

NORSAD FINANCE ANTI-MONEY LAUNDERING (AML) POLICY

1. Foreword and Scope

Norsad Finance Limited and its subsidiary, Norsad Finance (Botswana) Limited (“Norsad”) shall not be associated with money laundering or terrorist financing. Therefore, Norsad has introduced policies and procedures to curb money laundering and to ensure statutory duties and regulatory compliance with the Botswana NonBanking Financial Institution Regulatory Authority (NBFIRA) guidelines or guidelines of any other relevant local or international regulatory body.

The policy addresses various responsibilities of Norsad employees, Directors and investee companies for:

- Creating and implementing policies, procedures and plans that curb money laundering or financing of terrorist and related activities.
- Ensuring that repayments are originating from investee company’s bank accounts with banks which are acceptable to Norsad.
- Reporting suspicious and unusual transactions in respect of payments on Norsad’s or its investee companies bank accounts.

2. Responsibility for the Policy

This policy has been approved by the Board of Directors of Norsad Finance Limited. For the purposes of implementation of this policy, management has the primary responsibility for implementation and monitoring its use and effectiveness. Management is responsible for ensuring that all employees, Directors, key representatives of the investee companies and Norsad partners are made aware of and understand this policy.

3. Definitions

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally or terrorism derived proceeds so that the proceeds appear to have been derived from legitimate origins or constitute legitimate assets. Such acts also include depositing of proceeds into bank accounts and spending of proceeds. Money can generally be laundered through a three-step process, but it is important to note that a laundering scheme will not necessarily include all stages or is it limited to these three steps. Every act committed during each stage may constitute a laundering offence in a particular jurisdiction.

Placement

This is the initial stage where cash generated from criminal activities enters the financial system and, in general, includes actions such as deposits and transfers to a financial institution. Given the nature of Norsad’s operations whereby it does not conduct cash transactions with its clients, with its operations being through bank transfers and sometimes cheques, it is highly unlikely that Norsad would be used at this stage.

Layering

This is the stage where funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. Complex layers of financial transactions are created to disguise the audit trail. This stage is the most

ingenious and often the most complex. This is the stage where Norsad needs to be vigilant as it can be used through transfers from unknown sources.

Integration

If undetected so far, this is the stage where funds are reintroduced into the economy and used to purchase legitimate assets so that the money will now appear to be ordinary and legitimate. Norsad can encounter dirty money at application stage of the facility in form of equity and/or collateral assets pledged.

International Initiatives on Anti-Money Laundering

The Financial Action Task Force (FATF)

The FATF is an inter-governmental body established in 1989 with a mandate to set standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and the financing of proliferation, and other related threats to the integrity of international financial system.

The FAFT Recommendations (www.fatf-gafi.org/recommendations) set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction.

The Wolfsberg Principles

The Wolfsberg Group (www.wolfsberg-principles.com) is an association of eleven global banks, which aims to develop financial services industry standards, and related products, know-your-customer (KYC) procedures, Anti-Money Laundering and Counter Terrorist Financing policies. This association has designed an AML Questionnaire which financial institutions complete and helps to provide an overview of the institutions AML policies and practice.

4. Norsad Finance Anti-Money Laundering Policy

With the implementation of this policy, employees and Directors of Norsad will assist in minimising potential losses derived from fraudulent transactions as well as combating crime in general. Norsad needs to ensure that employees and Directors are:

- aware of anti-money laundering initiatives and legislation; and
- aware of and understand and abide by this policy.

Norsad shall ensure that its investee companies and partners are aware and committed to act within the parameters of this policy.

4.1 Money Laundering Investigations

It should be noted that Norsad's investee companies are required to maintain bank accounts with reputable banks. Banks are obligated by the regulatory authorities in the regions in which they operate to carry out detailed Know Your Customer (KYC) procedures and AML procedures. All commercial banks are regulated by respective regulators mainly in the form of Central Banks or Reserve Banks. Most of financial intermediary clients of Norsad are regulated by Central Banks or Reserve Banks and are obligated to sign up to International Initiatives on Anti-Money Laundering. Other financial intermediary clients, like development financial institutions, may not be regulated as such but are clients of the banking industry and thus can be considered to have been subjected to KYC and AML procedures. Norsad maintains internal loan or investment accounts

through which transactions relating to the loan or investment are recorded. These transactions are mainly disbursements, payments of interest, fees and charges, dividends, as well as loan or investment principal repayments.

Notwithstanding the foregoing, Norsad shall require the following specific information that may be required for a money laundering investigation:

- The form of instruction or authority supplied to Norsad on company letterhead and signed by authorised signatories and signatures verified by Norsad.
- Verification for legitimacy, sources of sponsors financial contribution and/ or collateral offered.
- Destination of funds disbursed which should typically be to a bank account in the name of the investee company designated in the country of the project, if not, valid reason should be given as to why payee differs from the investee company or why the domicile is different.
- Information relating to origin of funds in respect of repayments. Norsad shall investigate source of funds if funds are emanating from a source other than the investee company.

Norsad shall apply the anti-money laundering and terrorism financing standards based on the current FATF Recommendations for financial institutions published in February 2012 and as amended from time to time in its background checking of its potential investee companies and financial intermediaries.

Norsad shall incorporate clauses in the loan, credit facility and investment agreements relating to AML and that the investee company shall institute and maintain adequate procedures for the purposes of preventing the investee company from becoming an instrument for money laundering, fraud, or other illegal activities.

4.2 Identification Procedures

With reference to international best practice and KYC procedures, all our potential clients and investee companies shall be subjected to these procedures and their identity verified. In addition, all monetary transactions with the potential clients and investee companies shall be from and to a bank account with a reputable bank acceptable to Norsad. The identification means to identify the corporate bodies, individual investors, origin of the funds and legitimacy of the bank accounts are presented below.

Companies

Identification documents include, but are not limited to the following:

- Constitutional documents of the investee company.
- Details of registered office and place of business.
- Investee company's board of directors resolutions on: – approving loan/investment, interest/fees and security; and – authorised signatories to loan account.
- Duly signed sponsor worksheet from all main investors holding 15% or more of the project's equity which should indicate *inter alia*, source of funds for contribution to the investee company and acknowledgement of the commitment to comply with Norsad policies.
- Shareholders should be identified and provide the following information:
 - For individual shareholders:
 - Copy of valid national identity card and/or passport;

- residential address confirmed with copies of utility bills or by other means;
- passport sized photos; and
- details of bankers.
- For corporate body shareholders:
 - constitutional documents;
 - company registered office and place of business;
 - details of bankers; and
 - identify the natural persons behind the company and proceed as in individual shareholders requirements above for individuals holding 15% or more of shareholding.
 - The bank account held in a reputable bank acceptable to Norsad shall be verified by a bank reference letter.

Financial Intermediaries

Identification documents for intermediaries regulated by the Central Bank or other recognised financial regulators include, but are not limited to the following:

- Constitutional documents of the financial institution.
- Details of registered office and place of business.
- Banking/regulatory authority licence.
- Copy of the institution's AML policy.
- Completed Wolfsberg Principles AML Questionnaire.
- Financial institution's board of directors resolutions on: – approving the terms of the facility and security if any; and – authorised signatories to the facility account.

4.3 Reporting on Suspicious Transactions

All Norsad employees and Directors shall promptly report to the CEO or the Chairman of the Board all cases where the individual becomes aware, has knowledge or suspects or has reasonable grounds to believe, that Norsad's employee or Director, Norsad's potential client, investee company or other partner has been or is involved in an illegal activity or crime or are in breach of provisions in this policy.

At the investment appraisal phase, Norsad's investment officers shall verify for legitimacy, sources of funds used to purchase assets, existing assets pledged as security, as well as equity contributed or to be contributed to the investee company. The sponsor worksheet duly signed by the sponsors of a potential client and investee company shall be kept in the Norsad records.

All clients' loan and investment accounts at Norsad are operated by the Finance Department. Thus Finance Department is mandated to monitor source of funds in respect of loan/credit facility repayments or other payments into the accounts. All funds emanating from sources other than investee company's bank accounts should be brought to the attention of respective investment or portfolio officer who in turn shall seek a written explanation from the clients. Depending on clients response following further action may be undertaken:

- Consulting with Norsad CEO and/or Screening Committee.
- Reporting our concern to the relevant authorities. To ensure that Norsad properly comply with requirements for co-operating with the relevant law enforcement and



regulatory authorities, all reporting to external authorities must be made by and through the CEO's office.

4.4 Monitoring and Review of the Policy

Management will monitor the effectiveness and review the implementation of this policy. The suitability, adequacy and effectiveness of the policy compared to the NBFIRA, as well as international guidelines and regulations, shall be done on regular basis. Improvements in the policy or its implementation shall be made as soon as the need is identified.