



Climate Action Policy

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CLIMATE ACTION POLICY

1.1 Introduction

Nigeria Sovereign Investment Authority (“NSIA” or “the Authority”) recognises that climate change is a significant issue that impacts and poses serious risks to the economy. Climate change severely affects business, livelihoods, and sustainable development with such outcomes as extreme weather events and food insecurity. The policy acknowledges NSIA’s capacity to support the fight against climate change and Nigeria's efforts to achieve its energy transition goals. To contain the impacts of climate change within its operation, NSIA has set out a Climate Action Policy (CAP) to guide and provide a framework for all its business activities and investments.

This policy sets out NSIA’s scope, principles, and commitments on climate change taking into consideration relevant national and international conventions and standards, such as the National Climate Action Plan (Nigeria’s Nationally Determined Contributions), the Paris Agreement, the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol and the Sustainable Development Goals, likewise the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

As a member of the One Planet Sovereign Wealth Fund (OPSWF) initiative, NSIA also recognises that climate change stands out as a present-day defining issue with potential consequences if not adequately managed. NSIA therefore commits to integrating these climate change considerations contained in its policy into its investment decision-making process and management of its assets, guided and supported by the three (3) 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.

1.2 Scope

The application of this policy encompasses both the internal operations of the NSIA, and that of its wholly owned subsidiaries, and affiliates and/or investees constituted through its investment activities, where the Authority has a majority stake.

It is acknowledged that the NSIA’s ability to influence the application of this policy commitments across its portfolios will vary depending on the asset class, investment structure and contractual rights. Thus, where the NSIA determines that 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

The CAP outlines the NSIA's commitment to climate change adaptation and mitigation actions within its investment and operations. It also sets out NSIA's commitments to combatting climate change risks and taking advantage of opportunities as regards investments and provision of financial services to stakeholders, and to further clarify NSIA's aspirations and actions to improve its climate change strategy.

1.4 Guiding Principles, Legislations, and Standards

This Policy is guided by relevant industry standards, national policies, international best practices, and global initiatives as listed below:

- Nigeria Legislative Framework
 - Nigeria Climate Change Act 2021
- National Climate Action Plan (Nigeria's Nationally Determined Contributions ("NDCs"))
- Nigeria Energy Transition Plan
- One Planet Sovereign Wealth Funds (OPSWF):
 - OPSWF Framework
- The International Finance Corporation (IFC):
 - Performance Standards 3
- The World Bank:
 - General and Sector Specific EHS Guidelines; and
- United Nations (UN):
 - Paris Agreement
 - United Nations Framework Convention on Climate Change ("UN Framework Convention") Kyoto Protocol; and
 - Sustainable Development Goals (SDGs)
- The Financial Stability Board (FSB):
 - Task Force on Climate-related Financial Disclosure (TCFD)
- Multilateral Development Banks (MDBs) Paris Alignment Building Blocks
 - Joint MDB Assessment Framework for Paris Alignment for Direct Investment Operations¹

¹ This is a methodology developed by MDBs for aligning projects and activities with the Paris agreement goals. This approach consists of six building blocks: alignment with mitigation goals (BB1), adaptation and climate-resilient operations (BB2), accelerated contribution to the transition through climate finance (BB3), engagement and policy development support (BB4), reporting (BB5), and alignment of internal activities (BB6)

1.5 Objectives and Commitments

NSIA's climate action measures are rooted in its commitment to managing climate risks and opportunities of its business and supporting the sustainability transition of its investments. Through these measures, the NSIA will ensure that operations and activities are conducted in an environmentally safe manner by integrating climate change considerations into business processes and decision-making mechanisms, and also taking-on an active role in empowering stakeholders to mitigate climate risks and harness opportunities while building climate resilience within their operations, which will surely help them improve their access to capital. The NSIA will aim to ensure that all potential investments are reviewed and evaluated against NSIA's climate policy commitments. NSIA commits to:

- Incorporate climate-related risks as a core component of risk assessment when considering investment and project financing.
- Regularly measure carbon emissions arising from our operations and establish emission reduction targets.
- Develop carbon reduction strategies such as reduction in water usage, energy, electricity consumption, paper, etc, within its operations and explore the adoption of renewable energy and energy efficient technologies.
- Encourage portfolio companies and stakeholders to assess, evaluate and disclose climate change-related risks and impacts such as greenhouse gas (GHG) emissions in line with Task Force on Climate-related Financial Disclosures and develop an action plan to help mitigate associated impacts while taking advantage of resulting opportunities.
- Encourage portfolio companies and investees to establish emission reduction targets and define their commitments towards achieving these set targets.
- Advocate for portfolio companies and stakeholders to measure and reduce their carbon footprint (scopes 1, 2, and 3) by developing and implementing carbon reduction strategies within their operations and to prioritizing the adoption of renewable energy sources.
- Ensure potential investee companies explore cost-effective alternatives to reduce GHG emissions linked to operations at the design phase of their projects.
- Encourage investee and portfolio companies to develop climate mitigation and adaptation strategies and initiatives to manage climate impacts.
- Encourage subsidiaries and portfolio companies to phase out products containing ozone-depleting substances used in their operations and improve efforts to explore the use of more natural refrigerants with low environmental impact.
- Build climate resilience into financed projects and provide support to portfolios and investee companies towards assessing climate vulnerabilities and building climate resilience.

- Assist portfolio companies to build competence and knowledge on climate-related goals, risks and opportunities to enable them to take necessary actions to enforce climate-friendly initiatives that will transform their businesses and drive the actualisation of a net-zero economy.
- Support investees and stakeholders to monitor, quantify and report GHG emissions.
- Improve internal climate change capacity through training employees on their roles in the identification and management of climate risk.

1.6 Implementation Transparency and Communication

NSIA will ensure the implementation of this position statement throughout the organisation by integrating it into its governance hierarchy and business processes. As the topic of climate change is dynamic in terms of both the politics and market forces that govern it, the NSIA in like terms will ensure the 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.

NSIA also recognises that timely and accurate information plays a critical role in driving widespread action on climate change. Thus, it shall leverage relevant local market and international disclosure channels to support its public disclosure efforts by providing annual 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 and potential investments are carried out in an environmentally friendly manner.

1.8 Policy Management, Monitoring, and Review

NSIA's Head, Sustainability and ESG will monitor and review the progress in the implementation of this policy and track the activities of portfolio and investee companies in line with the policy to ensure that, to the extent applicable, they operate in a manner that complies with the Policy and the appropriate laws, regulatory standards, best practices, and global initiatives with which the NSIA is aligned.