



Environmental, Social & Governance Policy

Ruya Partners

JANUARY 3, 2022

ESG Policy

Purpose and Scope

Ruya Partners Limited (“Ruya” or the “Fund Manager”) believes that integrating consideration of Environmental, Social and Governance (ESG) factors into its investment process will allow it to generate superior risk-adjusted returns across market and economic cycles and create positive socio-economic impact. ESG integration is consistent with Ruya’s fiduciary duty to its investors and its corporate values.

By engaging investees on enhancing their capacity to identify and manage ESG risks and opportunities, Ruya seeks to create meaningful long-term partnerships that enable investees to enhance their economic profile and align with international market expectations relating to ESG. By providing transparency on its ESG approach, Ruya also seeks to enable its investors to meet their own ESG commitments.

The ESG Policy’s purpose is to:

- Support Ruya’s ambition to become a leader in ESG among private credit investment firms in the Middle East and North Africa (MENA) region;
- Provide transparency on how Ruya integrates ESG to its investment process; and
- Support communication between Ruya and its current and potential investee companies, investors, and other stakeholders.

Through the ESG Policy, Ruya will seek to align with international ESG best practice standards, including:

- The Principles for Responsible Investment (PRI) Principles
- The Sustainability Accounting Standards Board (SASB) Standards
- The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

Unless otherwise specified, this ESG Policy applies to all Ruya’s assets under management.

Definitions

“ESG factors” are environmental, social and governance risks and opportunities that can impact the value and economic profile of investee companies through:

- Governance factors such as board and management quality and oversight of company strategy, risk management, performance, and disclosure, including for ESG factors; and
- Environmental and social risks and opportunities, including issues relevant across all sectors, such as climate change and diversity, and sector-specific issues that vary from company to company

“ESG integration” is the systematic consideration of material ESG factors in the investment process, alongside traditional financial considerations, with the intention of protecting and enhancing the value and economic profile of potential investments.

“Exclusionary screening” is the practice of excluding potential investments because they conflict with the investor’s values.

“ESG engagement” is the practice of undertaking dialogue with prospective and current investee companies on ESG risks and opportunities, to encourage enhanced ESG performance and disclosure.

Integration of ESG in the Investment Process

ESG Due Diligence and Monitoring Framework

Ruya will integrate ESG and conduct ESG engagement at each stage of the investment process through the application of its ESG Due Diligence and Monitoring Framework, considering material ESG factors for prospective and current investee companies, which may include:

- Sector-specific ESG factors, drawing on the SASB Standards;
- Regional ESG factors, such as applicable local laws and regulations related to ESG issues; and
- Universally-applicable ESG factors, such as climate change and diversity.

Sourcing Investment Opportunities

Ruya will engage its network on ESG, seeking to identify prospective investee companies that have the potential to create positive socio-economic impact and are willing to commit to enhancing performance on ESG.

Screening and Due Diligence

Recognizing the limitations of private credit investor influence over investee companies after completion of an agreement to invest, Ruya will incorporate ESG at each stage of the screening and due diligence process for prospective investments.

At the preliminary due diligence stage, the scope of ESG due diligence required will be determined based on considerations including the industry and business activities in which the prospective investee company is involved.

Ruya believes that engagement is more effective than exclusionary screening in generating long-term value and encouraging enhanced performance on ESG. However, Ruya will not invest in companies which:

- Are primarily involved in the production or sale of alcoholic beverages;
- Operate a gambling business;
- Receive significant revenues from the production, distribution, rental, licensing or sale of pornography;
- Use harmful or exploitative forms of labour, namely: (i) 'Forced Labour' (work or services not voluntarily performed that is extracted from an individual under threat of force or penalty) or (ii) 'Harmful Child Labour' (employment of children that is economically exploitative, or is likely to be hazardous, or to interfere with the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral or social development); or
- Manufacture controversial weapons.

Ruya will engage with the prospective investee company to communicate the expectations set out in the ESG Policy and request ESG information for due diligence purposes.

Ruya will undertake an analysis of the ESG risks and opportunities associated with the prospective investment, using sources such as ESG disclosures and information provided by the prospective investee company, regulatory information, media and other relevant third-party sources. Where significant ESG risks are identified, Ruya will engage with the prospective investee company to determine how these risks can be mitigated.

ESG due diligence findings and recommendations relating to each prospective investment will be incorporated into the memoranda submitted to the Investment Committee for review and approval. If significant ESG risks or adverse environmental or social impacts are identified that Ruya sees no prospect of addressing through engagement, it may decide to decline the investment opportunity.

Completion, Post-Closing Monitoring and On-going Risk Management

Investee companies will be required to inform Ruya within a reasonable timeframe of any significant ESG incidents and to provide annual ESG reporting to Ruya relating to agreed ESG factors.

Ruya will engage with investee companies at least annually to provide feedback on ESG reporting and share ESG best practices. Ruya will engage promptly if a significant ESG incident is identified involving an investee company.

Where appropriate, Ruya will consider collaboration with other investors to increase the effectiveness and efficiency of engagement with investee companies.

At maturity of an investment, Ruya will review ESG lessons learned and consider opportunities to enhance ESG integration in future financing rounds.

ESG Priorities

Ruya's ESG approach focuses on material ESG risks and opportunities for prospective and current investments, which are often specific to the sector and region. However, certain ESG factors are considered as priorities across Ruya's portfolio.

Climate Change

Ruya recognizes the profound social, economic and environmental challenges posed by climate change. It acknowledges the goals of the Paris Climate Agreement, which aims to limit the rise in global average temperature to well under 2°C above pre-industrial levels and preferably to 1.5°C, and that achieving these goals by the end of the century requires the global economy to achieve net-zero GHG emissions by 2050. Ruya also seeks to align with the climate commitments that have been made by regional countries, including the United Arab Emirates and the Kingdom of Saudi Arabia.

Climate-related risk is one of the most critical ESG factors for all sectors of the economy. The value of investments may be impacted over the long-term by direct or indirect exposure to physical risks from extreme weather and changing weather patterns, and transition risks relating to greenhouse gas emissions, including policy and legal risk, technology risk, market risk and reputation risk. Ruya supports the TCFD recommendations for disclosure of climate-related risks and opportunities.

Ruya believes climate change should be a priority for all companies. Through its ESG approach, Ruya seeks to address climate-related risk to its portfolio and support the long-term decarbonization of the economy. It will incorporate this perspective into the Due Diligence and Monitoring Framework.

Equality, Diversity and Inclusion

Ruya seeks to encourage equality, diversity and inclusion in the workplace as they are good practice, make business sense, and foster learning and a performance-driven culture. As such, it has adopted an Equality, Diversity and Inclusion Policy. Ruya believes equality, diversity and inclusion should be priorities for all companies. It will incorporate this perspective into the Due Diligence and Monitoring Framework.

Transparency

Ruya is committed to transparency on the implementation of its ESG Policy, through:

- Publication of this ESG Policy;
- Incorporating ESG within the reporting provided to investors; and
- Publication of an annual ESG Report (beginning in the year after the first fund close).

Governance

This ESG Policy is approved by the Board of Directors of Ruya and will be reviewed annually. The Management Committee (which will be ultimately responsible for overseeing the implementation of the ESG Policy) will:

- Monitor and provide oversight of the implementation of the ESG Policy, including in relation to ESG priorities (climate change and equality, diversity and inclusion);
- Ensure adequate resources are available to implement the ESG Policy; and
- Review Ruya's annual ESG Report.

The Investment Committee of the fund will consider ESG due diligence findings and recommendations relating to each prospective investment submitted for review and approval.

Executive responsibility for implementation of the ESG Policy is assigned to Omar Al Yawer ("OA"), Partner and Member of the Management Committee, in his capacity as Head of ESG. OA will work closely in this regard with Nasra Al Hashemi ("NH"), Office & Administrative Manager, in her capacity as ESG Specialist (OA together with NH, the "ESG Management").

ESG Management will be responsible for:

- Developing and maintaining procedures to support the ESG Policy, including the Due Diligence and Monitoring Framework;
- Developing and maintaining Ruya's ESG capacity, including through appropriate training;
- Reporting to the Management Committee on progress in implementing the ESG Policy; and
- Preparing ESG disclosures reflecting Ruya's transparency commitments.

All Ruya employees are expected to implement the ESG Policy as it relates to their roles and responsibilities.