



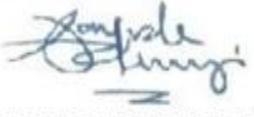
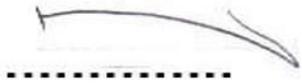
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# **Social and Environmental Management Systems (SEMS) Policy Manual**

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**First City Monument Bank (FCMB) Limited**

**October 2024**

OFFICE	Date Approved	Signature
CHIEF RISK OFFICER	Dec. 16, 2024	 ..... Chief Risk Officer
RISK MANAGEMENT COMMITTEE	Dec. 16, 2024	 ..... Chairman  ..... Chief Financial Officer
BOARD RISK AND COMPLIANCE COMMITTEE	Dec. 16, 2024	 ..... Chairman

## Policy Review History

Dept.	Approval Date	Name	Old Version	Changes/New Requirements	New Version
Risk Policy (SEMS Unit)	Oct. 2024	SEMS Policy Manual	7.0	<ul style="list-style-type: none"> <li>▪ The document name has been changed to Social and Environmental Management System (SEMS) Policy Manual.</li> <li>▪ Inclusion of an Approval sheet as a section within the manual.</li> <li>▪ Inclusion of a Foreword and Glossary.</li> <li>▪ The Purpose, Scope and Communication of the manual has been defined.</li> <li>▪ Additional objectives have been included.</li> <li>▪ Consideration of applicable local laws, local regulations, guidelines, standards, and other internal policies that support the requirements of the manual.</li> <li>▪ Updated roles and responsibilities for existing stakeholders such as BRCC, SEMS team, Credit Underwriting team, Specialized Loan Monitoring team, Account Officers/Relationship Managers.</li> <li>▪ Inclusion of new responsibilities for Legal, Head of Risk Policy, Credit Admin, for the policy implementation.</li> <li>▪ Inclusion of an Organogram.</li> <li>▪ Six (6) distinct phases for E&amp;S risk management have been outlined within the credit approval process.</li> <li>▪ The Exclusion list has been updated to align with the IFC and relevant stakeholder requirements.</li> <li>▪ An Exclusion List Log has been developed to register declined transactions.</li> <li>▪ A screening and categorization tool has been developed to support standard categorization of transactions.</li> <li>▪ E&amp;S risk assessment templates have been designed for High, Medium &amp; Low transactions in line with IFC Performance Standards.</li> <li>▪ The expected procedure for ESDD has been clearly captured in the manual.</li> <li>▪ Reference has been made to syndicated loans.</li> </ul>	8.0



				<ul style="list-style-type: none"> <li>▪ Inclusion of a section on E&amp;S clauses in the manual with the development of a series of standardized E&amp;S clauses.</li> <li>▪ Inclusion of E&amp;S monitoring expectations and frequency.</li> <li>▪ An E&amp;S Monitoring Template has been updated for Category A and B customers/projects.</li> <li>▪ Development of a Major Incident Reporting Template.</li> <li>▪ Development of an Internal E&amp;S Management Reporting templates &amp; dashboard.</li> <li>▪ Inclusion of a section on E&amp;S Training and Capacity Building.</li> <li>▪ Development of a dedicated Grievance Redress Mechanism which includes a Grievance Form and Grievance Register.</li> </ul>	
Risk Policy (SEMS Unit)	July 2022	SEMS Policy	6.0	<ul style="list-style-type: none"> <li>▪ Updated Policy Objectives, Governance Framework, Project Review and Approval Process, E&amp;S Risk Identification.</li> <li>▪ Added sections include E&amp;S Risk Management Program, Stakeholder Engagement, Emergency Management Plan, and Emerging E&amp;S Issues.</li> </ul>	7.0
Risk Policy (SEMS Unit)	Feb. 2019	SEMS Policy	5.0	Updated Policy Objectives, Governance Framework, Project Review & Approval Process, Management Information, Reporting and Communication, and Technology Infrastructure.	6.0
Risk Policy (SEMS Unit)	March 2017	SEMS Policy	4.0	Updated Governance and Roles & Responsibilities	5.0
Risk Policy (SEMS Unit)	Sept. 2012	SEMS Policy	3.0	Harmonized the SEMS Policy with the CBN guidelines on Nigerian Sustainable Banking Principles (NSBP)	4.0
Risk Policy (SEMS Unit)	July 2012	SEMS Policy	2.0	<ul style="list-style-type: none"> <li>▪ Updated Policy Objectives to include the Bank's commitment to SEMS Policy requirements.</li> <li>▪ Updated Governance Framework to include Credit Underwriting.</li> <li>▪ Removed C&amp;C and included BORM</li> </ul>	3.0
Risk Policy (SEMS Unit)	March 2011	SEMS Policy	1.0	Inclusion of Policy Objectives, Governance Structure and Review/Approval process	2.0



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## Foreword



At FCMB Limited, we recognize that our operations and lending activities have significant environmental and social (E&S) implications. As a responsible financial institution, we are committed to managing these risks effectively while fostering sustainable development in the communities we serve. This Social and Environmental Management System (SEMS) Manual underscores our dedication to integrating environmental and social considerations into our business practices and decision-making processes.

We firmly believe that sustainable finance is essential for both our business success and the well-being of society. By proactively identifying, assessing, and managing environmental and social risks, we aim to protect the environment, promote social responsibility, and safeguard the interests of our stakeholders. This serves as a framework to guide our efforts in achieving these objectives.

We are committed to upholding the principles, standards, and guidelines outlined in this SEMS Manual and to integrating E&S considerations into every aspect of our business, where relevant.



The Social and Environmental Management System (SEMS) Policy Manual for First City Monument Bank (FCMB) outlines the bank's commitment to sustainable banking practices by integrating environmental and social (E&S) risk management into its business operations and lending activities. Key elements include:

1. Policy Objectives and Scope: The SEMS Manual establishes a framework to identify, assess, and manage E&S risks in FCMB's credit approval processes. The policy ensures compliance with both Nigerian and international sustainability standards, aiming to protect the environment and promote social responsibility.
2. Governance Structure: The manual designates roles across various units to ensure proper implementation, with oversight by the Board Risk and Compliance Committee and active involvement from specialized teams for E&S risk assessment, monitoring, and reporting.
3. Risk Assessment and Management: It introduces a step-by-step procedure that includes E&S exclusion screening, categorization, due diligence, loan conditions, monitoring, and reporting. The assessment differentiates projects based on their risk level and specifies the necessary due diligence.
4. Emerging E&S Issues: The SEMS Manual addresses issues like climate risks, circular economy, gender-based violence, public health, and stakeholder engagement, encouraging clients to adopt sustainable practices.
5. Training and Capacity Building: The manual highlights ongoing E&S training for employees to enhance knowledge of sustainability standards and ensure compliance with SEMS requirements.

This manual serves as a guide for FCMB's efforts in sustainable finance, helping balance profitability with positive environmental and social impacts.

## Glossary



<b>BORM</b>	Business and Operational Risk Management
<b>BRCC</b>	Board Risk and Compliance Committee
<b>CBN</b>	Central Bank of Nigeria
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>CSOs</b>	Civil Society Organizations
<b>CSR</b>	Corporate Social Responsibilities
<b>DEI</b>	Diversity, Equality, and Inclusion
<b>DFIs</b>	Development Finance Institutions
<b>E&amp;S</b>	Environmental and Social
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EDFI</b>	European Development Finance Institutions
<b>EHS</b>	Environmental, Health, and Safety
<b>EIA</b>	Environmental Impact Assessment
<b>EP</b>	Equator Principles
<b>ESAP</b>	Environmental and Social Action Plans
<b>ESDD</b>	Environmental and Social Due Diligence
<b>ESS</b>	Environmental and Social Safeguards
<b>FCMB</b>	First City Monument Bank
<b>FMO</b>	Dutch Entrepreneurial Development Bank
<b>FRN</b>	Federal Republic of Nigeria
<b>GBVH</b>	Gender Based Violence and Harassment
<b>IFC PS</b>	International Finance Corporation Performance Standards
<b>ILO</b>	International Labour Organization
<b>MDBs</b>	Multilateral Development Banks
<b>MSDS</b>	Material Safety Data Sheet
<b>NDC</b>	Nationally Determined Contribution
<b>NESREA</b>	National Environmental Standards and Regulations Enforcement Agency
<b>NGOs</b>	Non-Governmental Organizations
<b>NSBP</b>	Nigerian Sustainable Banking Principles
<b>RAP</b>	Resettlement Action Plan
<b>RCSA</b>	Risk and Control Self-Assessment
<b>RMC</b>	Risk Management Committee
<b>SEMS</b>	Social and Environmental Management System
<b>SERM</b>	Social and Environmental Risk Management
<b>SLM</b>	Specialized Lending Monitoring
<b>TCFD</b>	Taskforce on Climate Related Financial Disclosures
<b>UNEP FI</b>	United Nations Environment Programme Finance Initiative
<b>UNGC</b>	United Nations Global Compact
<b>WB</b>	World Bank



## 1. Introduction

### 1.1. Policy Statement

FCMB believes that success in business and commitment to responsibility work together. FCMB will ensure that environmental and social commitments form an integral part of our processes and operations and strive to promote a culture of adherence to its Social and Environmental Management System (SEMS).

At First City Monument Bank (FCMB), we are committed to integrating environmental and social considerations into our business practices to foster sustainable development and promote positive impacts within the communities we serve. We believe that sustainable finance is essential for our business success and for societal well-being. In line with this commitment, our Environmental & Social Management System (SEMS) guides our efforts to responsibly manage environmental and social risks in our operations and lending activities.

We commit to:

1. Identifying and Managing E&S Risks: By proactively assessing and addressing E&S risks associated with our clients' activities and projects, we aim to minimize negative impacts on people, communities, and the environment.
2. Compliance with Standards: We adhere to the Nigerian Sustainable Banking Principles (NSBP) and other relevant local and international guidelines, ensuring our practices align with industry best standards.
3. Sustainable Development: FCMB is dedicated to supporting projects that contribute positively to the environment and society, including climate resilience, gender equity, and the protection of biodiversity.
4. Transparency and Accountability: We strive for transparency by reporting our E&S performance to stakeholders, enhancing accountability in all areas of our business.
5. Building Internal Capacity: Through training and capacity building, we equip our teams to uphold these principles, ensuring that E&S management is an integral part of our operations and decision-making processes.

FCMB is dedicated to sustainable growth, balancing our financial objectives with our responsibility to foster a healthier environment and stronger communities.



## **1.2. Background**

The need to protect and preserve the environment by the judicious use of scarce natural resources continues to fuel debate, policy, and practical actions globally. FCMB supports initiatives that encourage business practices that are people-oriented, environmentally friendly and will lead to sustainable financial services, keeping the triple bottom-line in focus (People, Planet and Profit/Prosperity).

FCMB is committed to the integration of environmental and social (E&S) considerations into its existing credit approval and risk management process in line with international best practice by identifying, managing and monitoring, and reporting E&S risks on an on-going basis in its business activities. This has led the bank to the development of the SEMS Manual which would serve as a guidance on the incorporation of E&S risk management into the Bank's risk management procedures, investment decision-making processes, internal and external reporting through specific E&S processes with specific consideration to national laws and regulations and industry best practices.

## **1.3. Purpose of Policy**

This SEMS Policy Manual provides the framework and procedures FCMB has put in place for identifying, assessing, and managing social and environmental risks within all relevant business activities of the bank.

## **1.4. Policy Objectives**

- The SEMS Manual will act as a decision support tool to ensure that:
  - There are clear processes and procedures for identifying the E&S risks associated with borrower activities and projects.
  - Action plans are defined to avoid, minimize, or mitigate social and environmental issues.
- Outline the relevant business areas where the SEMS Manual is applicable.
- Establish a clear process for assessment, monitoring, and reporting of E&S risks within the bank's lending activity, where applicable.
- Provide the bank with guidelines to conduct business in a manner that will promote and



protect the health and safety of employees, customers, and the public.

- Promote greater transparency and accountability on E&S issues internally and externally through disclosure and reporting.
- Ensure compliance with the Nigerian Sustainable Banking Principles approved by the CBN and other applicable environmental and social legislations and Frameworks in all our business locations as well as the principles of FCMB's bilateral and multilateral lenders.
- FCMB shall integrate environmental and social considerations into all business decisions.
- Outline specific roles and responsibilities critical to the implementation of the SEMS within the bank.
- Determine training and capacity building requirements for the successful implementation of the bank's SEMS.

#### **1.5. Scope**

The SEMS Manual will be applied to all financial products and services except personal & retail loans, mortgages<sup>1</sup>. We acknowledge that legacy issues may arise from credit engagements entered by the Bank prior to the developments/review of this policy. SEMS Manual shall not be applied retrospectively. Application shall be prospective and shall be considered at the point of renewal of credit requests.

#### **1.6. Communication**

FCMB is committed to internal and external communication aimed at informing staff and stakeholders about its SEMS. The SEMS Manual will be disseminated internally. The aim is to motivate staff and create a sense of belonging around shared values and objectives. To facilitate external access to stakeholders (partners and clients), the Bank's SEMS Manual shall be disclosed. The Bank's E&S Performance may also be disclosed on its website.

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<sup>1</sup> Mortgage means outright purchase of buildings not where the structures may have to be completed or renovated.



## 2. Applicable Standards, Guidelines, and Principles

### 2.1. Alignment with Regulatory and International Standards, Guidelines and Principles.

The Framework is prepared taking into consideration applicable regulations of the Constitution of the Federal Republic of Nigeria (FRN), including the Bank's regulator, and the Central Bank of Nigeria (CBN) instructions. Compliance with CBN and other local regulatory requirements, in both letter and spirit, is considered mandatory.

The Bank shall adhere to the applicable laws, acts, and regulations where FCMB operates (including applicable environmental and labour laws such as

- Applicable regulations of the constitution of FRN and other relevant local regulatory requirements.
- Federal Ministry of Environment's National Environment Standards and Regulation Enforcement Agency (NESREA) Act
- Nigerian Labour Act (Cap L1 LFN 2004)
- Nigeria Factories Act (2004)
- Environmental Impact Assessment (EIA) Act (1992), etc.

In addition to the compliance with the above-mentioned laws and regulations, FCMB shall align to and consider the following regulatory and international principles, guidelines, and standards:

- CBN's Nigerian Sustainable Banking Principles (NSBP)
- FCMB Exclusion List
- International Finance Corporation Performance Standard ("IFC PS")
- United Nations Global Compact (UNGC)
- United Nations Environment Programme Finance Initiative (UNEP FI)
- Equator Principles (EP)
- Taskforce on Climate-related financial disclosure (TCFD)
- International Sustainability Standards Board (ISSB)
- The World Bank (WB) Environmental and Social Standards (ESS).
- World Bank Environmental Health and Safety (EHS) Guidelines and applicable sector specific guidelines.
- IFC's Interpretation Note on Financial Intermediaries (FIs).
- International Labour Organization (ILO) Conventions
- European Development Finance Institutions (EDFI) Principles for Responsible Financing of Sustainable Development
- The African Development Bank (AfDB) Integrated Safeguards System (ISS)



The above-mentioned standards, guidelines, and principles shall be considered as requirements in the management of E&S risks within the Bank.

If a conflict exists between the Bank's SEMS Manual and regulatory pronouncements, the latter should take precedence. Necessary amendments shall be incorporated into this policy to ensure compliance.

Other internal policies that supports the SEMS Manual include:

- FCMB Credit Risk Policy
- Enterprise Risk Management Framework
- Market Risk Policy
- Operational Risk Management Policy
- Sustainability Policy
- Collateral Management Framework
- Standard Operating Procedures (SOP) of the Specialized Loan Monitoring (SLM) Unit
- Loan Documentation Procedure Manual
- Risk Policy



### 3. SEMS Governance

To support the implementation of the FCMB SEMS Manual, there is the need for a clearly defined governance structure with clearly outlined roles and responsibilities. FCMB has clearly outlined the roles and responsibilities of relevant functions with accountability for the implementation and management of the Bank's SEMS Manual. Below is an overview of SEMS-related roles and responsibilities of all relevant functions.

Function	Roles and Responsibilities
<b>Board Risk and Compliance Committee (BRCC)</b>	<ul style="list-style-type: none"> <li>• Overall responsibility for the oversight of the SEMS Manual based on the Bank's Strategy and Risk Appetite.</li> <li>• Approve the update or review of the SEMS Manual.</li> </ul>
<b>Executive Director/Divisional Head &amp; Chief Risk Officer (CRO), Risk Management and Compliance Directorate</b>	<ul style="list-style-type: none"> <li>• Overall responsibility for the implementation of the Bank's SEMS in line with SEMS Manual.</li> <li>• Provide supervisory oversight for the operations of the SEMS and its structure.</li> <li>• Allocate resources for the effective formulation and implementation of SEMS.</li> <li>• Review SEMS activities periodically for process improvements.</li> <li>• Ensure compliance with CBN and investor requirements.</li> </ul>
<b>Head, Risk Policy</b>	<ul style="list-style-type: none"> <li>• Direct supervision of the SEMS Team.</li> <li>• Lead the periodic review of the SEMS Manual</li> </ul>
<b>Social and Environmental Risk Management (SERM) Team Lead</b>	<ul style="list-style-type: none"> <li>• Ensure E&amp;S factors are incorporated into all aspects of client and transaction development.</li> <li>• Lead in the E&amp;S assessment of higher risk clients and transactions.</li> <li>• Ensure the use of all SEMS templates and tools in the implementation of the SEMS Manual</li> <li>• Ensure the comprehensive integration of E&amp;S considerations across the approval chain of each transaction, where relevant, in line with the SEMS Manual.</li> <li>• Champion the implementation of the SEMS Manual within the Bank through: <ul style="list-style-type: none"> <li>○ Trainings and workshops for improved awareness and to obtain management and staff buy-in.</li> <li>○ Communication of SEMS Manual updates and related events to staff.</li> <li>○ Collaboration with Relationship Managers to monitor and ensure that mitigation plans and processes are implemented in line with agreed milestones.</li> </ul> </li> </ul>




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	<ul style="list-style-type: none"> <li>○ Improved competencies across the Bank through effective liaison with the Training Academy as well as self-development.</li> <li>○ Participate in the pre-approval review to facilitate adherence to social and environmental requirements.</li> <li>○ Carry out periodic site visits in company of designated Specialized Lending Monitoring (SLM)/Relationship Officers to validate Project Managers' or Consultant's reports and monitor progress.</li> </ul> <ul style="list-style-type: none"> <li>● Escalate incidents of divergence from agreed milestones to CRO and recommend remedial actions.</li> <li>● Ensure general and targeted SEMS related training and capacity building is conducted periodically.</li> <li>● Ensure social and environmental issues relating to each transaction are properly documented i.e., Evaluation checklist, Call memo etc.</li> <li>● Ensure each project complies with applicable principle under the Nigerian Sustainable Banking Principles (See appendix 2)</li> <li>● Generate reports for shareholders and financing partners on SEMS-related performance.</li> <li>● Internal Reporting on E&amp;S Risk Exposures and compliance to the Senior Management Team</li> <li>● Address all E&amp;S Related Major Incident Reports and escalating to Senior Management.</li> <li>● Serve as the E&amp;S Coordinator of the Bank.</li> <li>● Periodic reporting of reports to external stakeholders</li> </ul>
<b>SERM Officer</b>	<ul style="list-style-type: none"> <li>● Support in the implementation of the SEMS Manual and monitor compliance.</li> <li>● Ensure E&amp;S appraisals are conducted on all credit facilities where relevant.</li> <li>● Develop and maintain an E&amp;S MIS Tracking Tool/Database for all screened and disbursed facilities.</li> <li>● Review of correctness of E&amp;S screening and categorization conducted by the Relationship Teams.</li> <li>● Collecting E&amp;S related data/documentations to inform credit decision making.</li> <li>● Support on customer and project site visits /client engagements where additional E&amp;S due diligence is beneficial or required to confirm or gather information on E&amp;S risks.</li> <li>● Support SERM Team Lead on all E&amp;S related activities.</li> <li>● Periodic reporting of reports to external stakeholders</li> </ul>

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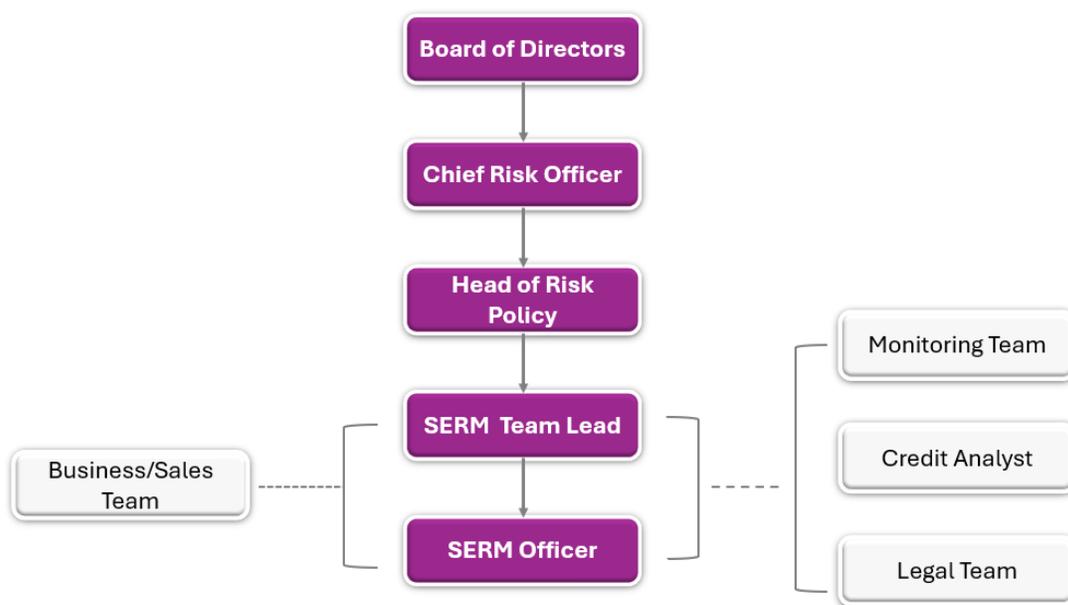


<b>Credit Underwriting Unit</b>	<ul style="list-style-type: none"> <li>• Conduct credit appraisals of clients and transactions.</li> <li>• Recommending credit requests without E&amp;S analysis to the SERM team for E&amp;S analysis.</li> <li>• Working closely with the SERM Team to ensure that no credit that falls within the E&amp;S Exclusion list is approved without appropriate management consent.</li> <li>• Ensure the summary of E&amp;S assessments/due diligence for transactions and ESAPs are included in the Credit Approval Documents/Approved Term Sheets.</li> <li>• Evaluate the E&amp;S Risk Assessment forms for low-risk transactions</li> </ul>
<b>Credit Administration Unit</b>	<ul style="list-style-type: none"> <li>• Liaise with the SERM Team and ensure all ESAPs are properly documented in Offer Letter and ensure that ESAP related documents are submitted before Loan Disbursement.</li> </ul>
<b>Relationship Teams</b>	<ul style="list-style-type: none"> <li>• Ensure that the clients' business does not fall within the bank's approved exclusion list.</li> <li>• Conducting the E&amp;S screening and categorization, using the appropriate tools through the support of the SERM Team.</li> <li>• Partner with E&amp;S Team to conduct project site visits.</li> <li>• Obtain relevant E&amp;S information/data to support E&amp;S risk assessment by the SERM team.</li> <li>• Monitor the client's implementation of agreed ESAP.</li> </ul>
<b>Business and Operation Risk Management (BORM)</b>	<ul style="list-style-type: none"> <li>• Development of Key Risk Indicators (KRI) on sustainability issues</li> <li>• Enforce SEMS compliance through the R&amp;C index.</li> </ul>
<b>Specialized Loan Monitoring Unit</b>	<ul style="list-style-type: none"> <li>▪ Undertaking client site visits with or on behalf of the SEMS team.</li> <li>▪ Ensure the use of SEMS Monitoring template during E&amp;S related site visits.</li> <li>▪ Checking for client's compliance with ESAPs post disbursement monitoring.</li> <li>▪ Provide E&amp;S monitoring report to SEMS Team Lead</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>• Ensuring relevant E&amp;S clauses are included in the credit loan agreement.</li> </ul>
<b>Internal Control</b>	<ul style="list-style-type: none"> <li>• Carry out checks to monitor compliance with SEMS Manual.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Conduct audit exercise to provide assurance with the agreed procedure/policy</li> </ul>



**Communications and Corporate Social Responsibility (CSR)**

- Receiving, reviewing, and responding to communications from external stakeholders on E & S issues
- Log and track all public enquiries received.
- Work with the SEMS officer and relationship manager in responding to E & S queries relating to project financed.
- Submit periodic Environmental Reports to Multilateral Agencies (where applicable)
- Provide Monthly Report to Risk Management Committee on the bank's E&S Practices, Issues and Strategies



**Fig 1: SEMS Organogram**



#### **4. SEMS and Sustainability Philosophy**

##### **4.1. Desired Culture and Commitment to Core Value**

The Bank defines its desired behaviors through Vision and Mission Statements and Core Values elements, which invariably define the Bank's risk culture especially around SEMS. Embedded in our core value are innovation and execution indicating the bank's E&S responsiveness on issues such as climate change, health and safety, pollution prevention, gender diversity (doing more to level the playing field for women in the workplace and in the business environment), environmental sustainability (converting more of our branches to solar power and moving more transactions to a digital paperless format), and financial inclusion (micro finance, agency banking, agricultural sector banking etc.), etc.

##### **4.2. Sustainability Commitments**

- We nurture the capacity to endure.
- We strive to maintain high quality earnings through diversified and repeatable revenue sources.
- We abide by the sustainability principles of the Nigerian banking industry, which promotes a positive social and environmental impact of the organization and the banking industry.
- We maintain appropriate business continuity strategies in respect of our people, premises, technology, and information.

##### **4.3. Human Capital**

The SEMS desk must be manned by an experienced and qualified professionals with the right skills for the role. This should come with a great understanding of environmental and social risk and opportunities. The individuals must be able to identify and provide levers to reduce/mitigate related risks, understand the broader stakeholder landscape and their priorities on E&S issues (shareholders, customers, employees, regulators, potential investors etc.).

##### **4.4. Financial Resources**

The Bank shall make available the required financial resources to support its SERM team in driving its processes including Due Diligence, Monitoring, Capacity Development, and 3rd Party



Audits. This is to meet regulatory requirements as captured in the NSBP and those of its partners including Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) while building a robust and comprehensive credit risk management infrastructure.

## **5. SEMS Procedure**

### **5.1. Approach**

The SEMS procedures support the implementation of the SEMS Manual through the integration of E&S considerations into the bank's credit approval process. The SEMS procedures outlines a step-by-step process for the application of the SEMS Manual and the use of associated E&S related tools and templates pre and post approval of a credit application.

This approach ensures that the Bank engages clients on potential E&S risks that have been identified as well as collaborating with them in managing these risks, thereby improving their operations, complying with E&S related regulatory requirements, and minimizing environmental and social impacts while maintaining a business relationship with the bank.

The SEMS Procedures are made up of six distinct phases for the management of E&S risks within our credit approval process. These phases are:

- E&S Exclusion List Screening
- E&S Categorization
- E&S Risk Assessment/E&S Due Diligence (ESDD)
- E&S Loan Conditions/Clauses
- E&S Monitoring and Management
- E&S Reporting

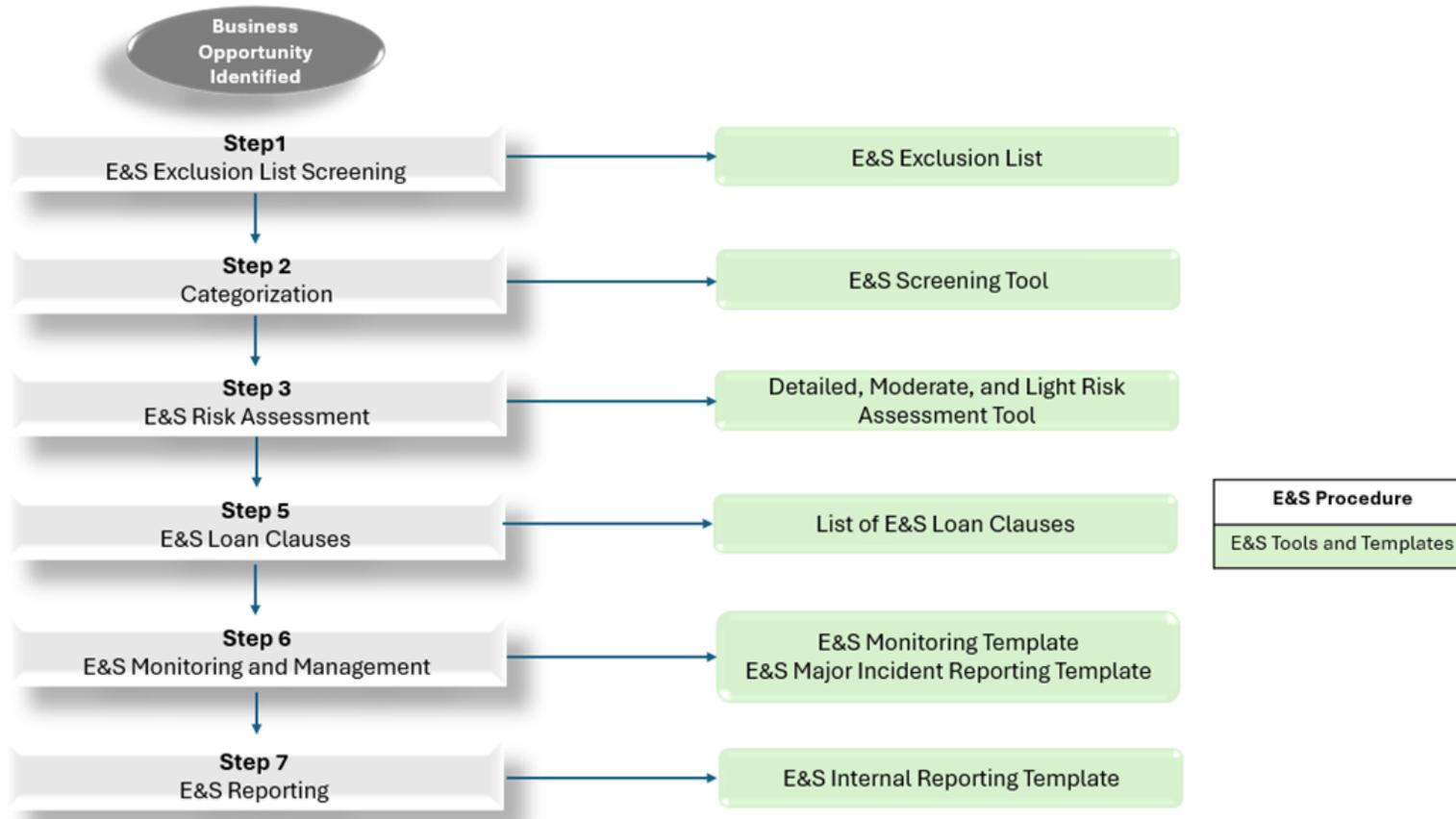


Fig 2: SEMS Procedure



### 5.2. E&S Exclusion List Screening

Upon identifying a potential business opportunity and initiating the credit for approval, the Relationship teams will conduct an E&S Exclusion List screening. FCMB has developed an E&S Exclusion List (See Appendix 1) which is a list of businesses that the bank has committed not to finance. The Business team or individual responsible for the client relationship shall screen the credit request using the E&S Screening and Categorization tool to confirm that the business of the clients do not fall within the FCMB's Exclusion List. This will further be confirmed by the SERM team. Where clients or transactions are identified as being on the Exclusion List, the default position will be that further consideration of financing/investment in the project will be terminated in line with this SEMS Manual.

### 5.3. E&S Categorization

Once the screening process has been completed and the project confirmed not to fall within the Bank's Exclusion List, the Business Teams will proceed to the E&S Categorization of the project. The categorization will be completed using the **E&S Screening and Categorization Tool** (and Table 5 below) which considers 2 major criteria; the client E&S risk rating (sector specific risk) and the loan product type.

**(a) Client E&S Risk Rating:** This considers E&S risks specific to the nature of the client's business operations and sectors in which it operates. The Client's E&S Risk Rating are categorized into 3:

- High E&S Impact (Category A): Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- Medium E&S Impact (Category B): Business activities with potentially limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- Low E&S Impact (Category C): Business activities with minimal or no adverse environmental or social risks and/or impacts.

**(b) Product Related Risks:** The Product Related risks are also categorized into 3 exposure risk ratings:



- High E&S Risk Exposure: These are long term loan exposures e.g., Term loans, project finance, syndicated loans, etc. with a tenure of 3 years and above
- Medium E&S Risk Exposure: These are Short/medium term corporate lending, other forms of short-term lending, e.g., time loans, revolving time loans, revolving overdrafts, etc. with a tenure of 1-3 years.
- Low E&S Risk Exposure: These are short term financing, trade finance, leasing, research and advisory, retail banking, short term overdrafts, etc.” with a tenure of less than 1 year.

The table below outlines the matrix for determining the E&S Risk Rating:

Client E&S Risk Rating	Product/Loan Risk								
	High Exposure			Medium Exposure			Low Exposure		
High (Category A)	Detailed E&S Due Diligence – High Risk	E&S	Due Diligence	Detailed E&S Due Diligence – High Risk	E&S	Due Diligence	Moderate E&S Due Diligence – Medium Risk	E&S	Due Diligence
Medium (Category B)	Moderate E&S Due Diligence – Medium E&S Risk	E&S	Due Diligence	Moderate E&S Due Diligence – Medium E&S Risk	E&S	Due Diligence	Minimum E&S Due Diligence – Low E&S Risk	E&S	Due Diligence
Low (Category C)	Minimum E&S Due Diligence – Low E&S Risk	E&S	Due Diligence	Minimum E&S Due Diligence – Low E&S Risk	E&S	Due Diligence	Minimum E&S Due Diligence – Low E&S Risk	E&S	Due Diligence

Table 1: E&S Risk Rating Matrix

#### 5.4. E&S Risk Assessment

The E&S Risk Assessment will be conducted upon determination of the E&S category of the project. The purpose of the E&S Risk Assessment or E&S Due Diligence (ESDD) is to conduct a more detailed E&S risk assessment of the projects especially for Category A and B. For each E&S category allocated to the project, an associated ESDD template (Appendix 5, 6, and 7) has been developed to support the ESDD process. The templates are to be completed by the Relationship Team and reviewed/approved by the SERM team based on information of the projects collected during site visits or desktop review.



- **Category C:** Projects with a Category C E&S rating are considered low risks with minimal impacts. The evaluation of these projects shall be completed by the Credit Risk Analyst upon confirmation of a completed E&S screening and categorization tool by the SERM Officer. The Credit Analyst shall apply the ***Minimum E&S Risk Assessment*** Template (See Appendix 4) and shall not require any further assessment, due diligence, or site visits.
- **Category B:** All Category B projects are considered medium E&S risks and shall require additional E&S due diligence which could include visit to client sites, where necessary. These projects shall be assessed using the ***Moderate E&S Risk Assessment Template*** (See Appendix 5).
- **Category A:** All Category A transactions are considered High Risk and shall require Enhanced E&S Due Diligence with mandatory site visits. These transactions shall be assessed using the ***Detailed E&S Risk Assessment Template*** (See Appendix 6). Where deemed appropriate and necessary by FCMB, such projects may, on a case-by-case basis, require review by a third-party consultant independent of the bank and the client (these assessments shall be paid for by the client) especially for projects that trigger IFC Performance Standards 5 - 8. FCMB shall consider its ***E&S Due Diligence Terms of Reference (ESDD ToR) Template*** (See Appendix 7) in the selection and reporting of an independent consultant.

E&S due diligence for Category A and B projects may include but not be limited to the following reviews:

- Independent, consultant reports, permitting evidence and current /future site-specific recommendations.
- Project's Environmental and Social Impact Assessment
- Environmental Audit reports
- Regulatory Permits
- Resettlement Action Plan (RAP) in case of resettlement issues.
- Stakeholder Engagement Plan
- Community Development Plan
- Health and Safety Management Plan



- Material Safety Data Sheet (MSDS) for chemicals
- Waste Management Plan
- Review of all client's related E&S documentations based on E&S risks identified during the E&S assessment process, etc.

Client engagement on E&S issues could include site visit or virtual reviews where necessary.

The Detailed and Moderate E&S Assessment templates were developed in line with the IFC Performance Standards to adequately identify and assess relevant E&S issues. Upon concluding the assessment, an E&S Action Plan (ESAP) with a clear timeline should be developed and articulated within the assessment templates based on the risks identified, especially in situations where the client is not currently able to demonstrate it can manage its E&S impacts but is able to meet undertake clear and time-bound actions that would enable it to do so. This will be included within the offer letter for conditions subsequent to lending.

The templates also cater for E&S opportunities which involves green-related projects that could be explored with the client.

#### **5.4.1.1. Syndicated Loans**

For syndicated loans, the bank's SERM team shall work with the E&S team of the lead bank to identify and evaluate the E&S risks within the project, especially in a situation where FCMB is not the lead bank. The findings from the lead bank should be shared with the FCMB team while the FCMB SERM team also has a responsibility to share the findings of its E&S risk assessment with the lead bank. In a case where FCMB is lead, the SERM team shall take the lead on the E&S Risk Assessment unless stated otherwise.

#### **5.5. E&S Loan Clauses**

All loan agreements / client's offer letters will contain generic E&S clauses at least requiring that projects comply in all material respects with Nigeria's environmental and social legal/regulatory requirements embodied by state general laws and implementing agencies and conducted in accordance with any Applicable Requirements.



As determined by categorization and E&S risk assessment, loan agreements will contain specific clauses that address the level of E&S risks identified and assessed as stated within the ESAP to ensure that the risks are adequately managed either precedent or subsequent to drawdown as the case may be.

A list of suggested and tailorable E&S clauses for Loan Agreements (Appendix 8) have been developed which could be incorporated into the FCMB's standard client loan agreement under a dedicated SEMS section within the offer letter. The Bank shall negotiate and agree upon the E&S terms included in the legal agreement with the Borrower to achieve a clear understanding and record of FCMB's E&S expectations in line with the requirements of this framework.

#### 5.6. E&S Monitoring and Management

As part of FCMB's SEMS management, there is a requirement to monitor and manage approved transactions to ensure that the client complies with the ESAPs outlined within the loan agreement and to identify any E&S related risks that might not have been identified during the E&S risk assessment stage. The business teams and the SERM team, with support from the Specialized Monitoring Unit, shall ensure continuous engagement with the client to monitor the implementation of ESAPs based on the frequency as defined by the SEMS Manual or as approved by Management of the Bank.

- **Monitoring frequency:** For Category A transactions, the frequency of monitoring should be biannually. For Category B and C transactions, the frequency of monitoring should be annually, especially when Category C has an ESAP.
- **Tools and Templates:** The E&S Monitoring template (See Appendix 9) shall be used for E&S Monitoring purposes. Progress on the ESAPs and relevant updates shall be articulated within the template. New E&S risks not identified during the assessment process and associated mitigation plans shall also be noted within the template.
- **Sources of Information:** The level of monitoring could include site visits, review of E&S related documentation, virtual client engagements on E&S performance, desktop reviews, etc. as most appropriate to the Bank.



For major incidents that have occurred during the loan, they shall be documented using the Major Incident Reporting Template (See Appendix 10). It shall include details of the client, summary of the incident, corrective action plans, etc. This shall be reported to the Chief Risk Officer/ED, Risk Management of the Bank.

In the period after approval, FCMB undertakes the following activities:

- (a) **Approved transactions:** During project life cycle, the SERMs team, Specialized Loan Monitoring Unit, and Business teams will:
  - i. Review the Categorization of the transaction for material changes.
  - ii. Review client's implementation of the ESAPs and agreed timelines. Newly identified E&S risks should also be assessed.
  - iii. Agree with the borrower and communicate through feedback the key deficiencies identified and request for corrective action in specified time limits.
- (b) **Completed transactions:** At the end of the loan, and during the writing of a project completion report that consolidates among other lessons learned, provision should be made for reporting on the environmental and social issues that may have emerged, and lessons learned for enhancing future appraisals.

### 5.7. E&S Reporting

The Bank reports on its SEMS activities internally and externally on a periodic basis. Externally, FCMB reports to its regulator, the CBN, through the NSBP biannual reports and to investors such as DFIs on a defined periodic basis.

Internally, SEMS reporting to the Management through the Risk Management Committee (RMC), and other relevant committees shall be done periodically or when required using the E&S Internal Reporting Template (Appendix 11). The reporting will capture the performance of the SEMS over the reporting period including:

- Overview of the Bank's E&S Portfolio based on E&S risk category
- Number of transactions approved/reviewed.
- Transactions declined that fell within the Bank's Exclusion List



- Updates on E&S Monitoring
- Updates on Major Incidents on client’s site (if any), etc.

The scope and frequency of such reporting depends upon the nature and scope of the activities identified and undertaken in accordance with FCMB’s management approach and other applicable investor requirements and external commitments. The SERM Team Lead will be responsible for reporting on these metrics to the Senior Management of the Bank.

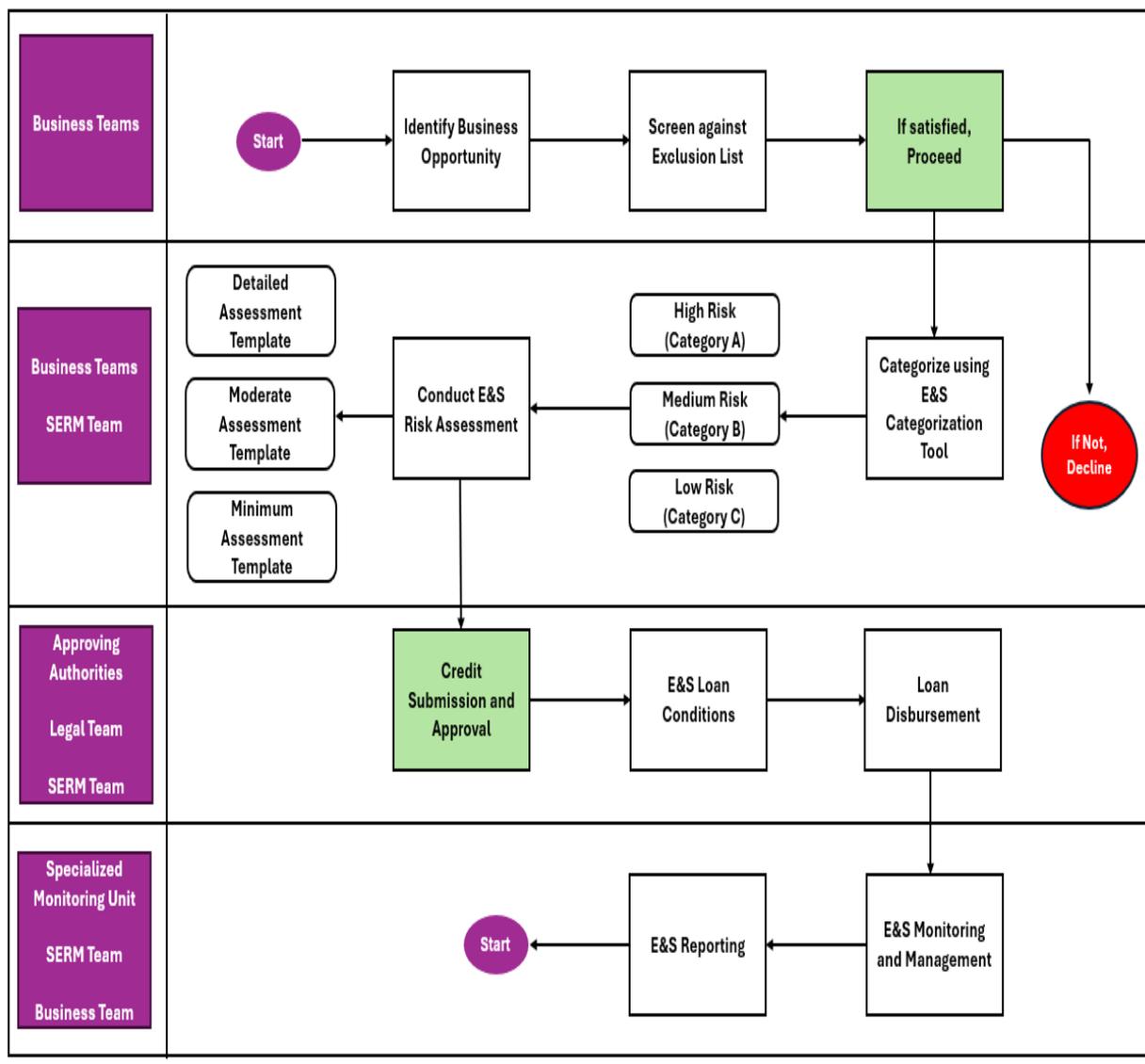


Fig 3: SEMS Process Flow



## 6. Emerging E&S Risk

### 6.1. Climate Risks and Opportunities

Climate Change and the resultant impact as an emerging risk continues to be at the front burner for FCMB in terms of its business considerations. In view of this, Bank will use various tools at its disposal to adapt and mitigate these impacts. The Bank has a two-pronged approach as regards this, its Operation and Business Activities.

To this end, it considers not only the risk, but also the opportunities inherent, by increased adoption of renewable energy to power its branches and with its business activities, lend to business by funding their Climate Finance-related transactions (led by the Bank's Business Banking team). In doing this, the FCMB will be able to support various national climate commitments such as the National Determined Contribution (NDC) of the Government of Nigeria which has an unconditional economy-wide target to reduce emissions by 20% by 2030 relative to business-as-usual, and increasing the conditional target from 45% to 47% with international support taking into contemplations sectors like Energy, Oil and Gas, Agriculture, Transportation, and Power.

FCMB will continue to manage climate related risks and opportunities within its portfolio using various internal E&S tools and templates.

The Bank with regards to the key aspects of Climate risk – Transition and Physical risks, shall address it as follows:

- **Transition Risk:** This is the risk that the bank could face because of global transition to a low carbon economy due to its portfolio being highly leveraged on fossil fuel. FCMB shall make every effort to reduce/ gradually phase-out where possible its investment in sectors that are high CO<sub>2e</sub> contributors as also been identified by the government as focus area with regards to its NDC program. To achieve this, FCMB shall continuously review its portfolio using the IFC CAFI Tool identify sectors with the most transition risk. This will in addition provide the Bank with the opportunity to invest in greener assets including Climate Smart-Agriculture and Cleaner/Renewable Energy opportunities.



- **Physical Risks:** This is the risk the bank and its portfolio might face because of the actual impacts of climate change such as flooding, desertification, drought, etc. FCMB shall continue to take into considerations its impact, looking at how and where it invests. Sectors like Agriculture and Infrastructure are areas where the Bank shall continue to pay high attention as it poses the highest amount of possible physical risk loss to its business.

### **6.2. Circular Economy**

The Bank has adopted a Cradle to Grave approach with use of Life-Cycle-Analysis which is evident in its environmentally friendly material usage, re-use and recycle programs and other initiatives including carpooling. As such, FCMB as part of its internal activities and business operations encourages the model, where production and consumption of scarce raw materials and ecosystem services are reused, shared, leased, recycled, leased for as long as possible to reduce the environmental impact of biodiversity loss, pollution, and climate change.

As a Bank, we are making conscious efforts to reduce our contribution to the take, make, waste economy which is recognized as a key driver to natural capital loss and climate risk. We are doing this by tracking and reducing our material usage (paper, water, waste, and energy) through various Bank initiatives. In addition, FCMB is constantly adopting technology to drive and reduce its impact organization-wide through various digital processes i.e., teleconferencing, and digital archiving. The Bank is also encouraging recycling by partnering with recycling companies in a bid to reduce its carbon footprint and a further step to this, the adoption of renewable energy sources to power its business branches.

With regards to its customers, FCMB will encourage its clients to move to renewable/cleaner energy sources, reuse, recycle as well as incorporate design thinking and product innovation into how products are designed and made.

### **6.3. Gender Based Violence and Harassment (GBVH)**

The Bank in line with requirements of Principle 4 of the NSBP frowns at GBVH, which covers behaviors including psychological, physical, and economic abuse that is targeted at a person because of his/her gender. GBVH, amongst other negative impact presents huge reputational



risk, cost from fines, relationship strain between business and community, increase staff turnover, and reduces investors' confidence. As such, FCMB will do the following:

- **Project Screening and Assessment:** Screen clients for GBVH using its SEMS tools such as the E&S Screening and categorization tool and the ESDD Templates. In addition, it requires that its clients do the following in ensuring it avoids, minimizes, and mitigate the impacts of GBVH. These include the following steps:
- **Prevent GBVH and Encourage Reporting:** Projects/businesses should develop relevant policies, strengthening company and leadership culture through training, working closely with contractors and vendors and establishing a GRM process.
- **Responding to and Investigating Reports:** FCMB clients are required to respond and investigate as required reports on GBVH made by employees. Care should be taken to keep victims anonymous, treat them with respect and dignity while being non-judgmental. The process should include:
  - Providing support to victims
  - Assign an experienced and trained person to lead investigation and response as necessary.
- **Monitoring:** FCMB would continue to monitor and ensure its borrowers make efforts to prevent and respond to GBVH issues when they happen

#### 6.4. Public Health

The Bank's Public/Environmental Health considerations covers infectious diseases i.e., COVID19 pandemic and other public health issues that has plagued the world most recently including the SAR-VoC-2 Virus and Lassa fever. It is important that businesses that make up the Bank's risk asset prepare, manage, and protect their employees when these occur. FCMB would continue to monitor and advise its borrowers where applicable on how to appropriately address these. A key reason for increased need for preparedness is that infectious diseases continue to be a major contributor to work related death as well as impact people livelihood i.e., agriculture (poultry) and hospitality businesses which could lead to credit risk. FCMB shall improve its preparedness and management of possible infectious disease outbreaks:



- Provide policies and procedures for preparedness.
- Reduce corporate exposure to critical outbreak risks.
- Improve internal response capabilities.
- Communicate proactively to reduce the risk of overreaction.

## 6.5. Stakeholder Engagement

FCMB requires projects/businesses to build a strong and binding connection with the communities and individuals where they are located. The need is geared at ensuring inclusivity along on all project aspects, especially as it relates to E&S impacts and opportunities. The process should make certain that this is carried within the framework of Free Prior Informed Consent, especially as it relates to land acquisition where possible economic and physical displacement is envisaged, or sensitive cultural/ecosystem services are involved. These consultations should be robust, constructive, inclusive, and ongoing with representation from Civil Society Organizations (CSOs), Non-Governmental Organizations (NGOs) and Government Regulatory Bodies. Projects should also create ways to communicate externally, receiving and logging complaints/grievances from project affected communities or persons. In addition, screen, assess and address these complaints within a stipulated timeframe.

### 6.5.1. Grievance Mechanism Procedure

FCMB, in a bid to entrench the best global practices, has developed a grievance mechanism procedure with the following:

- **Complaint Reporting:** It specifies who can file a complaint (project affected persons – communities and individuals) and the level of grievances.
- **Grievance Submission:** The Bank currently explores a few channels as ways of receiving E&S related complaints linked to sub-projects it has financed and activities of its operations at its various locations. The process include:
  - a telephone or verbal conversation with an FCMB representative (through dialing the FCMB /KPMG ethics line) - 0700 329 0000, 0201 227 2800, 0201 279 8800
  - Email ([customerservice@fcmb.com](mailto:customerservice@fcmb.com))
  - WhatsApp channel - 09099999814 and 09099999815



- KPMG designated email: [kpmgethicsline@ng.kpmg.com](mailto:kpmgethicsline@ng.kpmg.com)
- **Recording Grievances:** This entails how each grievance will be recorded within the FCMB's Grievance Form (Annex 12) and the Grievance Register (Annex 13).
- **Acknowledgement Receipt of Grievances:** Receipt of grievances will be formally acknowledged within 24 hours from the time it was submitted. All resolutions shall be screened, assessed, and addressed with feedback provided to the complainant within 30 days of receipt. This would also involve the time from which the complaint was made to the time a full response was given to the grievance.
- **Grievance Assessment, Investigation, and Resolution:** Each grievance will be assessed to identify the type of response required and the appropriate individual(s) to be assigned in overseeing the process based on the four (4) degrees of grievance associated with the complaint as described under the scope of grievances in the standalone Grievance Mechanism Procedure.
- **Appeal (Optional, If Complainant is not satisfied):** Complainant may appeal the closure of a Complaint when they are not satisfied with the outcome of the investigation and/or the proposed resolution. FCMB will designate a Panel comprised of Senior Management or trusted external third parties to address the appeal especially if it is a Level 4 complaint.
- **Follow-Up and Close Out:** A grievance is closed out when no further action can be or needs to be taken. When closing out a grievance, FCMB will ensure that there is fully documented evidence of the resolution process.



## 7. SERM Internal Operations

This covers our aspects and impacts as a business and how we plan to contain our processes in delivering financial services with the lowest possible impacts environmentally and socially. Below are the bank's responses.

### 7.1. E&S Risk Response

Our internal risk response is determined by a couple of factors, our activities/aspects (operations), the bank's risk control framework (ERM Framework) and the types of products we offer (business). Thus, our response would look at different options including accepting, reducing, avoiding, and sharing the risk.

Where we find risks that are difficult to predict and have a lower likelihood of occurring with potentially devastating impact or long-term trends that may take years to appear, reducing or eliminating such may be a challenge. In such a situation, the bank will have to employ adaptive strategies to help us build resilience i.e., Climate Change related.

### 7.2. Exploit: Tailor our Product and Services

- Availing credit to 'Green' finance/credit focusing on alternative/renewable energy, clean technology, energy saving, environmental protection, climate smart agriculture, transport etc. financing across key industry sectors and projects.
- Innovative impact financing for key sectors or focus areas – for example community development and inclusion with CSR, public financing and micro-financing.
- Drive our business processes with renewable energy and energy efficient processes.

### 7.3. Mitigate

Here, the various risk owners (Business, Operations, SERM Team etc.,) are involved in driving this as the second level of control with the use of innovative and collaborative solutions to E&S risk. The following are possible ways to responding to this:

- **Use of Risk and Control Self-Assessment (RCSA):** This should give us firsthand knowledge into possible prevalent E&S Risk from the various SBUs while assessing their various aspects.



- **Use of Benchmarks:** As there are no standards by which performance can be judged, the bank shall set thresholds to measure performance. This threshold shall guide assessment of internal units and shall apply to internal processes e.g., to encourage reduction of Bank-wide Carbon Footprint (CO<sub>2</sub>e).
- **Policies:** We have policies around Sustainability/Environmental Management, Health and Safety, Human Rights and Employee Volunteer to help guide our internal E&S aspects.
- **Internal and External Stakeholders Engagement and Reporting:** Our aim is to continually engage various stakeholders for their buy-in and share experiences from their perspective, so we can effectively drive the bank's E&S standard. To make this happen, we would need to continually find and explore opportunities of hearing from them through assessment, monitoring, and reporting.
  - Internal Stakeholders: The bank shall adopt Training, Workshops and Capacity Building approaches to engage internal stakeholders (see next chapter). Internal communication channels (e.g. Village Square, etc.) should be adopted to engage staff.
  - External Stakeholders: This includes getting feedback from key stakeholders including regulators like the CBN and multilateral agencies including the IFC, FMO etc. based on reports shared and engagement sessions, hence guiding our E&S aspects. The bank's officers shall be actively involved in industry/regulator led engagements to drive SEMS practices.
- **Link rewards to E&S:** We shall strive to incentivize employees for ESMS implementation, e.g., link sustainability-related objectives into personal performance metrics and reward mechanisms.
- **Platform to Capture Energy and Material Use:** The bank shall adopt an available platform to capture material use from branches and other business sites. This would capture our Diesel Use, Petrol Use for Pool Cars, Travel Mileages, Paper Use, Water Use etc. This would help us understand our impacts and determine our compliance to set thresholds.



## **8. E&S Training and Capacity Building**

FCMB believes one of the ways to effectively drive acculturation of E&S Risk Management across the bank is to invest in training and capacity building. To make this happen, we will continuously invest in training on the need to have E&S enshrined in our process, be it, business, or operations. Trainings would cover the basics of E&S risks and opportunities for a financial institution including identifying and managing E&S risks, E&S risks categorization, E&S monitoring and reporting, recent developments on E&S related best practices and Plans, climate risks and opportunities such as TCFD, emerging E&S risks, and sustainable finance opportunities.

### **8.1. Training Frequency**

The training frequency shall be determined by:

- Bank's emerging business needs.
- SERM team's training plan
- Training needs for environmental and social related topics determined by the heads of relevant departments in partnership with the Human Resources Department and SERM Team.

### **8.2. Target Audience For E&S Training**

The key target audience for E&S training includes:

- Board and Senior Management
- New staff as part of the onboarding process
- SERM Team
- Business/Sales Teams.
- Credit Underwriting
- Specialized Loan Monitoring Teams; and
- General Staff.

### **8.3. Key Considerations for E&S Training**

The E&S Training Plan, which will be the responsibility of the SERM team will consider four (4) key steps as presented below.



### **Step 1: E&S Requirements and Training Audience**

- E&S Topics (Training topics will be based on type of audience and the purpose of the training e.g., key E&S principles and standard frameworks, components of the E&S Management System training, training on E&S Plans and tools, etc.)
- Audience (SERM Team, Credit Underwriting, the E&S Champions, new staff, and all FCMB staff)

### **Step 2: Develop Relevant E&S Training Content/Plan**

Training topics will be based on the target audience and the purpose of E&S training.

- Internal practical experiences / learnings (E.g., training sessions based on FCMB's experience in the implementation of the Bank's SEMS, E&S risks in certain sectors or geographies, challenges related to use of the E&S tools and templates).
- Applicable Standards and Regulatory Guidelines (E.g., familiarization with NSBP's requirements)
- E&S capacity building resources (E.g., E&S materials from DFIs such as the IFC, FMO (Dutch Development Bank), etc., sector specific E&S risk management best practice such as IFC, European Bank for Reconstruction and Development [EBRD], etc.)

### **Step 3: Determine Delivery Format of E&S Training**

- In-house training (E.g., provided by E&S team across team sessions, internal team meetings, etc.).
- Induction training (E.g., Induction training for new hires)
- Awareness training (E.g., General E&S training for all FCMB staff)
- External training (e.g. Delivered by a specialized consultant on specific E&S needs or specific parts of the ESMS)

### **Step 4: Determine Resources for E&S Training**

- SERM Team
- External E&S Specialist



- Online Trainings e.g. through FCMB's Human Resources internal training hubs/platforms
- Workshops

#### **Step 5: Evaluate and Review Feedback**

- Seek continuous feedback: Engage with team members after a training session, or let attendees complete a training evaluation survey, or informal discussions around challenges faced during the investment process, etc.)
- Improve training content and delivery based on feedback.

#### **8.4. Types of E&S Training**

- **Induction:** All new staff and employees of FCMB shall undergo E&S induction training facilitated by the SERM Team after being hired. The extent or level of the induction training course should be commensurate with the level of E&S responsibilities and risks that an employee will be exposed to during the execution of their duties. E&S orientation topics shall at minimum be focused mainly on exposure to the Bank's approved SEMS Manual.
- **In-House:** This type of training will be delivered by FCMB's SERM team targeted at the Board, Senior Management, and relevant teams who directly interact with Bank's SEMS such as the Credit Team, Business Team, etc. This type of training will be repeated when necessary.
- **Awareness:** E&S training will be given to FCMB staff and employees on an annual basis through HR existing virtual training platforms. The training would majorly be targeted at creating awareness of the Bank's E&S policy and a high-level understanding of the impact of E&S risks on the bank.
- **External Training/Specialized Training:** These specialized training courses will be delivered either by external E&S consultants on specific E&S related topics to improve the capacity of the SERM Team. It can be sponsored internally or by DFIs such as the IFC, FMO, etc. This could be delivered via workshop sessions, virtual learnings, or target training sessions.



## **9. Review**

The SERM Team Lead shall formally be responsible for the review of the Framework for its completeness, adequacy, and alignment to business imperatives (current and future) at least once every 3 years. All amendments, additions or deletions of policies shall be properly documented and authorized/approved by the Board prior to implementation. Periodic updates shall also be made to the manual based on regulatory and institutional developments and requirements.

### **9.1. Revision Procedures**

Upon updating the Framework, the following activities and revisions should take place:

- The date should be updated with month and year on the cover page, version control page and header of the document.
- The version number should be updated on the cover page, version control page and the header of the document. The version number increases by one with every update.
- The file name shall be updated in accordance with the latest date and version number; and
- The non-editable soft copy of the policy is maintained for internal distribution. The custody of the signed hardcopy document shall be held by the CRO's office.



## Appendix 1: FCMB E&S Exclusion List<sup>1</sup>

FCMB will not finance any activity, production, use, distribution, business, or trade involvement:

- 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's, wildlife, or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES, 1975).
- Production or trade in these permissive sectors below where these business activities, in total, forms a substantial part of our loan book:<sup>2</sup>
  - alcoholic beverages (excluding beer and wine),
  - Production or trade in tobacco.
  - Gambling, casinos, and equivalent enterprises.
- Production or trade in arms (weaponry, munitions or nuclear products primarily designated for military purposes).
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where FCMB considers the radioactive source to be trivial and/or adequately shielded.
- 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%.
- Drift net fishing in the marine environment using nets more than 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup>/harmful child labor<sup>4</sup>.
- Commercial logging operations for use in primary tropical natural forest<sup>5</sup> or High Nature Value Forest in all regions, and activities that lead to clear cutting and/or degradation of tropical natural forests or High Nature Value Forests.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Businesses/activities involved in pornography.
- Businesses/activities involved in child/women trafficking and prostitution.

<sup>1</sup> While the bank will maintain accounts for all customers involved in legitimate business, we will not offer loans to those involved in any business on exclusion list.

<sup>2</sup> FCMB's definition of "substantial" means more than 10% of our portfolio. Therefore, FCMB can lend to these sectors to the extent that the aggregate exposure does not exceed 10% of the Bank's loan book.

<sup>3</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>4</sup> 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.

<sup>5</sup> Primary tropical natural forest is defined as relatively intact forest that has been essentially unmodified by human activity for the previous 60 to 80 years.



- Coal Mining
- Gris-connected coal fired powerplants.
- Unauthorized logging or mining activities.
- Cross border trade in waste and waste products unless compliant with the Basel Convention.
- Significant conversion or degradation of Critical Habitat<sup>6</sup>
- Racist and anti-democratic media or advocacy of discrimination against a part of a population.
- Significant alteration, damage, or removal of any critical cultural heritage
- Relocation of Indigenous Peoples from traditional or customary lands
- Destruction<sup>7</sup> of High Conservation Value Area<sup>8</sup>
- Live animals for scientific and experimental purposes, including breeding of these animals.

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6 Critical habitats are areas with high biodiversity value, including (i) habitat of significant importance to Critically Endangered and/or Endangered<sup>11</sup> species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes.

7 Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

8 High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).



## **Appendix 2: Nigerian Sustainable Banking Principles**

### **Principle 1 | Our Business Activities: Environmental and Social Risk Management**

We will integrate environmental and social considerations into decision-making processes to avoid, minimize or mitigate negative impacts.

### **Principle 2 | Our Business Operations: Environmental and Social Footprints**

We will seek to avoid, minimize, or mitigate the negative impacts of our business facilities and operations on the environment and local communities in which we operate and, where possible, promote positive impacts.

### **Principle 3 | Human Rights**

We will respect human rights in our business operations and business activities.

### **Principle 4 | Women's Economic Empowerment**

We will promote financial inclusion, seeking to provide financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector.

### **Principle 5 | Financial Inclusion**

We will implement robust and transparent governance practices in our respective institutions and assess the governance practices of our clients.

### **Principle 6 | E&S Governance**

We will develop individual institutional and sector knowledge, skills, and capacity necessary to identify, assess and manage the environmental and social risks and opportunities associated with our business activities and business operations.

### **Principle 7 | Capacity Building**

We will collaborate across the sector and leverage international partnerships to accelerate our collective progress and move the sector as one, ensuring our approach is consistent with international standards and Nigerian development needs.

### **Principle 8 | Collaborative Partnership**

We will regularly review and report on our progress in meeting these Principles at the individual bank and sector level.

### **Principle 9 | Reporting**

We will regularly review and report on our progress in meeting these Principles at the individual institution and sector level.



### Appendix 3: E&S Screening and Categorization Tool

The purpose of this toolkit is to support the relevant FCMB personnel to carry out E&S screening of all prospective transactions. This is a snippet as the excel template is readily available.

FCMB'S SCREENING & CATEGORIZATION TOOL	
E&S Risk Categorization Sheet	
Does the Project Fall into the FCMB's Exclusion List	<b>NO (Proceed)</b>
Date	3/5/2024
Client Name	Uche Plc
Sector	Agriculture_Forestry_Fishing
Sub Sector	Agro Services
Transaction Type	Project Finance
Tenor (Months)	60
Amount (N)	2,500,000,000.00
Purpose	For purchase of new production lines
Location	Rivers State
Project Stage	Pre-Construction
Client E&S Risk Rating	B
Product Risk Rating	A
E&S Risk Category	<b>B(Medium Risk)</b>
Expert E&S Category Confirmation	<b>B(Medium Risk)</b>
Assessment Template	Moderate E&S Assessment
Potential E&S Risks	<ul style="list-style-type: none"> <li>• Labour &amp; working conditions</li> <li>• Waste Generation</li> <li>• Drought, Flooding</li> <li>• Supply Chain</li> <li>• Biodiversity</li> </ul>
R.Manager/Officer	
SERM Team	

#### Appendix 4: Minimum E&S Risk Assessment Form (For Category C)

##### ENVIRONMENTAL AND SOCIAL QUESTIONNAIRE

Question	Yes	No	N/A	Comments
Does the company comply with relevant Federal and State environmental, health, safety and labour laws and regulations such as requirements from the Federal / State Ministry of Environment, Ministry of Health, Nigerian Labour Act, etc.?				<i>Provide further details if available</i>
Are all prerequisite national and local E&S related permits, licences, or authorisations in place for the operation of the site (e.g. Waste Permits, Local/State Government Health Permits, etc.)?				
Does the company have a Human Resource Policy?				
Is the company involved in child or forced labour?				
Does the company have adequate documentation around terms of employment for its staff				
Does the company comply with the minimum wage requirements				
Does the company have a Health and Safety Policy				
Has there been any Health and Safety related incidents on the company's site in the last 3 years. If yes, please provide details.				
Has the company had any fatality on site in the last 3 years				



Does the company have a waste management policy				
Does the company generate hazardous waste from its operations?				
Has the company ever had any E&S related penalty or fine due to regulatory non-compliance?				
Has the company ever experienced any environmental and/or social incident such as pollution, community complaints, workers strike, etc. If yes, please provide more details.				
Are there any E&S related considerations the Bank should be aware of? If yes, please provide details.				

**E&S Action Plan (If Applicable)**

Based on the findings above, list the E&S risks with a brief description and provide the relevant action plans to address the identified risks to be provided within a specific timeline.

N/B: All outstanding action plans should be included in the legal agreement to be provided to the client.

S/N	Identified E&S Risk	Description	Action Plan	Timeline
<i>E.g.</i>	<i>Permits</i>	<i>The client has no waste permits in place</i>	<i>Obtain waste permits for operations</i>	<i>1 month</i>



## E&S Opportunities

As a result of engagements with clients, all potential E&S-related opportunities that could generate revenue for the bank should be documented.

S/N	Identified E&S Opportunities (E.g., Renewable Energy, Green Building, etc.)	Description	Potential Company Cost	Company Timeline
<i>E.g.</i>	<i>Renewable Energy</i>	<i>As a plan to reduce their emissions, Company A is considering Renewable Energy as its major source of energy</i>	<i>N1.5Bn</i>	<i>1<sup>st</sup> Qtr. 2024</i>



**Appendix 5: Moderate E&S Risk Assessment Form (For Category B)**

**IFC PERFORMANCE STANDARD 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISK AND IMPACT**

The main objective of IFC PS 1 is to ensure that the company avoids or minimizes adverse social and environmental impacts. It requires the company to develop and implement an Environmental and Social Management System (ESMS) to manage and mitigate these risks. These ESMS include policies, procedures, and management plans to address various issues such as pollution prevention, labor conditions, community health and safety, etc.

IFC PS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISK AND IMPACT	YES	NO	N/A	COMMENTS
Does the company have E&S policies in place that addresses potential environmental and social issues commensurate with its business?				<i>Provide more details</i>
Does the company have a Waste Management Policy in place?				
Is there a Grievance Mechanism Procedure in place for internal and external complaints?				
Does the company have an Emergency Response Plan in place?				
Does the company have a valid Environmental Audit Report (EAR) in place?				
Has the company conducted a risk assessment of its business company?				
Is the company exposed to contextual E&S risks, e.g., past community related issues, or sector related				



reputational issues, or historic E&S related issue in the same or surrounding locations?				
If yes, does company have measures in place to manage these E&S-related contextual risks?				
Is there a dedicated Manager with the responsibility of all E&S related issues in the company?				
Does the company have regulatory permits and licences in place as required by National and State environmental and social agencies such as NESREA, FMEnv, etc.				
Has the company been subject to any legal actions, prosecutions, or lawsuits in relation to E&S issues?				
Have any allegations of bribery or corruption and/or money-laundering been reported in relation to company's personnel, and if so, did any of these instances relate to senior management at the company?				

## IFC PERFORMANCE STANDARD 2: LABOUR AND WORKING CONDITIONS

The main objective of IFC PS 2 is to ensure that the company respects workers' rights, provide safe and healthy working conditions, and promote fair labor practices. It ensures that the fundamental human and labor rights of the workers are protected.

IFC PS 2: LABOUR AND WORKING CONDITIONS	YES	NO	N/A	COMMENTS
Does the company have labour policies that adhere to the Nigerian Labour Act of 2004 and the Nigerian Factory Act 2004 with respect to the Health, Safety and Welfare of employees at work?				



Does the company have a Human Resource Manager?				
Does the company have an Occupational, Health and Safety (OHS) Policy in place?				
Does the company have an OHS Manager?				
Does the company have a grievance system in place to address staff complaints?				
Does the company have a Diversity, Equality, and Inclusion (DEI) Policy or related policies in place?				
Does the company have a Policy against Child Labour and Forced Labour in place				
What is the number of full-time employees?				Female: Male:
What is the number of contract employees?				Female: Male:
Do all staff have a standard employment contract?				
Are workers being owed salaries/wages?				
Are workers paid below the stipulated minimum wages?				
Are proper accommodations provided for staff who are based on site?				
Does the company have a register which tracks Accidents and Lost Time Incident?				
Are the workers and contractors exposed to occupational risks and hazardous substances?				



Are all workers and contractors provided with Personal Protective Equipment (PPEs)?				
Is there a Material Safety Data Sheet in place if the company uses chemicals?				
Has there been any recorded fatality within the past 3 years. If yes, how many?				
Are all staff entitled to Health Insurance and leave days (including permanent and contract staff)?				
Is there an emergency clinic in place?				
Does the company conduct emergency fire drills?				
Does the company have fire prevention and fighting mechanisms in place?				
Does the company have an OHS training plan in place?				
Does the company conduct E&S related due diligence on its supply chain?				

**IFC PERFORMANCE STANDARD 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION**

The main objective of IFC PS 3 is to ensure that the company has systems in place that improves its efficient use of resource such as water, energy, etc. and prevents pollution such as water, air and land pollution, thereby minimizing adverse impacts on the environment.

IFC PS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION	YES	NO	N/A	COMMENTS
Does the company have a waste management policy?				



Are hazardous wastes generated on site?				
Are effluent wastes treated to regulatory standards before disposal?				
Does the company have a permit for disposal of effluent waste?				
Are there measures to ensure re-using, recycling, and reduction of wastes generated on site?				
Are wastes properly collected and stored on site?				
Does the company separate its waste at source?				
Does the company employ the use of state registered waste management companies for the disposal of wastes?				
Has there been reported historical spills or contamination on the company's site?				
Does the company have an oil and chemical spill contingency plan?				
Is the company's operation energy intensive?				
Does the company have plans to reduce its dependency on fossil fuels as a source of energy?				
Is the company's operation water intensive?				
Does the company have a strategy in place to reduce water consumption?				



Does the company's operation create any noise-related impacts due to noise exceeding regulatory limits?				
Does the company have measures in place to mitigate the noise impacts?				

**IFC PERFORMANCE STANDARDS 4: COMMUNITY HEALTH, SAFETY AND SECURITY**

The main objective of IFC PS 4 is to protect the health, safety, and security of the communities affected by the company's operational activities. It aims to prevent or mitigate potential adverse impacts and promote the well-being of these communities.

<b>IFC PS 4: COMMUNITY HEALTH, SAFETY AND SECURITY</b>				
<b>COMMUNITY ENGAGEMENT</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Is the company's site situated close to residential settlements/community(ies)?				
How many community(ies) are directly or indirectly affected by the activities of the company?				
Does the company have a Community Liaison Officer?				
Does the company have a policy and/or procedure in place for engaging local communities.				
Does the company carry out Corporate Social Responsibility (CSR) companies in the community(ies)				
Does the company's activities pose a security threat to the community?				



Does the company employ the use of armed security guards on site?				
If yes, do the armed guards undergo regular training on the use of force?				
Has the company conducted assessments to identify potential disease vectors associated with its operations?				
Does the company monitor and manage vector-borne disease risks for its workforce and surrounding communities				
Has the company identified community-related health and safety risks that are associated with its operations.				
Does the company engage the communities on addressing health and safety related issues posed by its operations.				
Does the operations of the company increase vehicular traffic or potential road safety issues.				
Has the company's operation lead to increased influx/migration to surrounding communities?				
Does the client have an influx management plan to manage the increasing influx rate around surrounding communities?				

**IFC PERFORMANCE STANDARD 5: LAND ACQUISITION AND INVOLUNTARY DISPLACEMENT OF PROJECT AFFECTED COMMUNITIES**



The main objective of IFC PS 5 is to ensure that the project avoids or minimizes involuntary displacements and, where it is unavoidable, promote the fair and sustainable resettlement and livelihood restoration of affected communities.

IFC PS5: LAND ACQUISITION AND INVOLUNTARY DISPLACEMENT OF PROJECT AFFECTED COMMUNITIES	YES	NO	N/A	COMMENTS
Was the land in which the project is located purchased legally?				
Was there any conflict during the purchase of the land?				
Was there a case of economic and physical displacement of people during the land acquisition?				
Have they been properly and adequately compensated and resettled?				

#### IFC PERFORMANCE STANDARD 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE NATURAL RESOURCE MANAGEMENT

The main objective of IFC PS 6 is to ensure that the project promotes the conservation of biodiversity living natural resources through protection of the ecosystems, habitats, and species.

IFC PS6: BIODIVERSITY CONSERVATION AND SUSTAINABLE NATURAL RESOURCE MANAGEMENT	YES	NO	N/A	COMMENTS
Does the project's activity have any impact on biodiversity (flora and fauna) specifically forests / forests reserves / plantations etc.				



If yes, has a biodiversity conservation plan been developed?				
Does the project's activity affect any area protected to preserve biodiversity, especially endangered species?				
Will the project impact the aquifer or the groundwater table?				
Will the project require exploitation of local natural resources (such as sand, gravel, wood, etc.) in large quantities?				

**IFC PERFORMANCE STANDARD 7: INDIGENOUS PEOPLE**

The main objective of IFC PS 7 is to ensure that the project recognizes and protects the rights and existence of Indigenous Peoples. Indigenous peoples are native ethnic groups or communities who have a historical and ancestral connection to a particular land or territory.

IFC PS 7: INDIGENOUS PEOPLES	YES	NO	N/A	COMMENTS
Does the project operation affect indigenous people?				
If yes, have these indigenous people been identified and engaged?				

**IFC PERFORMANCE STANDARD 8: CULTURAL HERITAGE**

The main objective of IFC PS 8 is to ensure that the project protects and preserves cultural heritage that could be affected due to its business activities. These include significant cultural sites, artifacts, traditions, etc.

IFC PS 8: CULTURAL HERITAGE	YES	NO	N/A	COMMENTS
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Does the project’s operation affect any cultural heritage of the community?				
Have measures have been put in place to engage the community and address the issue?				
Will the project lead to a degradation of aesthetic value of the landscape?				

**CLIMATE RISK MANGEMENT**

The main objective of climate risk assessment is to ensure that the company has put in place management plans to identify, assess, and manage the impacts of climate risks on its company.

CLIMATE CHANGE	YES	NO	N/A	COMMENTS
Does the company have a Climate Change policy?				
Has the company identified its climate risks and opportunities?				
Is the activity sited in a location susceptible to physical risks? E.g., Flooding, drought, etc.				
Is the company’s operation susceptible to transition risks? E.g., carbon price increase, transition to cleaner energy, etc?				
Does the company measure its emissions (Scope 1, 2 and 3) <sup>5</sup> ?				

<sup>5</sup> Scope 1, Scope 2, and Scope 3 emissions are categories used to classify and account for greenhouse gas emissions associated with a company’s activities. Scope 1 are emissions are direct emissions from sources owned or controlled by the company. Scope 2 are emission from purchased electricity. Scope 3 are indirect emissions from its value chain. See [ghgprotocol.org](http://ghgprotocol.org) for more information.



Has the company set decarbonization <sup>6</sup> or Net Zero targets <sup>7</sup> ?				
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S/N	Other Risks identified	Comments
1		<i>Please provide details on other E&amp;S risks identified but not captured above.</i>
2		
3		

### E&S Action Plan

Based on the findings above, list the E&S risks with a brief description and provide the relevant action plans to address the identified risks to be provided within a specific timeline.

N/B: All outstanding action plans should be included in the legal agreement to be provided to the company.

S/N	Identified E&S Risk	Description	Action Plan	Timeline
<i>E.g.</i>	<i>Waste Management</i>	<i>The company has no waste management policy in place and its company generates hazardous wastes.</i>	<i>Develop a waste management policy commensurate with the nature of wastes generated on site</i>	<i>1 month</i>

<sup>6</sup> A decarbonization target, also known as a decarbonization goal or commitment, is a specific, quantifiable objective set by a company to reduce its carbon emissions.

<sup>7</sup> A net-zero target, often referred to as a net-zero commitment or goal, is an environmental and climate-related objective set by a company to balance the amount of greenhouse gas emissions released into the atmosphere with the amount of emissions removed from or offset within the atmosphere.




**E&S Opportunities**

As a result of engagements with the company, all potential E&S-related opportunities that could generate revenue for the bank should be documented.

S/N	Identified E&S Opportunities (E.g., Renewable Energy, Green Building, etc.)	Description	Potential Company Cost	Timeline
<i>E.g.</i>	<i>Renewable Energy</i>	<i>As a plan to reduce their emissions, Company A is considering Renewable Energy as its major source of energy</i>	<i>N1.5Bn</i>	<i>1<sup>st</sup> Qtr. 2024</i>



## Appendix 6: Detailed E&S Risk Assessment Form (For Category A)

### IFC PERFORMANCE STANDARD 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISK AND IMPACT

The main objective of IFC PS 1 is to ensure that the company avoids or minimizes adverse social and environmental impacts. It requires the company to develop and implement an Environmental and Social Management System (ESMS) to manage and mitigate these risks. These ESMS include policies, procedures, and management plans to address various issues such as pollution prevention, labor conditions, community health and safety, etc.

IFC PS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISK AND IMPACT				
E&S RELATED POLICIES	YES	NO	N/A	COMMENTS
Does the company have policies in place that addresses potential environmental and social issues commensurate with its business?				
Is there a stand-alone E&S Policy in place signed off by the senior management?				
Is there a Human Resource Policy in place?				
Does the company have a Human Rights Policy?				
Does the company have a Waste Management Policy in place				
Is there a Stakeholder Engagement and Communication Plan in place?				



Is there a Grievance Mechanism Procedure in place for internal and external complaints?				
Does the operations have an Emergency Response Plan in place?				
Does the company have a Supply Chain / Procurement Policy that contains E&S considerations.				
Does the company ensure that its suppliers align with applicable local and regulatory E&S laws.				
<b>E&amp;S RISK IDENTIFICATION</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Does the Company have an Environmental and Social Impact Assessment (ESIA) in place specific to the project?				
Does the Company have an Environmental Audit Report in place				
Does the company have an Environmental and Social Management Plan in place?				
Has the company conducted a risk assessment of its business operations?				
Does the company conduct E&S due diligence for its supply chain on its operations.				
<b>ORGANIZATIONAL CAPACITY</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Is there a dedicated Manager with the responsibility of all E&S related issues in the Company?				
Are E&S related issues discussed at the Board level?				



Is there a commitment to continuous improvement and capacity building within the company?				
<b>E&amp;S REGULATORY COMPLIANCE</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Does the company have regulatory permits and licences in place as required by National and state environmental and social agencies such as National Environmental Standards and Regulations Enforcement Agency (NESREA), Federal Ministry of Environment (FMEnv), Lagos State Environmental Protection Agency (LASEPA), etc.				
Has the company been subject to any legal actions, prosecutions, or lawsuits in relation to E&S issues?				
Has the company been subject to any significant fines, penalties or claims associated with E&S related non-compliances (such as failure to adhere to environmental permit conditions)?				
Have any allegations of bribery or corruption and/or money-laundering been reported in relation to company personnel, and if so, did any of these instances relate to senior management at the company?				

## IFC PERFORMANCE STANDARD 2: LABOUR AND WORKING CONDITIONS

The main objective of IFC PS 2 is to ensure that the company respect workers' rights, provide safe and healthy working conditions, and promote fair labor practices. It ensures that the fundamental human and labor rights of the workers are protected.



IFC PS 2: LABOUR AND WORKING CONDITIONS				
LABOUR AND MANAGEMENT RELATIONS	YES	NO	N/A	COMMENTS
Does the company have labour policies that adhere to the Nigerian Labour Act of 2004 and the Nigerian Factory Act 2004 with respect to the Health, Safety and Welfare of employees at work.				
Does the company have a Human Resource Manager?				
Does the company have a Contractor's Safety Policy?				
Does the company have a policy on fair recruitment and retrenchment?				
Does the company have a grievance system in place to address staff complaints?				
Are employee complaints tracked, documented, and addressed in line with policy requirements?				
CHILD LABOUR, FORCED LABOUR AND GENDER EQUALITY	YES	NO	N/A	COMMENTS
Does the company have a Policy against Child Labour and Forced Labour in place?				
Has there ever been any documented or alleged case of forced or child labour within the company or its supply chain?				
Does the company have a Gender and Non-Discrimination Policy in place?				



Does the company have a Policy against Sexual Harassment?				
Are there females on the Board of the company? If yes, what is the composition?				
What is the number of full-time employees?			Female:	Male:
What is the number of contract employees?			Female:	Male:
Do all staff have a standard employment contract in line with the Nigerian Labour Act?				
Does the company track staff turnover?				
Does the company have a policy in place for working hours and overtime?				
Are workers being owed salaries/wages?				
Are workers paid below the stipulated minimum wages?				
Does the company encourage freedom of association for its workers through unions?				
Are accommodations provided for staff who are based on site?				
Do these accommodations have good living conditions such as access to basic amenities and sanitary facilities?				
<b>OCCUPATIONAL HEALTH AND SAFETY (OHS)</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>



Does the company have an OHS Policy in place?				
Does the company have a dedicated OHS Manager in place?				
Does the company have a register which tracks Accidents and Lost Time Incident?				
Are the workers exposed to occupational risks and hazardous substances?				
Does the company monitor health and safety practices of workers and contractors?				
Are all workers and contractors provided with Personal Protective Equipment (PPEs)?				
Is there a Material Safety Data Sheet in place if the company uses chemicals?				
Have there been any recorded fatalities within the past 3 years. If yes, how many?				
Are all staff entitled to Health Insurance and leave days (including permanent and contract staff)?				
Is there an emergency clinic in place?				
Does the company conduct periodic medical check-up for workers?				
Does the company conduct emergency fire drills?				
Does the company have fire prevention and fighting mechanisms in place?				



Does the company have an OHS training plan in place?				
Does the company employ the use of pesticides?				
If yes, does the company ensure that pesticides used are not banned by local and international regulations?				
<b>SUPPLY CHAIN</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Does the company have a supplier code of conduct?				
Does the company consider E&S factors in its engagements/procurement of suppliers, contractors, and vendors?				
Is there a high risk of child labour/forced labour in the company's supply chain?				
Does the company track the E&S performance of its contractors such as emissions, lost time injuries, fatalities on site, etc.?				
Does the company conduct E&S related due diligence on its supply chain?				

### IFC PERFORMANCE STANDARD 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION

The main objective of IFC PS 3 is to ensure that the company has systems in place that improves its efficient use of resource such as water, energy, etc. and prevents pollution such as water, air and land pollution, thereby minimizing adverse impacts on the environment.

IFC PS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION				
<b>WASTE MANAGEMENT</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>



Does the company have a waste management plan?				
Are hazardous wastes generated on site?				
Does the company use chemicals in its activities?				
Are effluent wastes treated to regulatory standards before disposal?				
Does the company have a permit for disposal of effluent waste?				
Are there measures to ensure re-using, recycling, and reduction of wastes generated on site?				
Are wastes properly collected and stored on site?				
Does the company separate its waste at source?				
Does the company employ the use of state registered waste management companies for the disposal of wastes?				
Has there been reported historical spills or contamination on the company's site?				
<b>ENERGY AND WATER EFFICIENCY</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Is the company's operation energy intensive?				
What are the major sources of energy for the activity?				



Does the company have a strategy in place to reduce dependency on fossil fuel?				
Are the company's GHG emissions monitored and measured in line with GHG Accounting Standards?				
If yes, does the company generate over 100,000 tons of CO <sub>2</sub> eq. per annum?				
Is the company's operation water intensive?				
Does the company measure its water consumption?				
How much water is consumed daily?				
Does the company have a strategy in place to reduce water consumption?				

#### IFC PERFORMANCE STANDARDS 4: COMMUNITY HEALTH, SAFETY AND SECURITY

The main objective of IFC PS 4 is to protect the health, safety, and security of the communities affected by operations of the company. It aims to prevent or mitigate potential adverse impacts and promote the well-being of these communities.

IFC PS 4: COMMUNITY HEALTH, SAFETY AND SECURITY				
COMMUNITY ENGAGEMENT	YES	NO	N/A	COMMENTS
Does the company operate any sites situated close to residential settlements/community(ies)?				
How many community(ies) are directly or indirectly affected by company activities?				
Does the company have a Community Liaison Officer?				



Does the company have a policy and/or procedure in place for engaging local communities?				
Are there arrangements in place to ensure regular and comprehensive meetings/engagements between local community(ies) and the company?				
Does the company keep records of the minutes of these meetings				
Is there a community grievance mechanism in place?				
Does the company carry out Corporate Social Responsibility (CSR)				
Has there been any historical conflict between the community and the company?				
Has the company caused an influx of people into a community(ies)?				
If yes, does the company have an influx management plan?				
<b>COMMUNITY HEALTH AND SAFETY</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Does the company's activities pose a health and safety threat to the community?				
Does the company's activity pose a risk to the water supply of the neighbouring community(ies)?				
Does the company's activity pose a risk to the means of livelihood of the neighbouring community(ies)?				



Has there been a record of water-borne or air-borne diseases due to the company's operations?				
<b>COMMUNITY SECURITY</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Does the company's activities pose a security threat to nearby community (ies)?				
Does the company employ the use of armed security guards?				
If yes, do the armed guards undergo regular training on the use of force?				
Has there ever been a clash between the security outfit of the company and the community?				
If yes, was there any fatality?				
If yes, has this been resolved?				

**IFC PERFORMANCE STANDARD 5: LAND ACQUISITION AND INVOLUNTARY DISPLACEMENT OF PROJECT AFFECTED COMMUNITIES**

The main objective of IFC PS 5 is to ensure that the company avoids or minimizes involuntary displacements and, where it is unavoidable, promote the fair and sustainable resettlement and livelihood restoration of affected communities.

<b>IFC PS<sub>5</sub>: LAND ACQUISITION AND INVOLUNTARY DISPLACEMENT OF PROJECT AFFECTED COMMUNITIES</b>				
<b>LAND ACQUISITION</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>



Is land owned by the company purchased legally (willing buyer, willing seller)?				
Were the previous owners of the land adequately compensated?				
Was there any conflict during the purchase of the land?				
Was the land used for any economic purpose by the community prior to purchase?				
Were there squatters on the land prior to purchase?				
<b>INVOLUNTARY DISPLACEMENTS</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Was there a case of economic and physical displacement of people during any land acquisition by the company?				
How many people were economically and physically displaced?				
Have they been properly and adequately compensated and resettled?				
If yes, was a resettlement plan and livelihood restoration plan developed to guide the process?				
Was the government involved in the resettlement process?				
Were there people who were not adequately compensated during the resettlement?				



Does the activity restrict the resettled people from accessing natural resources e.g., water, wood, etc. or their sources of livelihood?				
Are the resettled people frequently engaged to be sure there are no issues?				

### IFC PERFORMANCE STANDARD 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE NATURAL RESOURCE MANAGEMENT

The main objective of IFC PS 6 is to ensure that the company promotes the conservation of biodiversity living natural resources through protection of the ecosystems, habitats, and species.

IFC PS6: BIODIVERSITY CONSERVATION AND SUSTAINABLE NATURAL RESOURCE MANAGEMENT				
BIODIVERSITY CONSERVATION	YES	NO	N/A	COMMENTS
Does the company's activity have any impact on biodiversity (flora and fauna)?				
If yes, has a biodiversity conservation plan been developed?				
Would the company's activity affect any area protected to preserve biodiversity?				
If yes, has a permit to proceed with the company been obtained from the government?				
Does the company's activity involve the introduction of non-native species?				
Does the company's activity involve deforestation?				



Does the company's activity involve the use of timber or non-timber forest products?				
--	--	--	--	--

### IFC PERFORMANCE STANDARD 7: INDIGENOUS PEOPLE

The main objective of IFC PS 7 is to ensure that the company recognizes and protects the rights and existence of Indigenous Peoples. Indigenous peoples are native ethnic groups or communities who have a historical and ancestral connection to a particular land or territory.

IFC PS 7: INDIGENOUS PEOPLES				
INDIGENOUS PEOPLES	YES	NO	N/A	COMMENTS
Does the company operations affect indigenous people?				
If yes, have these indigenous people been identified and engaged?				
Have resources been set aside to manage the impacts on indigenous people?				
Has the company engaged with the government and obtained a permit to proceed with engaging with indigenous people?				
Does the company affect other vulnerable people?				

### IFC PERFORMANCE STANDARD 8: CULTURAL HERITAGE

The main objective of IFC PS 8 is to ensure that the company protects and preserves cultural heritage that could be affected due to its business activities. These include significant cultural sites, artifacts, traditions, etc.

IFC PS 8: CULTURAL HERITAGE				
CULTURAL HERITAGE	YES	NO	N/A	COMMENTS
Does the company's operation affect any cultural heritage of the community?				
Are there sites with special cultural, spiritual significance within the company's operations area?				
Does the company's activity encroach onto culturally significant locations such as burial, ceremonial sites, shrines, etc.?				
Did the company consider other options that do not include encroaching into cultural heritages?				
What measures have been put in place to address the issue?				

## CLIMATE RISK MANGEMENT

The main objective of the climate risk assessment is to ensure that the company has put in place management plans to identify, assess, and manage the impacts of climate risks on its operations.

CLIMATE CHANGE				
CLIMATE POLICY AND COMMITMENTS	YES	NO	N/A	COMMENTS
Does the company have a Climate Change Policy?				
Is the company committed to any Climate Risk Framework/Standard e.g., Taskforce on Climate Related Financial Disclosures (TCFD)				



<b>GOVERNANCE</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Is there a senior management staff responsible for climate related issues in the company?				
Is there board oversight on climate related risks and opportunities?				
<b>STRATEGY</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Has the company identified its climate risks and opportunities?				
Is the activity sited in a location susceptible to physical risks? e.g., flooding, drought, etc.				
Is the company's operation susceptible to transition risks? e.g., carbon price increase, transition to cleaner energy, etc.?				
Is the company exploring any climate change related opportunities e.g. renewable energy, energy efficiency, etc.				
Has the company identified the impacts of these climate related risks and opportunities on its business?				
Has the company developed a strategy to address these risks and opportunities?				
<b>RISK MANAGEMENT</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Does the company have a process in place for identifying climate risks?				



Does the company have a process in place for managing climate risks?				
Has the company integrated these processes into its standard risk management system?				
Does the company conduct trainings on climate risks?				
<b>METRICS AND TARGETS</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENTS</b>
Does the company have metrics in place to assess climate risks and opportunities?				
Does the company measure its emissions (Scope 1, 2 and 3) <sup>8</sup> ?				
Has the company set decarbonization <sup>9</sup> or Net Zero targets <sup>10</sup> ?				

S/N	Other Risks identified	Comments
1		<i>Please provide details on other risks identified but not captured above.</i>
2		
3		

### E&S Action Plan

Based on the findings above, list the E&S risks with a brief description and provide the relevant action plans as agreed with the company to address the identified risks to be provided within a specific timeline.

<sup>8</sup> Scope 1, Scope 2, and Scope 3 emissions are categories used to classify and account for greenhouse gas emissions associated with a company’s activities. Scope 1 are emissions are direct emissions from sources owned or controlled by the company. Scope 2 are emission from purchased electricity. Scope 3 are indirect emissions from its value chain. See ghgprotocol.org for more information.  
<sup>9</sup> A decarbonization target, also known as a decarbonization goal or commitment, is a specific, quantifiable objective set by a company to reduce its carbon emissions.  
<sup>10</sup> A net-zero target, often referred to as a net-zero commitment or goal, is an environmental and climate-related objective set by a company to balance the amount of greenhouse gas emissions released into the atmosphere with the amount of emissions removed from or offset within the atmosphere.



N/B: All outstanding action plans should be included in the legal agreement to be provided to the company.

S/N	Identified E&S Risk	Description	Action Plan	Timeline
<i>E.g.</i>	<i>Waste Management</i>	<i>The company has no waste management policy in place and its operations generates hazardous wastes.</i>	<i>Develop a waste management policy commensurate with the nature of wastes generated on site</i>	<i>1 month</i>

**E&S Opportunities**

As a result of engagements with the company, all potential E&S-related opportunities that could generate revenue for the bank should be documented.

S/N	Identified E&S Opportunities (E.g., Renewable Energy, Green Building, etc.)	Description	Potential Project Cost	Project Timeline



<i>E.g.</i>	<i>Renewable Energy</i>	<i>As a plan to reduce their emissions, Company A is considering Renewable Energy as its major source of energy</i>	<i>N1.5Bn</i>	<i>1<sup>st</sup> Qtr. 2024</i>

## **Appendix 7: E&S Due Diligence Terms of Reference (TOR) Template**

We would like to invite [*Insert Service Provider Name*] to submit a proposal to provide First City Monument Bank (FCMB) with services to perform an Environmental and Social Due Diligence (“ESDD”) assessment of a proposed transaction into [*Insert name of client*] (hereafter referred to “prospective client” or “prospective transaction”). [*Insert brief description of client (project/operating asset / financial institution) including type of business, geographic, sector, scale of operations, size of workforce, etc.*]

In this regard, this Terms of Reference (ToR) outlines the project details and assessment requirements to ensure that the appointed E&S Specialist executes the ESDD assessment in accordance with the FCMB’s SEMS Manual and international best practice.

### **1. Description Of Project**

The E&S Specialist must have experience working with [*insert risk categorization e.g., Category A or Category B*] transactions (in terms of the IFC E&S Risk Categorization Guidelines), in [*insert prospective client’s operating jurisdiction(s)*], and experience conducting ESDD’s within the [*insert prospective client sector / sub-sector type*].

### **2. Objectives**

The requested services are to support FCMB’s transaction decision by independently assessing and verifying the prospective transaction against the reference framework, identifying compliance gaps, material E&S risks and potential ES opportunities as well as defining recommended mitigation and / or corrective actions as part of an E&S Action Plan (ESAP).

### **3. Applicable ES Standards**

The prospective transaction should be assessed against the following reference framework:

(Note to FCMB: Select which type of transaction is applicable)

- Applicable National ES Laws and Regulations
- Applicable IFC Performance Standards
- World Bank EHS Guidelines and Applicable Sector Specific Guidelines
- International Labour Organisation (ILO) Labour Conventions
- UN Guiding Principles on Business and Human Rights (UNGPs)
- Taskforce on Climate Related Financial Disclosures (TCFD)



- [insert additional standards as required]

#### 4. Reporting And Deliverables

The E&S consultant should clearly present the findings of the ESDD as a written report fully reflecting the scope of work, summary of the E&S risks aligned with the IFC Performance Standards and opportunities, compliance gaps with the reference framework identified and corresponding corrective actions, presented in the ESAP - using the example reporting format provided in Annex 1.

#### 5. Proposal Structure

The proposal for this ESDD should contain the following [include additional sections as appropriate]:

- a. Company Profile
- b. Project Team profile and Qualification:
  - Details of the main point of contact for this proposal.
  - Details of the proposed consultants and any sub-contractors involved in the ESDD, including names, CV's and a brief description of their role within the project team; and
  - A list of relevant experience and qualifications of the consultants involved covering technical capabilities, specific previous project experience similar to this project, specific in-country experience and knowledge, specific language skills, etc.
- c. Scope of Work
  - Detailed description of the proposed ESDD methodology to accomplish the required tasks, including any proposed site visits, documents to be reviewed, interviews, etc.; and
  - If the E&S Specialist feels that additional tasks or components within a required task are suggested or warranted, these should be stated and delineated as "Optional Tasks".
- d. Costing
  - An indication of total costs to perform ESDD [in preferred currency i.e., Naira]; and
  - A breakdown of the estimated costs by task must also be presented (i.e., tabular format) and should include Direct Labour Costs (number of hours or days per staff and their associated unit costs) and Indirect Labour Costs (i.e. travel, per diem, sub-contractors, etc.).
- e. Schedule



- A proposed schedule of work.
- f. Conflict of Interest Statement
- As part of the proposal, please confirm there are no conflict of interests and that you can provide an adequate, accurate and objective review of the prospective client.

The proposal should be submitted in English by close of business [*insert date*] to [*insert relevant FCMB contact person and email address*]. Please do treat this project as confidential.

## **ANNEX 1: FCMB ENVIRONMENTAL AND SOCIAL DUE DILIGENCE (ESDD) & ACTION PLAN TEMPLATE**

### **1. Executive Summary**

Provide an overview of key E&S risks and mitigation measure and opportunities in the below table:

<b>IFC PS Aspects</b>	<b>Risk Identification</b>	<b>Proposed Mitigation</b>	<b>Timeline</b>
IFC PS 1			
IFC PS 2			
IFC PS 3			
IFC PS 4			
IFC PS 5			
IFC PS 6			
IFC PS 7			
IFC PS 8			
Climate Risks			
Summary of E&S Opportunities			

### **2. Prospective Client/Project Description**

Provides relevant information regarding the prospective client (e.g. industry, sector of activity, site location(s), relevant environmental and social setting(s) information, surrounding land use(s), history, prospective client facilities and infrastructure, permitting status, etc.).



**3. Identified Applicable Performance Standards and Legal Requirements**

Provides a description of the applicable reference framework that was used and against which the prospective client was assessed.

**4. Environmental and Social Risk Categorization Rationale**

Provide an assessment of the prospective transaction Risk Categorization (in terms of the IFC ESG Risk Categorization Guidelines) providing rationale for the final categorization given.

**5. Prospective Clients Environmental and Social Management System**

A description of the prospective client’s E&S Management System in place (to manage E&S risks and opportunities for the client’s operations).

**6. E&S Due Diligence Assessment Findings**

A description of the key E&S risks, impacts and opportunities identified against applicable E&S requirements (i.e. the reference framework).

**7. E&S Opportunities Findings**

A description of the key observations made in relation to the assessment of potential E&S value add opportunities.

**8. Recommended ES Action Plan (ESAP)**

For E&S performance gaps, recommend corrective actions with corresponding schedules, indicate priorities, and advise as to how to incorporate these into the Laon Agreement, as either Conditions Precedent or Management Actions. Include the table on the next page in the ESDD report and for inclusion into the relevant loan agreements. The ESAP should be produced in *[insert language requirement i.e., English]*.

**Environmental and Social Action Plan (ESAP) Template**

S/N	Identified E&S Risk	Description	Action Plan	Timeline/Priority
<i>E.g.</i>	<i>Waste Management</i>	<i>The client has no waste management policy in place</i>	<i>Develop a waste management policy commensurate with the</i>	<i>1 month</i>



		<i>and its operations generates hazardous wastes.</i>	<i>nature of wastes generated on site</i>	

**Environmental and Social Opportunities Template**

S/N	Identified E&S Opportunities (E.g., Renewable Energy, Green Building, etc.)	Description	Potential Project Cost	Projected Timeline
<i>E.g.</i>	<i>Renewable Energy</i>	<i>As a plan to reduce their emissions, Company A is considering Renewable Energy as its major source of energy</i>	<i>N1.5Bn</i>	<i>1<sup>st</sup> Qtr. 2024</i>

**Additional ESDD Criteria to Note:**

- Where issues are identified that carry associated high risks or potential for regulatory action, addressing these issues should be prioritized in the ESAP.
- Where appropriate, larger, or longer-term corrective actions should be further broken down to milestones to facilitate monitoring of progress in achieving them.
- The findings should distinguish between action items that are linked to gaps identified against the Reference Framework, and those considered to be additional



E&S opportunities (i.e. go beyond regulatory compliance) and should be clearly articulated in the applicable template as shown above



## **Appendix 8: E&S Clauses for Loan Agreements**

The document contains suggested and tailorable Environmental & Social (E&S) clauses and provisions for inclusion in customers' loan agreements and documentation between the First City Monument Bank (FCMB) and prospective transactions. The most appropriate E&S clauses and provisions are determined by the nature and type of transaction involved.

There are 2 sets of E&S clauses which should be incorporated into the customers' loan agreement; they include:

- **Standardized/Generic E&S Clauses:** These are clauses that apply to all clients as they capture broad E&S obligations such as compliance with applicable laws and regulations, reporting on E&S obligations/incidents, etc.
- **Specific E&S Clauses** are more tailored to address more distinct E&S issues identified during the E&S Due Diligence process, which are yet to be addressed.

The E&S clauses should be incorporated into a dedicated E&S section of the FCMB's standard loan agreement template. FCMB shall negotiate and agree upon the E&S terms included in the legal agreement with the Borrower to achieve a clear understanding and record of FCMB's E&S expectations in line with the Bank's SEMS Manual.

### **Generic E&S Clauses**

1. The Borrower shall comply and not be in violation of applicable national Environmental and Social laws and regulations such as National Environmental Standards and Regulations Enforcement Agency (NESREA), Environmental Impact Assessment (EIA) Act 1992, Nigeria Labour Act 1998, etc. or any Environmental, Health, and Safety Guidelines which may be provided by First City Monument Bank.
2. The Borrower shall obtain and maintain all relevant and necessary environmental approvals and permits required for its operations.
3. The Borrower shall not engage in (nor authorize or permit any subsidiary or any other person acting on its behalf to engage in, or finance) any activities listed on the FCMB's



Exclusion List and where non-compliances are established, agree to an E&S Action Plan (ESAP) to come into compliance.

4. The Borrower shall notify FCMB immediately after becoming aware of any major social, labor, health and safety, security or environmental incident, accident or circumstances arising from its business activities, no later than 48 hours following the incident.
5. The Borrower represents and warrants to permit representatives of FCMB the right to visit, upon reasonable notice and at FCMB's cost, any of the premises where the Borrower operations are conducted, to have access to Borrower management, and to have access to their E&S related information and documentation, in each case, to:
  - monitor compliance with the E&S requirements.
  - assess the legal or reputational risk posed to FCMB in case of any incident, accident or circumstance; and / or,
  - assess progress against the ESAP.

#### **Specific E&S Clauses**

6. An ESAP, attached to this Agreement, has been established and agreed upon between FCMB and the Borrower (Note to FCMB: Attach the ESAP as an appendix to all relevant documentation).
7. The Borrower shall implement all corrective actions set out in the ESAP, within the stipulated timeframes, as defined in the E&S Due Diligence (ESDD).
8. The Borrower shall drive continuous improvements with respect to the management of E&S matters.
9. The Borrower shall provide E&S related information and documentation as when required by FCMB.
10. The Borrower shall inform FCMB in writing immediately upon becoming aware of:
  - any E&S related claim being commenced or threatened against the Borrower or any facts or circumstances which will or are reasonably likely to result in such an E&S claim being commenced; and / or



- any written notice or other allegation received by, or brought to the attention of, the Borrower to the effect that a breach of any E&S requirements, as agreed within the loan agreement, has occurred.
11. If a breach has occurred, FCMB and the Borrower shall engage in discussions to identify possible remedies for the E&S breach that the Borrower must undertake to implement any corrective measures necessary or appropriate to remedy such breach, stipulated and formally documented in the E&S Action Plan(s) within the associated timeframe specified by FCMB.
  12. If the Borrower fails to implement such corrective measures within such timeframes, FCMB has the right to act in terms of the relevant remedies to be outlined in the legal agreements.



## Appendix 9: E&S Monitoring Reporting Template

Client E&S Monitoring/Site Visit Report - Guide	
<p>The Environmental and Social Monitoring template supports the monitoring team of First City Monument Bank (FCMB) in monitoring projects post disbursement and conducting site visits and adequately reporting on relevant E&amp;S related findings. Status of existing Environmental and Social Action Plans (ESAPs) as included within the signed offer letter should be monitored while new E&amp;S risks identified during monitoring should be reported.</p> <p>The purpose of conducting a monitoring E&amp;S site visit to assess how well E&amp;S matters are being managed and validate any information provided by FCMB clients. The depth of review and associated frequency of these reviews is dependent on the nature of the client / project (i.e. the level of E&amp;S risk exposure and extent of potential opportunities). Visits may also be necessary when circumstances arise that pose specific areas of concern for the client, such as:</p> <ul style="list-style-type: none"> <li>• In response to an accident or incident, concerns raised by stakeholders, media reports or enquiries, or action by law enforcement authorities.</li> <li>• When an acquisition or major development / extension in operations presenting potential new E&amp;S risk exposures is being considered; etc.</li> </ul> <p>Findings from the site visit should be formally documented in the site visit report and any material issues shared with the Social and Environmental Risk Management (SERM) Team Lead upon return to the office.</p> <p>This template can be either used by the SERM team or/and the Specialized Monitoring Team</p>	

General Information			
<b>Client Name</b>			
<b>Primary Contact</b>			
<b>Sector</b>	<table border="1" style="width: 100%;"> <tr> <td style="background-color: #4a4a8a; color: white;"><b>Sub-Sector</b></td> <td></td> </tr> </table>	<b>Sub-Sector</b>	
<b>Sub-Sector</b>			
<b>Location</b>			
<b>E&amp;S Risk Categorisation</b>	<table border="1" style="width: 100%;"> <tr> <td style="background-color: #4a4a8a; color: white;"><b>Date</b></td> <td></td> </tr> </table>	<b>Date</b>	
<b>Date</b>			
<b>Nature of Monitoring</b>	<input type="checkbox"/> <b>Site Visit</b> <input type="checkbox"/> <b>Desktop Review</b>		
<b>Assessor</b>	[Indicate who conducted the site visit (including name, surname, organisation, position held, etc.) and whether any external service providers provided supported.]		



<b>Rationale for E&amp;S Visit</b>		
<b>Site (s) Visited</b>	List the sites visited including location, short description of its operations and activities, areas of the sites visited, etc.	
<b>Report Completed by:</b>		
<b>Date Report Completed:</b>		
<b>Project / Client Description</b>		
<b>Site Visit Interviews</b>		
[List any site personnel interviewed or engaged with (i.e., ESHS officer and representatives, human resources manager, head of operations, stakeholder relations manager, workers, etc.).]		
	<b>Name</b>	<b>Designation</b>
1		
2		
3		
4		
5		
<b>Summary of Key E&amp;S Findings</b>		

<b>New/Existing E&amp;S Risk Exposures / Non-compliances</b>
--



(List the E&S risks identified during due diligence or preceding monitoring exercises.

Review whether there have been any significant changes and / or new E&S risk exposures since the last site visit.

This may include an increase or reduction in production, staff changes, relocation, new permits, new organisational structure, new regulations, constructional expansion projects, etc.)

	<b>E&amp;S Risk Exposures Identified</b>	<b>New/Existing</b>
1	E&S Risks from E&S Assessments	
2		
3		
4		
5		
6		

**E&S Action Plan Progress**

(List the actions implemented as defined in the Environmental and Social Action Plan (ESAP) of the transaction agreement. This includes assessing which action items are overdue, any exemptions or plans that have been instituted to address these outstanding items, etc.)

	<b>Action</b>	<b>Status</b>
1		
2		
3		
4		
5		
6		



**E&S Incidents**  
 (Determine whether any E&S incidents occurred since the last site visit. These may include fire, chemical product spills, occupational accidents with loss time, strike, neighbourhood issues with the neighbours or with the communities, fines, etc. If yes, provide a description of the incident(s) and how the client/project dealt with the incident, including any mitigation measures implemented and lessons learnt.)

S/N	Description of Incidents	Mitigation Measures

**E&S Monitoring and Reporting**

Have all E&S related documentations as requested in the ESAP within the loan agreement been provided? (Yes/No)	If No, list out outstanding documentations.
--	---

Provide any further information based on findings from site visits	
--	--

Approved By		Designation	
Signature		Date	



### Appendix 10: Major Incident Reporting Template

FCMB Incident Reporting Template			
<b>1. Client Details</b>			
Client Name:	<i>Insert name</i>		
Completed by:	<i>Insert name and position held</i>		
Date completed:	<i>Insert date</i>		
Contact Details:	<i>Email/phone number</i>		
<b>2. Incident Event Details</b>			
Type of event:	<i>Use the above list</i>		
Date occurred:		Time occurred:	
Date FCMB Notified of Incident			
Brief Summary of incident	<i>What happened?</i>  <i>Who was involved?</i>		
Was anyone injured or killed as a result of this event?		<i>Yes / No / N/A</i>	
If "Yes" provide further details:			



Were any damages experienced as a result of this event? (e.g. environmental or damage to equipment / property, etc.)	Yes / No / N/A
If "Yes" provide further details:	
Was the event reported to key internal client senior / executive management?	Yes / No / N/A
If "Yes" please provide details:	
<i>e.g. To whom, communication methods, etc.</i>	
Have the regulator, local/state authority government or emergency services been involved in or informed of this event?	Yes / No / N/A
If "Yes" provide further details:	
Has there been any negative media on the incident	Yes / No / N/A
If "Yes", provide details.	
Detailed description of the event:	



<p><i>Names of involved</i></p> <p><i>Witnesses (including where relevant staff, unions, police, other authorities and other parties)</i></p> <p><i>Routine/non-routine activity being undertaken</i></p> <p><i>Factual statement of what happened</i></p> <p><i>Scene inspection photos/notes</i></p> <p><i>Sequence of events pre-dating accident</i></p> <p><i>Immediate cause</i></p> <p><i>Unsafe acts in sequence</i></p> <p><i>Unsafe conditions in sequence</i></p> <p><i>Underlying causes of unsafe acts/conditions (initial view)</i></p> <p><i>Root cause(s)</i></p> <p><i>Corrective/preventive action for each cause</i></p> <p><i>Actioned, time-bound plan (can be attached)</i></p> <p><i>Interim preventive measures</i></p> <p><i>Other interim actions required and cross-check to other activities/locations for lessons learned</i></p> <p><i>Any negative publicity (including media) resulting from the incident</i></p>
<p><b>What remedial action(s) have been taken?</b></p>
<p><b>Provide an indication of the potential financial costs incurred by the client as a result of the event.</b></p> <p><i>e.g. fines / penalties / costs due to ceased operations / medical costs / compensation claims, etc.</i></p>
<p><b>What is the likelihood of this event occurring again (i.e. residual risk)?</b></p>



--

**What lessons can be learnt to prevent re-occurrence?**

--

**3. FCMB Sign Off**

<b>Signed by:</b>	<i>Insert name and designation</i>	<i>Insert signature</i>
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## Appendix 11: E&S Internal Reporting Template

The FCMB E&S Reporting Template supports the Bank in monitoring on-going performance of the E&S Performance of its loan portfolio and compliance with the SEMS Manual to support internal and external reporting. This is a snippet as the excel template is readily available.

<b>E&amp;S INTERNAL REPORTING TEMPLATE</b>		
Please input data	Formula locked cell	
<b>1. REPORTING PERIOD</b>		
Start Date	End Date	
<b>2. OVERVIEW OF FCMB PORTFOLIO</b>		
<b>1.1. Overview of Transaction Types</b>		
<i>Provide a breakdown of the FCMB's portfolio per financial instruments/products offered (except personal loans and mortgages)</i>		
Transaction Type	Total Value (Naira)	Proportion of Total Portfolio (%)
Temporary Overdraft	2000	2%
Overdraft	40000	42%
Trade Financing	46880	52%
Guarantee	4000	4%
Time Loans		0%
Term Loan		0%
Syndicated Loan		0%
Project Finance		0%
<b>Total</b>	<b>94880</b>	<b>100%</b>
<b>Total Portfolio including Personal Loans and Mortgages</b>		
<b>Percentage of Portfolio covered by E&amp;S</b>		
50%		
<b>1.2. Sectorial Breakdown</b>		
<i>Provide a sectorial breakdown of the FCMB's portfolio according to internal sector classification system or Central Bank of Nigeria's sector classification</i>		



## Appendix 12: FCMB's Grievance Form

FCMB Grievance Form	
<b>Aggrieved Party Details</b>	
<b>Name:</b>  Note: <i>may be skipped to remain anonymous)</i>	
<b>Company / Entity:</b>	
<b>Anonymity:</b>	<input type="checkbox"/> Yes <span style="margin-left: 150px;"><input type="checkbox"/> No</span>
<b>Contact details</b>	
<b>Relationship to FCMB:</b>	
<b>Date of notification:</b>	
<b>Grievance Details</b>	
<b>Description of Grievance / Feedback:</b>	
<b>Has this Grievance been raised previously?</b>	<input type="radio"/> Yes <span style="margin-left: 100px;"><input type="radio"/> No</span>
	Date: <span style="margin-left: 100px;">Place:</span>
<b>Desired Solution/ Information:</b>	
<b>Comments:</b>	
<b>Sign off</b>	
<b>Completed by:</b>	



<b>Date:</b>	
<b>Signature:</b>	

