



NORSAD SOCIAL AND ENVIRONMENTAL SUSTAINABILITY POLICY

With this Social and Environmental Sustainability Policy Norsad expresses its commitment to incorporating sustainability criteria in its financing activities and communicates the expected standards of performance to its clients and other stakeholders.

1 Norsad's Mission Statement

“To be the premier provider of customized longer-term risk capital to Southern African companies and financial services providers that are financially, socially and environmentally Sustainable.”

2 Norsad's Vision

“To be acknowledged as a preferred impact investor providing flexible and customised financing solutions to commercially viable businesses with the intention of driving Economic growth, social advancement and environmental sustainability.”

3 Norsad Approach and View of Responsibilities

In striving to achieve growth outcomes through our financing, we recognize that such growth can also have negative impacts on local communities, the work force and the physical environment within which they are located. Norsad is committed to ensuring that the costs of economic growth do not fall disproportionately on employees, those who are poor or vulnerable and that the environment is not degraded in the process, and that natural resources are managed efficiently and sustainably.

Norsad recognizes that the primary responsibility for managing SE issues, that is risks and impacts, as well as opportunities, rests with our clients. As such, we seek clients who share our vision and commitment to sustainable growth and who wish to improve their ability to manage these issues within their business activities. We expect sustainability objectives and activities to become fully anchored in our clients' business strategies and to be adapted to and integrated into their procedures and operations.

4 Norsad Commitment to Social and Environmental Sustainability

This Sustainability Policy focuses specifically on Norsad's approach to addressing SE issues in its financing decisions. To fulfil our commitment to sustainable growth, we integrate the assessment of SE risks, impacts, and opportunities, into our all our business processes. Norsad has prepared a set of sustainability appraisal and monitoring guidelines to assist in the implementation of the sustainability policy.

5 Risk Management Approach and Applied Standards

Norsad expects its clients to be compliant with host country legislation at all times. Norsad will make its staff expertise available to help the client in identifying and adopting sector-best practice. Other than that, there are certain types of activities Norsad will not finance, as described in Norsad's Exclusion List (Appendix 1).



Prerequisite for Norsad financing is that the client complies with local environmental and social laws. Norsad shall require investee companies to apply the following international principles and standards when applicable:

- Legal and regulatory requirements in the countries where they operate
- IFC Performance Standards¹ (+ accompanying Guidance Documents) appropriate to the size and nature of the business. IFC Good Practice Note on HIV/AIDS in the Workplace and other IFC Good Practice Notes where relevant,
- IFC Interpretation Note on Financial Intermediaries²
- The World Bank Group Environmental, Health and Safety Guidelines² (EHS Guidelines),
- ILO Core Conventions and recommendations² and ILO's Basic Terms and Conditions of Employment³
- EDFI Principles for Responsible Financing⁴
- UN Guiding Principles on Business and Human Rights⁶
- Any relevant sector sustainability Guideline or Directive

The client's approach to managing SE risks and impacts should focus on avoiding, or at least reducing, mitigating or compensating for, negative risks and impacts where possible, and engaging with local communities and its employees on matters that directly and materially affect them. To help our clients achieve these objectives, we actively engage them and may provide support and assistance as needed.

When investing in financial institutions (FIs), Norsad's focus is both on identifying the SE risk exposure in the institutions' portfolio, as well as on assessing the capacity of the institution to manage the indirect SE impact of its business

6 Additionally: Beyond Risk

As an impact investor, we achieve added value in economic and social growth by offering financing and risk sharing opportunities. Norsad aims to achieve the same with SE sustainability - we seek opportunities to promote sustainable growth additionality by enabling better SE outcomes than private investment alone will achieve. Norsad seeks to engage its clients in assessing and addressing the SE risks of their business operations, even if these have potentially significant adverse impacts. We look for opportunities to facilitate improvement provided such impacts can be adequately assessed and sufficiently mitigated.

Norsad's role is often essential in helping our clients manage and improve their SE performance. Norsad will support its clients in seeking collaboration in identifying areas of improvement, determining action plans and strengthening their social and environmental

¹ IFC Performance Standards (2012), <http://www.ifc.org> ² Interpretation Notes for Financial Intermediaries: https://www.ifc.org/wps/wcm/connect/38d1a68049ddf966af3cbfda80c2ddf3/InterpretationNote_FIs_2012.pdf?MOD=AJPERES ² <http://www.ifc.org/ehsguidelines>

² ILO's Core Convention <http://www.ilo.org/global/lang--en/index.htm>

³ ILO Basic Terms and Conditions of employment <http://www.ilo.org/global/lang--en/index.htm>

⁴ EDFI Principles on Responsible Financing

<http://www.swedfund.se> ⁶ [tps://www.unglobalcompact.org/library/2](https://www.unglobalcompact.org/library/2) ⁶ <http://www.unepfi.org/>



management capacity. For this purpose, Norsad will make its experience available to help to mobilize support for the growth of competence within its client's operations.

With respect to investments in financial institutions, Norsad recommends its FI clients to sign up to the UNEP Finance Initiative⁶, which provides quality support to FIs in developing appropriate management systems to address SE issues within their own financing activities.

7 Norsad SE Procedures

When conducting our assessment for financing, we ensure that each investment is categorized according to its potential SE risk profile at an early stage in our appraisal and decision-making process, so that the time and expertise dedicated to each investment is commensurate with its risk profile.

Based on this categorization, the level of SE due diligence and monitoring required and the allocation of resources both internally and externally will be determined. Where SE impacts are significant, an external consultant will be engaged.

8 Co-financing

Norsad aims to increase co-financing with stakeholders and other financial institutions in the region. In cases where a financing partner applies the same SE sustainability criteria as Norsad, and has established equivalent or more stringent policies, procedures and capacity, Norsad will rely on that partner's due diligence.

9 Monitoring Compliance

The level of monitoring of all clients will depend on the nature of the SE risk and impact. Monitoring of the SE performance of direct investments and FIs financed by Norsad is undertaken by means of annual SE monitoring reports, follow-up on any agreed SE plan and periodic monitoring visits when necessary. In cases where the client has been required to carry out an SE action plan, there may be more frequent follow-up in the initial year(s), according to the time frame as set in the action plan. Additionally, clients are required to notify Norsad if any unusual events relating to SE incidents occur during their operations.

Monitoring and compliance requirements are formalized in our legal documentation. Where a client is non-compliant with its SE commitments, Norsad will work with the client to bring it into compliance to the extent feasible, and if the client fails to establish compliance, Norsad shall exercise remedies where appropriate.

10 Evaluation

Norsad recognizes that there will be times when we are not able to attain our SE sustainability commitments to their fullest potential, or where the actions of our clients result in disproportionately negative SE impacts. For us these are important learning opportunities that will allow us to reflect on and evaluate both our actions and those of our clients.

We will therefore conduct ex post reviews of our investments to determine ways in which we can improve our sustainability approach and in so doing further contribute to the achievement of our growth objectives.

Norsad will also review and update its S&E sustainability policy and its SEMS procedures to incorporate any changes in international standards or Norsad procedures.



11 Reporting

To achieve its sustainability mandate, Norsad will report to its investors and shareholders annually on its Annual SE performance report.



Appendix 1.

EXCLUSION LIST

Norsad does not finance any activity involving:

1. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES.
2. Production or trade in weapons and munitions.¹
3. Production or trade in alcoholic beverages (excluding beer and wine).¹
4. Production or trade in tobacco.¹
5. Gambling, casinos and equivalent enterprises.¹
6. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
7. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
8. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

All financial intermediaries (FIs), except those engaged in activities specified below*, must apply the following exclusions, in addition to Norsad's Exclusion List:

1. Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³
2. Commercial logging operations for use in primary tropical moist forest.
3. Production or trade in wood or other forestry products other than from sustainably managed forests.

*When investing in **microfinance** activities, FIs will apply the following items in addition to the Norsad Exclusion List:

1. Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³
2. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
3. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

***Trade finance projects**, given the nature of the transactions, FIs will apply the following items in addition to the Norsad Exclusion List:

4. Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³

¹ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

³ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, 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.