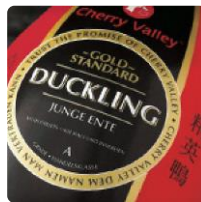
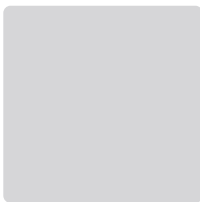
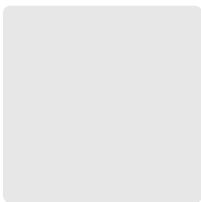




# NAVIS RESPONSIBLE INVESTMENT POLICY

March 2024



## 1. Introduction

Navis is committed to the practice of responsible investing and strongly believes that it is a key enabler to improving a company's performance by driving sustainable growth, improving operating efficiencies, and managing risk. To that effect, Navis has strategically repositioned its approach to environmental, social, and governance (ESG) from being a niche focus to a core management capability for delivering sustainable business improvements within our investments.

We integrate ESG throughout our investment process. By doing this, not only do we help our investments manage their environmental and social impact and improve their corporate governance, but also identify value creation opportunities, which improve the overall value of our investments.

This Policy is the foundation of our ESG Management System and guides our internal processes and tools. Navis will conduct a review of this Policy periodically, and update as appropriate.

## 2. Scope

This Policy will apply to all private equity investments considered by the Investment Committee (IC).

## 3. Roles and Responsibilities

The Navis IC is responsible for ensuring the effective implementation and operation arrangements of this Policy, including communicating the Policy to all Navis employees. All investment professionals are responsible for ensuring that ESG considerations are integrated throughout the investment period as per the Policy. The in-house ESG team is responsible for driving and monitoring the implementation of this Policy, and ESG performance throughout the investment period, and providing guidance and support to the investment professionals and portfolio companies, in collaboration with the Legal team.

## 4. Responsible Investment Principles

Navis strongly believes that integrating ESG considerations in the investment process is a key enabler to improving a company's performance driving sustainable growth, and managing risk. The principles that Navis adopts to drive and derive these benefits, subject to the scope described in **Section 2**, include the following:

- **Obtain majority control:** Navis seeks controlling investments so it can influence the strategic, operational, and financial direction of the company.
- **Invest in (near) industry leaders:** Navis seeks companies with a competitive advantage and good management that operate in economies that welcome foreign investment and appreciate efforts to build shareholder value.
- **Hands-on approach:** Navis takes a proactive role in working with management in implementing initiatives to accelerate the growth of the company.
- **Lifecycle of investment:** Navis ESG integration covers the lifecycle of the investment, from pre-investment to post-investment monitoring and exiting the investment.
- **Investment exclusions:** due to environmental and social, legal, ethical, or other reasons, the following investment exclusions apply:
  - Environmental and social as described in **Attachment A**;
  - Non-Shariah compliant sectors, for the Shariah Fund;
  - Speculative oil and gas exploration or other sectors where government grants are core to business; and
  - Additional "Prohibited Investments" as set out specifically by our investors.

- **Sustainable growth:** Navis requires the portfolio companies to include the Navis ESG Business Principles in its Code of Conduct, inculcate these principles with the company and their employees, and formally acknowledge compliance annually through the Declaration of Compliance.
- **UN-backed PRI:** Navis is a proud signatory to the UN-backed Principles for Responsible Investing (UN PRI) and is committed to implementing the Principles.

## 5. Performance Standards

The standards that Navis will apply and expect portfolio companies to comply with include local regulations and law; International Finance Corporation (IFC) [Performance Standards](#) and where relevant, the [IFC Industry Sector Guidelines](#); [World Bank Group Environmental, Health and Safety \(EHS\) Guidelines](#); and [International Labour Organisation \(ILO\) Declaration on Fundamental Principles and Rights at Work](#), whichever is more stringent.

## 6. Navis Approach to ESG Integration in the Investment Process

### 6.1 Pre-Investment

#### ESG Screening and Categorization

The integration of ESG starts pre-investment, where we conduct ESG screening and categorization as the first step. This ensures that any potential Target investment does not breach our Exclusion List and/or there are no adverse findings from a review of publicly available information or other, and identifies the ESG risk category of the potential Target investment.

Initial screening is a desk-based process performed on all potential Target investments, comprising a review against the Exclusion List (**Attachment A**) and any publicly available information that may identify any adverse impact on local communities or the environment or adverse ESG performance, and conducting informal references on the company. If the potential Target investment does not breach the Exclusion List and/or there are no adverse findings from the review of publicly available information and/or from the informal referencing, and the potential investment is approved by the IC, we will continue to the next stage of the pre-investment process.

The next stage involves a high-level assessment, against the Category definitions, of the ESG risks and assigning an ESG risk category for the potential investment. Concurrently, background/integrity checks, which include, but are not limited to, open-source, records and discreet enquiries, corporate registration review, litigation, and bankruptcy checks, etc, are conducted by external consultants.

The environmental and social (E&S) high-level assessment includes the potential Target investment's industry sector, scale, location, type of investment, growth strategy, technology (techniques), and supply chain. We also review data and information from the IFC Performance Standards, IFC and CDC Group industry sector profiles, the Sustainability Accounting Standards Board (SASB), World Bank EHS Guidelines, and other relevant sources. Subsequently, an E&S risk rating of Category A (high risk), Category B+ (substantial risk), Category B (medium risk), or Category C (low risk) is assigned to the potential investment or in the case of financial institutions, Category FI-1, Category FI-2, or Category FI-3. The high-level governance assessment includes the potential Target's industry sector, geographic location, and company. Subsequently, a governance risk rating of High, Medium, or Low is assigned to the potential investment. The ESG screening and categorization information will be included in the IC material.

## **Due Diligence**

The ESG risk category assigned determines the depth and extent of due diligence that will be conducted. Due diligence shall be conducted to identify the ESG risks, opportunities, and proposed mitigation measures using the Navis ESG Due Diligence Questionnaire or similar assessment tool.

If a potential Target investment is assigned a Category A or B+ rating, due diligence will be conducted by external E&S consultants selected and engaged by Navis. For Category B rated Targets, due diligence shall be conducted by the Navis ESG team or by external E&S consultants selected and engaged by Navis, with oversight provided by the Navis ESG team. Due diligence for Category C rated Targets and financial institutions would typically be completed by the Navis ESG team.

If a potential Target investment is assigned a Governance rating of Medium or High, due diligence would be conducted by external consultants or advisors and the Navis ESG team. Due diligence for Low rated Targets would typically be completed by the Navis ESG team.

On completion of due diligence, the ESG risks, opportunities, and mitigation measures; ESG action plans; and proposed ESG key performance indicators (KPIs) shall be summarized in the IC material. If the IC agrees to proceed with the investment, the ESG action plans will be incorporated in the 90-day plan, which the management of the Target company will be required to adhere to. Furthermore, Category A and B rated investments will be required to adopt and adhere to the Navis Performance Standards defined in **Section 5**. All Category C rated investments shall ensure compliance with all local regulations and law at a minimum and strive to adopt the IFC Performance Standards, World Bank Group Guidelines, and ILO Declaration on Fundamental Principles and Rights at Work. For any investments with a Governance rating of High, Medium, or Low, all will be required to comply with the local regulations and law and any other standard, as required by Navis.

## **Investment Agreement**

If the IC agrees to proceed with the investment, Navis will use commercially reasonable efforts to ensure that there are appropriate ESG warranties, covenants and/or undertakings incorporated in the legal agreements in relation to the investment.

Output/ Impact: identification of 'red flags', understanding of the material ESG aspects, ESG risk category, plan for ESG diligence, ESG due diligence reports, and summary of ESG risks, opportunities and mitigation measures, ESG action plans, proposed ESG KPIs for the IC and investment agreements.

## **6.2 Investment**

To manage the ESG risks and opportunities for value creation in our portfolio companies post-investment, Navis will undertake the following:

**Orientation:** the Navis ESG team will complete an induction with the company's senior management team and other heads of departments (where relevant) to communicate the Navis ESG requirements to be established; revisit the ESG due diligence findings and ESG action plans; and identify the monitoring process and KPIs. This will be completed within 90-days, post-investment.

The Navis ESG requirements to be established include, the E&S Induction Pack, which includes grievance policies and procedures; ESG Committee; Navis Serious ESG Incident Reporting; Annual ESG Monitoring; Governance Induction Pack; Delegation of Authority (DoA) and Code of Conduct, which incorporates the

Navis ESG Business Principles. These are to be established by the company within 90-days following the Orientation, or within a timeline agreed by Navis.

**Monitor, Engage, and Support:**

- Navis ESG team to provide regular and ongoing technical and operational support to implement the Navis ESG requirements and specific value creation initiatives. Specialist consultants to be engaged where required.
- Review of ESG performance at the monthly Executive Committee meetings, held between Navis investment team and the company's senior management, including implementation of ESG action plans and/or relevant actions in the 90-day plans, assessment of ESG performance, review of relevant monitoring reports, and discussion of new developments and/or ESG risks or opportunities relevant to the company's performance.
- Navis ESG team will monitor the ESG action plans through an online platform, accessible by the portfolio company and Navis investment teams. Navis ESG will report on the status to IC regularly.
- Navis ESG team will monitor and ensure that Category A and B rated investments adhere to the additional requirements defined by Navis' principles for Category A and B rated investments.
- Physical site monitoring will be undertaken at least annually by the Navis ESG team and/or an external E&S consultant selected by Navis for Category A and B rated companies. Physical site monitoring at Category C and High, Medium, and Low risk-rated companies will be conducted by the Navis ESG team as and when required.

**Audit and Assurance:**

- Complete ESG audits on an annual basis, either by the Navis ESG team and/or external consultants.
- Ensure the portfolio company senior management team signs the Declaration of Compliance, to confirm compliance with the Code of Conduct and Navis ESG Business Principles, annually.
- Ensure that the portfolio company CEO and CFO provide a signed Representation Letter, addressed to Navis, indicating the accuracy of the financial results submitted to Navis, annually.

**Serious ESG Incidents:**

- Ensure that portfolio companies report Serious ESG Incidents to Navis following the notification protocol.
- Navis ESG team to support the companies and ensure that root cause analysis has been undertaken and appropriate corrective actions are in place.
- Share lessons learned amongst other investments.

Output/Impact: Companies compliance with Navis ESG policies and standards, appropriate oversight of company ESG performance and proactive management approach to address issues or capture opportunities, signed Declaration of Compliance and signed Representation Letter, and overall value creation for the company.

**6.3 Exit Readiness**

To ensure that ESG considerations are included in preparations for the exit, Navis will conduct a review of ESG performance to determine the ESG readiness. Where appropriate, Navis will undertake a more detailed assessment of the ESG status. ESG Vendor Due Diligence is conducted by external subject matter experts engaged by Navis.

Output/Impact: ESG considerations have been addressed at the portfolio companies and documented.

## **7. Training**

Navis will provide information and conduct training as and when required to ensure that Navis employees understand the value of ESG, the Navis ESG policies, processes, and tools and ensure that best practices are shared. Navis ESG team will undertake relevant training or professional development to ensure that skills and competencies are maintained or enhanced.

Navis will provide information and conduct training to the portfolio companies as and when required to ensure that the portfolio companies are aware of and understand the importance of ESG, Navis ESG requirements, and commitments, and share ESG best practices.

A training needs analysis and plan will be established for all Navis employees and portfolio companies and revised periodically.

## **8. Engagement, Disclosure and Reporting**

We strive to be transparent and continuously engage with our employees, clients, regulators, portfolio companies and other key stakeholders in how we integrate ESG into our investment process. Navis also expects our portfolio companies to report on ESG performance against material ESG considerations. In that regard, Navis will undertake the following:

- Report material incidents and events that occurred at the portfolio companies, to our investors as and when required, or at a minimum on a quarterly basis.
- Ensure the portfolio companies provide an ESG report, using the Navis reporting standard, and that reports are provided to selected investors, as part of a side letter arrangement, annually. The format of this report may vary among written public reports, or reports to investors.
- Where relevant, ensure the portfolio companies complete an ESG report, using the reporting standard provided by the investor(s), as and when required.
- Engage with various stakeholders including external collaborations through our memberships in industry associations or those of the portfolio companies, as appropriate, to develop industry standards or codes of practice aimed at more sustainable practices.
- Report to the UNPRI on our responsible investment activities, using the PRI reporting protocol, annually.
- Publish applicable ESG practices in the Navis website.

## **9. Grievances**

Navis welcomes feedback from our stakeholders as it enables us to bring a resolution to disputes, enhances the trust and confidence of our stakeholders, and identifies areas that need to be improved for current and future operations.

To that end, Navis has established a grievance procedure that ensures the right to be heard, for various stakeholders who feel affected by Navis and its investments, and that the grievance handling process is as fair, effective, safe, confidential, and accessible to all external stakeholders without prejudice. The procedure also ensures that grievances raised are dealt with as quickly as reasonably practicable whilst ensuring that a fair and impartial process is followed.

Grievances may be submitted to Navis through various channels, including email, telephone, and through our anonymous online reporting system ('Speak Up'), <https://naviscapital.ethicspoint.com/>.

Like Navis, we expect our portfolio companies to establish grievance mechanisms, with an anonymous channel for reporting, to gather feedback from employees, as well as external stakeholders.

#### **10. Management and Organization**

Navis expects that portfolio company management teams and Executive Committees of portfolio companies actively monitor the ESG performance of their companies. The ultimate responsibility for ensuring that ESG initiatives are implemented and followed resides with each portfolio company's Executive Committee.

Navis will establish an ESG Committee, comprising members of the IC, Investor Relations and senior members of the Legal and ESG in-house teams to review ESG developments and ensure that they are appropriately addressed by the investment professionals and other relevant employees and review and assess the effectiveness of the Navis ESG policies and procedures. The Committee shall meet in accordance with the defined Terms of Reference.

#### **11. Policy Review**

The review of this Policy will be conducted regularly, and in any event at least annually. Any changes made will be communicated.

**Attachment A E&S Exclusion List**



## Navis Environmental and Social Exclusion List

Navis and its portfolio companies shall not invest in the following activities:

1. Destruction<sup>1</sup> of High Conservation Value areas<sup>2</sup>.
2. Commercial logging operations for use in primary tropical moist forest and leasing or financing of logging equipment.
3. Production or trade in wood or other forestry products other than from sustainably managed forests.
4. Fossil fuel-related activities:
  - Coal prospection, exploration, mining or processing
  - Oil exploration or production
  - Standalone fossil gas exploration and/or production<sup>3</sup>
  - Transport and related infrastructure primarily<sup>4</sup> used for coal for power generation
  - Crude Oil Pipelines
  - Construction of new or refurbishment of any existing coal-fired power plant (including dual)
  - Construction of new or refurbishment of any existing HFO-only or diesel-only power plant<sup>5</sup> producing energy for the public grid and leading to an increase of absolute CO2 emissions<sup>6</sup>
  - Any business with planned expansion of captive coal used for power and/or heat generation<sup>7</sup>
5. Construction of dams that significantly and irreversibly: (a) disrupt natural ecosystems upstream or downstream of the dam; or (b) alter natural hydrology; or (c) inundate large land areas; or (d) impact biodiversity; or (e) displace large numbers of inhabitants (5,000 persons or more); or (f) impact local inhabitants' ability to earn a livelihood.
6. Production or trade in any product or 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:
  - a) Ozone depleting substances, PCBs (polychlorinated biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals; or
  - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES).
7. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations.
8. Unsustainable fishing practices, such as large-scale pelagic drift net fishing (in excess of 2.5 km in length) and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to biodiversity and habitats.
9. Resettlement of 5,000 or more persons.

<sup>1</sup> 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.

<sup>2</sup> High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <https://www.hcvnetwork.org/>).

<sup>3</sup> Gas extraction from limnically active lakes is excepted from this exclusion.

<sup>4</sup> "Primarily" means more than 50% of the infrastructure's handled tonnage.

<sup>5</sup> For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy and under the condition that there is no economically and technically viable gas or renewable energy alternative.

<sup>6</sup> i.e. where energy efficiency measures do not compensate any capacity or load factor increase.

<sup>7</sup> This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

10. Any impact on natural World Heritage Sites <https://whc.unesco.org/en/list/> unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
11. Any impact on areas on the United Nations List of National Parks and Protected Areas <https://www.protectedplanet.net/> unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
12. Extraction or infrastructure in or impacting protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks, Natural Monuments and Habitat/Species Management Areas), as defined by the International Union for the Conservation of Nature (IUCN). Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with IUCN management objectives <https://www.protectedplanet.net/> unless it can be demonstrated through an environmental assessment (i) there is no degradation of the protected area and (ii) there are positive environmental and social benefits.
13. Production of or trade in radioactive materials,<sup>8</sup> including nuclear reactors and components thereof.
14. Production of or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
15. Use of forced labour<sup>9</sup> or child labour.<sup>10</sup>
16. Pornography and/or prostitution.
17. Printing, publishing and distribution of racist, religious and/or anti-democratic materials or promotion of any religion.
18. Production of or trade in weapons and munitions<sup>11</sup>.
19. Where the products form a substantial<sup>8</sup> part of the primary business activities including the following:
  - a) alcoholic beverages (except wine or beer; or if contrary to local religious or cultural norms)
  - b) tobacco and related products
  - c) gambling, casinos and equivalent enterprises

When investing in **microfinance** activities, Navis and its portfolio companies will apply the following items in addition to the Environmental and Social Exclusion List:

- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products; and
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples<sup>12</sup>, without full documented consent of such peoples.

<sup>8</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment where the radioactive source is understood to be trivial and/or adequately shielded.

<sup>9</sup> Forced labor 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.

<sup>10</sup> Child labour is defined as 'persons may be employed if they are at least 15 years old for general duties and at least 18 years old for 'hazardous' work', as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply'.

<sup>11</sup> For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For Navis funds, "substantial" means more than 10% of their underlying portfolio volumes.

<sup>12</sup> As defined in the IFC Performance Standard 7, Indigenous Peoples

