



Climate Change Policy

**Norsad Capital Limited
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1. Introduction

This policy is supplementary to the Norsad Capital Limited (Norsad) Responsible Investment Policy and fits within the existing Environmental Social Governance (ESG) and Impact frameworks.

2. Purpose

Norsad, as a private credit provider in Africa, is aware of the risks additional rises in global temperature are likely to pose to the organisation and their clients and are committed to determining the risks that Norsad and its clients pose to the cumulative impact of climate change. Norsad, therefore, needs to incorporate climate-related considerations into its business practices. Norsad's primary purpose is a provider of private finance, however, within that purpose exists the potential to create positive change. The challenges posed by climate change is one such area that Norsad can play a role to create positive impacts through their investments.

As part of Norsad's impact focus, it has defined **climate change and clean energy** as one of its four core impact pillars. As a responsible investor, Norsad, therefore, commits to increasing the transparency of its investment process with regard to the risks and opportunities posed both to its clients by climate change and the impacts their businesses may pose on the cumulative impact of greenhouse gas (GHG) emissions and therefore climate change.

Norsad seeks to provide debt to companies that are found to be sustainable beyond more typical financial metrics. Towards this, Norsad also examines a prospective client's ESG sustainability to inform its lending decisions.

Increasingly the environmental and social sustainability lens has grown to include climate sustainability. Climate change has been identified by multiple multinational organisations such as the International Panel on Climate Change (IPCC), the United Nations (UN), and the World Health Organisation (WHO) as the largest threat currently facing humankind, and the environment at large. Norsad believes in the science and data, as demonstrated by the IPCC. Following the landmark Paris Climate Agreement signed in 2015 by 195 signatories, at present there are 194 (193 states and the European Union) parties to the agreement, all committing to reducing their emissions to a maximum ceiling of 1.5°C global warming, Norsad believes all aspects of society have a role to play in reducing GHG emissions which are the root cause of climate change.

Africa as a continent emits less than 4% of the global GHG emissions, this in comparison to individual countries like the United States of America at 19% and China at 23%. Its low carbon contribution is predominantly due to having the largest population group (75%) of people without access to electricity. Due to climatic factors, poor governance as well as its low levels of industrialisation and development it is also predicted to be one of the hardest hit regions by climate related impacts. It is for this reason that **Norsad is committed to a just climate transition**. A just transition is one where those countries that have emitted the largest share of GHGs will have a comparably larger role to play in reducing GHGs as well as assisting other less developed nations in achieving their targets and adapting to the predicted climate related impacts.

3. Climate Change Risk Management

Norsad is a United Nations Principles of Responsible Investing (UNPRI) signatory, as such is it required to report against the Taskforce on Climate related Disclosures (TCFD). It is for this reason that in addition to the list of applied standards within the Norsad Responsible Investment Policy, this Climate Change policy seeks to add additional criteria against which prospective clients will be measured.

These include:

- TCFD aligned disclosures; and
- Carbon footprinting analysis as conducted under the recommendations of the GHG Protocol.

4. Norsad's Commitment to Climate Change Reporting

As part of Norsad's ongoing mandatory reporting requirements under the UNPRI, from 2023 Norsad will be required to adopt and disclose climate related information in line with the recommendations of the TCFD.

Norsad recognises the aims of the TCFD as enabling markets to better understand the climate related risks that assets and financial systems are exposed to. It is anticipated that by increasing the transparency of the climate related risks its portfolio is exposed to, that its clients will move to address these areas of risk towards enhancing business resiliency.

Norsad will work with its clients to both communicate the importance of climate related disclosures and to facilitate that their clients are able to provide relevant decision supporting information to Norsad. Examples of this information tied directly into the disclosures of the TCFD which include:

1) Governance:

- a) Describing how the board oversees climate related risks and opportunities.
- b) Management's role in assessing and managing climate related risks and opportunities.

2) Strategy:

- a) Describing climate related risks and opportunities the organisation has identified over the short medium and long term;
- b) Describing the impact of climate related risks and opportunities on the organisation's business strategy and financial planning; and
- c) Describing the resilience of the organisation's strategy using scenario planning, including 2°C of warming and lower.

3) Risk Management:

- a) Describing the company's process for identifying and assessing climate-related risks;
- b) Describing the company's process for managing climate-related risk; and
- c) Describing how these are integrated into the businesses risk management processes.

4) Metrics and targets:

- a) What metrics are used to assess climate-related risks and opportunities in line with the strategy and risk management process?
- b) Disclosure of scope 1, scope 2 and scope 3 GHG emissions and related risks; and
- c) Describe the targets used by the business to manage climate-related risks and opportunities and performance against targets.

Norsad acknowledges that implementing the TCFD framework will take some time to complete.

5. Norsad's processes

The Norsad board commits itself to oversight and implementation of systems to manage climate related risks both within Norsad as well as its lending clients. This includes:

- Weighing the climate related risks of potential clients during the screening and due diligence process.
- Implementing climate action plans to monitor clients throughout the life of the loan agreement.
- Developing a Climate Change strategy for Norsad Capital. This will articulate how our investment activities align with the pillars of the TCFD.
- The Board has committed to sign off on the Climate Change Policy and Strategy. The Board will receive regular feedback, at least quarterly, from the internal ESG team on progress made or obstacles encountered in this space.
- Norsad's internal ESG team will determine the metrics to track climate related impacts both internal and external to Norsad in line with international best practices.
- These metrics and targets will inform the climate risk management actions of the company.

6. Norsad's Client processes

Norsad commits to working with both its current clients and future clients to enable them to provide TCFD decision useful information.

Norsad believes not only will this benefit Norsad by improving their client's resiliency to climate related risks, but it will also improve their client's business and enhance the impact that Norsad strives to create through its financing.

7. Empowering the Climate Change Policy

While the climate change policy is the first step in addressing climate related risks and opportunities, it is empowered and embedded within Norsad in two ways. First through its integration into the Norsad Social and Environmental Sustainability Handbook , and secondly it requires the creation and implementation of a climate change strategy that will set out the steps and highlight areas of lending risk, as well as highlight markets that may prove advantageous under the changing climatic regime shifts.

Norsad commits to producing a climate change strategy and communicating it to the Board within 12 months of the sign-off of the climate change policy.

8. Concluding remarks

Norsad is committed to addressing the global risk posed by climate change. As part of our commitment to the UNPRI, responsible investment processes such as the TCFD requirements will be discussed with other investors to encourage increased commitment to addressing areas of risk within the investment space. Norsad will encourage other investors to follow suit and commit their support to the UNPRI and more specifically to the TCFD to help improve disclosures within the financial sector as well as across all regions and sectors. We hold ourselves accountable and look forward to publicly reporting on our progress made in our various annual reports, including our Annual Report, Impact Report and UNPRI reporting.

The Norsad Climate Change policy is effective from April 2023 and will be considered in all new investment decisions made going forward. Norsad endeavours to re-examine this statement annually to ensure it remains aligned both with Norsad's Climate Change Policy as well as the current context of climate change mitigation and adaptation. An abridged version of this policy will be publicly disclosed. Norsad's Head of Impact is responsible for the implementation of this policy.

9. Other considerations

As climate change becomes more firmly embedded within Norsad, revisions and updates to this policy will become necessary, the strategy may change, or the regulatory environment may become more stringent requiring additional information from climate related disclosures. This policy will need to be kept up to date and reviewed annually, it is for this reason that this policy will be reviewed annually.