastar’s requirements (“Mandatory Provisions”) in relation to all of its Portfolio Companies receiving direct investment. It reflects international standards and practices including the International Finance Corporation’s (“IFC”) Performance Standards⁷, and the UN Guiding Principles on Business and Human Rights⁸. It also reflects Novastar’s requirements in relation to climate change.

Novastar recognises that not every business in which it invests will be in compliance with this Code at the date of investment. In such cases, Novastar will work with the business to develop an Action Plan that seeks to achieve compliance over a reasonable time frame, taking into consideration the risks and opportunities specific to that business and its size and resources. Novastar will only finance investment activities that are expected to meet the requirements of this Code within a reasonable period of time. Persistent delays in meeting these requirements may trigger options for Novastar to cease funding, exit an investment and/or take remedial action.

This Code is presented in two parts and one schedule that apply to Novastar investments:

- ✦ Part 1 outlines the environmental, social and good governance principles that Novastar is committed to;
- ✦ Part 2 describes certain environmental and social undertakings of the Portfolio Company, covering areas such as working conditions, labour rights, access to remedy and sanctions and additional requirements which apply in certain circumstances;
- ✦ Schedule 1 describes the Excluded Activities and the Excluded Fossil Fuel Activities for which Novastar’s capital cannot be used, whether at the time of investment, or subsequently (being the Exclusion List);

⁷ See IFC Performance Standards
https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

⁸ Guiding Principles for Business and Human rights: Implementing the United Nations “Protect, Respect and Remedy” Framework; <https://www.unglobalcompact.org/library/2>

PART 1

ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) PRINCIPLES

Novastar commits and will ensure that the businesses in which its capital is invested (“Portfolio Companies”) also commit, to continuous improvements with respect to management of ESG matters and work over time to apply relevant international best practice standards with appropriate targets and timetables for achieving them. Therefore, Novastar and its Portfolio Companies will implement a Management System which effectively addresses ESG risks and realizes ESG opportunities as a fundamental part of a company’s value.

Novastar is committed to implementing the following standards, guidelines and conventions:

- ✦ IFC Performance Standards (2012);
- ✦ World Bank Group EHS General Guidelines;
- ✦ World Bank Group EHS Sector specific Guidelines;
- ✦ ILO Declaration on Fundamental Principles and Rights at Work;
- ✦ ILO Basic Terms and Conditions of Employment, and
- ✦ EDFI Principles for Responsible Financing

The ESG Principles underpinning the Management System are that Novastar and its Portfolio Companies will:

- ✦ Respect and proactively manage compliance with host country laws, rules and regulations applicable to all phases of the Portfolio Companies’ operations, assets and activities;
- ✦ Align with international conventions and treaties adopted by the host country and applicable to the Portfolio Companies’ operations, assets and activities.
- ✦ Avoid engaging in any of the Excluded Activities and Excluded Fossil Fuel Activities (as described in the Exclusion List in Schedule 1);
- ✦ Minimize adverse impacts and enhance positive effects on the environment and all stakeholders (including employees and any affected communities) as relevant and appropriate;
- ✦ Make efficient use of natural resources and protect the environment wherever possible;
- ✦ Develop strategies to address climate risks identified and support the reduction of greenhouse gases by measuring emissions and assessing options and cost implications to transition towards climate- friendly and resilient production⁹;
- ✦ Support the reduction of greenhouse gas emissions;

⁹ E.g., circular economy, enlarge sustainable local sourcing, intelligent and efficient use of natural resources, switch energy consumption from fossil to renewable, installation of captive renewable energies power plants, smart and sustainable agriculture, sustainable certifications going beyond compliance

- ✦ Treat all employees and contractors fairly, respecting their dignity, well-being and diversity;
- ✦ Promote equal opportunities for men and women;
- ✦ Work within a defined timeframe towards full compliance with the International Labour Organization (“ILO”) Core Labour Standards and ILO Basic Terms and Conditions of Work and to respect the International Bill of Human Rights¹⁰ in line with the UN Guiding Principles on Business and Human Rights¹¹;
- ✦ Attain safe and healthy working conditions for employees and contractors whilst also safeguarding the health and safety of all those affected by the business;
- ✦ Be objective, consistent and fair with all stakeholders;
- ✦ Operate in accordance with good international industry practices¹²;
- ✦ Promote the positive impacts and opportunities for social development from the business operations (e.g. improving the practices of supply chain structures/management);
- ✦ Exhibit honesty, integrity, fairness, diligence and respect in all business dealings, enhancing the good reputation of the company;
- ✦ Promote international best practice in relation to corporate governance in the business.

¹⁰ The ILO Declaration on Fundamental Principles and Rights at Work <https://www.ilo.org/declaration/lang--en/index.htm>
 The International Bill of Human Rights includes the United Nations (“UN”) Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights

¹¹ <http://www.business-humanrights.org>

¹² Including Equator Principles, UNPRI and 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.

PART 2

ENVIRONMENTAL, SOCIAL & GOVERNANCE UNDERTAKINGS

1. Development, Implementation and Operation of an ESG Management System

In order to effectively address ESG risks and realize ESG opportunities the Portfolio Company shall:

- 1.1. establish and implement an ESG Management System¹³ within the timeframe specified in the ESG Action Plan, and then maintain and routinely improve those systems and conduct its business and operations in accordance with it at all times. The ESG Management System will be commensurate with the scale and significance of the issues and being dynamic tools that can reflect changes in ESG issues that may be evident over time, that ensures a systematic approach to ESG risk assessment, in particular, climate risks, and management, and act in accordance with the ESG Principles as defined in Part 1 in all its business activities. The management system should define policies and procedures which will apply to the business, and organisational arrangements to ensure effective implementation, as well as monitoring and reporting;
- 1.2. promptly notify Novastar, when the Portfolio Company becomes aware of any changes in the scope of its operations and identify any material environmental or social risk or business integrity risk posed by such change in scope. The Portfolio Company shall amend its ESG Management System to identify, assess and manage such risks and promptly provide Novastar with a copy of its amended ESG Management System.
- 1.3. ensure its ESG Management System is supervised by an E&S Manager satisfactory to Novastar and Novastar's approval must be sought for any change to the E&S Manager;
- 1.4. work with Novastar to develop and agree an ESG Action Plan that defines actions, responsibilities, budgets, deliverables, compliance indicators, and a timeframe for the measures required to remedy any identified failure by the Portfolio Company to comply with the E&S Requirements¹⁴ and to implement all actions set out in the EGS Action Plan by the dates specified for each action;
- 1.5. ensure internal competence for implementing the ESG Management System by training and making all employees aware of the requirements of the ESG Management System and its associated policies and procedures applicable to the relevant employee;
- 1.6. identify and record any serious incidents that result in loss of life, severe permanent injury or permanent damage to health, a material adverse environmental or social impact, or material breach of law relating to ESG matters, business integrity matters, including financial irregularities; and, in all cases, the promotion of appropriate corrective actions;
- 1.7. ensure regular (not less than annual) reporting of ESG performance and immediate reporting (within three business days) of any serious incidents, such as fatalities or breaches of law to governing bodies and investors;

¹³ ESG Management System is the periodically reviewed management system of the Portfolio Company, consistent with its business profile, that enables it to identify and manage environmental, social, labour and health and safety risks, in respect of the operations of the Portfolio Company, and incorporating the requirements of the ESG Action Plan. The ESG Management System also includes the management system to identify and manage business integrity risks related to bribery, corruption, financial crime, anti-terrorism, terrorism financing, anti-money laundering, Sanctions and Sanctionable Practices.

¹⁴ E&S Requirements means: the requirements of any E&S Action Plan; the Basic Terms and Conditions of Employment; the ILO Core Labour Standards; the requirements of the Gender-Based Violence Convention; Environmental Laws and Social Laws; and if, in Novastar's judgement, the activities of the Portfolio Company involve any of the activities or matters to which the IFC Performance Standards apply, the IFC Performance Standards.

- 1.8. adopt and implement policies and procedures to prevent extortion, bribery, fraud, corruption and financial crime in accordance with local law requirements and relevant internationally recognised practices¹⁵;
- 1.9. properly record, report and review financial and tax information as required by relevant accounting standards¹⁶;
- 1.10. operate in compliance with sanctions imposed by Her Majesty's Treasury as well as applicable international sanctions, including those of the United Nations; ¹⁷
- 1.11. implement a procedure for the reporting of wrongdoing and misconduct in the workplace that includes protection for the reporter and appropriate disciplinary action for anyone found to harass the reporter.

2. Universal Provisions

The ESG Management System should be capable of supporting the following basic provisions:

2.1. The Environment and Climate

The Portfolio Company shall:

- 2.1.1. comply with applicable local and national laws (as a minimum);
- 2.1.2. assess the environmental impact of their operations;
- 2.1.3. take appropriate actions to mitigate environmental risks, ameliorate environmental damage, and enhance positive effects;
- 2.1.4. assess climate impact and risks of its operations and undertake efforts to mitigate climate change impacts and risks, as appropriate to the size and nature of its business.

2.2. Working Conditions and Labour Rights

The Portfolio Company shall:

- 2.2.1. comply with applicable local and national laws (as a minimum)
- 2.2.2. not employ or make use of forced labour;¹⁸

¹⁵ Novastar promotes compliance with the UK Bribery Act 2010 and the Foreign Corrupt Practices Act.

¹⁶ Direct investments, including investment intermediaries, are required to report to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB", see www.iasb.org) or other internationally recognised accounting standards; and the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC", see www.privateequityvaluation.com).

Investees of Investment Intermediaries should, as a minimum, report to local reporting standards and should make progress towards internationally recognised accounting standards.

¹⁷ For guidance see: <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

¹⁸ As covered by the ILO Forced Labour Convention (No. 29) and the Abolition of Forced Labour Convention (No. 105). See <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/forced-labour/lang-en/index.htm>

- 2.2.3. not employ or make use of child labour;¹⁹
- 2.2.4. pay wages which meet or exceed industry or legal national minima;²⁰
- 2.2.5. not discriminate in terms of recruitment, progression, terms and conditions of work and representation, on the basis of personal characteristics unrelated to inherent job requirements, including gender, race, colour, caste, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, marital status, membership of workers' organisations, legal migrants, or HIV status;²¹
- 2.2.6. adopt an open attitude towards workers' organisations and respect the right of all workers to join or form workers' organisations of their own choosing, to bargain collectively and to carry out their representative functions in the workplace;²²
- 2.2.7. provide reasonable working conditions including a safe and healthy work environment, working hours that are not excessive and clearly documented terms of employment;²³ and in situations where workers are employed in remote locations for extended periods of time to ensure that such workers have access to adequate housing and basic services;
- 2.2.8. not cause any Collective Dismissal (e.g., due to a potential merger or following restricting of operations) without first developing and implementing a retrenchment plan²⁴. Any such retrenchment plan will be shared with Novastar, for information purposes, prior to implementation;

2.3. Safeguarding

The Portfolio Company shall:

- 2.3.1. act consistently with and counteract unacceptable behaviours and practices in line with the ILO C190 - Violence and Harassment Convention.
- 2.3.2. ensure that it does not engage in any Safeguarding Violation, any action or series of actions that:

¹⁹ As defined by the ILO Minimum Age Convention (No. 138) and the Worst Forms of Child Labour Convention (No. 182). See <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/child-labour/lang-en/index.htm>

²⁰ See <http://www.ilo.org/dyn/travail/travmain.home> for guidance.

²¹ As covered by the ILO Equal Remuneration Convention (No. 100) and the ILO Discrimination (Employment and Occupation) Convention (No. 111). Allowance could be made where positive discrimination is mandated in law and is intended to address a historical imbalance. See <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/equality-of-opportunity-and-treatment/lang-en/index.htm>

²² As defined by the ILO Freedom of Association and Protection of the Right to Organise Convention (No. 87) and the Right to Organise and Collective Bargaining Convention (No. 98). See <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/freedom-of-association/lang-en/index.htm>

²³ Respecting any collective bargaining agreements that are in place or where these do not exist or do not address working conditions, make reference to conditions established, by collective agreement or otherwise, for work in the trade or industry concerned in the area / region where the work is carried out and local or national law. See <http://www.ilo.org/dyn/travail/travmain.home> and IFC Performance Standard 2 for guidance. For working hours, see also the ILO Hours of Work (Industry) Convention (No.1). See <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/working-time/lang-en/index.htm>

²⁴ A retrenchment plan that is in accordance with all local laws and regulations and IFC Performance Standard 2, paragraphs 18 and 19, taking into consideration as well IFC Performance Standard 2 Guidance Note 2, paragraphs GN48 until GN56

(a) involves any work or service which is exacted from any Person under the menace of any penalty and for which that Person has not offered themselves voluntarily, or that otherwise contravenes the requirements of the ILO Core Labour Standards;

(b) contravenes the requirements of the Gender-Based Violence Convention, or that otherwise involves the exploitation, abuse or harassment (being any form of unwanted verbal, non-verbal or physical conduct, whether by force or under unequal or coercive conditions) of any Person that is directed at such Person because of their perceived or real sex or gender, or that disproportionately affects people of a particular sex or gender; or

(c) involves the exploitation or abuse of a child.

2.3.3. introduce policies (including policies and procedures relating to incidents reporting) and training procedures that are designed to seek to procure that none of its Affiliates, nor any directors or employees of the Portfolio Company or its Affiliate, nor any Person acting on its or any Affiliate's behalf (nor any of such Person's respective directors, employees or agents) shall, engage in any Safeguarding Violation.

2.3.4. institute and maintain internal policies and procedures designed to ensure (i) that neither the Portfolio Company, its Affiliates, nor any Person acting on its or any Affiliate's behalf (nor any of such Persons' respective directors, employees or agents), commits any Safeguarding Violation and (ii) the confidentiality and safety of all Persons involved, including in particular any victim or survivor of, or witness to, any Safeguarding Violation.

2.3.5. ensure it complies with the following reporting obligations in relation to Safeguarding Violations:

2.3.5.1. promptly notify Novastar in writing within one (1) day after the occurrence of any High Risk Safeguarding Violation which has occurred in relation to the Portfolio Company, specifying the nature of the incident or circumstance and any effect resulting or likely to result therefrom, and the immediate measures the Portfolio Company is taking or plan to take to address them and prevent any future similar event; and keep Novastar informed of the on-going implementation of those measures;

2.3.5.2. provide Novastar, within thirty (30) days of the end of each calendar quarter information regarding the Medium Risk Safeguarding Violations and Low Risk Safeguarding Violations which have occurred in relation to the Portfolio Company;

2.3.5.3. "High Risk Safeguarding Violation" means the incident involves physical assault (rape), sexual exploitation, harassment and abuse or a GBVH incident with a minor, or has a risk of reputational harm through media or NGO reports; "Medium Risk Safeguarding Violation" means an attempt or repeated attempts to sexually exploit but no incident of rape or physical assault reported. Eg. Use of threat, solicitation for sexual favours, restricting access to financial or other resources, offensive or inappropriate touch; "Low Risk Safeguarding Violation" means incident involved offensive comments and insulting jokes but no form of physical assault.

2.4. Grievance Mechanism and Whistleblowing Mechanism

The Portfolio Company shall:

- 2.4.1. implement and maintain a grievance mechanism for the reporting of improper or illegal activities related to environmental, social, labour and health and safety matters;²⁵
- 2.4.2. implement and maintain a whistleblowing mechanism for the reporting of improper or illegal activities related to Sanctionable Practices, Sanctions and any other form of financial crime;
- 2.4.3. make available the grievance mechanism and whistleblowing mechanism to all workers and where appropriate other stakeholders;
- 2.4.4. ensure all complaints are treated confidentially and are investigated;
- 2.4.5. provide for investigations, including in relation to Safeguarding Violations, to be handled by appropriately trained employees or with guidance or support from appropriate external sources;
- 2.4.6. where appropriate, allow for anonymous complaints to be raised and addressed;
- 2.4.7. protect the reporter and enforce appropriate disciplinary action for anyone found to harass the reporter; and
- 2.4.8. ensure a senior operational officer oversees the grievance mechanism and reports regularly to senior management on the operation and effectiveness of the mechanism.

2.5. Health and Safety

The Portfolio Company shall:

- 2.5.1. comply with applicable local and national laws (as a minimum);
- 2.5.2. assess the health and safety risks arising from work activities; and
- 2.5.3. take appropriate actions to eliminate or reduce risks to health and safety.

2.6. Supply Chains

The Portfolio Company shall:

²⁵ See IFC Performance Standard 2 and the “Effectiveness Criteria for Non-Judicial Grievance Mechanisms” within the UN Guiding Principles on Business and Human Rights (http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf) for guidance.

- 2.6.1. monitor that the Portfolio Company, its Affiliates, or any directors, employees or agents of the Portfolio Company or its Affiliates do not engage in any Forced Labour Activity²⁶.
- 2.6.2. institute internal policies and procedures designed to ensure that the Portfolio Company, its Affiliates, contractors or subcontractors, directors, employees or agents of the Portfolio Company or its Affiliates do not engage in any Forced Labour Activity.

2.7. Business Integrity and good Corporate Governance

The Portfolio Company shall:

- 2.7.1. comply with all applicable laws and promote international best practice²⁷, including those laws and international best practice standards relating to bribery, corruption, financial crime, anti-terrorism, terrorism financing, anti-money laundering, sanctions, export controls, trade embargoes and travel bans applicable to the Portfolio Company and Novastar (“Business Integrity Laws”) ²⁸;
- 2.7.2. uphold high standards of business integrity and honesty;
- 2.7.3. deal with regulators in an open and co-operative manner;
- 2.7.4. prohibit all employees from making or receiving gifts of substance in the course of business;
- 2.7.5. prohibit the making of payments as improper inducement to confer preferential treatment;
- 2.7.6. prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- 2.7.7. properly record, report and review financial and tax information²⁹;
- 2.7.8. promote transparency and accountability grounded in sound business ethics;
- 2.7.9. use information received from its partners only in the best interests of the business relationship and not for personal financial gain by any employee;
- 2.7.10. clearly define responsibilities, procedures and controls with appropriate checks and balances in company management structures; and

²⁶ Forced Labour Activity means acquiring, using or supplying any goods where there has been any Forced Labour or any other form of exploitation involved in the production or supply of such goods or of any parts or materials used in the production of such goods or in the supply of services related to such goods, parts or materials. Forced Labour means any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty, including any kind of involuntary or compulsory labour.

²⁷ 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 relevance, the 2005 Extractive Industries Transparency Initiative (“EITI”), see www.eitransparency.org; as may be amended from time to time.

²⁸ Including, without limitation, the economic sanctions and regulations of a Sanctioning Body, or any European Union restrictive measure that has been implemented pursuant to any European Council or Commission Regulation or Decision adopted pursuant to a Common Position in furtherance of the European Union's Common Foreign and Security Policy.

²⁹ Novastar 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

2.7.11. use effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues.

2.7.12. implement internal information and reporting channels where suspected acts of Corruption³⁰ in its operations can be reported, and that acts of corruption shall be acted upon promptly;

2.7.13. promptly notify Novastar when it becomes aware, or has reasonable suspicion, of acts of Corruption;

2.8. Sanctions

The Portfolio Company shall:

2.8.1. ensure that the Portfolio Company and its shareholders and directors comply with Sanctions³¹, laws and regulations;

2.8.2. ensure that it does not enter into any transaction (A) with, or for the benefit of, any Sanctioned Person; or (B) related to any activity prohibited by any Sanctioning Body;

2.8.3. ensure that it does not invest, use, lend or otherwise makes available, all or any part of Novastar's investment (A) to fund, directly or indirectly, any trade, business or other activities involving or for the benefit of any Sanctioned Person or (B) in any other manner that could reasonably be expected to result in Novastar or the Portfolio Company being in breach of any Sanctions or becoming a Sanctioned Person;

2.8.4. ensure that it does not use any revenue or benefit derived from any activity or dealing with any Sanctioned Person for the purpose of distributions, directly or indirectly to Novastar;

2.8.5. ensure that no Sanctioned Person will have any legal or beneficial interest in any funds repaid or remitted by the Portfolio Company to Novastar;

2.9. Sanctionable Practices

³⁰ Corruption includes: Bribery – when a person requests, receives, accepts, offers, pays, seeks or accepts an offer or an improper advantage or reward in connection with his or her position, office or assignment; Fraud – any intentional or deliberate act to deprive someone of property or money by deception or other unfair means; Facilitation payments – direct or indirect unofficial payments made to secure or expedite a performance of a routine or necessary action to which the payer of the facilitation payment has legal or other entitlement; Nepotism and cronyism – favouritism based on familiar and acquaintances relationships where someone in an official position exploits his or her power and authority to provide a job or favour to a family member or friend, even though he or she may not be qualified or deserving; Sextortion - when a person with entrusted authority abuses this authority to obtain a sexual favour in exchange for a service or benefit which is within that person's power to grant or withhold; Extortion – the direct or indirect utilisation of one's power, position or knowledge to demand unmerited cooperation or compensation as a result of coercive threats; Political contributions – this includes contributions made in cash or in services, e.g. gifts of property or services, advertising or promotional activities or endorsing a political party; Money laundering – any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources; Terrorism financing – the usage of funds for terrorist activities which may involve funds raised from legitimate sources, such as profits from businesses as well as from criminal sources.

³¹ Sanctions means any applicable laws, regulations, restrictive measures or orders concerning any trade, economic or financial sanctions or embargoes which are enacted, administered, imposed or enforced by a Sanctions Authority. Sanctions Authority means the Norwegian State, the United Nations, the government authority of any country which has jurisdiction over Novastar or the Portfolio Company, the Government of the United States of America (including without limitation the Department of Treasury's Office of Foreign Assets Control (OFAC)), the European Union, the Member States of the European Union, the Government of the United Kingdom, and any authority acting on behalf of any of them in connection with Sanctions.

The Portfolio Company shall:

- 2.9.1. ensure that it does not engage in and shall not authorise or permit any Affiliate or any other Person acting on its behalf to engage in any Sanctionable Practices³²;
- 2.9.2. maintain internal policies and procedures to ensure that the Portfolio Company, its directors or employees, any Person acting on the Portfolio Company's behalf shall not engage in any Sanctionable Practices;
- 2.9.3. promptly notify Novastar if the Portfolio Company or any of its shareholders or directors are facing allegations of or have been charged, convicted, indicted or subjected to any criminal sanction, by any court or governmental body of competent jurisdiction, for engaging in Money Laundering or Financing of Terrorism, or for having conducted any Sanctionable Practices;

2.10. Tax

The Portfolio Company shall:

- 2.10.1. pay taxes in full compliance with all relevant tax regulations from the date that Novastar invests in the Portfolio Company;
- 2.10.2. ensure it does not enter into any transaction with any Person except on arm's length terms and for full market value;
- 2.10.3. ensure that it does not knowingly undertake any actions which directly or indirectly facilitate tax evasion by the Portfolio Company, or any shareholder or sponsor of the Portfolio Company in order to prevent the reputational risk of becoming associated with potentially harmful tax activities;
- 2.10.4. not structure itself, register or open offices, or have subsidiaries in a third country in any Harmful Tax Regime, a country non-participating or non-compliant with OECD Global Forum on Transparency and Exchange of Information for Tax Purposes;
- 2.10.5. when structuring its corporate group, shall take into account Novastar's Tax Policy and shall not establish or cause Novastar to invest through structures: (i) with the sole purpose of minimizing tax, (ii) with the purpose of shifting profits from the country of

³² Sanctionable Practice means any Coercive Practice, Collusive Practice, Corrupt Practice, Fraudulent Practice or Obstructive Practice. Coercive Practice means the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of such party with a view to influence improperly the actions of a party. Collusive Practice means an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party. Corrupt Practice means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party. Fraudulent Practice means any action or omission, including any misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial benefit or to avoid an obligation. Obstructive Practice means (i) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or the making of false statements, in order to materially impede a government, an investor or third party investigation into allegations of a Coercive Practice, Collusive Practice, Corrupt Practice, Fraudulent Practice and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of a government's, an investor or third party's access to contractually required information in connection with an investigation into allegations of a Coercive Practice, Collusive Practice, Corrupt Practice or Fraudulent Practice.

operation to other jurisdictions within the Portfolio Company/group, or (iii) through a Harmful Tax Regime.

2.11. Data Protection and Privacy

The Portfolio Company shall:

2.11.1 institute and maintain adequate and proportionate policies and procedures designed to protect the security of IT systems, and personal data and the rights of individuals to privacy.

3. **Specific Provisions**

Activities with Greater Environmental or Social Impact

If, in the judgement of Novastar, the activities of a Portfolio Company at the time of Novastar's investment (or subsequently) involve, or could be reasonably expected to involve:

- 3.1. significant risks to the health and safety of workers;
- 3.2. significant air emissions (including of greenhouse gases), use of water or generation of liquid effluents, generation of hazardous or other solid wastes; or resource use inefficiencies;
- 3.3. adverse community health and safety impacts (including risks to health, welfare and economic opportunity);
- 3.4. the acquisition and/or use of land that could affect the livelihoods and well-being of local communities (including as a result of increased food insecurity, or loss of access to natural resources (especially water) or traditional rights and practices) and/or results in economic displacement or involuntary resettlement;
- 3.5. activities in conflict and post-conflict areas where the company's presence and / or activities could exacerbate an already sensitive local circumstances which might lead to further or renewed conflict;
- 3.6. negative impacts on biodiversity, habitats or ecosystem services;³³
- 3.7. impacts on indigenous peoples (or other marginalised and vulnerable groups);
- 3.8. restricted opportunities for women and girls or otherwise increased gender inequality;
- 3.9. impacts on cultural heritage;
- 3.10. business activities in fragile or conflict affected areas;
- 3.11. significant cumulative impacts or impacts that would be represented via supply chains; or
- 3.12. other significant negative environmental or social impacts.

In these circumstances;

- i. the requirements of the relevant IFC Performance Standards and EHS Guidelines should be met if these are more stringent than local legislation;

³³ As defined in IFC PS 6, paragraph 2. These include but are not restricted to (a) provisioning services such as food or timber; (b) regulating services such as water flow regulation; (c) cultural services such as sacred sites; and (d) supporting services such as soil formation.

- ii. an appropriate stakeholder engagement plan should be developed (including, as appropriate, the application of Free Prior Informed Consent as part of the investment process)³⁴ and
- iii. an effective and appropriate ESG assessment should be undertaken (depending on circumstances, this may include an ESG impact assessment, audit or other process) and/or issue-specific action plan (e.g. a resettlement action plan) should be developed for such activities.³⁵

If, in Novastar’s judgement, the activities of the Portfolio Company at the time of Novastar’s investment (or subsequently) could reasonably be expected to involve human rights risks, then the Portfolio Company will be obliged to assess and manage those risks in accordance with Part II of the UN Guiding Principles on Business and Human Rights.

4. **Portfolio Company Finance Institution**

If the Portfolio Company is a Financial Institution (“PCFI”) then the PCFI must also comply with additional requirements. The PCFI shall:

- 4.1 adopt, implement and maintain know-your-customer, terrorist financing and anti-money laundering policies, procedures and controls as part of its AML Management System³⁶;
- 4.2 employ an AML Coordinator at all times and notify Novastar no later than 30 days after the removal or replacement (for whatever reason) of the AML Coordinator;
- 4.3 ensure the PCFI does not enter into any transaction with any Client that is engaged in any Excluded Activity or any Excluded Fossil Fuel Activity;
- 4.4 ensure the PCFI has a covenant in any loan or investment document entered into after the date of Novastar’s investment prohibiting any Client from engaging in any Excluded Activity or any Excluded Fossil Fuel Activity;
- 4.5 If the PCFI becomes aware that any Client has breached such covenant, the PCFI shall: promptly notify Novastar of the breach and require the relevant Client to undertake as appropriate, in Novastar’s judgement, corrective measures to remedy the breach.

³⁴ See IFC Performance Standard 1 for guidance.

³⁵ The ESIA or audit should be carried out, any relevant World Bank Group EHS Guidelines (<http://www.ifc.org/ehsguidelines>) and the requirements in this Code.

³⁶ AML Management System means the periodically reviewed management system of the PCFI, consistent with its business profile, that enables the PCFI to identify and manage risks related to AML Matters, in compliance with AML Law and in furtherance of applicable international best practices, incorporating the requirements of the AML Action Plan and including: (i) a board approved policy on AML Matters; (ii) appointment of an AML Coordinator; (iii) customer due diligence (including identification, verification and monitoring of customers including high risk customers such as politically exposed persons and the ultimate beneficial owners of customers); (iv) monitoring of customer activity for suspicious transactions and compliance by Clients with AML Law; (v) establishing and monitoring correspondent accounts, where applicable; (vi) record keeping; (vii) identification and internal reporting of suspicious transactions; (viii) reporting of suspicious transactions to authorities, where required; (ix) staff training on AML Matters; (x) internal and/or external auditing of procedures relating to AML Matters; and (xi) regular reporting to the senior management of the Portfolio Company on the effectiveness and implementation of such procedures

The PCFI shall adhere to the Customer Protection and Conduct Obligations with respect to its customers:

- 4.6 The PCFI shall ensure that it is fully transparent in the pricing, terms and conditions of all financial products. The PCFI shall employ respectful collection practices and adopt high ethical standards in the treatment of clients. The following customer protection and conduct obligations shall be the minimum standards that the PCFI will adhere to while providing financial services to its clients:
- 4.7 Appropriate product design and delivery: Providers will take 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.
- 4.8 Prevention of over-indebtedness: Providers will take adequate care in all phases of their credit process to determine that clients have the 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).
- 4.9 Transparency: Providers will communicate 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.
- 4.10 Responsible pricing of products: Pricing, terms and conditions will be set in a way that is affordable and proportionate to clients while allowing for financial institutions to be sustainable. Providers will strive to provide positive real returns on deposits.
- 4.11 Fair and respectful treatment of clients: Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate in their provision of services and products. Providers will be proactive about a positive customer experience. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.

SCHEDULE 1 – EXCLUSION LIST

The Portfolio Company shall not, perform, carry on, invest in or finance any Excluded Activity or Additional Excluded Activity, provided that the restriction on Additional Excluded Activities shall not apply to Clients of the Portfolio Company that are Financial Institutions. The Portfolio Company shall not supply products or services primarily designed to facilitate an Excluded Activity. For the avoidance of doubt, products or services supplied to private or state security services shall be considered as a trade in arms where they could reasonably be considered to have a direct lethal application. Where the Portfolio Company supply products or services primarily designed to facilitate an Excluded Activity after Novastar's investment, the Portfolio Company shall provide Novastar with a quarterly report containing details of the Portfolio Company's source of revenue and customers.

The Portfolio Company shall not, perform, carry on, invest in or finance any Excluded Fossil Fuel Activity.

EXCLUDED ACTIVITIES

The Portfolio Company will not engage in any activities involved in the production, use of, trade in or distribution of:

1. Forced labour,³⁷ child labour,³⁸ or human trafficking
2. Activities 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:
 - i. ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides, chemicals or wastes;
 - ii. wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - iii. 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 with the Basel Convention and the underlying regulations.
4. Destruction³⁹ of High Conservation Value areas⁴⁰
5. Activities that have a negative impact on any wetland designated under the Ramsar Convention
6. Activities that have a negative impact on any world heritage site designated by UNESCO (unless the consent by the relevant government and UNESCO has been obtained in advance)
7. Production of, or trade in radioactive materials⁴¹
8. Production of, use of, or trade in unbonded asbestos fibres
9. Pornography and/or prostitution
10. Racist and/or anti-democratic media
11. Production of or trade in, arms (i.e. weapons, munitions or nuclear products, primarily designated for military purposes)

³⁷ 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.

³⁸ 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.

³⁹ 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 the area's ability to maintain its role is lost.

⁴⁰ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

⁴¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

12. In the event that any of the following products form a substantial part of a project's primary financed business activities⁴²:
- i. Alcoholic Beverages (except beer and wine);
 - ii. Tobacco or tobacco related products;
 - iii. Weapons and munitions; or
 - iv. Gambling, casinos and equivalent enterprises.

ADDITIONAL EXCLUDED ACTIVITIES

The Portfolio Company shall not, perform, carry on, invest in or finance any Additional Excluded Activity, provided that the restriction on Additional Excluded Activities shall not apply to Clients of the Portfolio Company that are Financial Institutions.

- (a) speculative and/or unregulated use of cryptocurrencies
- (b) AI where it poses "unacceptable risk" as defined in the EU AI Act 2021
- (c) social media targeting children and other vulnerable people, and dating apps
- (d) products and services primarily designed for national security and intelligence services (e.g., NSO Group) where there is a reasonable risk of human rights abuses
- (e) any business if alcoholic beverages (except beer and wine) represent a substantial portion of such business
- (f) animal and human cloning, or
- (g) prisons and detention centres

EXCLUDED FOSSIL FUEL ACTIVITIES

The Portfolio Company shall not, perform, carry on, invest in or finance any Excluded Fossil Fuel Activity meaning:

- (a) mining, prospecting or exploring for Fossil Fuels;
- (b) producing, processing or refining Fossil Fuels or using waste heat from the burning of Fossil Fuels whether by a Portfolio Company or a third party;
- (c) generating power or heat using Fossil Fuels, storing or transmitting that power or heat or refurbishing or rehabilitating power generation plants that use Fossil Fuels;
- (d) storing, transporting, distributing or trading in Fossil Fuels, or developing, acquiring, constructing, operating or maintaining any infrastructure for the storage, transport, distribution of, or trade in, Fossil Fuels;
- (e) CCUS, except if:
 - (i) it is not used for enhanced oil, gas or coalbed methane recovery, or any equivalent technology;

⁴² For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.

- (ii) it is used in connection with gas-only fired power generation or for industrial or for industrial processes that burn any Fossil Fuel (other than coal);
- (iii) it will significantly abate greenhouse gas emissions over the lifetime of the existing Fossil Fuel related assets; and
- (iv) it will not significantly extend the life of existing Fossil Fuel related assets;
- (f) engaging in Fossil Fuel Dependent Heavy Industry;
- (g) the production and provision of goods, services or other outputs (including advisory or financial services and utilities) for exclusive use in connection with any activity referred to in (a) to (f) above; and
- (h) the improvement of the efficiency, health and safety or environmental and social standards of any business engaged in any activity referred to in (a) to (f) above,

“CCUS” means carbon capture and storage and carbon capture, use, transport and storage.

“Fossil Fuel” means any fossil fuel including coal, oil (including heavy fuel oil, light crude oil or diesel) or gas (including liquefied gas);

“Fossil Fuel Dependent Heavy Industry” means industrial processes that:

- (a) need high temperatures that can only be achieved through burning Fossil Fuel (such as manufacturing cement, ceramics, glass and paper); or
- (b) use Fossil Fuel as feedstock but that do not produce fuels (such as manufacturing steel, detergents, waxes, lubricants, white oils and paint).

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