

Forced Labour and Child Labour in Supply Chains Report

Fiscal Year 2023

1. About This Report

This report relates to the financial year ending December 31, 2023. It is published by Novacap Management Inc. as general partner for Novacap II, Limited Partnership, Novacap Industries III, L.P., Novacap Industries IV, L.P., Novacap Industries V, L.P. and Novacap TMT IV, L.P. (“Novacap”) in compliance with Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”). References in this report to “we”, “our” and similar terms are to Novacap.

At Novacap, ethical business conduct is at the heart of who we are and as a leading investment firm, we aim to create a legacy of successful, resilient and ethical organizations.

As a private equity firm, our mission focusses on investment activities and does not involve the production or importation of goods, which are the activities triggering the reporting obligations under the Act. However, it is possible that through our investments, we control entities engaged in activities covered by the Act. Given that these portfolio companies operate independently, the entities that are subject to the Act have the responsibility to comply with applicable requirements and submit reports on their own activities. Novacap communicated with the portfolio companies that may be subject to Act to ensure that they fulfill their obligations under the Act, as applicable.

This report highlights Novacap’s policies, processes and initiatives to combat forced labour and child labour, in alignment with its commitment to consider environmental, social and governance (ESG) risks and opportunities in the course of its due diligence, its investment decisions, in the monitoring of portfolio companies and in the exit process, to the extent reasonably practicable under the circumstances.

2. About Us and our activities

Founded in 1981, Novacap is a leading North American private equity firm with over C\$8B of assets under management (AUM) that has invested in more than 100 platform companies and completed more than 150 add-on acquisitions. Applying its sector-focused approach in Industries, Technology, Media and Telecommunications (TMT), Financial Services, and Digital Infrastructure, Novacap’s deep domain expertise can accelerate company growth and create long-term value.

Novacap has offices in Montreal, Toronto, and New York.

3. Policies, Due Diligence & risk assessment

Our investment strategy integrates to the extent commercially and practically reasonable the consideration of ESG risks and value creation opportunities through the whole investment cycle.

3.1 Novacap’s ESG policy

Novacap has developed an ESG Policy based on a range of codes and standards, including the United Nations supported Principles for Responsible Investment (UNPRI), an organisation regrouping more than 5,000 signatories, of which over 700 are asset owners, who are committed to investing responsibly.

We are committed to integrating ESG considerations into our due diligence procedures, investment decisions, and the ongoing monitoring of our portfolio companies, with efforts made to the extent that is reasonably practicable given varying circumstances. Novacap recognizes the significant and positive impact of equity, diversity, and inclusion on business outcomes. In alignment with the UNPRI, Novacap has formally committed to paying special attention to compliance with international human rights law in the management of its portfolio companies. This commitment is formalized through side letters with certain sponsors.

3.2 Due Diligence & Risk Assessment

Our investment process integrates ESG considerations before and during the investment.

At the pre-investment stage, Novacap undertakes a comprehensive due diligence analysis of the potential investment. Our due diligence questions include various topics such as compliance with laws, suppliers (including due diligence concerning supplier qualification and approval process, supplier audit reports), environmental health and safety matters and general ESG questions including questions on policies.

In 2024, a section on human rights in supply chains was added to our standard due diligence questionnaire to be used where applicable, and we intend to mandate our nominees acting on the Board of Directors of our portfolio companies to continue monitoring any issues related to forced labour and child labour within those entities and their supply chains.

In addition to the above, our pre-investment stage analysis includes a review and an identification of the ESG risks of each potential investment. When a material ESG risk is identified, external advisors may be engaged to carry out additional ESG-related due diligence.

Once the investment is completed, we continue to engage with our portfolio companies to encourage the management teams to consider relevant and material ESG factors in their management and to report ESG risks to the relevant decision-makers, including, where appropriate, to the Board of Directors of the portfolio company.

That said, we have not been made aware of specific risks or instances of forced labour or child labour and as such, no measures have been taken during the reporting period to remediate forced labour or child labour or loss of income in our activities.

3.3 Code of Ethics

Novacap's Code of Ethics sets out the principles and rules under which our employees must conduct themselves in their work at Novacap. It is a guide intended to ensure that all our employees demonstrate integrity, honesty and professionalism at all times. Employees are encouraged to be proactive and promptly report any suspected violations of the Code of Ethics, or any illegal or unethical behavior that they become aware of or are involved with.

We are not providing training to our employees with regards specifically to forced and child labour, but we are committed to continue promoting ethical conduct.

4. Assessing the Effectiveness of our Approach

When ESG risks are identified during pre-investment due diligence, which would include forced labour related issues, these risks become part of the 100-day plan and value creation plans of the portfolio company in question, which address these issues specifically. Novacap also actively collects data on ESG-relevant topics and promotes ESG considerations at the board level of its portfolio companies. To date, Novacap has not assessed investment opportunities that have presented issues related to forced labour.

We are aware of the issues stemming from forced labour and child labour and strive to stay informed about this reality to continually improve our practices.

This report was approved by the Board of Directors of Novacap on May 10, 2024 pursuant to paragraph 11(4)(a) of the Act and constitutes our report for the financial year ending December 31, 2023.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year indicated above.

I have the authority to bind Novacap Management Inc. as general partner for Novacap II, Limited Partnership., Novacap Industries III, L.P., Novacap Industries IV, L.P., Novacap Industries V, L.P. and Novacap TMT IV, L.P.

(Signed) Pascal Tremblay

Full name: Pascal Tremblay
Title: President and CEO
Date: May 16th, 2024