



Development Impact Policy

April 2023

Approvals

Title	Date
Finance & General-Purpose Committee	May 2023

Title	Date
Full Board	May 2023

Reviewed by

Title	Name	Date

Version Control

Version No.	Author	Comment/Reason for Change	Date
1.0	EBS Advisory (Pty) Limited	New Policy	April 2023

Table of Content

DEVELOPMENT IMPACT POLICY

1.1.	Introduction	4
1.2.	Scope	4
1.3.	Purpose	4
1.4.	Guiding Principles, Legislations, and Standards	5
1.5.	Objective and Commitments	5
1.6.	Implementation, Transparency and Communication	6
1.7.	Competence, Training, and Awareness	7
1.8.	Policy Management, Monitoring, and Review	7
	APPENDIX 1: THE NSIA THEORY OF CHANGE MODEL	8

DEVELOPMENT IMPACT POLICY

1.1. Introduction

The Nigeria Sovereign Investment Authority (NSIA) is a government-owned investment institution that manages Nigeria's sovereign wealth fund. As a statutory investment agency, the NSIA recognizes its potential to make a significant impact on Nigeria's development outcomes through its investment decisions across all its funds including those managed on behalf of the Federal Republic of Nigeria and those attracted through strong private sector partnerships.

As part of this commitment to promoting sustainable development in Nigeria, the NSIA has developed a Theory of Change (ToC) to document its approach to incorporating development impact considerations in investments. Notably, through the application of this ToC, the NSIA ensures that its investments do not only align with its core mandate of generating long-term financial returns required to drive sustained economic development for the benefit of all Nigerians, but also ensure that its activities are aligned with responsible investment practices to ensure the creation of consistent and measurable positive environmental and social developmental outcomes.

Therefore, the Development Impact Policy reflects this ongoing commitment to promoting sustainable development and also sets out the principles, guidelines, and approaches for identifying, assessing, and managing its developmental impacts in alignment with relevant international best practice standards and frameworks.

1.2. Scope

The application of this policy encompasses all capital allocation considerations undertaken throughout the NSIA, and it provides guidance on how investments across the NSIA will incorporate a holistic opportunity analysis that provides a balanced basis (*including statutory mandates, risk assessment, financial returns, and impact justification*) for its capital deployment decisions.

However, it is acknowledged that the NSIA's ability to influence the application of this policy commitment across its portfolios will vary depending on the asset class, investment structure and contractual rights. Thus, where the NSIA determines it has limited ability to exercise control over the integration of the policy considerations within any of its core funds, third-party funds, or the business of an investee, as in cases where the NSIA owns a minority shareholding and has limited governance rights or other established circumstances, then, the NSIA will make reasonable efforts to apply elements of the policy to such a degree that it determines to be practicable in light of the underlying facts and circumstances of the investment.

1.3. Purpose

This policy reflects the NSIA's ongoing commitment to promoting sustainable development through transparency, accountability, and responsible investment practices and it also outlines the specific

approaches for maximizing the positive impacts created from its investments to ensure the sustainable economic growth and development of the Nigerian economy, whilst also contributing to the social and environmental well-being of Nigerians in line with national and global goals as referenced in its core establishment mandate and the United Nations Sustainable Development Goals (SDGs).

1.4. Guiding Principles, Legislations, and Standards

To ensure the actualisation of its sustainable development goals and the effectiveness of its impact management across its investments, the NSIA shall implement its impact evaluation and management practices taking into consideration the requirements of industry-leading frameworks, local legislations and internal policies as much as possible, adopting what is relevant to, and consistent with, its investment process to identify, evaluate, manage and report on its development impacts. These referenced frameworks include:

- The Nigeria Sovereign Investment Authority Act, 2011
- NSIA Internal Codes and Policies:
 - Fund Investment Policies
 - Environmental, Social and Governance (ESG) Policy and Associated Policies etc.
- National Development Plan 2021 - 2025
- The United Nations Sustainable Development Goals and Targets
- The Impact Management Project's Five Dimensions of Impact
- The Operating Principles for Impact Management
- The Global Impact Investing Network IRIS+ System and Taxonomy

1.5. Objective and Commitments

The NSIA recognises that responsible investment practices together with their underlying development outcomes rely strongly upon (*and mostly only achievable*) a robust ESG governance and impact-focused investment strategy. Therefore, the NSIA is committed to ensuring that strong ESG governance runs deep across all its investment processes while being at the heart of all its operations and strategy. And so, through this policy, the NSIA aims to integrate development impact evaluation as a core part of its E&S investment appraisal and risk acceptance criteria to ensure that it is investing in opportunities that have positive social, environmental, and economic impacts in alignment with Nigeria's development priorities.

To achieve its objective, the NSIA's approach to development impact will be driven by the following principles:

- 1) **Sustainability:** the NSIA will strive to support sustainable investments, by adopting a robust and holistic risk management process that takes into account all relevant risks (*including environmental, social & governance risks*) associated with its investment, ensuring that they are responsibly

identified and managed. Its core goal is to create for all its stakeholders, the long-term value that meets all three criteria of financial, environmental and social sustainability;

- 2) **Impact:** the NSIA will mainstream impact analysis throughout its investment process; including preliminarily mapping impact indicators against the NSIA ToC (*based on the evaluation of whether and how each potential investment advances the impact objectives*). The aim of this mainstreaming is to inform investment decisions, ensure that post-investment impact measurement & management (IMM) process is transparent, repeatable and auditable, and additionally, inform decision making in the future based on lessons learned;
- 3) **Alignment of Impact:** the NSIA impact approach will be strongly geared towards the achievement of national development priorities and the United Nations Sustainable Development Goals (SDGs) as set out in its establishment mandate, investment focus, sectors of interest and theory of change;
- 4) **Impact Management, Monitoring:** the NSIA will continuously engage with stakeholders to ensure the alignment of investment outcomes with its impact objectives whilst tracking the economic, social, and environmental impacts of each investment, and assessing whether the investment is meeting its intended objectives.
- 5) **Transparency and Accountability:** the NSIA will report on the impact of its investments in its annual impact report and other publicly available reporting and communication channels, to ensure transparency and accountability to its stakeholders;
- 6) **Collaboration and Engagement:** the NSIA shall seek to build industry leadership through its responsible investment practice and engage widely with all stakeholders (including the private and public sectors as well as global partners) to promote sustainable investing practices, share best practices and leverage the partnerships to expanding development reach and impacts.

1.6. Implementation, Transparency and Communication

To ensure the implementation of this position statement throughout the organisation, the NSIA has integrated the development impact objectives as part of the larger ESG system of governance, supported at the highest level of decision-making at the NSIA and with clearly defined roles and responsibilities for its implementation. Additionally, the impact approach at the NSIA is nimble and dynamic to account for potential changes in both the political and market forces that govern it and will ensure the ongoing relevance of this position statement by regularly reviewing and updating it at least once every two-year cycle for improvement in response to relevant changes.

The NSIA also recognises that timely and accurate information plays a critical role in monitoring and reporting the progress made in achieving its impact objectives, it shall leverage relevant local market and international disclosure frameworks referenced in this policy to support its public disclosure efforts by providing periodic updates on its progress against this policy commitments and also encourage its affiliates and/or subsidiaries and/or investees to take such steps.

1.7. Competence, Training, and Awareness

NSIA shall train and sensitize its workforce, and shall encourage its portfolio companies and investees, to be equipped with the knowledge, understanding, skills, and abilities to ensure operational activities are undertaken in line with its development impact objectives.

1.8. Policy Management, Monitoring, and Review

NSIA's Head, Sustainability and ESG will monitor and review the implementation of this policy to ensure actions remain relevant and continue to be aligned with its institutional objectives. This review will include monitoring progress at portfolio and investee companies in line with the policy to ensure that they operate in a manner that complies with the Policy and the appropriate regulatory standards, best practices, and global initiatives with which the NSIA is aligned.