



Environmental, Social and Governance (ESG) Policy

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ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) POLICY

1.1 Introduction

The Nigeria Sovereign Investment Authority believes that a sound and holistic risk management system that incorporates both the traditional and non-traditional risk elements like the Environmental, Social and Governance (ESG) factors associated with its operations and investment activities, is foundational to building a vibrant and viable institution aimed at becoming a global market leader – creating innovative solutions, developing new services, and accessing new markets.

1.2 Fund Manager Undertakings

Given the NSIA's unique position as a public sector enterprise with a private sector philosophy furthering national economic growth, it seeks to lead by example. The Authority considers the direct impacts of its business operations on the environment and society where it operates and commits to ensuring that its operations comply with the highest ESG standards, in its bid to deliver on its responsibility of promoting fiscal stability, enhancing the development of robust domestic infrastructure and building up a savings base for the Nigerian people.

To ensure that the negative impacts of its operational footprint are adequately managed and aligned with good international industry practices (GIIP), the NSIA has developed and implements a set of policies that set out its overarching commitment to sustainable business practices.

These policies cover a broad range of ESG issues including human rights and human capital management practices, drawing guidance from International Finance Corporation (IFC) Performance Standard 2, International Labour Organisations (ILO) Core Labour Standards and the United Nations (UN) Guiding Principles on Human Rights in all material respects, diversity, equity and inclusion (DEI), business ethics and governance, pollution prevention and climate change mitigation strategies, supply chain management as well as occupational health and safety (OHS) and emergency response measures.

1.3 Funds Undertakings

As a responsible investor, NSIA understands that ESG factors associated with its investment and fund allocation activities present both risks and opportunities that have far-reaching implications for value creation over the long term. It has committed to integrating ESG into its investment decision-making processes in compliance with relevant requirements of local legislations and guided by international standards in order to:

- a) mitigate risks to the full extent possible, unlock sustainable investment opportunities by identifying and leveraging drivers of long-term growth; and
- b) advance investment outcomes beyond negative screening criteria by positioning its fund allocations to be economically viable, socially relevant and environmentally responsible as a driving force for good in society.

1.4 Scope

This policy applies to the Nigerian Sovereign Investment Authority (NSIA) duly established by an Act of the Nigerian National Assembly in May 2011 and all its affiliates and/or subsidiaries constituted through its investments across its three separate and ring-fenced investment funds; the Future Generations Fund (FGF), Stabilization Fund (SF) and Nigeria Infrastructure Fund (NIF) as well as other associated third-party funds that it manages and/or directs.

It is acknowledged however that the NSIA's ability to influence ESG matters 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 ESG 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 apply elements of the ESG policy and ESG Management System to such a degree that it determines to be practicable in light of the underlying facts and circumstances of the investment.

1.5 Purpose

This policy sets out the NSIA's approach to sustainable investing within the context of clear legislative mandates and formalizes its commitment to responsible and thoughtful management and integration of ESG considerations throughout its investment process and operations, to reduce risk and enhance value creation.

This policy is guided by relevant industry standards, best practices, and global initiatives, including those outlined below:

- International Monetary Fund (IMF)/International Forum of Sovereign Wealth Funds (IFSWF):
 - Santiago Principles
- One Planet Sovereign Wealth Funds (OPSWF):
 - OPSWF Framework
- The International Finance Corporation (IFC):
 - Performance Standards on Environmental and Social Sustainability
- The World Bank:
 - General and Sector Specific EHS Guidelines; and
 - Environmental and Social Standard 9 (ESS 9) for financial institutions.
- African Development Bank (AfDB):
 - Operating Safeguards
- United Nations (UN):
 - International Bill of Human Rights;
 - Guiding Principles on Business and Human Rights;
 - Global Compact;

- Sustainable Development Goals (SDGs);
- UN Principles for Responsible Investment (UNPRI);
- United Nations Framework Convention on Climate Change (“UN Framework Convention”); and
- Paris Agreement.
- International Labour Organisation (ILO):
 - Core Labour Standards
- The Financial Stability Board (FSB):
 - Task Force on Climate-related Financial Disclosure (TCFD)
- G7 Development Finance Institutions (DFIs):
 - 2X Challenge
- Laws, Codes and Industry Guidelines of the Federal Republic of Nigeria:
 - Nigeria Sovereign Investment Authority (Establishment etc.) Act, 2011; and
 - Other Applicable Nigerian Laws, Codes and Industry Guidelines
- Internal Codes and Policies:
 - Stabilisation Fund Investment Policy Statement
 - Future Generation Fund Investment Policy Statement
 - Nigeria Infrastructure Fund Investment Policy Statement
 - Board Investment Committee (BIC) Charter
 - Credit Risk Management Policy
 - Infrastructure Risk Management Taxonomy Manual
 - Infrastructure Risk Management Policies and Procedure Manual
 - Risk Acceptance Criteria for the Nigerian Infrastructure Fund Investment Process
- All other best practice standards and guidelines may be included in this ESG and Impact Policy at subsequent revisions of the policy.

1.6 Principles

NSIA believes that responsible investment practices are critical to delivering long-term value consistent with its mandates and that, an inevitable first step in its quest to becoming a global yardstick for national fiscal discipline and investments is the full integration and operationalisation of ESG factors and sustainable business practices into its corporate value system. To this end, the NSIA commits to the full alignment of its operational and investment activities with the requirements of the ESG policy and other supporting policies and procedures of the NSIA.

As a signatory to the Santiago Principles of the International Forum of Sovereign Wealth Funds (IFSWF), NSIA will apply to the extent possible, provisions of the twenty-four Santiago Principles into its governance and investment practices, and as a member of the One Planet Sovereign Wealth Fund (OPSWF) initiative, NSIA recognises that climate change stands out as a present-day defining issue with

potential dire consequence if not adequately managed, and so, commits to integrating climate change considerations into its investment decision-making process and management of its assets guided and supported by the three principles of the OPSWF Framework:

- Alignment: Embed climate change factors in decision-making that are consistent with NSIA investment horizons;
- Ownership: Address material climate change issues in NSIA's governance, business strategy and planning, risk management and public reporting to promote value creation; and
- Integration: Integrate the consideration of climate change-related risks and opportunities into investment management to improve the resilience of NSIA's long-term investment portfolios

Additionally, across all environmental and social risk categories of investments undertaken by NSIA, it commits to the following set of principles:

- a) Investees' risk level will be determined according to International Finance Corporation (IFC) and African Development Bank (AfDB) environmental and social categorization frameworks;
- b) Investees will be evaluated primarily on basis of the ESG "Performance Standards" criteria established by the IFC (inclusive of the relevant EHS Guidelines), the African Development Bank (AfDB) Operational Safeguards, applicable national legal regulations and permitting requirements and the alignment of Investees' climate change action with NSIA requirements;
- c) Projects are financed only when they are expected to be designed, built, operated, and maintained in a manner consistent with the ESG Policy;
- d) Efforts are made to ensure that all projects are operated in compliance with all applicable national laws and standards, and guided by international laws and standards;
- e) NSIA commits to a process of continuous improvement in its ESG policy design and implementation;
- f) Requires its Investees to commit to adopting ESG standards, which are aligned with NSIA's ESG policy;
- g) Ensure all relevant stakeholders are provided with accurate, credible, and timely ESG performance information on NSIA projects of interest; and
- h) Ensure that the beneficiaries of NSIA financing through its Investees which are financial institutions (FIs) receive such funding in accordance with the above principles.

1.7 General ESG Objectives

All NSIA activities are subject to the ESG Policy and its management system, and their objectives will remain dynamic and refined congruently with the complexities of NSIA's business maturity. In support of this ESG policy, NSIA will endeavour to:

- Take a holistic and long-term approach towards ESG integration into its business and strive to achieve specific and measurable goals in priority ESG topics that are well articulated, internalised and supported by all stakeholders at NSIA including its highest level of decision-making;
- Identify ESG issues throughout its investment process, from origination to exit and incorporate mitigation hierarchy into its management approach (seeking to avoid, and where this is not possible, minimize, restore and offset adverse impacts and enhance positive outcomes) to ensure that the investments are environmentally and socially sustainable;
- Identify and refrain from investing in opportunities based on ESG non-compliances against NSIA's minimum criteria and non-alignment with NSIA's values and mandates;
- Navigate through climate change challenges and capture opportunities it presents by ensuring that NSIA Investee companies adopt decarbonization strategies that help them mitigate risks, and become more resilient to climate change;
- Influence the levers that NSIA's Investee companies can use to create value such as lowering costs with more efficient use of resources, improving productivity through more efficient and resilient supply chains and reducing the cost of capital by lowering market, balance-sheet, and operational risks;
- Substantially improve the potential for a successful exit from its Investee companies as investors pay increasing attention to ESG matters and increasingly, there are ESG requirements associated with initial public offerings (IPOs) in emerging markets;
- Seek to grow and improve ESG performance across NSIA business. To that end, NSIA will work with stakeholders on relevant environmental, health, safety, and social issues to improve performance and minimize adverse impacts across its business;
- Uphold the highest standards in E&S management. This entails being proactive about adhering to labour laws local to where its businesses are domiciled, supporting the payment of competitive wages and benefits to employees, providing a safe and healthy workplace in accordance with applicable laws, and respecting employees' rights to decide whether to form a union and engage in collective bargaining in accordance with applicable law;
- Respect the human rights of those affected by its activities and seek to confirm that its operations do not support companies that utilise child or forced labour or maintain discriminatory policies;
- Ensure that NSIA's procurement and employment policies promote localisation, skills development and corporate governance across the Group and its Investees;

- Encourage dialogue with its investors and other stakeholders regarding how ESG issues can be managed in a way that is consistent with their initiatives.
- Distribute this EGSMS and the ESG policy and related ESG information to the management teams across NSIA business, partners, and supply chain; and
- Keep its stakeholders appropriately engaged on relevant ESG issues and provide regular information to them on E&S performance and value created through its investment activities.

1.8 ESG Integration

NSIA recognize its duty to act in the best interests of the Nigerian people in its prudent investment of the nation's sovereign wealth and ensure the delivery of consistent performance sustainably. Therefore, NSIA will incorporate ESG and impact considerations into its investment decision-making processes through the following measures:

a) Environment

- i. Establish and implement this Environmental, Social and Governance Management System that outlines the approach to realizing the objectives outlined in the ESG policy;
- ii. Screen all investments for environmental impacts and approach investments with the principle of avoidance and minimalization of adverse impacts on the environment;
- iii. Encourage the effective use of natural resources, particularly energy utilization and associated climate change impacts;
- iv. Support the reduction of greenhouse gas emissions which contribute to climate change from the businesses in which NSIA capital is invested;
- v. Ensure that the environmental impact of NSIA and Investees' operations are assessed, and appropriate actions are taken to mitigate environmental risks, ameliorate environmental damage and enhance positive effects;
- vi. Use the best reasonable efforts to obtain the portfolio companies' commitment to adhering to local environmental laws (as an absolute minimum) and adopt international best practices in environmental management.

b) Social

- i. Foster safe working conditions for employees and adhere to local country health and safety laws (as an absolute minimum) at NSIA and Investee levels;
- ii. NSIA and its Investees will foster value-driven ethical behaviour and good governance practices that ensure the business is conducted in a manner that respects the rights and dignity of all people by striving to prevent, mitigate and remedy adverse human rights impacts within the workplace and in the communities of operations;

- iii. NSIA and its Investees will treat employees equally in terms of hiring, promotion, pay and benefits, and employee representation, without regard to gender, race, colour, disability, political belief, age, religion, social or cultural background, or medical conditions e.g., HIV status;
- iv. NSIA and its Investees will provide safe working environment for its employees and implement measures that provide security, protect human rights, and prevent gender-based violence and harassment.
- v. NSIA and its Investees will strive for equal opportunity, equitable economic empowerment, and diversity at all stakeholder levels;
- vi. Ensure wages are paid that meet or exceed industry or legal national minima for each job category at NSIA and Investee levels;
- vii. NSIA and its Investees will allow consultative workplace structures and associations which provide employees with an opportunity to present their views to management;
- viii. NSIA and its Investees will establish an appropriate institutional framework for transparent, fair and effective management of complaints and conflicts/disputes; and
- ix. NSIA and its Investees will provide training and skills development opportunities to employees.

c) Governance

- i. Allocate resources (including training, monitoring, staffing etc.) necessary for the implementation of the ESG policy, the ESG Management System and monitoring procedures to track ESG and impact performance at NSIA and portfolio Investee levels;
- ii. NSIA will undertake investment due diligence exercises in line with applicable international standards and industry best practices;
- iii. NSIA will actively screen each potential acquisition opportunity against its ESG policy, ESG Management System and its commitments including its sanctions, exclusions and policies as well as the commitments of its own investors;
- iv. Meet the requirements of applicable legislations guiding its operation and investment and deal with regulators openly and co-operatively;
- v. Promote transparency and accountability grounded in sound business ethics in the investment process;
- vi. NSIA and its portfolio companies will hold high standards of business integrity ensuring fair and honest dealings in its operations and promoting fair competition among its potential suppliers, contractors, and subcontractors;
- vii. Prohibit all employees from making or receiving gifts of undue substance according to the local custom during business and develop a strong system against bribery, fraud, embezzlement, extortion, or similar unfair or deceptive acts or practices;
- viii. Operate in a manner that is consistent with applicable data protection/privacy laws and aligned

with local and industry standards for the protection and security of all information including personal information and information received from partners;

- ix. Prohibit Investee contributions to political parties or political candidates, where these could constitute a conflict of interest;
- x. Properly record, report, and review financial and tax information;
- xi. Clearly define responsibilities, procedures and controls with appropriate checks and balances in the portfolio companies' management structure;
- xii. Use effective systems of internal control and risk management covering all significant issues, including environmental social and ethical issues;
- xiii. Take reasonable care to ensure that NSIA and/or its portfolio is not involved in financing any criminal activity, including terrorist financing, money laundering and anti-competitive behaviour such as bribery;
- xiv. Take reasonable care to ensure that NSIA and/or its portfolio does not engage in, authorise, or permit any of its businesses to engage in any sanctionable practice;
- xv. NSIA and its Investees will maintain a whistleblowing mechanism to facilitate the reporting of any criminal activities that come to its attention during business to relevant authorities; and
- xvi. NSIA and its Investees will develop mechanisms to monitor performance on ESG matters and progress towards relevant action plans and targets for improvements and reporting in a transparent, credible and timely manner to all relevant stakeholders.

1.9 Active Ownership and Engagement

The NSIA practice active ownership and engagement throughout its footprint, through the following measures:

- a) Adoption of the ESG Policy, ESG Management System and supporting procedures across its business; the NSIA will assess, mitigate, and manage ESG risks across its business, on an ongoing basis;
- b) Tracking and monitoring Investee compliance with ESG requirements and entering into active dialogue with portfolio companies on material ESG issues, either directly or collectively with other shareholders to ensure implementation of identified action/management items;
- c) Where applicable, NSIA shall exercise its voting rights in issues related to the management of the material ESG risks and opportunities of its portfolio companies in an informed manner, to enhance long-term value creation and promote best practice ESG policies, disclosure and performance by portfolio companies;
- d) Ensuring that portfolio companies' personnel receive adequate training on ESG policies and procedures, and other resources required to implement its ESG Management System;
- e) Ensuring that portfolio companies report on ESG metrics, at their highest decision-making levels;

- f) Enhance industry awareness of responsible investment by working towards NSIA industry leadership status in ESG performance; and
- g) Engage and encourage portfolio companies to collaborate widely with their critical stakeholders and industry players to share knowledge and improvement of the management of ESG risks and opportunities.

1.10 Public Disclosure and Transparency

Through the following actions, NSIA fosters transparency and disclosure of its approaches to responsible investing and ESG integration within its operations as well as its commitment to maintaining policies, procedures, and activities in line with applicable legislation and reporting standards.

- a) Every year, compile an ESG performance report to provide updates on its ESG program including its responsible investment activities, progress and outcomes of all stakeholder engagement, ESG regulatory compliance and E&S performance of portfolio companies etc;
- b) Ensure robust public dissemination of NSIA ESG commitments and practices by publishing the ESG Policy on relevant communication channels including corporate statements and reports etc; and
- c) Ensure frequent engagement with its stakeholders on ESG matters and report on performance in each relevant stakeholder focus area according to applicable disclosure requirements.

1.11 Policy Management

To support the implementation of this ESG Policy, NSIA will:

- a) Ensure that the NSIA Board of Directors hold the responsibility for ESG Policy approval while overall accountability for its implementation lies with the Chief Executive Officer and the responsibility for day-to-day operationalisation of the policy is placed on a suitably qualified ESG Manager with the right level of authority and competence to drive improvement in ESG performance at NSIA and Investee level;
- b) Create and allocate sufficient resources (including financial, material, human and technical, resources) necessary for the implementation of this ESG Policy and the other policies, procedures and practices which support the ESG Policy;
- c) Distribute and discuss the ESG Policy's importance, compliance requirements, and those of other related policies, processes, and practices with its employees and other pertinent third parties in order to establish the ESG Policy's legitimacy within NSIA's operating limits;
- d) Discuss the significance and compliance requirements of the ESG Policy with its portfolio and associated affiliates constituted through its investment activities. Encourage, support, and demand that they operate in a manner that complies with this ESG Policy and the pertinent industry standards, best practices, and global initiatives with which the NSIA is aligned; and

- e) Ensure that the policy and its associated management system are reviewed at least once every two-year cycle for improvement in response to changes in internal processes and in alignment with national and international best practice requirements.

1.12 Policy ESG Monitoring and Maintenance

To continually improve the ESG Policy and performance, the NSIA will:

- a) Integrate ESG throughout its operations and practices and into its daily business processes; and
- b) Ensure that management commitment is demonstrated in the adequacy of resources devoted to active ownership and engagement management and training.

1.13 Applicable Requirements and Guidelines to the ESG Policy

The ESG Policy is supported by several other policies and procedures implemented by the NSIA which provide additional guidance on aspects relating to ESG management namely:

- Environmental and Social Management System Manual
- NSIA ESG Risk Categorisation
- NSIA Exclusion List
- NSIA Fund Investment Policies
- NSIA Risk Management Policies
- NSIA Operational Standards
- Human Resources Manual
- Human Rights Policy
- Gender Equality and Inclusion Policy
- Climate Change Action Policy
- Sustainable Procurement Policy
- Anti-Bribery and Corruption Policy
- Anti-Money Laundering, Countering the Financing of Terrorism Policy
- Whistleblowing Policy
- Conflict of Interest Policy
- Cyber Security and Data Protection Policy; and
- Business Continuity Plan

1.14 Policy Assurance Check

To ensure the adequacy and effectiveness of the ESG Policy including its other associated policies and procedures in the environmental, social and governance management system, the NSIA will adopt a monitoring framework for key ESG metrics which it will leverage as a basis for an annual review and revision of the policy and its management system. These metrics will be informed by the various ESG standards mentioned previously.