

## CODE OF RESPONSIBLE INVESTING

### Introduction

Takura Capital believes that it should invest in a responsible fashion, considering environmental, social and governance (“ESG”) and business integrity matters. Effective management of these matters not only reduces the possibility of stakeholders being adversely affected by business activities, but also provides them with access to remedy. It can also add value through, for example, improving business efficiency, staff motivation and stakeholder relations. The Code of Responsible Investing (this “Code”) sets out Takura Capital’s requirements, recommendations and management systems to invest responsibly. Through this Code, Takura Capital works with intermediaries and companies in a responsible approach to business that starts with compliance with certain basic requirements and works towards the adoption of internationally recognised standards of best practice. Takura Capital recognises that not every business will be in full compliance with this Code at the date of investment. In such cases, Takura Capital will work with the business to develop an Action Plan to progress towards full compliance with clear deliverables in reasonable time frames, taking into consideration the risks and opportunities specific to that business, as well as its size and resources.

### Guide to Application of the Schedules of the Code

The table below refers to the requirements directly applicable to the portfolio company.

Schedule No.	Portfolio Company Requirement
1	Yes
2	Yes (where relevant)
3	Where appropriate
4	Yes

### Glossary

- **Action Plan:** A plan to implement the requirements on a specified schedule, which Takura Capital reasonably believes that the business is willing and able to implement.
- **Applicable Laws:** As defined in Schedule 1.
- **EHS Guidelines:** World Bank Group Environmental Health and Safety Guidelines<sup>1</sup>.
- **Excluded Activity:** Any business or activity listed on Schedule 4.
- **Financial Institution:** A commercial or mortgage bank, insurance company, financial leasing company or similar institution.
- **IFC PS:** IFC Performance Standards<sup>2</sup>.
- **International Sanctions:** As defined in Schedule 1.
- **Portfolio Company:** A company that has received capital directly from Takura Capital
- **Requirements:** As to any business, the requirements set out on Schedule 1 and those requirements set out on Schedule 2 that apply to the business.
- **The Code:** This Code of Responsible Investing.
- **Takura:** Takura Capital.

<sup>1</sup>See <http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines>

<sup>2</sup>See <http://www.ifc.org/ifcext/policyreview.nsf#SF>

## **CODE OF RESPONSIBLE INVESTING**

1. Takura's capital will not be invested, either directly or indirectly, in any Excluded Activity.
2. Every Portfolio Company shall either (i) comply with all Requirements or (ii) for any Requirements with which it does not comply, have agreed to an Action Plan. Every Portfolio Company shall implement systems to monitor:
  - a. Implementation of the Action Plan; and
  - b. that the business otherwise remains in compliance with the relevant provisions of this Code.
3. So long as Takura is invested in a business, Takura shall ensure that:
  - a. Any Action Plan is implemented; and
  - b. The business otherwise remains in compliance with the relevant provisions of this Code.
4. Takura shall promote, and where practicable, support any investee business that seeks to implement the recommended actions listed in Schedule 3.

## Schedule 1

### Requirements for All Businesses

Every business in which Takura’s capital is invested will:

- Operate in compliance with applicable local and national laws, including laws covering environmental impacts, labour rights, social issues, corporate governance and those intended to prevent extortion, bribery, corruption and financial crime (“Applicable Laws”);
- Operate in compliance with relevant international sanctions, including those of the European Union and the United Nations (“International Sanctions”)<sup>3</sup>;
- Implement management systems, appropriate to the size and nature of the business, that ensure a systematic approach to ESG risk assessment, addressing relevant risks, monitoring and reporting on progress and, to the extent possible, involving stakeholders<sup>4</sup>; and
- Ensure achievement of and continuous compliance with the Requirements or related Action Plan.

#### ***Working Conditions and Labour Rights***

- Not employ or make use of forced labour<sup>5</sup>;
- Not employ or make use of child labour<sup>6</sup>;
- Pay wages which meet or exceed industry or legal national minima<sup>7</sup>;
- 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<sup>8</sup>;
- 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<sup>9</sup>; and
- Provide reasonable working conditions, including a safe and healthy work environment, working hours that are not excessive and clearly documented terms of employment<sup>10</sup>.

#### ***Access to Remedy***

- Provide an appropriate grievance mechanism that is available to all workers and where appropriate, other stakeholders<sup>11</sup>; and
- 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.

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<sup>3</sup>See [http://www.hm-treasury.gov.uk/fin\\_sanctions\\_index.htm](http://www.hm-treasury.gov.uk/fin_sanctions_index.htm) for a full list.

<sup>4</sup>See IFC PS 1 for guidance.

<sup>5</sup>As covered by the ILO Forced Labour Convention (No. 29) and the Abolition of Forced Labour Convention (No. 105). See [www.ilo.org/ilolex/english/docs/declworld.htm](http://www.ilo.org/ilolex/english/docs/declworld.htm)

<sup>6</sup>As defined by the ILO Minimum Age Convention (No. 138) and the Worst Forms of Child Labour Convention (No. 182). See [www.ilo.org/ilolex/english/docs/declworld.htm](http://www.ilo.org/ilolex/english/docs/declworld.htm)

<sup>7</sup>See <http://www.ilo.org/dyn/travail/travmain.home> for guidance.

<sup>8</sup>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 [www.ilo.org/ilolex/english/docs/declworld.htm](http://www.ilo.org/ilolex/english/docs/declworld.htm)

<sup>9</sup>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 [www.ilo.org/ilolex/english/docs/declworld.htm](http://www.ilo.org/ilolex/english/docs/declworld.htm)

<sup>10</sup>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) [http://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100\\_ILO\\_CODE:C001](http://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C001)

<sup>11</sup>See IFC Performance Standard 2 and the “Effectiveness Criteria for Non-Judicial Grievance Mechanisms” within the UN Guiding Principles on Human Rights ([http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)) for guidance.

### ***Business Integrity***

- Uphold high standards of business integrity and honesty;
- Adopt and implement policies to prevent extortion, bribery, fraud, corruption, coercive, collusive or obstructive behaviours and financial crime in accordance with local law requirements and international best practice<sup>12</sup>;
- Properly record, report and review financial and tax information<sup>13</sup>;
- Establish corporate governance practices appropriate to the size and nature of the business<sup>14</sup>;
- Deal with regulators in an open and co-operative manner; and
- Use information received from its business partners only in the best interests of the business relationship and not for personal financial gain by any worker.

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<sup>12</sup>Compliance with the UK Bribery Act 2010 is promoted.

<sup>13</sup>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](http://www.iasb.org) or other internationally recognised accounting standards; and the International Private Equity and Venture Capital Valuation Guidelines (“IPEVC”), see [www.privateequityvaluation.com](http://www.privateequityvaluation.com). Investees of Investment Intermediaries should at a minimum report to local reporting standards and should make progress towards internationally recognised accounting standards.

<sup>14</sup>Guidance is provided in the DFI Toolkit on Corporate Governance:

[http://www1.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/corporate+governance/cg+development+framework/cg+dfi+documents](http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/corporate+governance/cg+development+framework/cg+dfi+documents).

## Schedule 2

### Additional Requirements for Specific Activities

If the activities of a Portfolio Company involve or could be reasonably expected to involve:

- a. Substantial negative impact on biodiversity, habitat or ecosystem services<sup>15</sup>;
- b. Significant air pollution;
- c. Significant use of or discharge into water;
- d. Substantial solid waste;
- e. Significant use of hazardous chemicals or pesticides;
- f. The acquisition and/or conversion of land that will impact upon an area of High Conservation Value<sup>16</sup>;
- g. The acquisition and/or conversion of land that will lead to the economic or physical displacement of communities; or
- h. Other significant negative environmental or social impacts;

then (i) the relevant IFC PS's should be implemented, (ii) an appropriate stakeholder engagement plan should be developed<sup>17</sup>, and (iii) an environmental and social impact assessment (and/or, in the case of displacement of communities, a resettlement action plan)<sup>18</sup> should be carried out for any new such activities.

If the activities of a Portfolio Company could reasonably be expected to involve:

- *Significant risks to the health and safety of workers or to other stakeholders, including affected communities*, then those risks should be assessed and mitigated, for example through a Health and Safety audit and action plan, in line with the relevant IFC PS's and EHS Guidelines;
- *The remote location of workers for extended periods of time*, then it should be ensured that such workers have access to adequate housing and basic services;
- *Microfinance*, then the SMART Campaign Client Protection Principles<sup>19</sup> should be endorsed and applied; and
- *Coal-fired power*, then it should be ensured that the use of coal is justified by the investment's development impact<sup>20</sup>.

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<sup>15</sup> 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.

<sup>16</sup> High Conservation Values are conservation values (including the presence of rare or endemic species, sacred sites, or resources harvested by local residents) in natural habitats that are considered to be of outstanding significance or critical importance. [www.hcvnetwork.org](http://www.hcvnetwork.org)

<sup>17</sup> See IFC Performance Standard 1 for guidance.

<sup>18</sup> The ESIA or audit should be carried out in line with the appropriate IFC PS (<http://www.ifc.org/ifcext/policyreview.nsf#SF>), any relevant World Bank Group EHS Guidelines (<http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines>) and the requirements in Schedule 3.

<sup>19</sup> <http://www.smartcampaign.org/about-the-campaign/smart-microfinance-and-the-client-protection-principles>

<sup>20</sup> See CDC's Policy on Coal Power.

### Schedule 3 Recommended Practices Promoted by Takura Capital

Businesses should consider the potential for positive environmental and social impact from their activities and how these could also benefit the business, for example through cost savings, reduced staff turnover or improved stakeholder relations. These should include adopting, developing, offering or marketing:

- Products, services, skills or employment opportunities that could benefit community stakeholders;
- A living wage that is sufficient to meet workers' needs; and
- Resource efficient, greenhouse gas reducing<sup>21</sup> or low carbon technologies or working practices.

Takura Capital also promotes the following international standards and encourages the businesses for which they are appropriate to make progress over time towards achieving and maintaining them:

- The UN Declaration of Human Rights and the "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework"<sup>22</sup>;
- OECD Guidelines for Multinational Enterprises: recommendations for responsible business conduct in a global context<sup>23</sup>;
- The range of internationally certifiable environmental, social and quality standards issued by the International Organization for Standardization ("ISO"), including the ISO 14000 series, notably including standards for environmental management systems (ISO 14001), and Greenhouse Gas emission accounting and verification (ISO 14064-65), the ISO 26000 series on social responsibility and the ISO 9000 series on quality management<sup>24</sup>;
- Internationally recognised standards on health and safety, including the ILO guidelines for occupational safety and health, the international occupational health and safety management system specification OHSAS 18001, HSG65 and industry specific international good practice standards related to the safety of product use, for example the international Good Manufacturing Practice standards for food and pharmaceutical products promoted by the World Health Organization<sup>25</sup>;
- Relevant and credible standards as demonstrated by independent verification or certification such as those identified in Takura's ESG Sector Guidelines; and
- International standards of good corporate governance<sup>26</sup>.

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<sup>21</sup>In line with the UN Framework Convention on Climate Change and the associated 2005 Kyoto Protocol, as may be amended from time to time, and the IFC Performance Standards and World Bank Group EHS Guidelines, as may be amended from time to time. See [www.unfccc.int/2860.php](http://www.unfccc.int/2860.php), See [www.ifc.org/ifcext/policyreview.nsf#SF](http://www.ifc.org/ifcext/policyreview.nsf#SF) and [www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines](http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines)

<sup>22</sup><http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf> Guidance is available here: [http://www.unglobalcompact.org/issues/human\\_rights/The\\_UN\\_SRSR\\_and\\_the\\_UN\\_Global\\_Compact.html](http://www.unglobalcompact.org/issues/human_rights/The_UN_SRSR_and_the_UN_Global_Compact.html)

<sup>23</sup><http://www.oecd.org/daf/internationalinvestment/guidelinesformultinationalenterprises/48004323.pdf>

<sup>24</sup>[www.iso.org](http://www.iso.org)

<sup>25</sup>[http://www.ilo.org/public/english/region/afpro/cairo/downloads/wcms\\_107727.pdf](http://www.ilo.org/public/english/region/afpro/cairo/downloads/wcms_107727.pdf); <http://www.ohsas-18001-occupational-health-and-safety.com/>; <http://www.hse.gov.uk/pubns/priced/hsg65.pdf>; [www.who.org](http://www.who.org)

<sup>26</sup>Including the 2004 Organization for Economic Cooperation and Development ("OECD") Principles of Corporate Governance (see [www.oecd.org](http://www.oecd.org)), the UK Corporate Governance Code (see [www.frc.org.uk/corporate/ukcgcode.cfm](http://www.frc.org.uk/corporate/ukcgcode.cfm)) and the King III Report on Governance for South Africa (<http://african.ipapercms.dk/IOD/KINGIII/kingiiiireport/>). Guidance is also provided in the DFI Toolkit on Corporate Governance: [http://www1.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/corporate+governance/cg+development+framework/cg+dfi+documents](http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/corporate+governance/cg+development+framework/cg+dfi+documents).

## Schedule 4 Exclusion List

**Takura Capital will not invest its capital in businesses or activities included on the Harmonized European Development Finance Institution (EDFI) Exclusion List.**

### **Harmonized European Development Finance Institution (“EDFI”) Exclusion List**

*According to the EDFI “Principles for Responsible Finance”, EDFI members have mutually agreed on the following Harmonized EDFI Exclusion List for co-finance projects:*

EDFI Members will not finance any activity, production, use, distribution, business or trade involving:

1. Forced labor<sup>27</sup> or child labor<sup>28</sup>
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:
  - a) Ozone depleting substances, Polychlorinated Biphenyls (“PCB’s”) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
  - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (“CITES”); or
  - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5km in length)
3. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations
4. Destruction<sup>29</sup> of High Conservation Value areas<sup>30</sup>
5. Radioactive materials<sup>31</sup> and unbounded asbestos fibres
6. Pornography and/or prostitution
7. Racist and/or anti-democratic media
8. In the event that any of these following products form a substantial part of a project’s primary financed business activities<sup>32</sup>:
  - a) Alcohol beverages (except beer and wine)
  - b) Tobacco
  - c) Weapons and munitions; or
  - d) Gambling, casinos and equivalent enterprises.

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<sup>27</sup> 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.

<sup>28</sup> Employees may only be hired in accordance with the ILO Fundamental Labour Rights Conventions (Minimum Age Convention 138, Art 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases, the higher age shall apply.

<sup>29</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>30</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 <http://www.hcvnetwork.org>).

<sup>31</sup> 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.

<sup>32</sup> 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.