



FIRST CITY MONUMENT BANK
A SUBSIDIARY OF FCMB GROUP PLC RC: 46713

Social and Environmental Risk Policy

July, 2019



REVISION HISTORY

Initiated By	Date	Description	Initial Version	Comment	Current Version
Risk Policy	June 2010	Social & Environmental Management System Policy	1.0	1	1.0
Risk Policy	March 2011	Social & Environmental Management System Policy	1.0	Review covers Policy objectives, governance structure and review/approval process	2.0
Risk Policy	June 2012	Social & Environmental Management System Policy	2.0	Policy Objectives to include the bank's commitment to SEMS, Governance Framework to include Credit Underwriting. Removed C&C and included BORM	3.0
Risk Policy	September 2012	Social & Environmental Management System Policy	3.0	Harmonised the SEMS policy with the CBN's guidelines on the Nigerian Sustainable Banking Principles (NSBP)	4.0
Risk Policy	March 2017	Social & Environmental Management System Policy	4.0	Updated governance, roles and responsibilities	5.0
Risk Policy	February 2019	Social & Environmental Management System Policy	5.0	Updated Policy Objectives, Governance Framework, Project Review and Approval Process, Review, Mgt. Information, Reporting and Communication and Technology Infrastructure	6.0



TABLE OF CONTENTS

1.	INTRODUCTION.....	3
1.1	POLICY STATEMENT.....	3
1.2	BACKGROUND.....	3
1.3	POLICY OBJECTIVES.....	3
1.4	FCMB STRATEGY AND BENEFITS.....	3
2.	GOVERNANCE FRAMEWORK.....	6
2.1	DIVISIONAL HEAD, RISK MANAGEMENT.....	6
2.2	SEMS OFFICER.....	6
2.3	CREDIT UNDERWRITING.....	7
2.4	SPECIALISED MONITORING UNIT.....	7
2.5	BUSINESS AND OPERATIONAL RISK MANAGEMENT.....	8
2.6	RELATIONSHIP OFFICERS/MANAGERS.....	8
2.7	INTERNAL CONTROL.....	8
2.8	GROUP INTERNAL AUDIT.....	8
2.9	COMMUNICATION AND CSR.....	8
3.0	DESIRED CULTURE AND COMMUNICATION TO CORE VALUE.....	9
3.1	HUMAN CAPITAL.....	9
3.	PROJECT REVIEW AND APPROVAL PROCESS.....	10
3.1	BUSINESS ACTIVITIES.....	10
3.1.1	PROJECT REVIEW PROCESS.....	10
3.1.2	PROJECT AND LOAN APPROVAL PROESS.....	11
3.1.3	ENVIRONMENTAL COMPLIANCE MONITORING.....	12
3.1.4	REPORTING.....	13
3.2	INTERNAL OPERATION E&S RISK MANAGEMENT.....	15
3.2.1	INTERNAL E&S RISK ASSESSMENT.....	15
3.2.2	E&S RISK RESPONSE.....	15
3.2.2.1	EXPLOIT: TAILOR OUR PRODUCTS AND SERVICES.....	15
3.2.2.2	MITIGATE.....	15
3.2.2.3	MONITORING AND REPORTING.....	17
4.	REVIEW.....	18
5.	MANAGEMENT INFORMATION.....	18
6.	REPORTING AND COMMUNICATION.....	18
7.	TECHNOLOGY INFRASTRUCTURE	18.
	APPENDICES.....	19



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 process and operations and strive to promote a culture of personal adherence to SEMS.

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 on the world stage. 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).

1.3 Policy Objectives

- SEMS will act as a decision support tool to ensure that:
 - ✓ Processes identify the risks associated with borrower activities and projects
 - ✓ Action plans are defined to avoid, minimize or mitigate the social and environmental issues
- 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 general public.
- Promote greater transparency and accountability on E&S issues internally and externally through disclosure and reporting.
- To ensure compliance with the Nigerian Sustainable Banking Principles approved by the CBN and other applicable environmental and social legislation 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.

1.4 FCMB Strategy and Benefits.

The bank would adopt a pragmatic strategy which would align with existing processes across the lending areas i.e. Business Banking, Commercial, Corporate and Institutional Banking. The type and nature of assessment would be determined by the level of environmental and social impact. For instance, Business Banking and Commercial business units may have the lowest impact since most of their activities are driven by trading, logistics, vendor and contractor financing with little production facilities. i.e Category C

Unless resources that are ecologically sensitive would be used, the bank's role would focus on supporting our customers to make their businesses successful by finding ways to interact with them to promote long run cost efficiencies through waste minimization, abatement of noise and



air pollution as well as promoting adherence to health and safety issues, human rights and labor laws and promoting transparency in financial reporting.

To this end, we would work with each of our customers and stakeholders to achieve these goals through training and sensitization of all staff and borrowers. We would also introduce sustainable finance funds to encourage a shift to Energy Efficient/Renewable Energy technologies in our client's business operations. As the borrowers realize the commercial benefits of these initiatives, we expect that they would ultimately execute the bank's standard '*affirmation statement*' on environmental issues which will be embedded in the offer letter.

For Corporate and Institutional Banking, apart from assessing the risk of the business owners, projects (mostly Category B) would also be screened based on economic, technical, financial, environmental and social criteria. Projects would be assessed in line with the steps defined in section 6.1 below.

The bank shall continue to capture its internal Social and Environment Aspect by addressing potential risk from our business operations and strategies to adapt to Climate Change Challenge, Energy and Material Use, working with Host Communities (including Financial Inclusion), Labor etc.

SEMS is consistent with the Bank's aim to maximize benefits to all stakeholders and its Integration in the Bank's business decisions would among others as shown in Fig. 1 of the SEMS Policy Structure;

- Create competitive advantage for the Bank in the long run
- Strengthen the Bank's image and reputation by showing environmental and social leadership
- Promote compliance with international best practices
- Provide added value and commercial benefits to our stakeholders

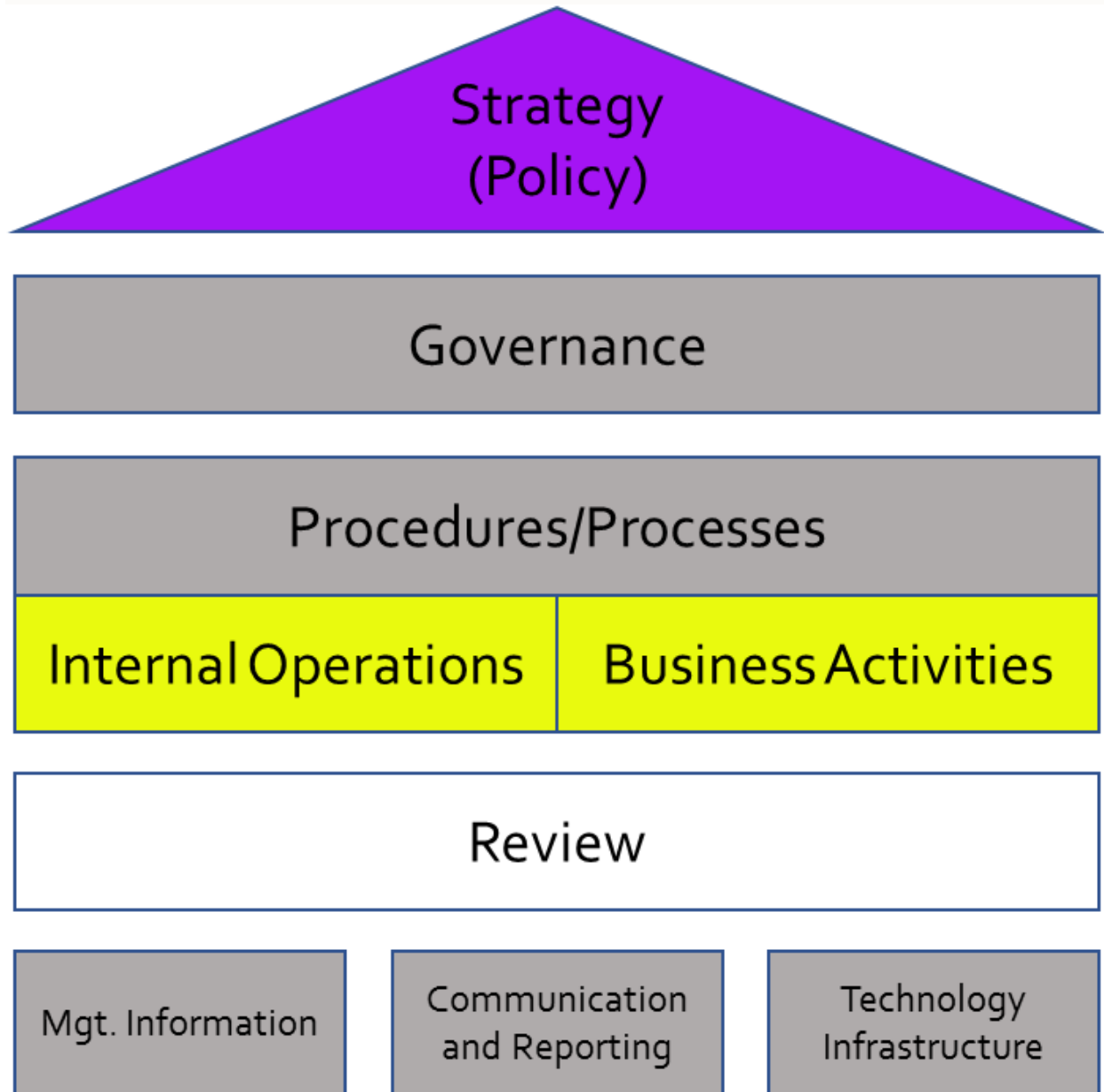


Fig. 1: SEMS Policy Structure



2. GOVERNANCE FRAMEWORK

Administration of environmental and social issues related to the Bank's lending activities shall be through the SEMS officer who shall be appointed by the DH, Risk Management. The roles with direct responsibility for the framework shall include:

- ✓ Divisional Head, Risk Management
- ✓ SEMS Officer
- ✓ Credit Underwriting Unit
- ✓ Specialized Monitoring Unit
- ✓ Business and Operation Risk Management (BORM)
- ✓ The Relationship Officers/Managers
- ✓ Internal Control
- ✓ Group Internal Audit
- ✓ Human Resources
- ✓ Communication & CSR

2.1 Divisional Head, Risk Management Divisional Head,

The Divisional Head, Risk Management of the Bank bears overall responsibility for the implementation of the Bank's SEMS.

Roles and Responsibilities:

- Provide supervisory oversight for the SEMS structure
- Ensure compliance with the policy framework defined for the Social and Environmental Management System
- Allocate resources for the effective formulation and implementation of SEMS
- Review SEMS activities periodically for process improvements

2.2 The SEMS Officer

Roles and Responsibilities:

- Champion the implementation of the SEMS Policy within the Bank through:
 - ✓ Trainings and workshops for improved awareness and to obtain management and staff buy-in
 - ✓ Communication of SEMS Policy updates and related events to staff



- ✓ Collaboration with Relationship Managers to monitor and ensure that mitigation plans and processes are implemented in line with agreed milestones
- ✓ Improved competencies across the Bank through effective liaison with Training Academy as well as self-development
- Where projects are involved
 - ✓ Participate in the pre-approval review to facilitate adherence to social and environmental requirements
 - ✓ Carry out periodic site visits in company of designated Specialised Lending Monitoring (SLM)/Relationship Officers to validate Project Managers' or Consultant's reports and monitor progress
- Escalate incidents of divergence from agreed milestones to DH, Risk Management and recommend remedial actions
- Provide support to the Credit Analysts during project assessment sessions in order to ensure compliance with SEMS standards
- Ensure social and environmental issues relating to each transaction are properly documented i.e. Evaluation checklist, Call memo
- Ensure each project complies with applicable principle under the Nigerian Sustainable Banking Principles (See appendix 2)

2.3 Credit Underwriting Unit

- Review all transactions in line with the Performance Standards
- Enforce compliance with SEMS policies and covenants at transaction level
- Assess E & S risk in transactions and ensure proper categorization by RO/RM
- Review all transactions in line with the IFC Performance Standards & NSBP Principles
- Refer/Escalate Category A & B transactions to the SEMs Officer
- Document appropriate SEMS mitigation covenants as part of Conditions Precedent to Disbursement for transactions involving E & S issues
- Complete the Project Monitoring Sheet (PMS) with the list of companies requiring SLM.

2.4 Specialized Monitoring Unit

- Ensure all approved transactions are reviewed for performance in line with the terms specified in the loan agreement Project Monitoring Sheet (PMS) – see appendix 3.
- Appoint Project Managers or Consultants to monitor and provide progress report on project execution



- Report on early warning signals on projects financed to DH, Risk Management
- Ensure all approved transactions are reviewed for performance in line with the terms specified in CAPA documented in the loan agreement
- Monitor projects as specified in the Project Monitoring Sheet (PMS) – see appendix 3.
- Forward Project Monitoring reports from consultants to SEMS Officer

2.5 Business and Operation Risk Management (BORM)

- Development of KRI's on Sustainability issues
- Enforce SEMS compliance through the R&C index

2.6 Relationship Officers/Managers

- Carry out first level assessment for E & S risk using the banks deployed assessment template
- Identify appropriate SEMS risk category for all customers' transactions
- Ensure familiarity with the SEMS risk category document and policy
- Ensure all transactions are filtered through the FCMB Exclusion list
- Monitor clients to ensure strict adherence to E & S mitigation
- Support the SEMs Officer and the SLM team in reporting on E & S issues
- Participate actively in the annual SEMS trainings and workshops

2.7 Internal Control

- Carry out checks to monitor compliance

2.8 Group Internal Audit

- Conduct audit exercise to provide assurance with the agreed procedure/ policy
- Provide Audit Report to Management

2.9 Communications & 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 RMC on the bank's E&S Practices, Issues and Strategies

2.10 Desired Culture and Commitment to Core Value

The bank defines its desired behaviors through Vision and Mission Statements and Core Values elements, which invariably defines 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 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).

This is reflected in italicized point 3 below;

Sustainability

- ✓ 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

2.11 Human Capital

The SEMS Desk must be manned by an experienced professional with the right skills for the role, this should come with great understanding of environmental and social risk and opportunities.

The individual 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.).

Also, vital is the alignment of this role with other key risk stakeholders, to have enough cooperation in driving the SEMS Policy bank-wide and in concordance with the bank's strategy and business objectives.



3. PROJECT REVIEW AND APPROVAL PROCESS

3.1. Business Activities

3.1.1 Project Review Process

There are critical environmental and social elements to all the projects we finance. Therefore, environmental and social issues would form an integral part of the project evaluation process irrespective of the sectors financed. The project review process shall include:

- Identification of possible sources of environmental disturbance
- Enlistment of inputs and outputs of each component e.g. air pollution, noise pollution etc and list alternatives that may be considered e.g. solar or gas fuel instead of coal
- Description of the environment/ issue e.g. virgin forest, flora, population displacement
- Description of significant effect on the environment
- Mitigants to the highlighted effects and adoption of the best value option
- Communication to stakeholders

FCMB's Social & Environmental Management System (SEMS) shall seek to comply with the following:

1. Local and National Laws and guidelines. e.g The Nigerian Sustainable Banking Principles
2. International Laws (where applicable)
3. Internal Policies & Guidelines which include:
 - ✓ General Health and Safety Guidelines
 - ✓ EIA (Environmental Impact Assessment) for Category A Projects
 - ✓ Environmental Management Policy
4. Other guidelines as may be adopted from time to time.

FCMB would utilize the expertise of competent professionals to assess projects. In some cases, the promoters/sponsors of projects would be required to carry out an Environmental Impact Assessment (EIA) including public consultation in accordance with State and Federal Laws. An Environmental Impact Assessment report approved by the federal or state ministry of Environment shall be required. If the project relates to the oil and gas sector, then an approved EIA report with concurrence from Department of Petroleum Resources (DPR) will be required. The promoters are responsible for compliance with legal obligations and abatement measures documented into the loan agreement.



3.1.2 Project/Loan Approval Process

- Receive the loan application
- Confirm if the project falls under FCMB's exclusion list. (See appendix 4)
- Categorise into A, B or C depending on the nature of the transaction (See appendix 5)
- Assess projects to ensure compliance with local and national environmental laws and regulations on issues such as:

Environmental Issues e.g. Impacts to Land, Water, Air, Biodiversity, Health and Safety
Issues e.g. occupational health, risk to workers

Social Issues e.g. Impacts on communities which may be Economic, Physical or Cultural.
Use the Environmental and Social Evaluation checklist (CSEC)

- The Bank will consider financing projects that fall under category A where there are adequate and cost-effective measures to mitigate identified Environmental and Social risks and potential impacts.
- The applicant shall demonstrate compliance with environmental requirements otherwise a Corrective Action Preventive Action (CAPA) plan must be agreed upon. The Plan must specify a budget and target dates for the implementation of all the actions necessary to mitigate, remedy or correct identified deviations from environmental regulations
- Documentation requirements for transactions and projects shall be as follows:

S/N	CATEGORY	DOCUMENTATION
1	A	<ul style="list-style-type: none">• Environmental Impact Assessment (EIA) Report• Corrective Action Preventive Action (CAPA)• CAPA is documented in Loan Agreement
2	B	<ul style="list-style-type: none">• SEMS Evaluation Checklist• Quarterly Call Memo
3	C	<ul style="list-style-type: none">• SEMS Evaluation Checklist

- Determine whether it is necessary to contract consultants for professional assessment and recommend same
- Post disbursement monitoring and reporting:

- From our customers to FCMB; findings will be reported to the SEMS Officer and Loan Monitoring Unit in Risk Management
- From FCMB to the Board on Category A projects
- From FCMB to applicable multi-lateral agencies

The process flow is demonstrated in the figure below:

SEMS PROCESS FLOWCHART

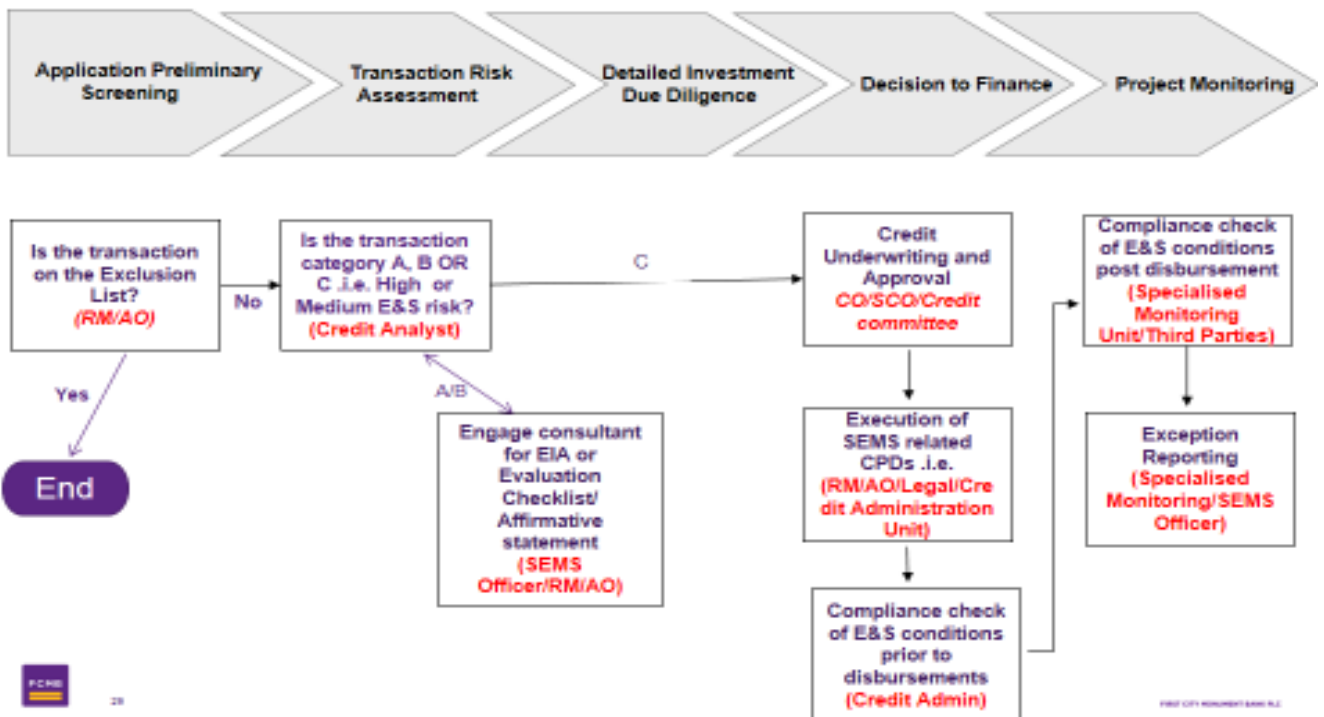


Fig. 2 SEMS Process Flowchart

3.1.3. Environmental Compliance Monitoring

Environmental performance is evaluated annually using the SEMS Evaluation Checklist while project performance and compliance with approved terms and conditions are provided periodically through the completion of a Monitoring Sheet (PMS) for each project. (See appendix 4). The PMS is an extraction of all conditions and time-lined deliverables constituted in the project agreement at the point of approval.



3.1.4. Reporting

The SEMS Officer obtains periodic reports from appointed project Consultants or Managers and provides monthly reports on the performance of all sub-projects to the DH, Risk Management.

Reports of sub-projects would also be forwarded to the Multilateral Agency as stipulated.

- a. **Client E&S Risk Assessment**, which measures the client's commitment, capacity and track record to manage E&S issues; and
 - b. **Transaction E&S Risk Assessment**, which measures the E&S risks associated with a specific transaction.
- The combination of the Client and the Transaction E&S risk assessments (a risk overlay matrix) provides an **overall E&S risk profile** associated with the business engagement. Based on the overall profile and other relevant factors, the bank may decide not to enter into a transaction or engagement.
 - **The Client E&S Risk Assessment** focuses on the client's policies, governance, risk management and stakeholder engagement approaches. The client's track record of managing the E&S impacts of its business is also reviewed.
 - **Client E&S Risk Assessment** is conducted at the beginning of a client relationship and reviewed on a regular basis (e.g. on a yearly basis).

Note: *Client E&S Risk Assessment is conducted by the front office staff and checked by the E&S specialists.*

- The scope of the **Transaction E&S Risk Assessment** is to identify and categorise the E&S risks related to a specific transaction, and to determine the next steps for the bank, including the level of further E&S risk due diligence required. The Transaction E&S Risk Assessment focuses on the E&S risk assessment of the underlying project or asset.

Note: *Transaction E&S Risk Assessment is conducted by the front office staff and checked by the E&S specialists.*

Escalation Process - High risk transactions, or transactions where conditions are not met, can be escalated for decision by a higher approving authority (e.g. a Board committee).

c. Risk Overlay matrix

- The combination of the Client and the Transaction E&S risk assessments provides **the overall E&S risk profile associated with the respective business engagement** and determine the extent of further E&S risk due diligence required.
- The matrix below illustrates how the relationship between Transaction risk and Client risk can determine how the bank shapes its E&S due diligence approach.

TRANSACTION RISK	CLIENT RISK		
	High	Medium	Low
High (Category A)	Detailed E&S Due Diligence	Detailed/Moderate E&S Due Diligence	Moderate/Minimum E&S Due Diligence
Medium (Category B)	Detailed E&S Due Diligence	Moderate E&S Due Diligence	Minimum E&S Due Diligence
Low (Category C)	Moderate E&S Due Diligence	Minimum E&S Due Diligence	Minimum E&S Due Diligence

Table 1. Transaction and Client Risk Matrix



3.2 Internal Operations E&S Risk Management

3.2.1 Internal E&S Risk Assessment

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;

3.2.2 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 product we offer (business). Thus, our response would look at different options including accepting, reducing, avoiding, and sharing the risk.

Where we find risk 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 emplace adaptive strategies to help us build resilience i.e Climate Change related.

3.2.2.1 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, public financing and micro-financing.
- Drive our business processes with renewable energy and energy efficient processes

3.2.2.2 Mitigate

Here the various risk owners (business, operations, SEMS Officer etc) are involved in driving this as the first level of control. This will be discussed at EMC or considered by relevant authorities with innovative and collaborative solutions to E&S risk. The following are possible ways to responding to this;

- **Use of 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 (CO₂e).

- **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 stakeholder. Internal communication channels (e.g. Village Square, etc.) shall be adopted to engage staff.
 - ✓ **External Stakeholders:** This includes getting feedbacks 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
- **Training and Capacity Building:** We believe one of the ways to effectively drive acculturation of our people is to invest in training and capacity building. To make this happen, we will continuously invest in training them on the need to have E&S enshrined in their process, be it, business or operations. We will work with bodies like the IFC to deliver relevant sector specific trainings and workshops we find pertinent. Trainings would be quarterly with us leveraging on the annual e-learning on Sustainability.
- **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 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 understand our impacts and determine our compliance to set thresholds



3.2.2.3 Monitoring and Reporting

This aspect monitor business unit's performance and evaluate progress on agreed thresholds.

The process would include the following;

- ✓ Monthly review: This would be carried out as part of our reporting to the Risk Management Committee (RMC).
- ✓ Half-Yearly Nigerian Sustainable Banking Principle Report Rendered to the CBN
- ✓ Yearly Report to partner Multilateral Agencies



4.0 REVIEW

We shall regularly review the performance of the ESMS (e.g. on a bi-annual basis). The review shall, among other aspects, focus on:

- ✓ Performance against targets, monitored through KPIs;
- ✓ Gaps in implementation of the ESMS;
- ✓ Level of E&S risk exposure in direct operations and in business activities;
- ✓ Key actions to improve E&S performance in direct operations and in business activities.

5.0 MANAGEMENT INFORMATION (MI)

The bank shall regularly review management information that summarizes key data points on E&S performance on a monthly basis, such as the KPIs defined to track progress against objectives via the RMC. Tracking this information will help us to evaluate our performance, analyze trends and identify risks in relation to E&S management.

6.0 REPORTING AND COMMUNICATION

We will report all our internally related E&S Issues including staff Health and Safety, Human Rights and Employment Policies, Environmental Aspects and Impacts (from our Energy Use, Staff Travel & Waste and Water Use) to RMC monthly and captured as part of our annual Financial Report to the General Public and other Stakeholders. Also, our Business Activities (covering the E&S Issues from our lending to Projects and Businesses) is adequately identified and reported half-yearly to the CBN as part of our obligation under the Nigeria Sustainable Banking Principles (NSBP) as well as partner multilateral agencies on an annual basis.

7.0 TECHNOLOGY INFRASTRUCTURE

We will continually strive to ensure technology is used in the way E&S data is captured, analyzed and presented. This would help us align with the bank's goal to be digitally agile. Also, key is the way technology can also help in predicting potential environmental challenges with the use of Big Data and Artificial Intelligence i.e Megatrends

Aspect	Risk Assessment Scoring	Responsible Person(s)
Health and Safety	5-16	HR
Human Rights	9-16	HR
Environmental	9-16	SEMS/Risk Policy
Governance	9-16	Risk Policy



APPENDIX 1

Affirmation Statement

I/We, undertake to carry out my/our business in a way that avoids, reduces, and compensates for damage to nature, public services, or the well-being of the individuals who work with me and who live in the vicinity, by continuing with or taking the following actions:

- Operating and maintaining machines and equipment professionally and with proper (safety) measures.
- Not employing children.
- Using (toxic) chemicals with proper safeguards and storage.
- Complying with accepted standards and regulations regarding land cultivation.
- Reducing the amount of waste by improving the process or recycling.
- Preventing land erosion or degradation.
- Taking precautions in waste disposal and not dumping liquid or solid waste in public places.
- Avoiding, reducing and controlling processes that pollute the air.
- Taking steps to protect my own health and that of my employees / clients / neighbors complying with local regulations on environmental protection, health and safety, hygiene; labour e.g. National Environmental Standards and Regulations Enforcement Agency (NESREA).
- Complying with government regulations

I have been informed that FCMB Plc may take a visit to evaluate my activities from the environmental, health and safety, and labour standpoints and that I may only obtain a new loan if, in addition to complying with the financial conditions, I also comply with my environmental, health and safety, and/or labour commitments.

Name

Signature

OR: Accepted for and on behalf of X COMPANY NIGERIA LIMITED

.....

Authorized Signatory

.....

Authorized Signatory



APPENDIX 2 (Extract)

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, minimise or mitigate negative impacts.

Principle 2 | Our Business Operations: Environmental and Social Footprints

We will seek to avoid, minimise 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

PROJECT MONITORING SHEET

From: State the Name of Your Department/Business Unit

To: Risk Policy

Subject: To ascertain the level of compliance with SEMS

Customer:

DATE OF VISIT:

IN ATTEDENTANCE:

FACILITY DETAILS:

S/N	Facility Type	Amount N	Purpose	Tenor	Outstanding N
1					
Total					

REPORT:

S/N	Subject Matter	Discussion
1	Environmental Issues such as Air, land and water Pollution	Address observations on issues such as noise pollution, waste disposal, work environment, Energy and water use.
2	Social issues	Address issues such as health and safety of staff, staff salaries, unfair labour practices such as child labour, breach of human rights or forced labour.



APPENDIX 4

FCMB'S EXCLUSION LIST

FCMB shall not finance the underlisted projects. However, a reasonableness test which will be based on the Bank's internal performance standards will be applied where the activities of the Project owner would have significant developmental impact.

- Production or trade in any product or activity deemed illegal under Nigerian laws or regulations or international conventions and agreements to which Nigeria is a signatory; or subject to prohibition by NAFDAC, Standard Organization of Nigeria (SON), Nigerian Customs Services (NCS), National Drug Law Enforcement Agency (NDLEA).
- Production or trade in weapons and munitionsⁱ.
- Gambling, casinos and equivalent enterprises; however registered national lotteries and sweepstakes are exempted¹.
- 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%.
- Production or activities involving harmful or exploitative forms of forced laborⁱⁱ/harmful child laborⁱⁱⁱ.
- Commercial logging operations for use in primary tropical moist forest.



APPENDIX 5 – PROJECT CATEGORISATION

ANNEXE 1 - CATEGORY 'A' PROJECTS

Definition:

Category A: The project is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented. The potential impact is considered “sensitive” if it may be irreversible (e.g., lead to loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites. A full Environmental Impact Assessment (EIA) is required.

Typical Category A Projects	
Hazardous waste disposal operations	Construction of dams and reservoirs
Projects involving resettlement of communities	Pesticides and herbicides: production or commercial use
All projects which pose serious socioeconomic concerns	Major irrigation projects or other projects affecting water supply in a given region
Projects which impact on cultural property (e.g. religious and archeological sites)	Hazardous chemicals: manufacture, storage or transportation above a threshold volume
Projects which pose serious occupational or health risks	Oil and gas developments, including pipeline construction
Mining (opencast and pit)	Large infrastructure projects, including development of ports and harbors, airports, road, rail and mass transit systems and large thermal and hydropower developments
Some Forestry operations	Metal smelting, refining and foundry operations



ANNEXE 2

CATEGORY B

<p>Category B: The project may result in specific environmental impacts, but these impacts are site specific, few in number and largely reversible. In most cases mitigation measures are predetermined. Potential adverse environmental impacts on human populations or environmentally important areas are far less serious than those of Category A projects. Although a full EIA is not required, environmental assessment focusing on the anticipated impacts is required</p>	
Typical Category B Projects	
Breweries	Hotel/tourism developments
Cement manufacture	Mining (small scale)
Dairy operations	Metal plating
Food Processing	Modernization of existing plants
General manufacturing plants	Pulp and paper mills
Hospitals	Textile Plants

ANNEXE 3

CATEGORY C

<p>Category C: The project is likely to have minimal or no adverse environmental impacts. No further environmental assessment is required</p>	
Typical Category C Projects	
Software development	Traders
Consulting firms	Share registries
Service industries	Stockbroking
Technical assistance	Retail banking



APPENDIX 6 - GRIEVANCE PROCESS

The bank has a whistle blowing policy which enables third parties to air their views. The document has been expanded to accommodate reporting on SEMS –related issues. This is done in confidence with KPMG has shown below:

Step 1: Dial the Hotline from any telephone. You can also send fax or e-mail.

Step 2: You may call anonymously but ensure that you give all the information and details to the person who answers the telephone. You will be expected to provide the following:

- • What happened
- • When the act occurred
- • Where the act occurred
- • Who was involved in the act
- • Any other useful information

Step 3: You will be given a reference number – keep this number confidential as you will need the number if you make a follow up call.

The calls are answered, and the information recorded by persons not employed by FCMB to ensure that confidentiality and anonymity are always maintained. Even if you decide to supply your name, the information and your identity will remain confidential and will not be disclosed to FCMB.

Use this opportunity to assist in the prevention of all incidents of fraud and misconduct at FCMB.

Contact KPMG Ethics Line today

Phone: 0703 000 0026, 0703 000 0027, 0808 811 8888, 0808 822 8888

E-mail: kpmgethicsline@ng.kpmg.com

Fax: provided upon request.

Absolutely confidential and anonymous

Alternatively, you can proceed to the following link:

<http://www.firstcitygroup.com/fcmb/index.php/customer-services/whistle-blower>



NOTES ON THE EXCLUSION LIST (See appendix 4)

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

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

ⁱⁱⁱ 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.