

SAGE GREY FINANCE LIMITED

IMPACT FINANCE FRAMEWORK

FEBRUARY 2024

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1. EXECUTIVE SUMMARY

- 1.1. Sage Grey Finance Limited (“Sage Grey Finance”) is a regulated financial institution with a proven track-record and international expertise, committed to creating impact through lending, fund management, and strategic advisory services. Sage Grey Finance is characterized by its strong commitment to positive change and sustainable development by leveraging financial expertise to create lasting social and environmental impact. Impact at Sage Grey Finance is based on a deep, evidence-based understanding of our business and the broader implications of our activities on the community and environment. As a leading finance company committed to driving positive social and environmental change, we have developed an Impact Finance Framework to guide our lending, fund management, and strategic advisory services across the value chain.
- 1.2. The successful implementation of this framework would ensure we build reputation, enhance consumer and investor confidence, and gain credibility through transparent disclosures.
- 1.3. Objectives –We aim to align our financing, business, and operational activities with existing social and environmental goals, thereby achieving a dual objective of financial returns and positive impact. Sage Grey Finance will continue to do good while doing well.
- 1.4. Goals –
 - 1.4.1. Promote Sustainable Development: Our aim is to drive investments that contribute to sustainable development by addressing pressing environmental and social challenges. Through initiatives such as renewable energy projects, sustainable agriculture, and conservation efforts, we work to safeguard natural resources, mitigate climate change, and foster resilient communities. By prioritizing sustainable development goals in our investment decisions, we strive to create lasting positive impact for current and future generations.
 - 1.4.2. Social Empowerment: We are committed to empowering individuals and communities through our investments in social enterprises, education programs, and capacity-building initiatives particularly focused on Small and Medium Enterprises (SMEs), youth, and Women. By providing access to resources, training, and opportunities, we aim to enhance social inclusion, and promote equal rights and opportunities. Our goal is to contribute to a more equitable and just society where every individual has the opportunity to thrive and fulfil their potential.
 - 1.4.3. Financial Inclusion: Our objective is to promote financial inclusion by expanding access to affordable and appropriate financial services for underserved populations, including women, SMEs, and youths. Through innovative financial products, technology-driven solutions, and community-based approaches, we seek to empower individuals to build assets, manage risks, and improve their overall financial well-being while contributing to the economy and national development. By bridging the gap between financial services and those who need them most, we aim to promote economic stability, resilience, and prosperity for all.
- 1.5. Mission – At Sage Grey, we strive to be a catalyst for positive change, fostering sustainable development and improving the well-being of communities globally.

- 1.6. Values – our core values are tied around Innovation, Sustainability, and Integrity.

2. GUIDING PRINCIPLES

- 2.1. **SDG 17:** We have developed a robust impact finance strategy with the aim of driving positive social, environmental, and financial outcomes along measurable targets embedded in the seventeen (17) Sustainable Development Goals. In line with this commitment, decisions on our operational, investment, advisory, and other activities shall be predicated on clear and discernible output and impact. Our commitment is to ensure that all of our initiatives are aligned with a minimum of two SDGs. The attainment of these SDG goals shall be measured and monitored all through the lifecycle of each engagement to ensure alignment with our strategy.
- 2.2. **Transparency:** Transparency is a cornerstone of our Impact Finance Framework. We are committed to openness and honesty in all aspects of our operations, from investment decisions to impact measurement and reporting. By providing clear and accessible information to stakeholders, including investors, partners, and communities, we foster trust, facilitate informed decision-making, and uphold the highest standards of integrity and accountability.
- 2.3. **Accountability:** Accountability is fundamental to our approach to impact finance. We hold ourselves accountable to our investors, stakeholders, and the communities we serve, ensuring that our actions align with our stated mission and values. Through robust governance structures, regular monitoring, and evaluation, we strive to track and measure our impact, learn from our successes and failures, and continuously improve our practices to maximize positive outcomes and minimize harm.
- 2.4. **Inclusivity:** Inclusivity guides our efforts to promote equitable access and participation in the financial system. We recognize the importance of engaging diverse perspectives, voices, and experiences in our decision-making processes, from investment selection to project implementation. By actively seeking out, amplifying, and providing financial products tailored to SMEs, women, and youths, promoting diversity and inclusion, and fostering partnerships with local stakeholders, we aim to create opportunities for all individuals and communities to participate in and benefit from our impact finance initiatives.
- 2.5. **Sustainability:** Sustainability is at the core of our Impact Finance Framework. We prioritize investments that generate long-term positive impact while safeguarding natural resources and promoting environmental resilience. By integrating environmental, social, and governance (ESG) considerations into our investment strategies, we seek to create value not only for our investors but also for society as a whole. Our goal is to contribute to a more sustainable and prosperous future for current and future generations, leaving a legacy of positive change for years to come.

3. IMPACT FINANCE SERVICES

3.1. Our Products and Services

Sage Grey Finance offers a range of financial products and service offerings to clients. Our impact finance strategy shall be driven through each of these tailored products and service offerings which would enhance impact measurement and transparent reporting to stakeholders. Our products and service offerings are as follows:

3.1.1. Service Offerings include

- a. Financial Services which comprise of Lending, Fund Management, Asset and Project Finance, Consumer loans.

- b. Other Financial Services which comprise of Debt factoring, Debt Administration, Issuance of Vouchers, Debt Securitization, Coupon Cards and Token Stamps, Bond Issuance,
- c. Advisory Services which comprise of financial and advisory consultancy

3.2. Focus Sectors

- 3.2.1. **Renewable Energy:** Investing in renewable energy projects such as solar and hydroelectric power is vital for reducing carbon emissions, promoting energy sustainability, and combating climate change. Investment in gas-powered energy sources also contributes to safer energy sources for day-to-day consumption. By supporting the development and adoption of clean energy technologies, we can create green jobs, enhance energy security, and drive economic growth while protecting the environment.
- 3.2.2. **Recycling and Manufacturing:** Investing in recycling initiatives and waste management systems is crucial for promoting resource efficiency, reducing pollution, and minimizing the environmental impact of waste. By supporting innovative recycling businesses, circular economy models, and community-based recycling programs, we can contribute to a more sustainable future by conserving resources and reducing the burden on landfills. This strategy also ensures that recycled products are reutilized in the economy saving costs and preventing waste.
- 3.2.3. **SME, Women & Youth Empowerment:** Empowering women, youth and SMEs is essential for achieving inclusive and sustainable development. By investing in education, entrepreneurship, leadership development, and access to financial services, we can unlock the potential of women and youth as agents of change, driving economic growth, social progress, and gender equality.
- 3.2.4. **Housing:** Investing in affordable housing initiatives is critical for addressing housing affordability challenges, reducing homelessness, and promoting social inclusion. By supporting the construction of affordable housing units, mixed-income developments, and community-led housing projects, we can improve housing access, stability, and quality of life for individuals and families, ultimately building stronger and more resilient communities.
- 3.2.5. **Clean Energy:** In addition to renewable energy, investing in clean energy solutions such as energy efficiency technologies, and sustainable transportation infrastructure is essential for transitioning to a low-carbon economy. By promoting energy conservation, reducing emissions, and enhancing energy security, we can mitigate climate change while fostering innovation and economic competitiveness.
- 3.2.6. **Technology:** Investing in technology innovation and digital infrastructure is critical for driving economic growth, improving productivity, and addressing societal challenges. By supporting startups, research, and development in areas such as information technology, and software solutions, we can unlock new opportunities for innovation, job creation, and sustainable development.
- 3.2.7. **Health Care:** Access to quality healthcare services is fundamental for promoting health and well-being, reducing poverty, and achieving equitable development outcomes. By investing in healthcare infrastructure, medical facilities, and healthcare delivery systems, we can improve healthcare access, affordability, and outcomes for individuals and communities, ultimately saving lives and building healthier societies.

3.2.8. Other sectors that may be identified from time to time.

3.3. **Impact Finance Investment Focus on Sustainable Development Goals**

Our impact investment strategy will focus on the implementation of the Sustainable Development Goals. The SDGs are a universal call to action and a blueprint to achieve a better and more sustainable future for all. These goals include;

- a. Goal 1-No Poverty
- b. Goal 2-Zero Hunger
- c. Goal 3-Good Health and Well-Being
- d. Goal 4- Quality Education
- e. Goal 5-Gender Equality
- f. Goal 6-Clean Water and Sanitation
- g. Goal 7-Affordable and Clean Energy
- h. Goal 8-Decent Work and Economic Growth
- i. Goal 9-Industry, Innovation and Infrastructure
- j. Goal 10-Reduced Inequalities
- k. Goal 11-Sustainable Cities and Communities
- l. Goal 12-Responsible Consumption and Production
- m. Goal 13-Climate Action
- n. Goal 14-Life Below Water
- o. Goal 15-Life on Land
- p. Goal 16-Peace, Justice and Strong Institutions
- q. Goal 17-Partnerships for the Goals

3.3.1. We have also identified below a list of some of the targets we aim to achieve although these targets are not an exhaustive representation of our interests.

3.3.2. **Goal 5-Gender Equality**

- a. SDG Target 5.5: Ensure Full Participation in Leadership and Decision-Making- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.
- b. SDG Target 5.7 Equal Rights to Economic Resources, Property Ownership, and Financial Services- undertake initiatives to give women equal access to economic resources including financial services products.

3.3.3. **Goal 7-Affordable and Clean Energy**

- a. SDG Target 7.4 Promote Access to Research, Technology, and Investments in Clean Energy
- b. SDG Target 7.1 Promote Universal Access to Modern Energy.

3.3.4. **Goal 8-Decent Work and Economic Growth**

- a. SDG Target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- b. SDG Target 8.5 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

3.3.5. Goal 9-Industry, Innovation and Infrastructure

- a. SDG Target 9.3 Increase Access to Financial Services and Markets
- b. SDG Target 9.7 Support Domestic Technology Development and Industrial Diversification
- c. SDG Target 9.8 Universal Access to Information and Communications Technology

3.3.6. Goal 12-Responsible Consumption and Production

- a. SDG Target 12.5 substantially reduce waste generation through prevention, reduction, recycling and reuse.

3.3.7. Goal 13-Climate Action.

- a. SDG 13.2 Integrate Climate Change Measures into Policies and Planning

4. IMPACT ASSESSMENT CRITERIA

4.1. Impact assessment is a crucial component of our decision-making process at Sage Grey Finance. Before engaging with any client or investing in a project, we undertake a thorough evaluation to understand their potential social, environmental, and economic impact. Our assessment criteria encompass various factors, including social benefits, environmental implications, economic viability, governance standards, innovation potential, scalability, stakeholder engagement, risk analysis, and long-term sustainability targeted at the 17 SDGs. The assessment steps are as follows;

4.1.1. **Set Strategy:** We establish clear objectives and guidelines for impact assessment, aligning them with our company's mission, values, and sustainability goals. We shall define ideal SDG outcomes in line with business objectives. At this stage, we shall identify at least two SDG goals the engagement will address.

4.1.2. **Integrate:** We integrate impact assessment into our decision-making processes, embedding it within our project evaluation frameworks and investment criteria. We shall set adequate performance targets and timelines for achieving desired SDG outcomes. We shall also utilize adequate metrics and indicators for performance tracking and establish processes to periodically track the selected indicators for performance assessment.

4.1.3. **Optimize:** We continuously refine and improve our impact assessment methodologies, seeking opportunities to enhance our understanding of potential impacts and optimize our decision-making processes. We shall analyze the data collected through performance tracking mechanisms in step 2 above. In course of this step, we shall use the analysis to decide on new actions for improving impact performance.

4.1.4. **Reinforce-Communicate Progress:** We reinforce the importance of impact assessment throughout our organization, fostering a culture of responsible investing and decision-making that prioritizes positive social, environmental, and economic outcomes. disclose impact performance and management process of impacts, including how impacts were identified, measured, and prioritized for actions. We shall also report on our activities in our annual report using industry-specific disclosure standards. We shall also engage the services of external impact auditors to test the effectiveness of our strategy against our outcomes and impact.

4.2. SDG Integration Throughout the Investment Cycle

4.2.1. **Sourcing and Due Diligence:** Screening investments for their potential to advance a Sustainable Development Goal (SDG) involves evaluating the alignment of investment opportunities with the targets and objectives set forth by the United Nations' SDGs. This screening process assesses how an investment can contribute to specific SDGs, such as ending poverty, promoting gender equality, or combating climate change. Factors considered may include the sector, geographic location, business model, and anticipated social and environmental impacts of the investment.

4.2.2. Investment Selection and Structuring:

- a. Setting investment impact targets anchored on SDG targets: In this stage, investment impact targets are established based on specific Sustainable Development Goal (SDG) targets relevant to the investment focus. These targets serve as benchmarks for measuring the social, environmental, and economic impact that investments aim to achieve. By aligning investment impact targets with SDG targets, investors can ensure that their investments contribute directly to global efforts to address pressing sustainability challenges and promote inclusive development.
- b. Modelling future impact against SDG targets: In this phase, future impact scenarios are modelled to assess how investments will contribute to advancing SDG targets over time. Using quantitative and qualitative analysis, projections are made to estimate the potential outcomes and effectiveness of investment strategies in achieving desired SDG-related outcomes. This process helps investors understand the expected impact trajectory of their investments and identify areas for optimization to maximize SDG alignment and positive societal change.
- c. Educating portfolio company management teams about the SDGs: As part of investment selection and structuring, portfolio company management teams are educated about the SDGs to increase awareness and understanding of the importance of sustainable development principles. This includes providing training, resources, and guidance on integrating SDG principles into business strategies, operations, and decision-making processes. By fostering a culture of sustainability and responsible business practices within portfolio companies, investors can enhance the likelihood of achieving investment impact targets and contributing to the broader SDG agenda.

4.2.3. Investment Management:

- a. Co-creating impact measurement and management plans with portfolio companies: This involves collaborating with portfolio companies to develop tailored impact measurement and management plans aligned with Sustainable Development Goals (SDGs). Through a participatory approach, investors and portfolio companies work together to identify relevant impact indicators, set targets, and establish methodologies for tracking and evaluating progress toward SDG-aligned outcomes. Co-creation ensures that impact measurement processes are integrated into business operations and decision-making, fostering accountability and transparency in achieving social, environmental, and economic impact objectives.

- b. Measuring, reporting on, and managing impact toward the SDGs: In this stage, investments' impact on SDGs is systematically measured, reported on, and managed to ensure alignment with desired outcomes. Impact data is collected, analysed, and communicated using standardized frameworks and reporting guidelines, facilitating comparability and transparency across investments. Regular monitoring and evaluation enable investors and portfolio companies to assess progress, identify areas for improvement, and make informed decisions to optimize impact toward SDG targets. By actively managing impact, investors can maximize the effectiveness of their investments in contributing to sustainable development goals and driving positive change at scale.

4.2.4. **Exit:** During the exit phase, we measure and report on the progress achieved towards the Sustainable Development Goals (SDGs) throughout the investment lifecycle. This involves conducting a comprehensive assessment of the impact generated by the investment in advancing SDG-related targets and objectives. Impact metrics are analyzed and reported using standardized frameworks and reporting guidelines to ensure transparency and accountability. By quantifying the social, environmental, and economic outcomes achieved, we will demonstrate the contribution of our investments to sustainable development and inform future decision-making.

5. IMPACT MEASUREMENT AND METRICS

5.1. Key performance indicators (KPIs) and metrics used to measure the social and environmental impact.

5.1.1. **Employment:** Sage Grey Finance is committed increasing the number of jobs created or sustained within a specific timeframe, thereby contributing to poverty reduction, economic development, and social well-being. By tracking our employment metrics such as job creation, job retention, and unemployment rates, we will assess our impact on SDG 8 and monitor progress towards promoting inclusive and sustainable economic growth, productive employment, and decent work for all.

5.1.2. **Business Creation-** We commit to, directly and indirectly, stimulate the creation of businesses in the Nigerian economy by providing the needed funding to women and youths with viable business ideas that would stimulate economic activities in different sectors.

5.1.3. **Reduction of Carbon Emissions:** Sage Grey Finance is committed to reduction in the emission of Green House Gases (GHG) in line with Goal 13 of the SDGs. Sage Grey Finance supports the objectives to decarbonize its activity through public commitments, policies, specific procedures, public targets, and a model of economic incentives tied to the achievement of Greenhouse Gas (GHG) emission reductions for directors, managers, technical and support staff. We shall set annual targets in alignment with our strategy.

6. COLLABORATIONS AND PARTNERSHIPS:

6.1. Sage Grey Finance understands the crucial role of partnerships and collaborative initiatives in creating the required impact in the areas we have identified in this framework. We shall encourage and promote effective public, public-private and civil society partnerships, building on experience and resourcing strategies of partnerships. We shall engage in collaborative initiatives and partnerships in the following areas.

- 6.1.1. **Impact Investment Funds:** Sage Grey Finance will collaborate with our partners to establish impact investment funds aimed at financing projects aligned with specific SDGs, such as renewable energy, affordable housing, employment, recycling, and other sectors that align with our investment strategy. We shall establish an International Fund Sourcing Desk to obtain funds to drive investments in the outlined areas.
- 6.1.2. **Public Sector Partnerships:** Sage Grey Finance will partner with Public Sector players such as Ministries, Departments, and Agencies to channel funding to SMEs, Youth and women owned businesses, recycling and circular economy, entrepreneurship training and capacity building and other initiatives.
- 6.1.3. **Capacity-Building and Technical Assistance Programs:** Sage Grey Finance will collaborate with industry associations, academic institutions, and civil society organizations to offer capacity-building and technical assistance programs for enterprises and impact-focused ventures.

7. IMPLEMENTATION

- 7.1. As part of the implementation plan for the impact finance framework, committee and board approval are crucial steps to ensure alignment with organizational goals and oversight.
- 7.2. **Committee Approval:** The impact finance framework will be anchored by Governance and Nomination and the Finance, Investment and Risk Management committees respectively. These committees will review the framework in detail, provide feedback, and ensure that it aligns with the company's strategic objectives and risk management policies. Committee approval signifies endorsement and support for the framework's implementation.
- 7.3. **Board Approval:** Following committee approval, the impact finance framework will be presented to the company's board of directors for final approval. The board will assess the framework's overall effectiveness, alignment with corporate strategy, and potential impact on stakeholders. Board approval provides the necessary governance oversight and ensures that the framework receives high-level endorsement. The Board shall also receive quarterly reports on the progress of implementation of this framework.
- 7.4. **Management Committees:** All Management Committees of Sage Grey Finance shall oversee the implementation of this framework in alignment with company strategy within the sphere of their oversight at their respective meetings.
- 7.5. **Impact Officer:** Sage Grey Finance shall appoint an Impact Officer who shall be responsible for overseeing the execution of the impact finance framework and ensuring that it aligns with the company's sustainability goals and objective.

8. RISK MANAGEMENT

- 8.1. Risk management is a critical component of impact financing, aimed at identifying and mitigating potential risks associated with investments in projects and businesses that generate positive social and environmental outcomes. We have identified below some of the risks that may face the implementation of our impact investment strategy
 - 8.1.1. **Financial Risks:** we understand that we face risks related to the financial viability of impact investments, including credit risk, liquidity risk, and market risk. To mitigate these risks, thorough due diligence is conducted to assess the financial health and stability of potential investees. Diversification of investment portfolios across sectors and geographies helps spread risk, while rigorous monitoring and performance tracking enable early detection of

financial vulnerabilities. We will continue to develop a risk register and continually track our investments all through the investment cycle.

8.1.2. **Social Risks:** We understand that our investments may encounter social arising from community resistance, cultural sensitivities, or stakeholder conflicts. To mitigate this risk, we shall continue to engage with local/host communities and stakeholders through participatory approaches, stakeholder consultations, and community engagement programs that help to address these risks. By implementing robust social impact assessments and incorporating social performance indicators into investment criteria we will ensure proactive management of social risks and enhance positive social outcomes.

8.2. The As part of our risk management framework, the Facility Approval Memorandum (FAM) and Facility Summary Report (FSR) will comprehensively address risks associated with the impact of our lending and advisory activities.

9. REPORTING AND TRANSPARENCY

- 9.1. Sage Grey Finance will continue to report on our direct and indirect investments, operations and activities by utilizing applicable disclosure standards and reporting frameworks specific to our industry. Our Annual Report shall contain information on our successes and challenges and how we have been able to navigate these challenges, the lessons learned with a glimpse of the future roadmap for our impact investment initiatives.
- 9.2. As part of its oversight functions, the Board shall receive reports on the implementation of our impact finance framework quarterly and approve the long-term impact finance strategy of the Company.
- 9.3. The Company shall also employ the services of external consultants to review/audit our impacts against the key performance indicators and report to the Board.