



BANK OF INDUSTRY
...transforming Nigeria's industrial sector

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY MANUAL

JUNE 2020

www.boi.ng

CONFIDENTIALITY STATEMENT

ALL RIGHTS RESERVED

The information contained in this document is the sole property of the Bank of Industry Limited (BOI Ltd), to which the Bank retains exclusive rights of use.

No part of it may be reproduced, transmitted or distributed in any form or by any means whatsoever, whether electronic, mechanical, photocopying, recording or stored in a database/retrieval system without the prior written permission of the Bank.



TABLE OF CONTENTS

CHAPTER 1	5
1.1 Introduction	5
1.2 Purpose of This Policy	6
CHAPTER 2	9
2.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK DEFINITIONS, STANDARDS AND PRINCIPLES.....	9
2.1 Environmental, Social and Governance Risk	9
2.2 Environmental, Social and Governance Risk Management Philosophy	10
2.3 Environmental, Social and Governance Risk Management Guiding Principles	10
2.4 Environmental, Social and Governance Risk Management Objectives	12
2.5 Environmental, Social and Governance Risk Appetite	12
2.6 Application to Credit Facilities/Tenor of Transactions	12
CHAPTER 3	13
3.0 BOI'S COMMITMENT	13
CHAPTER 4	14
4.0 ROLES AND RESPONSIBILITIES	14
CHAPTER 5	16
5.0 ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK MANAGEMENT PROCESS....	16
5.1 Environmental, Social and Governance Risk Management Process for Transactions	20
5.2 Environmental, Social and Governance Risk Assessment	20



CHAPTER 6	22
6.1 Supervision	22
6.2 Key Environmental Issues	23
6.2.2. Improving Urban Environmental Management	23
6.2.3. Institution & Capacity Building	23
6.3. Increasing Awareness	23
6.4. Stakeholder Participation	24
6.5. Recycling and Waste Conversion	24
6.6. Collaboration with Partners	24
6.7. Sector Specific Initiatives on Governance & Disclosure	24
CHAPTER 7	25
7.1 Policy Implementation	25
7.2 Required related Policies	25
CHAPTER 8	26
8.1 Governance and Compliance	26
APPENDIX 1	27
EXCLUSION LIST	27

CHAPTER 1

1.1 Introduction

1.1.1 Preamble

In line with its aspiration to be a world class Development Finance Institution, the Bank of Industry Limited (BOI) has set out its vision, mission, mandate and core values as follows:

1.1.2 BOI's Vision

To be Africa's leading Development Finance Institution, operating under global best practices.

1.1.3 BOI's Mission

To transform Nigeria's industrial sector by providing financial and business support services to enterprises.

1.1.4 BOI's Mandate

Providing financial assistance for the establishment of large, medium and small companies as well as expansion, diversification and modernization of existing enterprises and rehabilitation of ailing industries.

1.1.5 BOI's Core Values (SPPIRIT)

- Service
- Professionalism
- Passion
- Integrity
- Resourcefulness
- Innovation
- Team Spirit

1.2.0 Purpose of This Policy

The purpose of this policy is to convey BOI's commitment and support for Environmental, Social and Governance (ESG) issues and sustainable finance. In order to achieve its developmental goal, the Bank understands that sustainability considerations must be incorporated in its business activities (lending, investing and related activities) and operations (own Environmental and Sustainability (E&S) footprints such as energy use, labour and working conditions, etc.).

To fully adopt and implement this policy, BOI understands that all stakeholders (Board & Management, Staff, Customers, Vendors and other third parties) along the Bank's value chain must be involved in a strategic manner. **The ownership and responsibility of this commitment lies with the Board and Top Management of the Bank (i.e. the Managing Director or his/her designate(s))** and appropriate steps shall be taken from time to time to achieve this purpose.

BOI engages in a wide range of financial activities through direct and indirect lending to businesses as well as other activities through its subsidiary companies. The Bank's procedure is to assess each financial activity for environmental, social and (if applicable) governance risks, using standards and guidelines designed in line with appropriate national (e.g. the Nigerian Sustainable Banking Principles, NSBP, etc.) and international (e.g. the IFC Performance Standards, etc.) standards of ESG performance. Where there are shortcomings, appropriate mitigants are put in place to ensure compliance with ESG standards.

The Bank believes that the Policy on Environmental, Social and Governance is not punitive; rather it is to help increase sustainability of operations and to improve competitiveness for the Bank, its subsidiaries, partners and other third-party entities.

The overall purpose is to ensure that our detailed project evaluation, monitoring and supervision will constantly result in financing only projects that satisfy acceptable performance standards. It is necessary the Bank adheres to this Policy in order to be transparent in its decision making and to enhance its profitability and sustainability.

1.2.1 Environmental, Social and Governance Policy Statement

The Bank of Industry Ltd. (“BOI” or “The Bank”) is mandated by its Charter to provide financial and advisory support for the establishment of large, medium and small projects/enterprises and the expansion, diversification, rehabilitation and modernization of existing enterprises in Nigeria. BOI supports projects with potential developmental impact, and the capability to generate considerable multiplier effects such as job creation, import substitution and poverty alleviation which would have significant positive effects on the socio-economic condition of Nigerians.

As part of its efforts to incorporate sustainable risk management practices into its activities by operating as a first-class, socially and environmentally responsible development financial institution that is focused on industrial development and improvement of the nation's economy, the Bank has identified the need to adequately manage Environmental, Social and Governance (ESG) risks so as to demonstrate its commitment in ensuring that its activities and those of its customers adequately address relevant environmental, social and governance issues.

In line with the foregoing and its Vision and Mission, the Bank has identified ESG risks mitigation as a key component of its overall Risk Management Framework. The Bank therefore seeks to ensure the effective implementation of an Environmental, Social and Governance Management System (“ESGMS”) which includes sound objectives, states its commitment in managing ESG risks and opportunities, and includes well defined policies, procedures and responsibilities.

In achieving this, the Bank shall:

- i. Integrate ESG risk management into its end-to-end credit and investment appraisal and monitoring process.
- ii. Ensure compliance with leading international standards while taking cognizance of specific local requirements on ESG risk management in all sectors in which its resources are to be committed.
- iii. Ensure that its partners (in co-financed deals) share a common commitment to managing ESG risks.
- iv. Promote ESG compliant projects.

- v. Ensure the effective management of ESG risks in the Bank's portfolio by appropriately categorizing transactions based on their potential ESG impacts.
- vi. Ensure that there is appropriate internal capacity to handle ESG issues, which will be supplemented by external expertise, as the need arises.
- vii. Provide annual training on ESG risk management to management and staff of the Bank.
- viii. This Framework and its accompanying elements shall be reviewed and updated every 3 years or as the need arises.

The ownership of our ESG Framework (including this Policy Manual) rests with the Board of Directors who shall be responsible for ensuring the effective implementation of the Framework across the Bank, with support from the Board Risk and Audit Committee ("BRAC") and the Executive Management Committee (EMC). This Policy shall be communicated to all employees and relevant stakeholders of the Bank.

CHAPTER 2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK DEFINITIONS, STANDARDS AND PRINCIPLES

2.1. Environmental, Social and Governance Risk

ESG risks are the potential negative consequences to a business that result from its impacts (or perceived impacts) on the natural environment (i.e. air, water, soil), communities of people (e.g. employees, customers, local residents) as well as the governance of a business' internal affairs and relationships with stakeholders; including its employees and the shareholders.

2.1.1 Environmental Risks

Environmental risks are the negative consequences that can affect the ecosystem, water, land, air adversely, and consequently, human health as a result of the impact of a company's activities on the environment.

Generally, companies' environmental impacts are assessed by their use of energy, waste generation, level of the pollution produced, utilization of the resources, and treatment of animals.

A company's environmental policy and its ability to mitigate environmental risks may have a direct impact on its financial performance.

2.1.2 Social Risks

Social risks are negative consequences that manifest as a result of the impact of the company's mismanagement of relationships with other businesses, people and communities. Factors that may crystallize into social risks for a company include a negative attitude towards diversity, violation of human rights within the workforce and operating environment, labor issues, and inadequate consumer protection.

Companies that mismanage significant social factors may face the risk of public outcry and backlash as well as a damaged legal standing, and may not be sustainable in the long term.

2.1.3 Governance Risks

Corporate governance risks are a direct consequence of a company's mismanagement of internal affairs and relationships with its stakeholders, including its employees, regulators, directors and shareholders. Good corporate governance can help avoid risks such as regulatory sanctions and penalties, seizing of operational licenses, conflicts of interest between the company's stakeholders, and huge litigation expenses.

2.2. Environmental, Social and Governance Risk Management Philosophy

BOI's ESG risk management philosophy is to embed sound and robust enterprise-wide risk management practices that will focus on minimizing risks (e.g. credit risks, reputational risks, legal risks, liability and regulatory risks, etc.) while seizing opportunities to achieve the overall objective of the Bank. The Bank shall support the management of ESG risk exposures across the Bank and ensure that ESG risks and impacts are considered in lending and investment decision making.

2.3. Environmental, Social and Governance Risk Management Guiding Principles

The Bank's ESG principles are geared towards good practices and will draw applicable references from the Nigerian Sustainability Banking Principles, IFC Performance Standards as well as other International Standards.

The Bank shall set the following principles for ESG risk management:

i. Environmental & Social (ES) Risk Managements

The Bank and its subsidiaries shall integrate environmental and social considerations into its decision-making processes relating to our business activities to avoid, minimize or offset negative impacts.

ii. Environmental and Social Footprint

Care has to be taken to avoid, minimize or mitigate negative impacts of its business activities and operations on the environment and local communities in which it operates and, where possible, promote positive impacts.

iii. Equity and Fairness

Respect for the individual is a fundamental obligation which must be institutionalized by prospective customers. Furthermore, customers must create and encourage a result-oriented environment in order to increase efficiency.

iv. Women's Economic Empowerment

The Bank and its subsidiaries shall promote women's economic empowerment through a gender inclusive workplace culture in its business operations and shall seek to provide products and services designed specifically for women through its business activities.

v. Financial Inclusion

The Bank and its subsidiaries shall promote financial inclusion through the provision of financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector.

vi. E&S Governance

The bank shall implement robust and transparent E&S governance practices and assess the E&S governance practices of its clients.

vii. Capacity Building

The Bank and its subsidiaries shall develop individual, institutional and sectorial capacity necessary to identify, assess and manage the ESG risks and opportunities associated with its business activities and operations.

viii. Collaborative Partnerships

The Bank and its subsidiaries shall collaborate and leverage international partnerships to accelerate its collective progress and shall ensure an approach consistent with local and international standards.

ix. Reporting

The Bank and its subsidiaries shall regularly review and report on its progress in meeting its ESG Standards and Principles.

2.4 Environmental, Social and Governance Risk Management Objectives

The overall objective of ESG risk management is to identify and mitigate avoidable impacts (e.g. regulatory, reputational, liability and legal issues, credit risk and low return on investment, as well as financial losses) arising from ESG risks facing the Bank and also optimize ESG opportunities. The Bank shall maximize its capacity to contribute to sustainable development while improving on its earnings and creating value for its shareholders.

The Creation of an ESG risk-aware business environment where everyone is aware of and actively manages the ESG risks within their sphere of control.

2.5 Environmental, Social and Governance Risk Appetite

BOI as an organization will not involve itself in funding activities that would lead to ESG risks that could result in negative impact on the Bank's reputation, Significant financial loss (e.g. NPL ratio), disruption of business operations, significant environmental damage to the ecosystem, regulatory sanctions and penalties, negative impact on employees, customers and community relations, negative consequences on the health and safety of staff and people in the community.

As a result, it is paramount that the Bank's ESG management system is built on a strategy that articulates the Bank's overall approach to sustainability practices in its business.

2.6 Application to Credit Facilities/Tenor of Transactions

BOI is involved in the financing of transactions with varying tenor, including short term, medium term and long term. The Bank is committed to ensuring that ESG risk is managed for all transactions financed. Hence, the ESG risk management process shall consider the tenor of transactions being financed by the Bank. The tenor of loans shall form part of the basis for assessing the likelihood of crystallization of ESG risks that are identified during due diligence.

CHAPTER 3

BOI'S COMMITMENT

The Bank understands the survival of our society is threatened from uncontrolled human activities and so, the Bank recognizes it must consistently minimise its direct and indirect negative impact on the environment.

The Bank is committed not only to complying with applicable laws regarding Environmental, Social & Governance related issues in all of its activities and operations, its commitment involves minimising risks and impacts through detailed project evaluation, monitoring and supervision and compliance with international leading practices.

The Bank is committed to continuously promoting environmentally and socially sound and sustainable development in the full range of its activities and operations by fostering the establishment, expansion and modernization of industrial projects and shall put into practice through this policy, its commitment to environmental, social and governance sustainability practices. This is to ensure that funded projects contribute positively to the social and environmental sustainability of the country.

The Bank and its subsidiaries shall strive to ensure through its environmental and social appraisal and supervision process that the industrial projects it finances are environmentally and socially sustainable by requiring that such activities inflict no harm on the people and/or degradation to their environment. The projects shall be designed to minimize pollution and maximize resource efficiency

CHAPTER 4

4.0 ROLES AND RESPONSIBILITIES

The level of engagement regarding any particular activity shall be determined by the nature and scope of the proposed investment, transaction or activity as well as the specific circumstances of the collaboration and relationship with the customer or stakeholder.

4.1 When carrying out investment appraisals, the Bank and its subsidiaries shall consider the following primary aspects:

- i. Likely environmental, social and governance risks as well as impacts of the proposed investment or activity and how such can contribute to the development of the host community as well as relevant stakeholders.
- ii. The customer's institutional framework, capacity and commitment to meet the requirement of this Policy and other related policies of the Bank.

4.2 The Bank and its subsidiaries shall not finance activities that contravene its environmental and social requirements as well as other related policies.

However, in exceptional cases, a project may not be in full compliance at the time of signing the legal agreement with BOI, in which case approval of financing shall be conditional on the customer or relevant stakeholder achieving compliance within a designated time frame. Persistent delays in meeting these requirements can lead to loss of financial support from the Bank or its subsidiaries.

4.3 The Bank and its subsidiaries' ESG due diligence shall apply to all its investment activities and shall be commensurate with the level of ESG risk and impacts of each project. The Bank shall weigh the costs and benefits of each proposed business activity and articulate its rationale and conditions for Board approval.

4.4 Agreements between BOI and its customers and relevant stakeholders shall include an undertaking that they shall be bound by specific provisions for ESG risk mitigation, monitoring (including visits by BOI staff or representatives) and reporting, should the customer and/or stakeholder fail to meet the applicable requirements as agreed, the Bank shall exercise its rights and remedies as appropriate.

- 4.5** BOI shall be duly informed where there is a material change in the customer or stakeholders business or when it plans to enter into a new business area that is materially different from what was presented and approved by the Board. In such circumstances, the Bank shall reassess the project/business for compliance with its ESG policy and other applicable policies/conditions of the Bank.

CHAPTER 5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK MANAGEMENT PROCESS

5.1 Environmental, Social and Governance Risk Management Process for Transactions

5.1.1 This ESG risk management process provides guidance on managing ESG risks relating to the Bank's lending and investing activities. The objectives of the ESG risk management process are to establish a standard for identifying, assessing, mitigating and reporting ESG risks relating to the Bank's lending and investing activities.

5.1.2 The process also aims to embed leading ESG risk management practices into the Bank's credit assessment and monitoring process. The risk management process of the Bank has been embedded in the ESG risk process cycle, to enable effective management of ESG related risks as shown below:



Figure 5.1.2: ESG Risk Management Process

5.1.3 Transaction Screening

5.1.4 The BOI Exclusion List (appendix1) sets out the types of business activities that the Bank does not support. All investments and projects proposed for financing by the Bank must be screened. This would also include identification of potential ESG risks which require further due diligence or risk management or exclusion of activities the Bank will not finance.

5.1.5 Environmental, Social and Governance Categorization of Transactions and Financial Intermediaries.

All transactions, after being examined against the Bank's exclusion list, shall be categorized based on their potential ESG risks and impacts. The purpose of this categorization is to determine the nature and depth of ESG due diligence and necessary procedures that will be required, as well as the stakeholder engagement, loan covenant documentation and ESG monitoring requirements. The Bank has adopted the IFC ESG categorization process to assess potential transactions for financing. The categories are as follows:

Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.

Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts.

Category FI: Business activities involving investments in FIs or through delivery mechanisms involving financial intermediation. This category is further divided into:

FI-1: when an FI's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

FI-2: when an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

FI-3: when an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

5.1.6 ESG Due Diligence

BOI shall conduct ESG due diligence on transactions, this is a critical stage of the ESG risk management process to identify any potential ESG risks associated with the business activities of a customer/investee and ensure that transactions and FIs do not carry ESG risks that will adversely impact the Bank.

5.1.7 Due Diligence for Transactions

ESG due diligence for transactions shall typically include the following key components:

- i. Review of all available information, records and documentation related to the ESG risks and impacts of the business activity, as well as ESG categorization of the project.
- ii. Evaluation of the customer's ESG plans, and if operational, its ESG performance in relation to Sustainability Principles.
- iii. Identification of gaps to define any areas of non-compliance with the requirements of this Policy.
- iv. An Environmental and Social Action Plan (ESAP) that summarises the ESG risks and required mitigation measures including timelines, responsible parties and outcome indicators.
- v. A Corrective Action Plan (CAP) that forms the basis of how the Bank will respond in the event of a non-compliance situation.

The nature and extent of the ESG due diligence to be carried out on a transaction shall be based on its categorization, which shall depend on the potential ESG risks and impacts of the transaction.

In cases where the business activity to be financed is likely to generate potential significant adverse impact on affected communities, BOI shall expect the customer or relevant stakeholder(s) to engage in a process of informed consultation and participation which would lead to broad community support.

5.1.8 Effects of Third-Party Actions on customers /Investees' ESG Risk Profile

The Bank understands that there may be instances where customers and investees' ability to comply with the Bank's ESG Risk Management Framework will be dependent on third party actions. As part of the due diligence process, the Bank shall review the customers' and investees' identification of third-party ESG risks, and determine whether such risks can be managed, and if so under what conditions. In line with the Bank's risk appetite, certain customers' and investees' third-party risks may require the Bank to refrain from financing a proposed transaction.

5.1.9 Due diligence for Financial Intermediaries

- i. The Bank shall ensure that all FI clients have an operating ESG Management System (ESGMS) or its equivalent for managing ESG risks inherent in their portfolios and other business activities. The ESGMS should align with the Bank's ESG Risk Management Framework, especially on the assessment and management of ESG risks and impacts.
- ii. This will ensure that FI clients are assessed against the BOI's ESG risk management requirements and IFC Performance Standards, to identify the projects/transactions that may fall within the Bank's exclusion list, or that will be considered as Category A or B projects if they were to be financed directly by the Bank.
- iii. BOI shall implement a regular programme of supervision for business activities with ESG risks in order to ascertain sectoral exposure and contextual risks.

5.1.10 BOI shall conduct due diligence on its FI clients to assess:

- i. The existence of an operating ESG Management System (ESGMS) for managing ESG risks inherent in their portfolios and other business activities.
- ii. The adequacy of the ESGMS and alignment with the Bank's ESG Risk Management Framework and relevant ESG risk management leading practices.
- iii. Their capacity to implement the system and measures required to improve their ESGMS.
- iv. ESG risks associated with the FIs' existing or proposed portfolio.
- v. Level of compliance with the Bank's ESG Risk Management Framework in identifying, assessing and monitoring ESG risks.

5.2 Environmental, Social and Governance Risk Assessment

5.2.1 Individual ESG risks identified during the due diligence process shall be assessed based on their impact and likelihood of occurrence. These two (2) criteria shall be considered when ranking the ESG risks associated with projects/transactions and FIs to determine the risks that are of top priority.

It should be noted that the existing controls in place to mitigate the ESG risks identified shall be considered in assessing the risks.

5.2.2 Outcome of the ESG Due Diligence Process

The findings and recommendations from the due diligence process shall determine the final project/transaction categorization.

- i. If there is a change in the potential ESG impacts of a transaction the project/transaction shall be re-categorized.
- ii. The overall ESG rating that will be assigned to the project/transaction which will form an input into the Bank's assessment of its funding into the client.
- iii. The appropriate ESG Action Plans (ESGAP) to be articulated and agreed with the client, to prevent or mitigate the ESG risks identified during the due diligence process.

- iv. The ESG covenants to be incorporated in loan agreements, as well as necessary conditions precedent and subsequent to drawdown related to the implementation of the ESGAP.

Where the outcome of the due diligence exercise reveals a high ESG risk exposure which cannot be mitigated to an acceptable level within the Bank's risk limits, the Bank shall not support such projects or transactions.

Furthermore, the Bank's exclusion list as well as transaction categorization criteria shall be updated constantly with recommendations from the outcome of the ESG due diligence procedures.

5.2.3 Environmental, Social and Governance Reporting and Disclosures

A periodic report on the ESG risk management process of the Bank will be prepared by the Risk Management division of the Bank showing clients' and investees' compliance with ESG agreements included in offer letters.

BOI will incorporate an Environmental, Social and Governance report in its annual report, showing at least a summary of its ESG risk management framework, the projects being funded by the Bank that promotes ESG sustainability (with detailed impacts), as well as the activities carried out by BOI to reduce its ESG footprint from its internal activities. The Bank's disclosures on ESG risk management shall also be made available to the stakeholders through the official website.

CHAPTER 6

6.1 Supervision

BOI shall carry out the following actions to monitor its investments as part of its portfolio supervision programme:

6.1.1 Direct Investment

- i. BOI shall implement a regular programme of supervision for business activities with ESG risks and/or impacts.
- ii. BOI shall also review implementation performance as reported in the customer's reports to the Bank against the ESG conditions for investment and the customer's commitments.
- iii. If change in the customer's business activity results in altered or adverse environmental or social impacts, BOI shall work with the customer to address them.
- iv. If the customer fails to comply with its ESG commitments, as expressed in the ESG conditions for investment, BOI shall work with the customer or relevant stakeholder to ensure compliance. If the customer or stakeholder fails to re-establish compliance, BOI shall exercise remedies as appropriate.

6.1.2 Investment through Financial Intermediaries

- i. BOI shall implement a regular programme of supervision for business activities with ESG risks and/or impacts in order to ascertain sectorial exposure and contextual risks.
- ii. BOI shall periodically review the process and results of the ESG due diligence conducted by the Financial Intermediary (FI) for its investments.
- iii. BOI shall require its FIs to develop and implement an ESG management system that is commensurate with the level of ESG risks in its portfolio and prospective operations. Supervision may include visits to the FIs as well as recipients of the FI loans, particularly high risk projects. The frequency of the visits/supervision shall be commensurate with the identified risks.

6.2 Key Environmental Issues

Based on the review of the major constraints and opportunities facing sustainable development, BOI shall actively address the following key ESG issues:

6.2.1 Promoting sustainable Industry, Mining and Energy Resources

- i. BOI shall support environmental control measures to reduce adverse effects from industrial, mining and energy resources and utilization projects.
- ii. BOI shall give preference to projects that employ low waste industrial technologies and avoid adverse effects on natural resources and environment, and incorporate energy conservation and energy efficient technologies.

6.2.2 Improving Urban Environmental Management

In evaluating projects, BOI shall ensure that adequate steps are taken to minimize involuntary resettlement of large populations, reduce gas emissions generated by industrial activities, develop environment friendly transport systems, integrate recycling components and involve the private sector as far as possible in sectors like solid waste management, recycling etc.

6.2.3 Institution & Capacity Building

BOI shall encourage private sector firms to develop adequate capacity required for the application of clean technology, energy efficient and environmentally responsible activities.

6.3 Increasing Awareness

BOI shall aim at encouraging the private sector, large companies and small and medium-sized enterprises to conduct environmental awareness creation programmes for their staff.

6.4 Stakeholder Participation

To ensure development effectiveness, BOI shall encourage the involvement of all stakeholders in trade-off decisions that affect their livelihoods to enable them to retain control of, and access to, resources they need for a sustainable livelihood.

6.5 Recycling and Waste Conversion

BOI shall encourage investment in projects which are involved in recycling and waste conversion in order to reduce ESG risk.

6.6 Collaboration with Partners

BOI shall collaborate with relevant stakeholders in the private and public sector to promote sustainable development of the real sector. This collaboration shall be effected through:

- i. Identification of sustainable projects.
- ii. Encouraging relevant stakeholders to enter into technical agreements which will enable them benefit from the technical assistance.
- iii. Identification of ESG Specialists on issues such as capacity building for the Bank's customers, relevant stakeholders and the public in general.

6.7 Sector Specific Initiatives on Governance & Disclosure

Where a business activity can have potentially broader implications for the public at large, especially in the extractive industry or infrastructure in particular, BOI shall place greater emphasis on the importance of assessment of governance risks and disclosure of information as a means to manage such risks.

- i. Where BOI invests in extractive industry business activities (oil, gas, mining), BOI shall assess the governance risks viz-a-viz its expected benefits.
- ii. Where the risks supersede the benefits, BOI shall not support such projects. Where BOI invests in projects involving the final delivery of essential services, BOI shall encourage public disclosure of information to the requisite stakeholders.

CHAPTER 7

7.1 Policy Implementation

To implement this policy, BOI shall adopt the following approaches aimed at adjusting its lending operations and realigning some of its existing institutional arrangements:

- i. Mainstreaming environmental sustainability considerations in all BOI's activities and operations.
- ii. Developing environmental assessment procedures and new environmental management tools.
- iii. Demarcating internal responsibility in implementation.
- iv. Assisting to build adequate human and institutional capacity to deal with environmental management.
- v. Improving public consultation and information disclosure mechanisms.
- vi. Building partnerships to address environmental issues, harmonise policies and disseminate environmental information.
- vii. Commencing compliance monitoring and evaluation of operations.

7.2 Required related Policies

The requirements of this Framework have been documented to align with leading practices which include:

- i. International Finance Corporation (IFC) Policy on Environmental and Social Sustainability.
- ii. International Finance Corporation (IFC) Corporate Governance Development Framework
- iii. Equator Principles III.
- iv. IFC Performance Standards.
- v. CBN Nigerian Sustainable Banking Principles
- vi. Banking Requirements for Oil and Gas Sector Financing
- vii. Banking Requirements for Power Sector Financing
- viii. Banking Requirements for Agriculture Sector Financing
- ix. Benchmarks from leading practices of comparable organization such as the European Bank for Reconstruction and Development (EBRD), African Export and Import (AFREXIM) Bank and the African Finance Corporation (AFC).

CHAPTER 8

8.1 Governance and Compliance

BOI understands the strong correlation between its corporate governance and its commitment to sustainability. It shall therefore seek to disseminate good governance practices and put affordable governance tools and structures in the Bank.

BOI shall use increased supervision frequency (per project) to further enhance the field supervision of the environmental performance of the Bank's operations.

BOI shall strive to maintain an ESG Management function that is process driven, IT enabled and driven by professionals in the field with a focus of achieving an environmentally and socially responsible banking business.

BOI shall support its customers and relevant stakeholders in addressing ESG issues by requiring them to set up and administer appropriate mechanisms and/or procedures to address related grievances and complaints by aggrieved or affected persons.

Aggrieved or affected persons who are desirous of lodging a complaint against the Bank's activities or that of its customer or relevant stakeholder shall lodge such complaint via the whistle-blowing portal on the Bank's website (whistleblowing@boi.ng).

APPENDIX 1

EXCLUSION LIST

BOI will not finance any business or activity involving the following:

- i. Production or trade in any product deemed illegal under the local laws or regulations or international conventions and agreements.
- ii. Politically sensitive projects due to positions held by the client/guarantor and nature of the project. (Instances where the politically exposed projects will be secured with bank guarantees are allowed)
- iii. Production of or trade in armaments, weapons and ammunitions.
- iv. Gambling, casinos and equivalent enterprises
- v. Guarantees/Bonds in respect of criminal cases with courts or tribunals and other illegal activities.
- vi. Smuggling.
- vii. Projects promoted wholly for terrorism, drug trafficking, money laundering, arson or other serious crimes.
- viii. Production of beverages and drinks with more than 10% alcoholic content. Production or activities that will lead to environmental degradation, social injustices and illegal exploitation of labor.
- ix. Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- x. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.
- xi. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- xii. Production of or trade in radioactive materials, with the exception of medical materials and quality-control equipment for which the radioactive source is trivial and adequately shielded;
- xiii. Production of or trade in or use of unbonded asbestos fibres or other products with bonded asbestos as dominant material;
- xiv. Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora; Purchase of logging equipment for use in unmanaged primary tropical rainforests.

visit: www.boi.ng



Head Office: **23 Marina Road, Lagos, Nigeria**
email: **customercare@boi.ng**

call: **0700-CALL-BOI | 0700 225 5264**
switchboard: **(+234)-1-2715070-71**

FOLLOW US ON:



BankofIndustryNigeria



BOINigeria



Bank of Industry Limited



BOINigeria



Bank of Industry Limited Nigeria