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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK MANAGEMENT FRAMEWORK

AUGUST 2020

www.boi.ng

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

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

BD	Business Directorate
BCIGC	Board Credit, Investment and Governance Committee
BOI	Bank of Industry
BRAC	Board Risk and Audit Committee
CAR	Credit Appraisal Report
CAU	Credit Administration Unit
CBN	Central Bank of Nigeria
CBP	Client and Business Partners (ESG)
CCU	Credit Control Unit
CERD	Credit Evaluation and Remedial Department
CERG	Contractor ESG Requirements Guidelines
CG	Corporate Governance
CP	Communications Plan
CRO	Chief Risk Officer
EHS	Environmental, Health and Safety
EIA	Environmental Impact Assessment
EIM	ESG Impact Monitoring
EMC	Executive Management Committee
ENRMG	ESG and other Non-Financial Risks Management Group
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESGA	Environmental, Social and Governance Audit
ESGAP	Environmental, Social and Governance Action Plan
ESGIA	Environmental, Social and Governance Impact Assessment
ESGMP	Environmental, Social and Governance Management Plan
ESGMS	Environmental, Social and Governance Management System
ESGRMD	Environmental, Social and Governance Risk Management Department
ESHS	Environmental, Social, Health and Safety
FI	Financial Intermediary
FMEnv	Federal Ministry of Environment

GH	Group Head
GHG	Green House Gasses
IFC	International Finance Corporation
LE	Large Enterprises
MD	Managing Director
ME	Micro Enterprises
NPL	Non-Performing Loans
PR	Performance Requirements
RMD	Risk Management Division
RFP	Request for Proposal
SCTD	Strategy and Corporate Transformation Department
SEP	Stakeholder Engagement Plan
SME	Small and Medium Enterprises

TERMS AND DEFINITIONS

For the purposes of this Framework, the following definitions and terms shall apply to:

1.1 Board

Board of Directors of the Bank, the governance body with ultimate responsibility for BOI.

1.2 Business Directorates

This refers to departments who are typically involved in originating environmental, social and governance risk exposures in the Bank through their day to day operations.
These departments include but is not limited to: Large Enterprises (LE), Micro Enterprises (ME) and Small and Medium Enterprises (SME) and any other departments as may be deemed relevant to the credit process in the Bank.

1.3 Customer

A customer is an enitity or organization whose project is being financed by the Bank of Industry Ltd. (BOI).

1.4 Environmental, Social and Governance Risks

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.

1.5 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.

1.6 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.

1.7 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.

1.8 Executive Management

This includes the MD/CEO, Executive Directors (EDs), General Managers (GMs), and Deputy General Managers (DGMs).

1.9 Investee

An investee is an entity in which an investment is made by BOI.

1.10 Financial Intermediary

A Financial Intermediary is an entity through which the Bank finances projects and transaction.

1.11 Line Management

Divisional Heads, Group Heads and Department Heads.

1.12 Staff

For the purpose of this Framework, staff is any person employed by BOI and its portfolio companies to include permanent and temporary staff as well as internal consultants.

1.13 Stakeholders

Stakeholders are broadly defined as any individual or group that can influence or be affected by the Bank's strategy, objectives, initiatives and policies. In the context of this Framework, the universe of primary stakeholders will include but not limited to shareholders, staff members, customers, lenders, investors and strategic partners etc.

1.14 Transaction

A transaction is a business activity for which BOI's direct financial assistance is being sought by a customer or investee. A transaction could be in form of project finance or contingent obligations.

INTRODUCTION

2.1 Framework Rationale

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.

This document describes the Environmental, Social and Governance Risk Management Framework ("the Framework") in the Bank. This Framework explains the Bank's ESG risk management governance structure, ESG risk management process (for lending and investing) and includes a list of business activities that the Bank does not finance as well as guidelines for identifying potential ESG risks associated with the sectors where the Bank conducts its business.

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.

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 Sustainable Banking Principles.

vi. Benchmarks from leading practices of comparable organizations such as the European Bank for Reconstruction and Development (EBRD), African Export and Import (AFREXIM) Bank and the African Finance Corporation (AFC).

2.2 Framework Statement

BOI is committed to managing ESG risks arising from all transactions financed by the Bank. 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 periodic training on ESG risk management to management and staff of the Bank.

viii. Periodically update this Framework and its accompanying elements as may be required.

2.3 Purpose

The purpose of this Framework is to provide guidance for the effective management of ESG risks in the Bank's lending and investment process as well as its interaction with third-parties specifically its vendors, suppliers and service providers. Specifically, the Framework provides guidance on the process for identifying, measuring, mitigating and controlling, monitoring and reporting the ESG risks associated with the credit transactions of the Bank and procurement activities with vendors, suppliers and service providers. The Framework would also serve as the primary reference document for the management of ESG risks in the Bank.

2.4 Ownership

The ownership of this Framework 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).

2.5 Approval, Amendments and Exceptions

2.5.1 Approval

This Framework shall be approved by the Board, based on the recommendations of the EMC, BRAC and the BCIGC.

2.5.2 Amendments

This Framework shall be subject to review at least every three (3) years to ensure that it remains aligned with the Bank's overall business and risk management objectives as well as planned changes in the Bank's operations. More frequent reviews shall be carried out whenever changes in current trends and leading practices may, in the opinion of the Board or Executive Management, materially impact the provisions of this Framework. All changes shall be approved by the Board, based on the recommendations of the BRAC and the BCIGC.

Appendices to this Framework shall be reviewed as may be deemed necessary by the Group Head, ESG and other Non-Financial Risk Management Group (ENRMG) and approved by the Chief Risk Officer (CRO). All such amendments shall be presented for noting by the Board, at the next immediate Board meeting through the BRAC and the EMC.

2.5.3 Exceptions

All exceptions to the provisions of this Framework shall be approved by the Chief Risk Officer (CRO), based on the recommendations of the Group Head, ESG and other Non-Financial Risks Management Group (ENRMG). All such exceptions shall be presented for noting by the Board, at the next immediate Board meeting, through the EMC and BRAC.

2.5.4 Target Audience

This Framework applies to the Bank, all staff, external stakeholders and third parties, who have a business relationship with BOI, irrespective of their jurisdiction, sector and nature of business.

2.5.5 Related Information

This Framework should be read in conjunction with other relevant policies and documents of the Bank, which include:

i. Enterprise Risk Management Framework.

ii. Environmental Social and Governance Policy.

iii. Enterprise Risk Management Policy Manual.

iv. Credit Policy Manual.

v. Operational Risk Policy Manual.

vi. Reputational Risk Policy Manual.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK STANDARDS AND PRINCIPLES

3.1 Environmental, Social and Governance Risk Management Philosophy

The Bank recognizes that environmental, social and governance risks associated with business of third parties such as financial intermediaries, corporate customers and business partners constitute the most significant ESG risks that could impact the business of the Bank. 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 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.

3.2 Environmental, Social and Governance Risk Management Guiding Principles

In line with the requirements of the Nigerian Sustainable Banking Principles, the Bank shall also incorporate the following principles into its management of ESG risks:

i. **Environmental, Social and Governance Risk Management for Business Activities –** The Bank and its subsidiaries shall integrate environmental, social and governance considerations into its decision-making processes relating to its business activities. Care has to be taken to avoid, minimize or mitigate negative impacts of its business activities on the environment and local communities in which it operates and, where possible, promote positive impacts.

ii. **Environmental, Social and Governance Risk Management for Business Operations –** The Bank and its subsidiaries shall aim to minimize the negative consequences of its business/internal operations on the environment and local economies in which it operates. In doing this, the Bank shall encourage positive impacts through its activities.

iii. **Human Rights –** The Bank and all its subsidiaries shall ensure that respect for basic human rights is prioritized in all its business activities and operations.

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. **Environmental, Social and Governance Risk Management Culture –** The Bank and its subsidiaries shall implement a robust and transparent ESG practice as well as assess the ESG practices of its customers.

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 across the banking sector 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 requirements as well as international and local ESG standards.

3.3 Environmental, Social and Governance Risk Management Objectives

The overall objective of ESG risk management is to identify and mitigate avoidable impacts (e.g. reputational and legal issues, as well as financial losses) arising from ESG risks facing the Bank and also optimize ESG opportunities. Specifically, the objectives of ESG risk management are as follows:

i. Identify and evaluate ESG risks and impacts of projects sponsored by the Bank.

ii. Ensure that all the Bank's ESG risks are identified and effectively managed across its lending and non-lending activities.

iii. Define the respective roles and responsibilities of both BOI (detailed in Section 4) and its customers (detailed in Section 5) in designing, implementing and operating projects in line with the Framework and project checklists.

iv. Maximize the Bank's capacity to contribute to sustainable development while improving on its earnings and creating value for its shareholders.

v. Ensure that the Bank's ESG Risk Management system is adequate to manage ESG risks across industries and sectors, and that the system continuously addresses the needs of the Bank.

vi. Create an ESG risk aware environment, where everyone is aware of and actively manages the ESG risks within their sphere of control/daily activities.

vii. The following are means by which the Bank, through the ESG Risk Management Department (ESGRMD), can create a risk aware environment for staff:
   - Emails, posters and screen pop-ups summarizing ESG risk management procedures and reminding staff of their roles in ESG risk management.
   - ESG Risk Management portal on the Bank's Intranet/website
   - Periodic newsletters indicating the Bank's actions in managing ESG risks.
   - Training workshops, discussion forums and staff briefings which can be facilitated internally by the ESGRMD or outsourced to external consultants.

3.4 Potential Environmental, Social and Governance Risks that may Impact the Bank

The ESG risks relating to its customers' industries are detailed in the Bank's ESG sectoral risks guidelines (See Appendix A.1). If not properly managed, these risks may impact the Bank's profitability and long-term existence in various ways such as:

3.4.1 Credit Risk and Low Return on Investment

Arising from customers' loan defaults, credit restructuring or payment rescheduling as well as low return on investments made in investee companies due to any of the following:

i. Suspension of operations or closure (by government, regulatory authorities, or severe damage to assets) due to non-compliance with ESG requirements.

ii. Costs relating to legal liabilities (e.g. fines and penalties) for damages caused to the environment and health of local communities as well as regulatory fines and penalties.

iii. Devaluation or obsolescence of collaterals or critical assets associated with a transaction.

3.4.2 Legal Risk

Due to the potential transfer of liabilities from a customer or an investee to the Bank.

3.4.3 Reputational Risk

Due to the Bank being associated with a customer or project that poses adverse ESG risks to the public.

3.4.4 Regulatory Risk

Arising from the Bank being associated with a project or investment that does not meet up with regulatory requirements.

3.5 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:

i. Negative impact on the Bank's reputation.

ii. Significant financial loss (e.g. negative NPL ratio).

iii. Disruption of business operations.

iv. Significant environmental damage to the ecosystem.

v. Regulatory sanctions and penalties.

vi. Negative impact on employees, customers and community relations.

vii. 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.

3.6 Application to Credit Facilities/Tenure of Transactions

BOI is involved in the financing of transactions with varying tenure, 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 tenure of transactions being financed by the Bank. The tenure of loans shall form the basis for assessing the likelihood of crystallization of ESG risks that are identified during due diligence (see Appendix A.1).

ESG GOVERNANCE ROLES AND RESPONSIBILITIES

4.1 ESG Governance Roles and Responsibilities

This section presents the ESG risk governance structure as well as the roles and responsibilities of stakeholders, in the management of ESG risk within the Bank.

4.1.0 Governance Structure

Below is the governance structure for ESG risk management in BOI based on three lines of defense. An overview of the roles and responsibilities for key officers responsible for the oversight on ESG risks within the banks credit and third party engagement process is detailed in the subsequent sections.

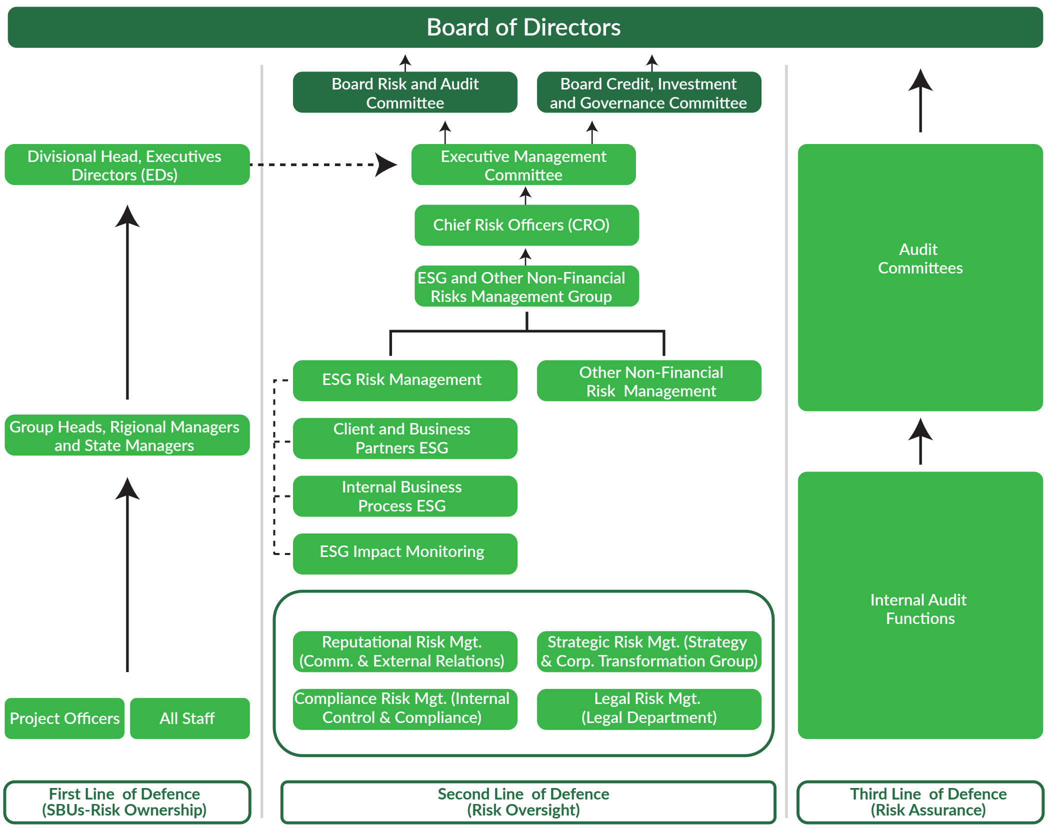

Figure 4.1: Governance Structure

4.1.1 First Line of Defense (SBUs) - Risk Ownership

The first line of defense consists of Project Managers within the Bank's business directorates (ME, SME and LE) who have the responsibility for assuming ESG risk and ensuring that a risk and control environment is established as part of their day-to-day operations. Specifically, this line of defense shall perform the following activities:

i. Executing ESG risk and control procedures on a daily basis (detailed in Section 4.2.9).

ii. Ensuring that corrective actions as defined by the ESGRMD for investees and customers are implemented by the customers and investees.

Some of the departments/functions within BOI that assume ownership of ESG risks include:

i. Executive Directors

ii. Divisional and Group Heads

iii. Regional and State Managers

iv. Project Officers

v. All Staff

4.1.2 Second Line of Defense - Risk Oversight

The second line of defense comprises all departments, units and functions responsible for providing independent ESG risk oversight, monitoring and challenging the effectiveness of the Bank's ESG risk management processes. They provide support, training and guidance to the first line of defense regarding ESG risk management and also report on ESG risk management activities to the various risk committees.
Specifically, this line of defense shall perform the following:

i. Facilitating and monitoring the implementation of effective risk management practices by the first line of defense and assisting in reporting risk-related information.

ii. Ensuring that the first line of defense is properly designed, in place, and is operating as intended.

The second line of defense will include the following departments/functions:

i. Board Risk and Audit Committee

ii. Board Credit, Investment and Governance Committee

iii. Executive Management Committee

iv. Chief Risk Officer (CRO)

v. ESG and other Non-Financial Risks Management Group.

vi. Strategy and Corporate Transformation Group

vii. Internal Control & Compliance

viii. Legal Department

4.1.3 Third Line of Defense - Risk Assurance

The third line of defense comprises departments with primary responsibility for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of the Bank's ESG risk management processes, policies, procedures and tools. Specifically, this line of defense shall perform the following functions:

i. Assess the adequacy and effectiveness of ESG risk management process.

ii. Monitor compliance of first and second lines of defense with the ESG Framework, procedures and tools.

Departments/functions responsible for providing ESG risk assurance include:

i. Audit Committee.

ii. Internal Audit Functions.

4.2 Roles and Responsibilities

The Board, management and staff at different levels in the Bank have specific responsibilities with respect to ESG risk management as detailed below. These responsibilities are not exhaustive and shall be considered in conjunction with other existing roles in the Bank.

4.2.1 Board of Directors (The "Board")

The Board of Directors is responsible for the review and approval of the ESG Risk Management Framework, as well as provision of general oversight on the management and monitoring of the ESG risks facing the Bank especially regarding its lending and investing activities. The Board's specific responsibilities with regards to ESG risk management are listed below:

i. Setting an appropriate tone and realistic expectations in managing ESG risks.

ii. Ensuring the development of an ESG strategy which aligns with the Bank's and customers' risk appetite as well as the Bank's overall strategic objective.

iii. Ensuring compliance with the ESG Risk Management Framework through periodic requests and review of reports from the RMD, through the BRAC and BCIGC.

iv. Ensuring adequate expertise and resources are available to aid the effective management of ESG risks within the activities of the Bank, based on the recommendations of the CRO.

4.2.2 Board Risk and Audit Committee (The "BRAC")

The Board Risk and Audit Committee shall assist the Board in executing its risk management oversight function. The responsibilities of the BRAC regarding environmental, social and governance risk shall include the following:

i. Ensuring the development and monitoring of an ESG strategy in conjunction with the Strategy and Corporate Transformation Department (SCTD); that aligns with the Bank's ESG risks appetite and overall strategic objectives.

ii. Recommending the ESG Framework to the Board for approval.

iii. Reviewing reports on the status of implementation of the ESG risk management policies and procedures.

iv. Reviewing key ESG risks facing the Bank's investments and loans as well as processes put in place to prevent and mitigate the risks.

v. Promoting good ESG risk management culture in the Bank.

vi. Providing policy direction to strengthen the risk management process for ESG related risks.

vii. Reviewing the reports and activities of the Risk Management Division (RMD).

viii. Monitoring the implementation of approved control measures to manage ESG risks.

ix. Providing recommendations to the Board to continuously improve the management of ESG risks as well as the overall process of Risk Management.

4.2.3 Board Credit, Investment and Governance Committee (The "BCIGC")

As a sub-committee of the Board, the BCIGC is delegated with responsibility of reviewing all credit matters referred to it for approval or for referral to the Board of Directors. The responsibilities of the BCIGC regarding environmental, social and governance risk shall include the following:

i. Reviewing credit applications to ensure compliance with the Bank's ESG Risk Management Framework before presentation to the Board, upon completion of ESG due diligence by the ESGRMD.

ii. Consideration and approval of transactions with potential adverse ESG risks only upon satisfaction of relevant environmental, social and governance risk due diligence requirements.

iii. Reviewing post disbursement reports on ESG recommendations from the ESG and Risks Management Department (ESGRMD) on transactions approved with material potential ESG implications.

4.2.4 Executive Management Committee (The "EMC")

The EMC is charged with the following ESG responsibilities:

i. Reviewing and approving credits within its approval limit having confirmed that the potential ESG risks associated to the transactions have been adequately mitigated.

ii. Recommending for approval to the Board all credits above its limits only upon satisfaction that the potential ESG risks have been adequately mitigated.

iii. Receiving post disbursement reports on ESG recommendations from the RMD highlighting the details of transactions or projects considered in the period including those with material potential ESG implications.

iv. Reviewing periodic reports received from the RMD, highlighting the ESG impacts of transactions or projects considered in the period.

v. Providing the Board with a report on the summary of transactions reviewed during the period, including the status and outcome of reviewed transactions, highlighting any specific ESG thematic issues.

4.2.5 Chief Risk Officer ("CRO")

The CRO has the primary responsibility of implementing and monitoring compliance with the Bank's ESG Risk Management Framework. In addition to the responsibilities documented in the Bank's ERM policy, the following are the roles and responsibilities of the CRO in relation to ESG Risk Management:

i. Responsibility for the development and update of this Framework.

ii. Overseeing the ESG and other Non-Financial Risks Management Group (ENRMG).

iii. Reviewing the output of work performed by the ENRMG before presentation to the BRAC.

iv. Assessing ESG risk severity on the business and overall strategy of the Bank.

v. Developing metrics to monitor ESG risks and mitigants for when the risk shifts outside tolerance levels.

vi. Implementation and maintenance of a sustainable and robust ERM process that incorporates ESG compliance.

vii. Providing independent and holistic analysis of investment and credit proposals, factoring in ESG and non-financial risks.

viii. Reviewing and independently validate the appropriateness of transaction categorization, assessment of transactions undertaken by the Credit Risk Group in compliance with the Bank's Exclusion List.

ix. Financial and non-financial (ESG) pre-disbursement assessment and vetting of credit documents.

x. Recommending to the MD/CEO for approval, exceptions to the ESG Framework.

xi. Ensuring clear and timely communication of environmental, social and governance risk related information across all levels in the Bank and recommend/implement appropriate mitigation actions.

The Key Performance Indicators (KPIs) for ESG risk management for the RMD are listed in **Appendix A.2**

4.2.6 ESG Risk Management Department (The "ESGRMD")

The department shall drive the identification, evaluation and monitoring of ESG risks within the Bank's credit process. Specific responsibilities with regards to ESG risk management include:

i. Reviewing and independently validating the appropriateness of transaction categorization and assessment of transactions undertaken by the project officers and business directorates in compliance with the Bank's Exclusion List.

ii. Working with Project Officers to review the CARs, noting all ESG predisbursement conditions for compliance.

iii. Working with the Business Directorates, Legal Department and the Risk Management function in preparing the terms of reference for engaging External ESG Experts where required.

iv. Independently validate (with the use of external ESG experts where required) the existence of relevant due diligence documentation for high-risk projects/transactions, e.g. Environmental, Social and Governance Impact Assessment Reports (ESGIA), Environmental, Social and Governance Management Plans (ESGMP), Communication Plan (CP), reports, etc. in this regard, provide formal feedback on the outcome of its independent review to RMD and CRS for consideration.

v. Reviewing reports from External ESG Experts and providing feedback on the adequacy of the ESG due diligence carried out.

vi. Recommending to the Legal department relevant environmental, social and governance risk clauses to mitigate potential risk exposures associated with projects/transactions being considered for financing by the Bank. Specifically, liaise with these departments to ensure that ESG clauses are incorporated in the loan and investment agreements.

vii. Responding to ESG related queries from customers, investees and other stakeholders.

viii. Post disbursement monitoring of transactions to ensure they are performing in line with documented ESG guidelines and criteria while also ensuring that these learnings are taken onboard in the structuring of new facilities or restructuring of existing facilities.

ix. Reporting to Executive Management and the Board through the CRO, material exceptions from the ESG risk validation activities undertaken concerning transactions/projects proposed for financing.

The Key Performance Indicators (KPIs) for ESG risk management for the ESGRMD are listed in **Appendix A.2**

4.2.7 Client and Business Partners ("CBP")

The CBP shall be responsible for undertaking the following ESG risk management activities:

i. Second-level screening and review of proposed transactions/projects to confirm their eligibility for financing in terms of the requirements of the Bank's Exclusion List.

ii. Undertaking preliminary categorization of the proposed transaction or project for ESG compliance in accordance with this framework.

iii. Undertaking baseline ESG information gathering on the proposed transactions. Specifically, accurately complete the Bank's pre-assessment or customer assessment checklist and confirm whether the proposed transaction is on the Bank's exclusion list or not.

iv. Conducting post-disbursement monitoring of transactions financed by the Bank and escalate all ESG related exceptions to the ESGRMD or the RMD for appropriate action.

v. Ensuring that customers and investees provide all information requested by the Bank for the ESG risk management process.

The Key Performance Indicators (KPIs) for ESG risk management for the CBP are listed in **Appendix A.2**

4.2.8 ESG Impact Monitoring ("EIM")

The EIM sub-unit shall be responsible for undertaking the following ESG risk management activities:

i. Development of Key Performance Indicators (KPIs) and measurable targets for assessing and monitoring the Bank's performance in managing ESG risks within its credit portfolio and internal business processes.

ii. Periodic reviews to ensure customer projects are carried out appropriately, grievances are promptly and adequately addressed.

iii. Development of an adequate system in place for ESG emergency management.

The Key Performance Indicators (KPIs) for ESG risk management for the EIM are listed in **Appendix A.2**

4.2.9 Project Officers

Project Officers have the responsibility for sourcing for customers/investees. Responsibilities of the Project Officers with regards to the ESG risk management process include:

i. Conducting pre-assessment exercise for potential customers by carrying out first level ESG compliance checks.

ii. Ensuring that appropriate and agreed remedial actions are carried out by the customers on all material ESG risks.

iii. Reporting all material ESG risk issues to the ESGRMD.

4.2.10 Legal Department

Responsibilities of the Legal Department shall include but will not be limited to:

i. Incorporating in transaction documentation appropriate ESG safeguard clauses as recommended by ESGRMD to mitigate potential environmental, social and governance risks associated with projects/transactions being considered for financing by the Bank.

ii. Reviewing any proposed amendments to the loan and investment conditions and covenants and consulting with ESGRMD to ensure that the Bank is not exposed to any ESG risks.

The Key Performance Indicators (KPIs) for ESG risk management for the Legal Department are listed in **Appendix A.2**

4.2.11 Internal Audit

The Internal Audit Department is responsible for providing independent and objective assurance to the EMC and the Board regarding the effectiveness of risk management within the Bank. Other responsibilities with regards to ESG risk management shall include:

i. Developing an internal audit plan taking cognizance of ESG risks.

ii. Reviewing the adequacy and effectiveness of the Bank's ESGMS in managing ESG risks.

The Key Performance Indicators (KPIs) for ESG risk management for Internal Audit are listed in **Appendix A.2**

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, in line with CBN's Sustainability Principles, to enable effective management of ESG related risks as shown below:

Figure 5.1.2: ESG Risk Management Process

5.1.3 Transaction Screening

The BOI exclusion list (see Appendix A.3) 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 by the Project Officers with a second review by the CBP subunit against the exclusion list and transactions that fall on the list shall not be considered for financing. Screening 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.

5.1.4 Environmental, Social and Governance Categorization of Transactions and Financial Intermediaries

5.1.4.1 Categorization of Transactions

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 areas follows:

Category A

These are projects and transactions involving business activities with potential significant adverse environmental and/or social impacts that are diverse, irreversible, unprecedented, or considered sensitive by the Bank. They are also projects that might attract severe penalties and fines due to non-compliance with corporate governance requirements by the customer executing the project or increase investment risk due to inadequate corporate governance adherence. A potential impact is considered sensitive if it may be irreversible (such as loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, affect significant cultural heritage sites and reduces return on investment for the Bank due to inadequacy of governance practices by the customers.

Category B

These are transactions involving business activities with potential limited adverse environmental and/or social impacts that are few, generally site specific, largely reversible and for which mitigation measures may be readily available. They are also projects that might attract medium level penalties and fines due to non-compliance with corporate governance requirements internally by the customer executing the project.

Category C

These are transactions involving business activities with minimal or no adverse environmental and/or social impact. They are also projects that are unlikely to attract penalties and fines as governance regulations applicable to activities under this category might be minimal or non-existent.

The ESG risk criteria that shall be considered in categorizing transactions as well as the list of indicative Category A, B and C transactions are illustrated in **Appendix A.4.**

5.1.4.2 Categorization of Financial Intermediaries

i. The Bank is involved in lending to Financial Intermediaries (FIs) who subsequently lend to their customers whose business activities may have adverse ESG impacts. All FIs are exposed to some level of ESG risks through the activities of their customers, which can have financial, legal and reputational impacts.

ii. BOI's FIs consist of Commercial and Micro-Finance banks.

iii. The Bank will adopt this ESG Risk Management Framework (in line with the process established by the IFC) to deliver on its strategic goal of sustainable banking which involves the categorization of its FIs based on their existing or proposed portfolios in determining the extent of due diligence required, nature of loan covenants and ESG monitoring requirements.

iv. To this end, Financial Intermediaries of the Bank will be categorized as follows:

Category FI–1:

These are FIs whose existing or proposed portfolio includes, or is expected to include, substantial financial exposure (above 2% of its shareholder's funds) to business activities with potentially significant adverse environmental, social and governance risks/impacts that are diverse, irreversible, or unprecedented.

Category FI–2:

These are FIs whose existing or proposed portfolio includes, or is expected to include substantial financial exposure (above 2% of its shareholder's funds) to business activities that have potentially limited adverse environmental, social and governance risks or impacts that are few in number, generally site specific, largely reversible, and already addressed through mitigation measures; or includes a very limited number of business activities with potentially significant adverse environmental, social and governance risks/impacts that are diverse, irreversible or unprecedented.

Category FI–3:

These are FI's whose existing or proposed portfolio includes or is expected to include significant financial exposure (above 2% of its shareholder's funds) to business activities that predominantly have minimal or no adverse ESG impacts.

i. Where the use of the proceeds of BOI financing and the associated ESG footprint business activity is known at the time of the approval, BOI shall determine the business activity's ESG category based on its potential ESG risks and/or impacts.

ii. BOI shall determine the category of risks inherent to the particular sector and the context of the business activity's setting where the use of proceeds of BOI's financing and ESG footprint of the business activity are not fully specified at the time of BOI's due diligence.

iii. For FI investments where BOI's funds are traceable and intended for a specified end use, BOI shall determine the ESG category based on risks associated with the specified end use.

5.1.5 ESG Risk Classification per Credit Tenure

5.1.5.1 The scope of ESG risk management process for transactions relates to the Bank's different loan types, the nature of the Bank's involvement with each customer as well as the likelihood and/or severity of potential ESG impacts. The different types of financial products/services and potential level of exposure to risk along with the corresponding nature of ESG management response is illustrated in the table below:

Types of Financial Products	Potential Level of Exposure to Risk	Level of Response
Long-term lending, project finance, structured commodity financing with an ownership stake, private equity with a majority ownership, SME lending in a sensitive sector	High to Medium	Requires a more involved approach to managing ESG issues.
Short-term lending, SME lending in a non-sensitive sector, private equity with a minority ownership, and other types of short-term direct lending	Medium to Low	Requires a moderate or lighter approach to managing ESG issues.
Short-term financing and lending.	Low	Requires a light approach, if at all, to managing ESG issues.

Figure 5.1.5: ESG Risk Exposure Levels for Credit Facilities

5.1.6 ESG Due Diligence

Conducting ESG due diligence on transactions and FIs is a critical stage of the ESG risk management process and shall be carried out by the CBP (or external specialists) 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. This section details the Bank's guidelines for ESG due diligence.

5.1.6.1 Due diligence for Transactions

An 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.

ii. Performance of physical site inspections and interviews of customer's staff and relevant stakeholders, where appropriate.

iii. Evaluation of the customer's ESG plans, and if operational, its ESG performance in relation to the requirements of the CBN Sustainability Principles, IFC's Performance Standards and other applicable standards.

iv. Identification of gaps to define any areas of non-compliance with the requirements of this Framework.

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. The due diligence requirements for each transaction category are as follows:

Category A

i. For Category A transactions, customers and investees shall be required to conduct an Environmental, Social and Governance Impact Assessment (ESGIA) or Environmental, Social and Governance Audit (ESGA) (see details in Appendix A.5) and submit a report to the Bank prior to the commencement of the due diligence process.

ii. The ESG Risk Management Department (ESGRMD) shall undertake an initial desktop review1 of the ESGIA for adequacy, focusing on the ESG risks identified and the proposed mitigating measures. Gaps may also be identified in the ESGIA against the Bank's ESG risk management policies, customers and investees' sectoral regulations and leading practices in ESG risk management (e.g. IFC Performance Standards, Equator Principles II).

iii. The ESGRMD shall conduct site visits, using external experts, to validate the initial ESG risks identified in the ESGIA, identify additional potential risks and assess all material ESG risks. The external experts shall submit and/or present a report to the ESGRMD on the due diligence carried out.

Category B

i. ESG due diligence for Category B transactions will be less stringent

[1] An initial desktop review involves the review of customer documents or performance of online research concerning environmental, social and governance matters of a proposed transaction with a customer/investee. The purpose of conducting an ESG desktop review is to obtain an understanding of the risks that are potentially associated with the business activities of the proposed customer/investee.

compared to Category A transactions. Customers and investees shall be required to submit an ESGIA/ESGA report prior to the commencement of the due diligence process, where applicable local regulation requires that an ESGIA/ESGA be conducted for the transaction.

ii. The ESGIA/ESGA undertaken by the customer shall be proportionate to the project's nature, size and location, the customer's corporate governance culture, as well as the characteristics of the potential impacts and risks. The assessment will characterize potential future adverse impacts associated with the project, identify potential improvement opportunities, and recommend any measures needed to avoid, or where avoidance is not possible, minimize and mitigate adverse impacts.

iii. Where sectoral regulations do not require customers and investees to conduct an ESGIA or ESGA for a category B project, the Bank will require the customer to complete a due diligence questionnaire ((see details in **Appendix A.6).**

iv. The ESGRMD will also undertake an initial desktop review of the ESGIA/ESGA for adequacy, focusing on the ESG risks identified and the proposed mitigating measures. Gaps may also be identified in the ESGIA/ESGA against the Bank's ESG risk management policies, customers/investees' sectoral regulations and leading practices in ESG risk management.

v. The CBP sub-unit of the ESGRDM shall conduct site visits (or use external experts where necessary), to validate the initial ESG risks identified in the ESGIA/ESGA or the due diligence questionnaire/checklist, identify additional potential risks and assess all material ESG risks. The external experts shall submit and/or present a report to the ESGRMD on the due diligence carried out.

Category C

For Category C projects, the ESGRMD shall require the customer to complete a due diligence questionnaire/checklist which shall focus on compliance with applicable local ESG regulations, as well as the identification of any ESG reputational risks associated with the transaction.

5.1.6.2 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.

5.1.6.3 Due Diligence for Financial Intermediaries

i. The CBP sub-unit shall ensure that all FI clients have an operating ESG Management System (ESGMS) 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, through the ESGRMD, shall implement a regular programme of supervision for business activities with ESG risks in order to ascertain sectoral exposure and contextual risks.

5.1.6.4 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.

5.1.6.5 Environmental, Social and Governance Risk Assessment

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. (Please refer to **Appendix A.7** for the Bank's ESG risk assessment grid).

5.1.6.6 Outcome of the ESG Due Diligence Process

The findings and recommendations from the due diligence process shall determine the following:

i. The final project/transaction categorization: if there is a change in the potential ESG impacts of a transaction or if previously unidentified risks become apparent during the due diligence, a project/transaction shall be re-categorized. Furthermore, a detailed due diligence shall be performed if a project/transaction/FI's final category is higher than the initial category.

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 customer.

iii. The appropriate ESG Action Plans (ESGAP) to be articulated and agreed with the customer, 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.

5.1.6.7 Loan Covenants

In line with the provisions of the Equator Principles, the loan covenants to be incorporated for compliance into loan agreements for Category A and B transactions shall include the following:

i. Compliance with the agreed ESG action plan for the duration of the project/transaction.

ii. Provision of periodic reports prepared by in-house specialists or external expert in the agreed format to the Bank. The report shall document compliance with ESG Action Plan, as well as provide evidence of compliance to relevant local, state, host country environmental and social laws, regulations and permits.

iii. Decommissioning of project facilities, where applicable, in line with the agreed decommissioning plan. This can further be enhanced by collaborating with the Federal Ministry of Environment (FMEnv); being the apex environmental regulatory authority, and also incorporating laid down procedures documented in the FMEnv's Environmental Impact Assessment (EIA) Guidelines for Decommissioning into these loan covenants.

Where a customer is not in compliance with its ESG covenants, the Legal department will work with the customer on remedial actions to bring the project back into compliance to the extent feasible. If the customer fails to re-establish compliance within an agreed grace period, the Bank reserves the right to exercise remedies, where appropriate.

5.1.6.8 Appointment of External Experts

Where appropriate, External ESG consultants shall be engaged to carry out the ESG due diligence of transactions with adverse ESG risks and impacts as well as conduct monitoring activities on behalf of the Bank in line with the ESG Risk Management Framework. Although, the appointment of the consultants shall follow the Bank's process, the ESGRMD shall be involved in order to ensure that the Bank engages suitable consultants.

5.1.7 Credit Approval and Disbursement

i. Upon completion of the due diligence process by the ESGRMD, the Credit Evaluation and Remedial Department (CERD) will analyze the credit requests and proffer recommendations in line with the Bank's documented credit process. The credit requests are subsequently approved in line with the Bank's approval matrix (as shown in Appendix A.8) upon review of the ESG due diligence reports.

ii. The Credit Administration Unit (CAU) will proceed to book the credit after confirmation of project approval. The Credit Control Unit (CCU) then disburses working capital to the customer for project commencement.

iii. Where the outcome of the ESG due diligence conducted surpasses the Bank's risk appetite, the Bank may refrain from financing proposed transactions or request for a revised ESGAP. Additional loan covenants focused on specific high-level ESG risks may also be included in the loan agreements.

5.1.8 ESG Monitoring for Projects/Transactions and Financial Intermediaries

5.1.8.1 The ESGRMD, through the CBP sub-unit shall implement a program to monitor all its customers and investees in line with the requirements of this Framework to ensure the proper management of ESG risks. Customers and investees are monitored after credit facilities are disbursed and investments are made to ensure that:

i. Customers and investees effectively identify and assess emerging ESG risks associated with their businesses.

ii. Customers and investees comply with ESG covenants incorporated in loan and investment agreements.

iii. Corrective action plans that have been defined to prevent and mitigate ESG risks identified during the due diligence process are implemented within set timelines, and where the recommended management measures are ineffective or inadequate, alternative measures are implemented.

iv. Customers and investees comply with sectoral regulatory requirements, as well as the requirements of the ESG Risk Management Framework.

v. Customers and investees commit adequate resources for the implementation of their ESGMS.

vi. Appropriate action is taken on complaints, orders, directives, claims, or notices from any authority under applicable laws and requirements.

vii. On-going stakeholder engagement is conducted, a grievance mechanism for affected communities is maintained, and all grievances are promptly and adequately addressed.

viii. The Bank's ESG monitoring activities shall be based on the final categorization of projects and the outcome of the due diligence process. The monitoring activities required for each transaction category and FIs are as follows:

5.1.8.2 Monitoring of Transactions

Category A

For Category A transactions, the Bank shall:

i. Review the annual monitoring report submitted by customers and investees. The annual monitoring report shall include the progress of the business activities associated with the transaction (including benefits and accompanying ESG issues) and compliance with applicable ESG requirements and covenants.

ii. Review of periodic reports submitted by customers and investees on the environmental and social performance of projects, including compliance with the project requirements and implementation of the ESGMS and ESGAP.

iii. Review the implementation of the agreed recommendations in the ESGAP.

iv. Identify and review opportunities to further improve the customer's performance on ESG risk management.

The CBP sub-unit of the ESGRMD shall be required to conduct site visitation to provide an independent assurance on the monitoring report, implementation of the ESGAP, as well as compliance with covenants included in the financing agreements with each customer. In line with Equator Principles, Category A transactions for project finance customers shall require the appointment of qualified and experienced external experts to verify monitoring report shared with the Bank.

Category B

For Category B transactions, the Bank shall:

i. Review the annual monitoring report submitted by customers and investees. The annual monitoring report shall include the progress of the business activity associated with the transaction (including benefits and accompanying ESG issues) and compliance with applicable ESG requirements and covenants.

ii. Review ad hoc reports submitted by customers and investees on significant ESG events and grievances.

iii. Review of the implementation of the agreed corrective recommendations in the ESGAP.

iv. Identify and review opportunities to further improve the customer's performance regarding on ESG risk management.

In line with Equator Principles, Category B transactions shall require the appointment of qualified and experienced external experts to verify its monitoring report which would then be shared with the Bank.

Category C

The Bank shall review the annual compliance statement provided by the customer to confirm their compliance with sectoral ESG regulations as well as the Bank's ESG requirements as applicable.

5.1.8.3 Monitoring of Financial Intermediaries

i. In monitoring its FI clients, the Bank shall review periodic reports submitted by its FIs on the implementation of their ESGMS in their portfolio, the ESG performance of the FIs' portfolio of subprojects as well as compliance with the Bank's ESG Risk Management Framework.

ii. The Bank may also choose to conduct an independent review of sub-projects/transactions funded by the FIs, which may involve site visits and use of consultants. The sub-projects/transactions to be reviewed shall be selected based on their potential ESG impacts (as defined in **Appendix A.4).**

5.1.8.4 Other Considerations in ESG Risk Monitoring

5.1.8.4.1 Material Changes to Customers and investees' Business Activities

Customers and investees will be required to promptly inform the Bank when there are material changes in their businesses or when they plan to enter into a new business area that is materially different from what was represented when the approval for the project was being obtained. In such circumstances, the Bank will assess whether the ESG risk profile of the customer or investee has changed (i.e. if the new business area poses additional ESG risks and impacts). If there is a change in the ESG risk profile of the customer or investee, the Bank will require the customer to adjust its ESG Management System (ESGMS) in a manner consistent with:

a. The Bank's ESG Risk Management Framework.

b. Applicable requirements of the IFC Performance Standards/CBN Sustainability Principles. BOI will require the customer to provide results of its ESG due diligence and ESGAP for activities in these new businesses.

5.1.8.4.2 Non-compliance with the Framework and Legal Agreement

The Bank's legal agreement regarding the financing of customers and investees' projects shall include specific provisions reflecting the Bank's environmental, social and governance requirements with which customers and investees undertake to comply. These will include complying with the applicable requirements of the Bank's ESG Risk Management Framework, IFC Performance Standards, CBN Sustainability Principles, as well as the mitigating measures agreed in the ESGAP. BOI shall work with the customer or investee to ensure compliance, and if the customer or investee fails to re- establish compliance, the Bank shall exercise its rights and remedies as appropriate, which may include withdrawal of financial supports provided to the transaction or FI.

5.1.9 5.1.9 Environmental, Social and Governance Reporting and Disclosures

5.1.9.1 Internally, the RMD will present periodic reports to the Executive Management Committee and the Board as well as other stakeholders when required, on the ESG risk management process of the Bank. To this end the department will report on customers' and investees' compliance with ESG agreements included in offer letters.

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

5.1.9.3 Disclosure of relevant project information helps affected communities and other stakeholders understand the risks, impacts and opportunities of the project. Consequently, the customer will provide affected communities with access to relevant information on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism.

5.1.10 Environmental, Social and Governance Risk Management Process for Existing Projects

i. The Bank is aware that credits/investments have already been issued/made prior to the development and adoption of this ESG Risk Management Framework. Consequently, the ESGRMD will conduct a review of the Bank's existing portfolio to determine the duration of the loan, duration of the project for which the loan was disbursed for and the current stage of the loan.

ii. The ESGRMD may decide on a case by case basis to conduct necessary categorization, due diligence and risk assessment procedures on a retroactive basis for projects/transactions that are at its early stages as determined by the ESGRMD. The exercise will detail the ESG risks that have crystallized since project commencement as well as risks that are likely to occur by the end of the project lifespan. Relevant engagements can then be held with the customer to define the required controls that would need to be put in place for monitoring by the ESGRMD. The level of internal resources to conduct this exercise should be considered in determining the proportion of the portfolio for which this exercise will be carried out.

iii. Transactions that are at the end of their lifespan may be subjected to periodic monitoring and reporting on ESG risk issues that have occurred during project execution and identification of key ESG risks that may occur for the rest of the loan tenure that may impact the business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK MANAGEMENT PROCESS FOR THIRD-PARTY ENTITIES (VENDORS, SUPPLIERS AND SERVICE PROVIDERS)

Although the Bank understands that its internal activities do not generate significant ESG risks when compared to its lending and investing activities, they can also directly impact environmental, social and governance aspects of sustainable development for the Bank as an entity. Therefore, in addition to considering the (indirect) environmental, social and governance impacts of its financing portfolio, the Bank is committed to reducing its internal ESG risks, by effectively working with all relevant internal/external stakeholders to identify and manage the ESG risks and opportunities in its contracting and procurement processes. **(See Appendix A.9 for ESG risks relating to the Bank's contracting process).**

The Bank shall utilize the following process in the oversight of its Third Party Entities:

6.1 Vendor Selection Process

i. The Bank should conduct a risk assessment to identify potential ESG risks arising from projects or services that may be entered into with its third party vendors; identify controls that will be expected to be put in place by the third party vendors; and integrate these controls into the procurement/contracting process with the vendor.

ii. These controls will specifically be documented in a consolidated "Contractor ESG Requirements Guidelines" document (CERG) summarizing the general expectations in terms of Environmental, Social, Health, and Safety (ESHS) requirements, conditions, and provisions that every third party vendor must follow when entering into an agreement with the BOI and shall be included as part of the request for proposal (RFP) and eventually procurement contract, when a vendor is selected.

iii. The CERG will also help improve the vendor's understanding of the Bank's ESG requirements in the execution of services requested and provide an overall framework of the Bank's expectations on ESG matters.

iv. The vendor selection process should involve a multidisciplinary team, with at least one ESG expert responsible for the project's ESG-related aspects, including ESG performance; worker and community health, safety, and security; and human resources.

v. This will ensure that ESG matters and variables are considered early in the process of selecting a vendor.

vi. As part of the selection process, vendors will be required to provide information on their ESG related practices, processes and performances. This will be achieved through the administration of a questionnaire **(see Appendix A.10)** which they will be required to complete. The questionnaire may be adapted to suit individual projects and context. The level of information required from the vendors should also be evaluated on a case by case basis on the scope of work required to be performed by the vendors.

6.2 Proposal Evaluation and Vendor Selection

The Bank shall establish an evaluation criterion for each vendor proposal, which shall include elements of ESG criteria to be assessed. This shall at a minimum include the vendors existing ESG system, past ESG performance and the adequacy of the information provided in the questionnaire. The following however, will be considered grounds for disqualification of any vendor:

i. Failure to provide information on past ESG performance, including health and safety records;

ii. Reports of past performance deemed unacceptable for the current project;

iii. Notices of material labor issues between workers and management;

iv. Fines and sanctions imposed by labor regulators and authorities;

v. Poor security management records from previous projects; and

vi. Material community grievances and high profile adverse press reports on ESG matters.

6.3 Contracting and Monitoring

i. The CERG detailing the ESG expectations shall be included in the contractual documents with the vendor. Additional clauses may also be included if not already covered in the CERG. Vendors will also be expected to attest to the Bank's code of conduct.

ii. The Bank may also include a right to audit clause within vendors contracts as a way of monitoring the ESG performance of the vendors. However, this will be evaluated on a case by case basis and will be dependent on the scope of work required of the vendor, duration and impact.

iii. The Bank shall also review the annual compliance statement provided by the vendor to confirm their compliance with the Bank's ESG requirements as documented in the contract.

iv. Overall, the bidding process, the selection of the vendor, the contract, and the execution of the work itself will include the Bank's ESG considerations from the outset. By including all relevant provisions in these documents, and by making the Contractor ESG Requirements Guidelines document an integral part of the contract, the Bank will have better tools to manage the ESG performance of these vendors and will be in a better position to adequately control and mitigate the identified risks and impacts of its contractual relationship with the vendors

6.4 Environmental, Social and Governance Risk Management Process for Existing Vendors

The Bank is aware that there are vendors that have been contracted and engaged for the procurement of goods/delivery of services prior to the development and adoption of this ESG Risk Management Framework. Consequently, in order to ensure consistency, contract agreements and associated performance requirements between existing vendors and the Bank would be reviewed and, if necessary, updated to incorporate ESG risk controls documented in a typical CERG as well as other additional clauses and ESG requirements. This is particularly the case where there was no ESG risk assessment performed prior to contract awarding. As a result, this might lead to contract amendment to ensure that all necessary ESG provisions are included in order to guarantee the proper management of potential ESG risks.

STAKEHOLDER ENGAGEMENT, GRIEVANCE MECHANISMS AND EMERGENCY MANAGEMENT

7.1 Stakeholder Engagement

Stakeholder engagement refers to the process through which the Bank and its customers identify those who are directly affected by their business activities ("affected communities") as well as other stakeholders and communicate relevant information on the business activities – especially their related environmental, social and governance risks and impacts.

7.1.1 Stakeholder Engagement for Customers and Investees

i. BOI believes that regular engagement with stakeholders about matters that may impact members of an affected community is an important way to avoid or minimize risks and impacts of projects and other business activities on people and the environment as well as ensuring transparency about the customer's corporate governance practices. Hence, the customer or investee shall endeavor to engage in constructive dialogue with relevant stakeholders to build the relationship necessary for successful management of ESG risks and impacts.

ii. The customer will develop and implement a Stakeholder Engagement Plan (SEP) that is scaled to the project risks and impacts and be tailored to the characteristics and interests of the affected stakeholders

7.1.2 Purpose of Stakeholder Engagement

The aim of the stakeholder engagement shall include the following:

i. Promote improved compliance with the Bank's ESG Risk Management Framework.

ii. Provide an avenue for adequate engagement with affected communities to obtain their views on issues that could potentially affect them and to ensure that meaningful environmental and social information is disclosed to relevant stakeholders.

iii. Provide stakeholders with relevant information (such as project phases, developments and changes, etc.) at appropriate times and in accessible forms.

iv. Empower the stakeholders to identify unanticipated impacts of the business activities of customers and investees, and to be able to communicate these such that they can be resolved.

v. Assist affected people in adapting to the ESG changes created by customers' or investees' business activities through information and participation.

vi. Ensure that stakeholders can report concerns and grievances easily, and that grievances reported are responded to and managed appropriately.

vii. Make adequate disclosure about the status of the customer's governance internal governance practices.

7.2 Grievance Mechanism

7.2.1 The Bank shall ensure that its external stakeholders (e.g. customers, investees and other third parties) regularly engage those affected by their business activities to proactively identify and address ESG issues and concerns before they become grievances. However, the Bank shall require its external stakeholders to develop a grievance mechanism to:

i. Enable those that are affected by their business activities to easily report any grievances about their ESG performance.

ii. Ensure that grievances are promptly resolved and that responses are provided to affected communities in a timely manner.

7.2.2 The grievance mechanism shall be transparent, understandable and readily accessible to all stakeholder classes at no cost and without retribution to the party that raised the issues. In addition, the grievance mechanism shall not impede stakeholders' access to judicial and administrative remedies.

7.2.3 The Bank's external stakeholders shall ensure that they adopt appropriate communication methods to obtain and provide feedback to affected communities on their grievances. Examples of communication methods that may be adopted shall include but will not be limited to the following:

i. Face-to-face meetings.

ii. Printed materials – grievance forms.

iii. An online platform – on the customer/investee's website or dedicated hotlines and emails through which aggrieved affected communities can log onto or call to make their complaints.

iv. Facilitation of Training sessions.

7.2.4 The Bank shall adopt appropriate communication methods (e.g. its internal communication channel) to obtain and provide feedback to stakeholders on its overall ESG performance.

8. TRAINING

Training is a key aspect of embedding and promoting leading practices in environmental and social risk management. The ESGRMD shall put in place a comprehensive and well-articulated ESG risk training plan, which shall form part of the Bank's annual training plan.

The objectives of the training plan are as follows:

i. To ensure that all staff within the governance structure are trained on the requirements of the Bank's ESG Framework, as well as other leading practices. This would ensure that staff are aware of the role they play in the ESG risk management process.

ii. To ensure that each RMD staff is fully acquainted with the ESG Risk Management Framework and procedures that the Bank follows in the conduct of its business.

iii. To provide a complete orientation for new hires at all levels and implement formal procedures regarding the ESG Risk Management Framework.

iv. To encourage awareness of and respect for ESG procedures and conventions.

v. To ensure roles, responsibilities, and reporting obligations are unambiguous; procedures, technologies, and contingency protocol shall be thoroughly explained.

vi. To ensure that all Risk Management staff have the appropriate level of ongoing training as new products, policies, and technologies are introduced.

In order to create a desirable training plan, the ESGRMD shall carry out a detailed training need analysis. The analysis process shall ensure that all objectives and desired outcomes are established at the outset by identifying:

i. Training needs of staff.

ii. Performance issues that need to be addressed.

iii. Available technologies and delivery channels.

ESG RISK FRAMEWORK GUIDELINES FOR CUSTOMERS & INVESTEES

A.1.1 ESG Risk Sector framework Guidelines for Projects

A.1.1.1 BOI's environmental, social and governance (ESG) risk sector framework guidelines for transactions outline the potential ESG risks associated with the sectors where the Bank conducts its business, as well as the preliminary controls that customers and investees in these sectors are required to put in place to manage these risks.

A.1.1.2 The risks and controls identified in the ESG risk sector framework guidelines are not exhaustive and shall only be used as a guide in understanding the ESG risks per sector. Hence, the guidelines shall not replace the specific customer/investee ESG risk identification and assessment which are expected to be carried out as part of the due diligence process as required by the ESG Risk Management Framework.

A.1.1.3 The ESG risk sector framework guidelines shall apply to all customers and investees supported by the Bank and shall be reviewed from time to time to reflect changes in the Bank's lending and investment portfolios as well as technical and scientific developments in identified sectors.

Sectors	ESG Risks	Mitigating Controls
Agro-processing Companies in this sector are involved in the transformation of products emanating from agricultural activities at the most basic level.	**A. Environmental Risks** i. Inadequate waste disposal during processing may lead to the release of toxic/hazardous materials and may lead to environmental damage. ii. Health and safety risks resulting from the use of processing equipment. iii. Unhygienic processing methods and environment which may have adverse effects on food safety and consumer health. iv. Environmental pollution due to emissions (nitrous oxide, carbon dioxide, and other greenhouse gas) from heavy machines used in processing plants. v. Inadequate management of pests arising from Agric produce used in processing activities may lead to significant pest infestation in nearby communities and consequently cause a spike in pest-related diseases such as Lassa fever, etc. **B. Social Risks** i. Inadequate human resource management leading to recruitment and use of child/forced labor. ii. Forced relocation of community inhabitants due to environmental damage caused by processing activities. iii. Displacement of homes of community inhabitants due to large space requirements by processing industries.	**A. Environmental Risk Mitigants** i. Ensure adequate waste management – optimize the production process to reduce waste, use appropriate waste disposal techniques, and consider recycling of waste materials. ii. Ensure that staff are adequately and constantly trained on how to minimize occupational hazards and reduce health/safety risks. Staff should also be provided with PPE equipment and wearing of these should be enforced at all times. iii. Maintain a clean and healthy work environment at all times. This should be especially embedded in the culture of agro- processing organizations in order to avoid adverse effects on consumer health. iv. Continuous compliance with applicable environmental regulations for proper disposal of gases and chemicals necessary certification for disposal of these dangerous wastes should also be obtained from the concerned regulators. v. Maintain a clean and healthy work environment at all times. Factories should be fumigated with environmentally pesticides at all times to reduce the risk of pest infiltration. Consumables should be stored properly to reduce accessibility for pests.

Sectors	ESG Risks	Mitigating Controls
	iv. Unethical employment practices such as harassment, abuse of authority, slavery, remuneration below acceptable minimum wage, etc. v. Excessive use of resources such as water in the production process leading to a reduction in the resources available to local communities. vi. Processing activities which involve the use of moving equipment, harmful pesticides, herbicides and fertilizers as well as working at significant heights which may pose severe health and safety risks to staff. **C. Governance Risks** i. Inadequate or unclear ownership structure of the investee or customer which may lead to legal disputes as well as sanctioning by regulatory bodies. ii. Absence or inadequate board composition who have the appropriate skills and competence in line with the project the company intends to embark on may lead to sub- standard execution of such projects. iii. Absence or inadequate formalization of corporate governance policies (i.e. code of ethics, charters, etc.). iv. Non-existence of a robust strategy which should detail how the company will manage ESG risks and opportunities consistent with its core business and decision-making processes.	**B. Social Risk Mitigants** i. Companies should ensure that recruitment of menial laborers are carried out in strictest accordance with leading practices. This would help in significantly reducing the risk of employing child workers. Companies should develop labor recruitment polices and also ensure that their suppliers and vendors comply with their in-house recruitment standards. ii. Environmental damage to communities where processing activities are conducted should be minimized by ensuring that proper and quality equipment are used, and waste is properly disposed. In instances where damage is unavoidable, there should be proper and constant stakeholder engagement leading to remediation for the dislocated community inhabitants. iii. Companies should initiate stakeholder engagement with community stakeholders in instances where project operations might lead to displacement of homes due to space constraints. An adequate remediation plan (including construction of new homes in another location, significant restitution, etc.) should be agreed upon by both parties and executed as soon as possible. iv. Company HR departments should ensure that staff at all levels are sensitized on proper workplace behavior and attitude as well as the penalties and consequences of non-adherence. All staff should abide by the company's code of conduct.

Sectors	ESG Risks	Mitigating Controls
	v. Lack of clear division of responsibilities between the Board of the company (where applicable) and the management. vi. Inadequate risk management culture and control environment. vii. Potential sanctions and fines due to the strong anti-bribery or money laundering stance by regulators within the industry. viii. Inadequate management of potential conflict of interests' situations which may lead to public mistrust and sabotage the bank's investments in the customers' projects. ix. Financial statements are not prepared in accordance with the highest national accounting standards and audited by a recognized independent external auditing firm. x. Absence of a mechanism for dispute resolution (mediation, arbitration, etc.) which could lead to disruption of business.	v. Factories should avoid excessive and wasteful use of shared resources where they are located. This will ensure that both the factories and the community have enough resources for usage. vi. Companies should discontinue the use of locally/internationally banned pesticides and herbicides that are harmful to residents in communities where they are domiciled. vii. Adequate policies and procedures for handling plant equipment should be availed to authorized staff. Adequate monitoring for compliance should be enforced. Companies should ensure that viii. staff wear required protective equipment to prevent/mitigate health and safety risks. **Other general controls** i. Effective Corporate Social Responsibility (CSR) activities should be adopted. ii. Implement an effective grievance mechanism platform while ensuring adequate stakeholder engagement for affected communities. **C. Governance Risk Mitigants** i. Customers should ensure that the shareholding/ownership structure of their company is well -defined and in accordance with leading corporate governance requirements. ii. Investees' boards should be composed of directors who possess

Sectors	ESG Risks	Mitigating Controls
		the required mix of skill and competencies in executing the strategy of such organizations. iii. Investees should ensure that the required policies are documented and updated frequently. These will ensure the practice of good corporate governance. iv. Formulation of a robust strategy that acts as a backbone for decision making by the Board for execution by management. Periodic monitoring of the status of achievement should also be done by the Board and management team. v. There should be clear definition of roles and responsibilities for the Board and management of potential investees. The role of the Chairman and CEO should be separated in line with Corporate Governance requirements. vi. An adequate tone at the top should be set by customers regarding risk management and cascaded down to staff at all levels. The customer should also create a risk management function that will oversee risk management within the organization. vii. Anti-Bribery & corruption ethos should be embedded in the corporate culture of the Bank's customers. viii. The Bank should ensure that the potential investee has installed measures in place to prevent potential conflict of interests. ix. An audit committee should be instituted by the customer that will ensure that necessary financial statements are prepared, and disclosures are made periodically by the company.

Sectors	ESG Risks	Mitigating Controls
		x. Customers should ensure that dispute mechanisms are in established with adequate terms of reference in order to prevent conflicts and disruption of business.
Manufacturing Companies in this sector are involved in the transformation of raw materials into finished goods for sale by means of tools and machinery, including all intermediate processes involving the production or finishing of components parts.	**A. Environmental Risks** i. Air pollution due to atmospheric emissions of pollutants (CO2), greenhouse gas production, dust, etc. which may inadvertently compromise the quality of air/oxygen for community residents. ii. Inadequate waste production and disposal which may contaminate the environment, especially marine and aqua life. iii. Employee Health and Safety can also be compromised due to exposure to hazardous chemicals, carcinogens such as asbestos, dust as well as unguarded machinery. In addition, there is also the risk of exposure to fire outbreaks and explosions due to inadequate safety procedures within the organization iv. Disruption and pollution of surface water (hydrological) and ground water (hydrogeological) systems and flows due to accidental release of chemical pollutants to surface and / or groundwater, soil spillages or leaks v. Dust pollution as a result of constant movement of heavy- duty transport vehicles in residential	**A. Environmental Risk Mitigants** i. Companies should practice proper emissions management by ensuring the use of best available techniques and technology. In addition, manufacturing companies should also endeavor to phase out the use of ozone-depleting substances during the production process. ii. Waste management can be properly managed by ensuring waste minimization, re-use and recycling of materials and products as well as appropriate waste disposal techniques iii. Staff should ensure strict adherence to HSE rules and requirements at all times. Staff safety should be prioritized by manufacturing companies, and as such, training on avoidance of occupational hazards should be carried out for staff frequently. iv. Manufacturing companies should ensure best practice by developing proper chemical waste disposal and monitoring systems. They should also develop remedial plans in the event of environmental pollution due to accidental release of chemical pollutants into groundwater or soil.

Sectors	ESG Risks	Mitigating Controls
	areas which are along transport routes. vi. Spillage off hazardous chemicals and substances resulting from accidents involving transport vehicles vii. There is also the risk of accidents involving other road users (community residents) potentially resulting in fatalities viii. Use of products and materials such as plastic during the production process may contribute to significant environmental pollution if not proper disposed. **B.** **Social Risks** i. Intensive production activities could lead to excessive and/or unmonitored use of water and energy, and subsequent result in shortage of resources for the external community. ii. Manufacturing companies could face strikes due to inhumane labor and employment conditions, which would lead to delayed production and consequently increase operational costs. iii. Spread of communicable diseases by workforce to local populations within the community iv. Loss of livelihood and subsequent economic displacement of local landowners (people without formal land title) could lead to conflict between locals and the manufacturing organization which would affect the business adversely.	v. Use of well-functional vehicles as well as alternative means of transport would significantly reduce dust pollution, and consequently decrease the risk of air pollution. vi. The organization should develop and implement a spill prevention and response plan and also provide spill response equipment for such instances. In addition, adequate training should be conducted for staff on how to manage such situations. vii. Companies within the manufacturing industry should also ensure that the screening process for potential drivers is thorough in order to guarantee the professionalism of drivers and safeguard the safety of other road users within the community. viii. Companies should reduce the use of plastic in the production process. In unavoidable instances, these companies should ensure proper disposal of these items and recycle them if possible. **B.** **Social Risk Mitigants** i. Manufacturing companies should proactively minimize internal footprint by ensuring the optimization of operations and processes to minimize energy and water usage. Alternative energy sources should also be explored and adopted in order to reduce the strain on the community residents. ii. Wages, employee welfare and workplace conditions should be in

Sectors	ESG Risks	Mitigating Controls
	v. Noise and vibrations from manufacturing plants can have a long-term negative effect on the health of local community residents. vi. Inappropriate human resource management, leading to use of child/forced labor. vii. Strain on public infrastructure such as transport networks may affect residents within the community where the manufacturing plant is located. viii. Negative perception of the company by the local community may lead to disruption of the its activities which would subsequently cause significant operational delays. **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	line with what is obtainable across the industry and labor regulations to reduce the risk of operations disruption due to strikes. iii. Organizations should ensure that they practice proper health management by developing health and safety plans, pro- active vaccination of staff, raising awareness on communicable diseases and initial quarantining of foreign staff in order to prevent possible spread of diseases. iv. Proper stakeholder engagement should be carried out in instances of land encroachment and adequate remediation must be made to the affected stakeholders. v. As much as possible, manufacturing companies should reduce the volume of noise produced as a result of activities being carried out. This can be done by building soundproof walls around the company's premises, as well as situating sites at a considerable distance from the nearest human habitat. vi. Companies should ensure that recruitment for menial laborers are carried out in strictest accordance with leading practices. This would help in significantly reducing the risk of employing child workers. Companies should also ensure that their suppliers and vendors comply with their in- house recruitment standards. vii. Transportation of materials/products to and from manufacturing companies should be scheduled properly to avoid movement during peak hours. This would reduce the strain on other road users within the community.

Sectors	ESG Risks	Mitigating Controls
		viii. Companies in this sector should conduct adequate stakeholder consultation and develop an effective grievance mechanism prior to the commencement of the operations. The effectiveness and functionality of these mediums should also be maintained throughout the company's lifetime in order to ensure constant community support. **C. Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***
Healthcare The Companies in this sector are involved in the management or improvement of health via prevention, diagnosis, treatment, recovery or cure of disease, illness, injury and other physical and mental impairments in people.	**A. Environmental Risks** i. Impact from the use of chemicals during pharmaceutical production which can have a significant effect on the environment (soil depletion, water contamination and biodiversity loss) ii. Health issues linked to the production and usage of harmful products such as pesticides, etc. iii. Inadequate disposal of wastewater from pharmaceutical factories which may contain dangerous pathogens. iv. High consumption of non-renewable energy due to significant power usage by medical equipment. v. Improper disposal of non-approved drugs into the surrounding	**A. Environmental Risk Mitigants** i. Minimize the of use of hazardous chemicals during production in order to reduce the effect of these chemicals on the environment. Companies should ensure that only approved chemicals are used for production purposes. ii. Pharmaceutical companies should ensure that only non-harmful products are produced in order to avoid damage to environment and well as reduce the risk of heavy sanctions and penalties. iii. Proper disposal of wastewater containing harmful chemicals, pathogens, etc. Pharmaceutical companies should ensure that they have a well-documented disposal plan which is aligned with

Sectors	ESG Risks	Mitigating Controls
	communities, leading to an upsurge of human poisoning through consumption. **B.** **Social Risks** i. Possible litigation due to production of inferior drugs and medical equipment by pharmaceutical manufacturers which could be life-threatening or debilitating. ii. Non-compliance with industry regulations relating to safety testing, monitoring and manufacturing quality and marketing compliance, improper billing for services and products, aggressive marketing tactics, pricing manipulation and failure to protect patient privacy iii. Impact of pharmaceutical residue that is increasingly being found in food for human consumption as a result of air, soil and water contamination iv. Improper marketing practices, affordability concerns and access to healthcare. **C.** **Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	obtainable leading practices while also developing an efficient in-house disposal system. iv. Implement energy consumption efficiency initiatives by maximizing the use of alternative renewable energy. v. Unapproved drugs should be properly disposed by pharmaceutical companies and records of these disposed drugs should be kept accurately. **B.** **Social Risk Mitigants** i. Companies should ensure that all products are verified and approved by regulators (NAFDAC, SON, etc.) before sales to the public. ii. Pharmaceutical companies should ensure strict adherence to all industry policies and regulations regarding manufacturing, billing, sales and marketing of medical products. iii. Disposal of pharmaceutical residue should follow leading practices and industry requirements in order to reduce the risk of human poisoning through soil, air and water contamination. iv. Operators in the healthcare industry should strive to ensure that in achieving the overall objective of profit making, products are also priced reasonably in provide accessibility and affordability for everyone. **C.** **Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

Sectors	ESG Risks	Mitigating Controls
Engineering & Construction Companies in the construction sector are engaged in the preparation of land and construction of residential and industrial buildings as well as other infrastructure.	**A. Environmental Risks** i. Constant dust accumulation due to work carried out on construction sites may lead to significant air pollution. ii. Inhalation of welding fumes and other poisonous gaseous emissions may result in health and safety issues. iii. CO2 emissions from cement, steel, ammonia, and ethylene companies during construction activities. iv. Significant damage to roads in communities where construction activities are taking place may affect commercial activities of that environment. **B. Social Risks** i. Health and safety risks faced by construction staff from the use of heavy equipment and working at significant heights. ii. Noise and vibrations from construction sites can affect the wellbeing of local communities. iii. Inappropriate human resource management, leading to use of child/forced labor. iv. Inappropriate land use during the construction of civil and industrial projects may lead to heavy restitution and remedial payments v. Engineering and construction companies could face strikes due to inhumane labor and employment conditions, which increases the cost and time to complete projects	**A. Environmental Risk Mitigants** i. Use of modern technology and machinery to improve construction and reduce dust and other gaseous emissions, and consequently, decrease the risk of air pollution. ii. Gas emissions and fumes that may be hazardous to the health should be properly disposed of in line with industry regulations and practices at all times. Companies should ensure that these emissions are not released into the atmosphere. iii. Proper disposal of CO2 emissions during construction activities should be ensured by these companies. iv. Reduction in use of heavy vehicles for transporting equipment and materials in order to reduce wear and tear on roads within communities. **B. Social Risk Mitigants** i. Staff should ensure strict adherence to HSE rules and requirements at all times. Staff safety should be prioritized by construction companies, and as such, training on avoidance of occupational hazards should be carried out for staff frequently. ii. As much as possible, construction sites should reduce the volume of noise produced as a result of activities being carried out. This can be done by building soundproof walls around the sites, as well as situating sites at a considerable distance from the nearest human habitat.

Sectors	ESG Risks	Mitigating Controls
	vi. Community opposition to construction projects could also cause significant delays in project completion **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	iii. Companies should ensure that recruitment for menial laborers are carried out in strictest accordance with leading practices. This would help in significantly reducing the risk of employing child workers. Companies should also ensure that their suppliers and vendors comply with their in- house recruitment standards. iv. Companies must ensure that construction is only carried out on land that has been allocated for construction purposes by appropriate authorities. Furthermore, proper stakeholder engagement must be carried out in instances of encroachment and adequate remediation must be made to the affected stakeholder. v. Wages, employee and workplace conditions should follow what is obtainable across the industry and most recent labor regulations. vi. Ensure adequate stakeholder consultation and effective grievance mechanism prior to the commencement of the construction development and also all through the project lifespan in order to reduce the risk of delayed project completion. **Other general controls** i. Adequate CSR program should be implemented to ensure that the community's development and well-being is regarded as a top priority. **C. Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

Sectors	ESG Risks	Mitigating Controls
Financial Institutions This includes commercial banks, insurance, re-insurance, BDCs, merchant banks, microfinance providers, investment banks and holding companies.	**A. Environmental Risks** Environmental risks are mostly indirect risks relating to failure of customers of FIs to manage environmental issues in their operations. Some of these include: i. Fines, penalties, and costs for addressing third-party claims for damages due to negligence in managing environmental risks in a customer's/investee's operations and clean-up of contamination. The FI would assume liability for these environmental risks associated with the customer's/investee's operations. ii. FIs may lend to a company or project which causes environmental problems and may lead to the lender incurring some liability for clean-up costs. iii. Customers/investees may incur increased capital or operating costs of complying with environmental standards for instance if operating and emission/discharge permits are absent or expired resulting in regulatory fines/penalties, there is a risk that the customer/investee cannot meet its financial obligations to the financial institution. iv. Financial institutions are exposed to market risk stemming from a reduction in the value of collateral associated with a transaction due to environmental problems. For example, if a production site becomes contaminated, the market value of the underlying collateral will fall.	**A. Environmental Risk Mitigants** i. Implement an ESG Risk Management System to systematically identify, assess, manage and monitor environmental risks associated with the FI's business activities and operations. ii. FIs should emphasize on compliance with leading environmental and regulations as well as applicable performance standards by their customers. iii. FIs should ensure that proper due diligence is conducted for its customers prior to the commencement of projects in order to ascertain and confirm customers' possession regulatory permits and licenses required for project execution. Projects for customers without the necessary documentation should not be approved pending when these are obtained. iv. FIs should constantly carry out monitoring activities of their customer's operations to ensure that environmental risks are properly managed and accurate forecasts are made to anticipate environmental risks and adequately mitigate them. **B. Social Risk Mitigants** i. Banks and other financial institutions should be given annual CSR targets by their boards in order to increase the bank's visibility in terms of contribution to the society, and consequently attract interest from potential customers.

Sectors	ESG Risks	Mitigating Controls
	B. **Social Risks** i. Inadequate CSR programs and initiatives for the community may also increase lack of support from communities and lack of interest from potential customers, indirectly affecting financial performance. ii. A financial institution can be exposed to reputational risk due to potentially negative publicity associated with its customer's/investee's poor social practices, especially if the customers/investees faces strong public opposition against its operations. iii. Social policy agendas that lead to regulatory changes are likely to affect banks' revenues and credit standards e.g. land reforms which may include a proposed change to the constitution to allow for expropriation of land without compensation, may potentially reduce the value of the collateral backing many bank loans, putting more pressure on banks' cost of risk. **C.** **Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	ii. Banks and other FIs should have a competent PR function that works round the clock to ensure that the company's image is always portrayed positively. This can be done through the development and execution of strategic activities that improves the community and society at large. The activities should be publicized in order to increase the company's standing with the people. iii. FIs should ensure that they are able to forecast changes in policies and reforms that might affect them directly and indirectly, and proactively develop mitigants against the risks these reforms might bring, in order to reduce the effect of these on the collateral, etc. **Other general controls** i. Credit limit /worthiness should be largely determined by customers' E&S compliance to reduce the credit risk and encourage the improvement of environmental risk management on the part of the FIs. **C.** **Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

Sectors	ESG Risks	Mitigating Controls
Creative Industry /Hospitality Companies in this sector are involved in the following: i. Film and Video ii. TV & Radio iii. Advertising iv. Performing Arts v. Hotels vi. Restaurants	**A. Environmental Risks** i. Inadequate solid waste disposal (from hotels and restaurants) which could cause potential harm to the local environment, especially aqua life. ii. Broadcasting of content that promotes activities that are not environmentally activities, leading to the risk of sanctions as well as reputational damage. **B. Social Risks** i. Inadequate workforce diversity and inclusion ii. Inadequate safety management procedures for customers and staff could lead to erosion of brand standards especially for hotels and restaurants iii. Non-compliance of third-party suppliers/vendors to code of conducts. iv. iUse of underage workers and absence of respect of fundamental human rights v. Customer dissatisfaction leading to erosion of brand image and reputational damage especially in this social media age. vi. Unrest and protests due to development of entertainment centers (hotels, malls, etc.) by community residents. **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	**A. Environmental Risk Mitigants** i. Ensuring adequate and proper disposal of waste. Required certification for disposal of certain wastes should be obtained and renewed promptly from regulators. ii. Media houses should subject all content to rigorous screening measures before broadcasting. This will ensure that negative information is not cascaded down to consumers. **B. Social Risk Mitigants** i. Workforce diversity should be encouraged. Companies should ensure that biases such as gender, age, ethnicity are not factors that guide the recruitment process. ii. Customer welfare and staff safety should be prioritized in order to ensure reduce the reputational risk and brand erosion. Working conditions should be made as safe as possible for staff while services should always be at the highest level to ensure customer's satisfaction. iii. Frequent emphasis on adherence to the Company's code of conduct should be made to vendors and suppliers. iv. Companies should ensure that recruitment conducted by their HR departments most especially for menial laborers are carried out in strictest accordance with leading practices. This would help in significantl reducing the risk of

Sectors	ESG Risks	Mitigating Controls
		employing child workers. Companies should also ensure that their suppliers and vendors comply with their in-house recruitment standards v. Staff should be trained on adequate customer relationship in order to reduce the risk of brand erosion due to customer dissatisfaction. vi. vi. Ensure early and constant adequate stakeholder consultation and engagement in order to gain a semblance of acceptance from the community for execution of the project (hotel construction, etc.). **C.** **Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

Sectors	ESG Risks	Mitigating Controls
Metal and Minerals This industry involves the extraction and processing of metal and mineral ores.	**A. Environmental Risks** i. Leakage of harmful liquid metals, acids and other pollutants which may contaminate the environment. ii. Irreversible land degradation and loss of local ecosystems due to extraction activities/ Long-term effects of erosion or chemical contamination due to extraction activities may have major impacts on the environment (land used for farming, etc.), and consequently affect the livelihood of people within the community. **B. Social Risks** i. Mineworkers and community residents may be exposed to accidents from collapsed mine structures, use of explosives, and dust released during blasting. ii. Inappropriate human resource management, leading to use of child/forced labor. iii. Disruption of operations through strikes, court interventions and fines, stringent regulations, or even full revocation of the firm's license to operate due to unfairness to workers and local residents especially in the payment of royalty to the local community for damage to the local environment. **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	**A. Environmental Risk Mitigants** i. Develop and implement an effective environmental management plan that would assist in prevention of leakage of harmful substances that can harm the environment. ii. Ensure constant stakeholder engagement and consultation throughout the project lifespan. This would ensure that communication regarding possible land degradation and erosion due to extraction activities would have occurred and appropriate remediation would have been agreed upon by the company and the affected community. **B. Social Risk Mitigants** i. Constant and proper use of Personal Effective Equipment (PPE) should be mandated for all staff. HSE signage and posters should be placed in strategic locations in the factory premises and all over the community. Ensure that all staff and local communities are duly notified prior to the use of explosives for blasting. Modern and well-functioning blasting equipment should be used in order to reduce occurrence of accidents and production of large quantities of dust. ii. Companies should ensure that recruitment for menial laborers are carried out in strictest accordance with leading practices. This would help in significantly reducing the

Sectors	ESG Risks	Mitigating Controls
		risk of employing child workers. Companies should also ensure that their suppliers and vendors comply with their in- house recruitment standards iii. Ensure adequate stakeholder consultation and engagement before the commencement of the project and all through the project lifespan. **C. Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

Sectors	ESG Risks	Mitigating Controls
Oil and Gas Companies in this sector are involved in the following: i. Exploration and Development Operations ii. Product Operations iii. Terminal/Depot Operations iv. Hydrocarbon Processing Operations v. Oil and Gas Transportation vi. Marketing Operations	**A. Environmental Risks** i. Chemicals used in oil refining can be released into water and contaminate the environment (loss of aqua life, soil degradation). ii. Gas flaring during oil refining may have significant environmental and health impacts. iii. Oil spills may occur during oil exploration and subsequent transportation. iv. Fire disasters may occur during oil and gas production, affecting oil workers and surrounding communities. v. Noise pollution during the oil refining process. vi. Inadequate disposal of oil well waste leading to environmental pollution. vii. Stored chemicals used in production may be hazardous to health and may end up being discharged into the environment (i.e. into the ocean) inappropriately as waste. viii. Trenching, excavating and/or dredging of land, river and sea floor for the laying of pipeline produce sediment and dredge spoils may permanently damage aqua habitat. ix. Leakage from pipelines may damage aqua wildlife, thereby affecting livelihood of communities within the locality.	**A. Environmental Risk Mitigants** i. Waste containing residual oil and chemical additives should be disposed appropriately in line with industry and regulatory guidelines. ii. Gas flaring should be prohibited during the oil refining process in line with regulatory guidelines. iii. Use of most recent technology and adequate/proper equipment as well as adherence to stipulated equipment checks during oil drilling and transportation to prevent oil spillage. iv. Installation of adequate safety and fire prevention measures within the refineries as well as an emergency process in order to prevent and contain fire incidences. v. Siting of the refineries at a considerable distance away from the community would reduce noise pollution. vi. Ensuring proper and adequate disposal of wastes in adherence with industry and regulatory requirements. vii. Hazardous chemicals should not be stored close to human habitat. Furthermore, these chemicals should only be disposed in the strictest accordance with regulatory requirements. viii. Proper caution should be ensured while carrying out trenching, excavating and dredging activities in order to preserve aqua habitat. Proper equipment/ tools and competent staff should be sued to carry out these activities. ix. Ensure that pipelines installations are properly constructed, using

Sectors	ESG Risks	Mitigating Controls
	B. Social Risks i. Inadequate restitution to the community due to environmental damage brought about by exploration activities may lead to project sabotage (kidnapping of workers, site bombing) and monetary loss due to litigation. ii. Improper siting of pipelines in residential areas may lead to loss of lives through pipeline explosions and subsequently, governmental sanctions and fines. **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	quality equipment. Frequent monitoring of oil pipelines would also promptly identify leaks. **B. Social Risk Mitigants** i. Oil companies should carry out frequent stakeholder consultation and engagement all through the project lifespan. This will ensure that the communities understand the effects of the project on the lives of its residents and appropriate remedial and restitution plans are agreed upon. These companies should also adapt the habit of giving back to the community through CSR programs as this will help indicate the companies' interest in the welfare of these communities. ii. Oil companies should ensure that refineries are situated properly in order to avoid the risk of pipeline explosions. Extensive surveying should be carried out to confirm suitability of land for project activities. **Other general controls** i. Develop and implement an effective environmental management plan that includes a spillage prevention and response plan. **C. Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

Sectors	ESG Risks	Mitigating Controls
Renewable Energy This industry involves the exploration of renewable resources such as fossil fuels, sunlight, wind, rain, tides, waves.	**A. Environmental Risks** i. Dangerous and dirty emissions from fossil fuels contribute may contribute to climate change. ii. Spinning turbine blades can become safety hazards especially for low-flying aircraft. It could also result in noise pollution. iii. Inadequate disposal of solar panels resulting in toxic chemical leak/release (cadmium telluride, copper indium selenide, cadmium gallium.) **B. Social Risks** i. Health and safety risks during construction of power grids, turbines, etc. some of which include workers falling from heights and electrocution. ii. Significant amounts of energy are required to produce solar which may affect energy distribution to the surrounding communities. iii. Absence of employment in these companies for youth in communities where these plants are situated. iv. Non-provision of renewable energy for community where solar plants are located. **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	**A. Environmental Risk Mitigants** i. Measure and monitor air (GHG) emissions from renewable energy power plants and actively develop means of reducing these emissions. ii. Turbine blades should be erected at regulated heights to ensure safety for low- flying aircraft. Solar power stations should be situated at a considerable distance from communities. iii. Develop and Implement a hazardous waste storage and disposal process in line with regulatory and industry requirements. **B. Social Risk Mitigants** i. Prioritize staff safety by providing proper PPE equipment and ensuring that workers are adequately trained on workplace health and safety hazards. ii. Companies should have an alternative energy source which is different from the one servicing the community, in order to ensure that the community receives adequate energy/power. iii. Companies should create an employment quota for youths in the communities where they are situated as this will indicate commitment on the part of the companies' to better the lives of the communities. iv. iv. Renewable energy companies should also provide a fair amount of

Sectors	ESG Risks	Mitigating Controls
		energy produced to communities in their locality, especially low-income communities. **Other general controls** i. Ensure adequate stakeholder consultation and engagement to address stakeholder grievances with regard to the negative effect of the project on the lives of community residents. **C. Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***
Transportation This industry includes operation and management of infrastructures that aid various modes of transportation such as air, land, water, etc.	**A. Environmental Risks** i. Transportation services consume large amounts of energy which are mostly non-renewable and toxic to the environment. ii. Fuel combustion entails the emission of exhaust gases to the air leading to air pollution iii. Transportation infrastructure such as airports may be sources of noise pollution. iv. Accidents during the transportation of hazardous substances may lead to spillage and consequently, environmental disasters.	**A. Environmental Risk Mitigants** i. Transport companies should begin to adopt the use clean fossil fuels which emit less carbon dioxide and other GHGs. ii. Ensure proper maintenance of vehicles and aircrafts to manufacturers' specifications to aid proper GHGs emission management. iii. Airports, car parks, etc. should be situated at a considerable distance to towns and cities in order to reduce noise pollution to a considerable level. iv. Strict adherence to aviation and marine regulations with regard to

<table>
<tr><th>Sectors</th><th>ESG Risks</th><th>Mitigating Controls</th></tr>
<tr><td></td><td>B.
Social Risks

i. Accidents due to non-adherence to aviation and marine regulations i.e. visibility requirements, safety requirements may lead to regulatory sanctions.

ii. Difficulty in obtaining governmental approval for land use (in case of expansions, extensions and developments) in some jurisdictions due to increasingly vocal communities as a result of potential environmental impact of transport related construction works

iii. Social acceptability and affordability of tolls for toll road operators.

C.
Governance Risks

(Please refer to the Agro-processing Governance Risks above)</td><td>transportation of hazardous substances and products should be ensured.

B.
Social Risk Mitigants

i. Strict adherence to aviation and marine regulations should be ensured in order to avoid regulatory sanctions.

ii. Implement a stakeholder engagement mechanism prior to engagement commencement that would help change the opinions of the communities and allow commencement of the proposed projects.

iii. A stakeholder consultation mechanism would also assist in gauging the acceptability of stakeholders for road tolls as well as arriving at an affordable toll fee.

C.
Governance Risk Mitigants

(Please refer to Agro-processing Governance Risk Mitigants above)</td></tr>
</table>

Sectors	ESG Risks	Mitigating Controls
Solid Minerals and Metals This industry involves in the extraction and processing of metal and mineral ores.	**A. Environmental Risks** i. Irreversible land degradation and loss of local ecosystems due to extraction activities/Long-term effects of erosion or chemical contamination due to extraction activities may have major impacts on the environment (land used for farming, etc.), and consequently affect the local communities. ii. Leakage of harmful liquid metals, acids and other pollutants which may contaminate the environment. **B. Social Risks** i. Mining operations which may destroy farmland for local communities. ii. Mineworkers and local communities may be exposed to accidents from collapsing of mine structures, use of explosives, and dust released during blasting. iii. Inappropriate human resource management, leading to the use of child/forced labor. **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	**A. Environmental Risk Mitigants** i. Ensure constant stakeholder engagement and consultation throughout the project lifespan. This would ensure that communication regarding possible land degradation and erosion due to extraction activities would have occurred and appropriate remediation would have been agreed upon by the company and the affected community. ii. Develop and implement an effective environmental management plan that would aid in the prevention of leakage of harmful substances that can harm the environment. **B. Social Risk Mitigants** i. encroached upon, adequate stakeholder engagement should be conducted and appropriate remediation and restitution should be agreed upon by the company and the affected stakeholders, ii. Ensure that local communities are duly notified prior to the use of explosives for blasting. Protective equipment should be worn by all mineworkers at all times during mining operations. The company should ensure that mining equipment are not obsolete and are serviced periodically to ensure optimal performance iii. Companies should ensure that recruitment for menial laborers are carried out in strictest accordance with leading practices. This would

Sectors	ESG Risks	Mitigating Controls
		help in significantly reducing the risk of employing child iv. workers. Companies should also ensure that their suppliers and vendors comply with their in-house recruitment standards **C.** **Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

ICT and Innovation Ecosystem	ESG Risks	Mitigating Controls
HUB OWNERS	**A. Environmental Risks**	
Development of infrastructure for technology innovation and incubation hubs including: i. Establishing temporary access to work and ancillary areas, demarcating clearance zones, establishing access control. ii. Clearance and levelling of the project footprint, and major earthworks where required. iii. Construction of buildings and associated facilities. iv. Sourcing and establishing a water supply from surface and/or groundwater. v. Improvement of existing drainage and introduction of new drainage, including culverts if required. vi. Establishment or improvement of safety arrangements e.g., barriers, lighting. vii. Landscaping, as required.	**Geology/Hydrogeology** i. Interruption of surface and groundwater flows from excavation, ground clearance and construction. ii. Changes to timing, volume and rate of rainwater input into surrounding bodies of water and watercourses. iii. Introduction of sediments to watercourses or interruption of drainage patterns, as a result of ground clearance, earthworks and the introduction of drainage structures.	Develop and implement an effective environmental management plan that would ensure excavation, and ground clearance during construction does not in any way affect waterways or channels.
	Pollution of Soils and Water i. Pollution of surface and ground water from sewage effluent discharged during construction activities. ii. Release of hazardous substances during construction (e.g., runoff during construction or maintenance, accidental spills/leaks leading to soil, surface or groundwater contamination.	Develop and implement an effective environmental management plan that would aid in the prevention of air, water and soil pollution or release of hazardous substances during construction or operations.
	Air Quality i. Dust from construction activities could affect human health, vegetation and wildlife. ii. Emissions from construction and maintenance activities and exhausts from increased traffic levels, affecting sensitive receptors (human, flora, fauna).	

ICT and Innovation Ecosystem	ESG Risks	Mitigating Controls
	Noise and Vibration i. Noise and vibration from construction, operational and maintenance equipment,traffic and activities, may disturb sensitive noise receptors (human, fauna).	i. As much as possible, the volume of noise produced as a result of activities being carried out should be minimized. ii. The use of heavy duty vehicles should be avoided where possible.
	Resources and Waste i. Construction and operation will require supply of water (surface or groundwater), which could affect existing supply for human communities and ecosystems. ii. Inefficient waste management during construction, operation and maintenance leading to excess consumption of materials, generation of wastes/emissions, pollution of soils and water.	
	Loss, fragmentation and degradation of habitat, and severance of animal migration routes and pathways i. Land clearance during construction and maintenance causing loss or fragmentation of protected or ecologically sensitive areas and other areas of conservation interest (including migration routes, feeding/breeding areas), and degradation following poorly managed rehabilitation. ii. Impacts on habitats and species from habitat alteration and degradation (e.g., changes in drainage, soil erosion, pollution of water, soils or air, introduction of invasive species).	

ICT and Innovation Ecosystem	ESG Risks	Mitigating Controls
	B. Social Impact	
	i. Displacement due to land acquisition.	i. Stakeholders' engagement to be carried out at all stages to ensure that interest of all parties met.
	ii. Community Health, Safety and Security. a. Poor construction management practices may lead to adverse effects on safety, human health and wellbeing. b. Interaction between workforce and local communities may increase occurrence of communicable diseases, including HIV/AIDS and sexually transmitted diseases (STDs).	ii. Proper health management should be practiced by developing health and safety plans, pro-active vaccination of staff, raising awareness on communicable diseases and initial quarantining of foreign staff in order to prevent possible spread of diseases.
	iii. Labour and Working Conditions a. Poor management of occupational health and safety leading to accidents, injuries and illnesses among workers; mental health issues due to remote or enclosed living.	
	b. Differences in nationality, ethnicity, religion, etc. may lead to discrimination and harassment, and differences (perceived or real) in working conditions between workers may lead to resentments.	The companies should be made to apply equal employment opportunity and not discriminate based on tribe, gender or physical disability.

ICT and Innovation Ecosystem	ESG Risks	Mitigating Controls
OPERATION OF TECHNOLOGY INNOVATION AND INCUBATION HUBS	**A. Environmental Impact** i. Indoor Air Quality deterioration as a result of several electronic gadgets like computers, printers and inverters working simultaneously. ii. Cumulative noise pollution from the use of generators. iii. Cumulative outdoor air pollution from the use of generators. iv. Generation of domestic and electronic waste from innovation and incubation hubs. v. Soil, surface water and groundwater contamination from diesel and oil leakages from power generating sets within hubs into the immediate environment. vi. Poor management of sewage and run- off from hubs polluting water bodies. vii. Fire risk resulting from many electrical appliances being used within hubs. **B. Social Risks** i. Start-ups using facilities at hubs to engage in cyber-crimes. ii. Many start-ups within hub space increasing the spread of communicable diseases such as Covid-19. **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks above)***	**A. Environmental Risk Mitigants** i. Develop and implement an effective environmental management plan that would aid in the prevention of pollution or release of hazardous substances during construction. ii. As much as possible, the volume of noise produced as a result of activities being carried out should be minimized. iii. Fire prevention mechanisms such as fire drills, fire extinguishers and hydrants should be put in place. **B. Social Risk Mitigants** i. Proper due diligence to be done on the promoters and activities of the start-up before allowing them access to the hub. ii. Proper health management and raising awareness on communicable diseases should be made a part of their procedure. **C. Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants above)***

A.2 KEY PERFORMANCE INDICATORS FOR ESG RISK GOVERNANCE

	Departments/Functions					
S/N	***Chief Risk Officer (CRO)***	***ESG Risk Management Department (ESGRMD)***	***Client & Business Partners (CBP)***	***ESG Impact Monitoring (EIM)***	***Legal Department***	***Internal Audit***
1.	Percentage of loan portfolio that has zero ESG risk issues arising from timely management of ESG requirements	Percentage of loan portfolio that has zero ESG risk issues arising from timely management of ESG requirements	Percentage of non- performing loans arising from inappropriate assessment and monitoring of ESG requirements for financed projects.	Percentage of achieved ESG targets by the Bank arising from adequate impact monitoring of ESG targets	Percentage of litigation cases arising from inadequate documentation of appropriate ESG safeguards in loan covenants.	Percentage of ESG based internal audit recommendations implementation.
2.	Percentage of loan portfolio that is non-performing due to ESG related issues.	Percentage of loan portfolio that is non- performing due to ESG related issues.	Percentage of inadequately categorized projects based on identified ESG risks		Percentage of implementable safeguards in loan covenants to mitigate ESG risk exposures.	Percentage of the Bank's non-performing loans (NPLs) arising from a decrease in number of crystallized ESG risks.
3.	Zero approvals of projects that are on the Bank's Exclusion List	Zero approvals on projects that are on the Bank's Exclusion List	Zero approvals of non- eligible projects due to ESG non-compliance			
4.	Percentage of regulatory sanctions and penalties due to third-party and customers' ESG risk issues.	Percentage of projects that achieve long-term ESG impact upon project completion.				
5.	Percentage of non-completed projects due to ESG risk crystallization.					
6.	Percentage of ESG risk issues exceeding defined risk tolerance without action plan					

A.3 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 customer/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.

ix. Production or activities that will lead to environmental degradation, social injustices and illegal exploitation of labor.

x. Production or activities involving harmful or exploitative forms of forced labor/harmful child labor

xi. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.

xii. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

A.4 EXAMPLES OF BUSINESS ACTIVITIES UNDER EACH CATEGORY

When a project or transaction is proposed for financing, BOI as part of its internal ESG review and due diligence, will categorize such project based on the magnitude of its potential impacts and risks in accordance with the environmental, social and governance screening criteria of the International Finance Corporation (IFC), summarized below:

A.4.1 Examples of Category A Projects

i. On- and off-shore Oil & Gas developments and crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil.)

ii. Installations for storage of petroleum, petrochemical, or chemical products.

iii. Extraction, agglomeration and processing of peat, coal and lignite, metal ores, chemical and fertilizer minerals.

iv. Quarries and open cast mining operations.

v. Thermal power stations and other combustion installations with large heat output of 300 megawatts.

vi. Initial smelting of cast-iron and steel; installations for the production of nonferrous crude metals from ore.

vii. Integrated chemical installations, i.e. those installations for the manufacture on an industrial scale of substances using chemical conversion processes: basic organic chemicals; basic inorganic chemicals; phosphorous-, nitrogen- or potassium-based fertilizers; basic plant health products and of biocides; basic pharmaceutical products using a chemical or biological process; explosives.

viii. Large-scale land reclamation.

ix. Activities involving the release of genetically modified organisms (GMOs).

x. Large-scale agro-processing.

xi. Projects which are planned to be carried out in sensitive locations.

xii. Projects with significant impacts on economic and social basis of local communities.

xiii. Projects affecting indigenous or tribal populations.

xiv. Projects which may adversely affect areas cultural significance.

xv. Projects with physical or economic resettlement components.

xvi. Projects which involve mass retrenchment.

xvii. All projects listed under Section 12 (Mandatory Study List) of the Nigerian Environmental Impact Assessment (EIA) 1992 Act.

A.4.2 Examples of Category B Projects

i. Agro-processing (small scale).

ii. City hotels, small scale tourism.

iii. General manufacturing.

iv. Chemical industries, without any bulk storage of explosive or hazardous substances.

v. Processing and preservation of fruit and vegetable, fish, meat.

vi. Vegetable/animal oil production and processing.

vii. Manufacturing of wines and other fermented beverages.

viii. Dairy product processing.

ix. Manufacture of leather products (except tanning and dyeing).

x. Spinning, weaving, and finishing of natural and synthetic fiber.

xi. Processing of wood products, sawmilling.

xii. ICT and Innovation projects.

A.4.3 Examples of Category C Projects

i. Establishment of business services industries (business advisors, accountancy auditors, etc.).

ii. Establishment of restaurants and other food premises.

iii. Education and training.

iv. Broadcasting (TV, radio, social media).

v. Health.

vi. Establishment and equipping of art, design, telecommunications studios.

vii. Spinning, weaving, and finishing of natural and synthetic fibers.

viii. Tailoring and dressmaking shops.

A.5 ENVIRONMENTAL, SOCIAL AND GOVERNANCE IMPACT ASSESSMENT OR ENVIRONMENTAL, SOCIAL AND GOVERNANCE AUDIT

The ESG Impact Assessment (ESGIA) or ESG Audit (ESGA) shall be conducted by customers or investees in line with the ESG Risk Management process, in order to identify and assess the ESG risks and opportunities associated with the business activities being financed. The ESGIA or ESGA report ("the report") is an important input into the ESG risk management process and should be submitted by the customer or investee before the commencement of the due diligence process. The report shall provide information on the cumulative impact of the proposed project, existing projects undergoing extension or major changes different from the basis for initially granting the facility, as well as anticipated projects that may be financed by the Bank.

The ESGIA or ESGA report shall be structured to contain the following information:

A.5.1 A Description/Overview of the Proposed Business Activity

The report shall include details of the business activity to be financed and provide background information on its nature, purpose and execution approach. The content of this section shall include but will not be limited to the following:

i. Nature, location, and justification of the business activity.
ii. Description and design.
iii. Execution phases.
iv. Workforce requirements.

A.5.2 Assessment of baseline ESG conditions

This section of the ESGIA/ESGA report shall detail the existing environmental, social and governance conditions for the business activity being financed. It shall describe the physical, chemical, biological and socio-economic conditions of the sites prior to the commencement of the business activity as well as the level of corporate governance compliance of the customer executing the project. This is to provide a reference point against which any future changes/impacts can be assessed.

A.5.3 Requirements under the applicable sectoral Laws, Regulations, and Agreements

The report shall identify the minimum regulatory requirements guiding environmental, social and governance risks in the particular sector where the business activity is to be carried out. It shall also include all licenses and permits to be obtained, as well as applicable international agreements.

A.5.4 Compliance with Existing Regulatory Requirements

The report shall state the customer's compliance with (or justified deviations from) minimum regulatory requirements guiding environmental, social and governance risks such as CBN Sustainability Principles, Equator Principles, IFC, etc.

A.5.5 ESG Risk Management

The report shall identify and assess (the likelihood of occurrence and impact) of all the environmental, social and governance risks associated with the business activity being financed.

A.5.6 Stakeholder Engagement

The process for the identification and categorization of relevant stakeholders throughout the transaction shall be included in the report.

This shall also include the nature, frequency, and level of effort required in engaging each category of stakeholder. This section shall also report on the grievance mechanism and feedback process for all stakeholders identified.

A.5.7 ESG Risk Management Systems (ESGRMS)

The ESGIA or ESGA shall provide information on existing ESGMS which can be used to manage the ESG risks associated with the business activity.

A.5.8 ESGAP and Monitoring

The ESGIA or ESGA shall include a summary of all risks identified during the environmental and social risk assessment, along with a detailed plan for the mitigation and adequate monitoring of all the risks identified. This section shall also contain detail of timelines, performance indicators, frequency of monitoring, as well as responsible individuals.

A.6 SAMPLE DUE DILIGENCE QUESTIONNAIRE/CHECKLIST[2]

Topic to be assessed	Discussion points/questions
Environmental, Social and Governance management : Evidence of an effective Environmental, Social and Governance Management System (ESGMS) is a leading indicator of a customer's ability to assess and manage risk, as well as identifying opportunities where better E&S performance can drive value creation.	**ESG policy** • Does the company's policy focus on the key Environmental, Social and Governance risks and opportunities? • Does it cover the full range of issues (including labor and employment practices, supply chains or other third parties) and clearly articulate the standards that the company will seek to achieve? • What ESG standards does the Policy seek to achieve? • What are the accountabilities for implementation and oversight of policy implementation? • Has the Policy been communicated to employees or others (including investors)? • Is the Policy public and are there commitments to report on progress? • What evidence that the policies evolve over time? **Identification of risks and opportunities** • How have ESG issues been identified (ESGIA, ESG audit) and what evidence is there that the company has implemented recommendations? • Does the baseline assessment seem credible and accurate? Does it fully assess impacts in the company's "area of Influence" Does it focus on the key risks and issues that are identified within its sector? • Consider whether labor, Green House gas emissions, supply chains, third party construction, and community health and safety have been assessed. • Ask how the company adjusts its focus between construction and operational phases if relevant. • What controls and expectations does the company have in managing the ESG performance of third-party contractors (especially during construction work)?

[2] Source: CDC Environmental and Social Checklist/Governance and Business Integrity Due Diligence Monitoring Checklist

Topic to be assessed	Discussion points/questions
	Management programmes • Does the company have a SEP? • Does the company disclose information on ESG performance to local communities? If so what information and does it seem appropriate to the audience? • Do communities (or other stakeholders) feel that their interests have been taken seriously by the company? • How does the company respond to any criticisms that it receives from stakeholders? • Is the SEP the responsibility of other parties (usually government agencies?) Assess the adequacy and completeness of this. **Monitoring and review** • What does the company monitor and who does it report this information to? • What evidence is there that monitoring shapes and informs company practices? • Does the company use external monitors, if so why? • Are there specific ESG performance targets? If so, how are they identified and who monitors progress in achieving them? What consequences if targets are not met? • Which external audiences receive ESG reports and why?

Topic to be assessed	Discussion points/questions
Labor and working conditions: Particular attention should be given to investments in sectors which employ large numbers of people, low wage industries (such as agro-processing), sectors where outsourced labor is an important component of the business, and sectors with construction activities. Also, customers whose companies have had industrial action or disputes, workplace or work-related fatalities or retrenchment in the past three years.	**Human resources (HR) and core labor standards** • Who has responsibility for HR in the company? Does this person or team have the necessary expertise and skills? • Is there a HR policy? Does it apply to all employees? • Does the company comply with national employment regulations and leading industry labor standards? • Are the terms and conditions of employment clearly defined? Are there specific requirements for minimum age, minimum wage, forced labor and discrimination? • Does the company apply a non-discrimination policy? • Do all employees have a formal contract? • Has the company ever faced any issues related to labor and working conditions? (e.g. excessive working hours, wages below national minimum wage, child labor). • What is the minimum age of workers and contractors? • Does the company or the company's contractors employ people under the age of 18? In what capacity? • Does the company have a grievance mechanism for its employees and contractors? • Does the company provide any worker accommodation? • If asked, what does company management think the workforce would say are their primary concerns about working for this company? • What is the minimum wage paid to employees? What percentage of the workforce is paid minimum wage? How are annual wage increases set? • What are the standard working hours? Is over-time work paid? • How do labor practices vary between employees, contractors, part-time or other workers? **Occupational Health and Safety (OHS)** • Who has responsibility for OHS? Do they have appropriate skills and training?

Topic to be assessed	Discussion points/questions
	• Does the company have a process to record, and investigate near misses and accidents and to ensure that corrective actions are effectively implemented? • Does the company have data on OHS performance (e.g. Lost Time Injury Frequency Rates (LTIFR)? How does this compare to national or international benchmarks? Is it increasing or decreasing year-on-year? • What does the company see as its most significant OHS challenges? And what is it doing to address these? • Has a risk assessment been conducted by a suitably qualified person to identify, assess and control health and safety risks associated with workplace hazards? • Has the company taken all steps necessary to avoid or where not possible, mitigate (to an acceptable level) OHS risks? **Worker Productivity Skills and Development** • Is the company committed to continuously reviewing and improving labor practices and working conditions? How does it plan to do this? • Does the Company have a higher than average turnover of staff? Why? • What is the % of women in management positions? Has this changed in the past 3 years? • What on the job training is provided? Is this provided to all staff? • Does the Company have any concerns about levels of absenteeism? Is this increasing or decreasing? Why? • Has the company undertaken any retrenchment in the last five years? If so, how many people and why? • Are any job losses likely as part of this investment? • Have alternatives been considered to avoid retrenchment (voluntary redundancy, retraining for other roles etc.)? • How does the company ensure that retrenchment is managed fairly? • If retrenchment has taken place in the past are there outstanding liabilities that could affect valuations?

Topic to be assessed	Discussion points/questions
	Retrenchment- reducing the number of employees • Has the company undertaken any retrenchment in the last five years? If so, how many people and why? • Are any job losses likely as part of this investment? • Have alternatives been considered to avoid retrenchment (voluntary redundancy, retraining for other roles etc.)? • How does the company ensure that retrenchment is managed fairly? • If retrenchment has taken place in the past are there outstanding liabilities that could affect valuations? **Contractors, third parties, supply chains and temporary workers** • Does the company use third party contractors or other workers who are not direct employees? How do their terms and conditions of work differ from full time employees? • How does the company ensure all workers (including migrant or contract workers) are treated fairly and consistently? • Where does the workforce come from? Why? (Establish ratios of permanent / contract or seasonal / migrant staff). Has this always been the case? If not, why has it changed? • Describe the company's use of contractors.

Topic to be assessed	Discussion points/questions
Pollution prevention and resource use efficiency: Many companies will use chemicals, generate waste and effluents, or use energy and water in significant amounts. It is therefore important that ESG Due Diligence specifically considers how these factors can be managed, and reduced where possible, and whether there are opportunities to enhance Environmental & Social performance through a more efficient approach.	**Reducing waste and preventing pollution.** • What production processes does the company use? Can these adversely impact the air, water, soil, local communities, fauna and/or flora? • Does the company produce or use any hazardous chemicals, (agrochemicals, pharmaceuticals, CFCs etc) and wastes that are deemed illegal under applicable local or national regulations? Does it use materials which are subject to internationally agreed phase-outs or bans? • What are the arrangements for storage, handling and management of chemicals (training, control of spills, disposal of chemical containers, provision of PPE etc.)? • How does the company minimize storage, handling transfer and disposal of hazardous, toxic and other waste and effluents? • What waste and effluent streams does the company generate and what evidence is there that the company is actively reducing and managing these as much as possible? • If contractors are used to dispose of solid waste, does the company monitor them and have documentary evidence of safe and legal disposal (i.e. duty of care for waste management)? • Could there be liabilities from the use of chemicals or from more recent pollution (e.g. soil contamination)? • Could the company be associated with other forms of pollution (e.g. noise, electromagnetic fields, odors, pathogens, visual impacts)? **Energy and water use efficiency** • What is the company's primary energy and water source? • Does the company have a clear understanding of energy and water costs (or are they aggregated within a general operating budget)? • Has the company undertaken an energy or water use audit? If so, what were the conclusions and what actions were taken. If not, explore the rationale for not undertaking one.

Topic to be assessed	Discussion points/questions
	• Where energy is supplied by the national grid, are there any risks associated with this supply (e.g. power outages or dramatic price increases). • What technically and financially feasible renewable energy options are available to the company? **Greenhouse gas (GHG) emissions and Climate Change** • What are the main energy sources used by the company? Does this include fossil fuels? • Does the company generate GHGs? • What plans or actions has the company undertaken to control and/or reduce emissions? • Are GHG emissions seen as a business risk? • Are the company's operations or assets at risk from climate change (including increased flooding, drought or other severe weather events), business disruption or damage to assets and production from these events? **Pesticides and other Agrochemicals** • Does the company produce or use agrochemicals that are deemed illegal under applicable local or national regulations, or which are subject to internationally agreed phase-outs or bans? • Can the company provide an inventory of the agrochemicals it uses and are any of these rated as extremely hazardous (1a) or hazardous (1b) according to the WHO? • Ask the company to describe how it uses agrochemicals, specifically: a. How and where chemicals are stored, what controls are in place to access and use chemicals, and what measures are in place to dispose of old agrochemical containers; b. What training and safety procedures are in place for people who use chemicals;

Topic to be assessed	Discussion points/questions
	c. What monitoring is undertaken to ensure maximum efficiency and efficacy of use, and what monitoring is undertaken of the receiving environment (e.g. water courses, local communities) to ensure that adverse impacts are not evident? Is there any consultation with local people? d. What alternatives to agrochemical use are evident? **Contaminated land or land with liabilities** • What risks are there that the company has historical or current contaminated land liabilities? Or that it will incur these in the acquisition of new sites and assets? • Does the company have processes for assessing contaminated land risks in the acquisition of new assets?
Community health, safety and security: Many companies underestimate the risks their businesses can create within local communities and may not acknowledge responsibility for any E&S issues occurring beyond the 'factory gate', including specifically, increased traffic, impacts on water, explosion, fire and life safety and the use of security personnel. However, these risks can have a significant impact on company operations, particularly if local communities are concerned or impacted by a company's activities, and in extreme circumstances, they can result in the loss of a social license to operate. This is not an issue for all companies but should be specifically assessed in each transaction.	**Community health, safety and security** • Does the company create new or significant risks to and/or impacts on local communities – specifically through: a. Air emissions and/or wastewater discharges. b. Transport, storage, disposal or use of hazardous materials/wastes. (iii)Changes in the availability or quality of water. c. Fire and explosion risks (including situations where members of the public have access to company assets – hotels, schools, hospitals, etc.) d. Increased risk of disease, i.e. water borne diseases. e. The use of security personnel, particularly if armed. f. Increased traffic or the development of infrastructure that could cause off-site impacts (e.g. power transmission and distribution lines or bulk storage of hazardous, flammable or explosive materials). • Has the company assessed community health, safety and security risks and impacts?

Topic to be assessed	Discussion points/questions
	• Does the company have an emergency response management system which considers risks to local communities? **Stakeholder engagement and consultation** • If the company creates risks for local communities, how does it engage with affected parties? • Is there a grievance mechanism? How effective has it been? • Does the company work with local communities and statutory agencies to ensure that emergency response plans are understood and that affected communities understand what to do in the event of an emergency? **Security personnel** • Does the company use security personnel (either employed directly or via third parties)? Why is security required? • Are security personnel armed? If so why? Ask for details of recruitment and the oversight and controls that are in place to ensure the behavior of security personnel is proportionate to the risks and follows GIIP. • Have there been any complaints from the local community about the actions or behavior of the security forces? • Have there been any incidents involving security forces (injuries or fatalities) in the last five years? What steps have been taken to prevent this from happening again?
Land acquisition and economic displacement: Any acquisition of land resulting in involuntary resettlement or economic	• Has the company acquired land through expropriation in the past, or might it in the future? • If so how and when was the land acquired? What compensation was provided to affected persons and was a Resettlement Action Plan developed? How was compensation calculated?

Topic to be assessed	Discussion points/questions
displacement can lead to significant social impacts on the livelihoods, health and wellbeing of affected parties. If not well managed, involuntary resettlement can lead to costly compensation and significant project development delays. If an investment has led to historic involuntary resettlement or economic displacement, or could in the future, it is advisable to exercise caution and dedicate additional ESG Due Diligence resources, time and energy. Every effort (including analysis of credible alternatives) should be made to avoid and reduce the need for involuntary resettlement.	• How many people will be physically or economically displaced? Are there any vulnerable groups which require particularly attention (e.g. Indigenous Peoples)? • Has the extent/relevance of the impacts on affected people's livelihood been properly assessed? (e.g. through an ESGIA). • Where the resettlement and compensation process was historic, did the company commission an audit to assess whether the livelihoods of affected persons had been restored? • How does the company engage with affected persons? What kind of relationship does the company have with affected persons? • Does the company have an effective grievance mechanism? Have there been any claims/grievances? • Are there legacy liabilities or could there be as a result of any ongoing resettlement? • Does the company have an experienced Community Liaison Officer who reports to senior management? • Has there been or will there be government involvement in the land acquisition?
Biodiversity conservation and natural resources management: Biodiversity provides the inputs and materials for many production processes and impacts such as habitat conversion, water pollution or poor natural resource management can threaten biodiversity. Therefore, biodiversity management is a significant, if under-recognized issue for many companies. Sectors such as agro-processing and oil & gas have the potential to cause the	**The value of biodiversity and the risks to biodiversity** • Does or could the company impact biodiversity (e.g. through conversion of habitats to other land uses, introduction of non-native species, extensive water abstraction)? What is the company doing to prevent or minimize these risks and impacts? Is there a Biodiversity Management Plan (BMP)? • Does the company adversely impact legally protected and/or internationally recognized areas? • Could the company impact endangered or critically endangered species?

Topic to be assessed	Discussion points/questions
most significant biodiversity impacts, but it is important to ensure the risks and impacts on biodiversity are adequately considered for all sectors. Every effort should be made to avoid and reduce impacts which could significantly affect key ecosystem services used by local communities, as well as protected or internationally recognized areas and/or critical habitats.	• Does the company rely directly or indirectly (via supply chains) on the goods or services provided by ecosystems? If so, how does it ensure these are from sustainable sources? • Could the company's operations contribute to the protection or restoration of biodiversity in any way? • Could the company introduce invasive alien or non-native species of flora and fauna in areas where they are not normally found? • Has the company been targeted by (or is the sector subject to) NGO programmes or campaigns in relation to biodiversity? **Management of ecosystem services** • If the company relies on renewable natural resources (for example agro-processing companies), how is it managing biodiversity risks and impacts? How does it ensure its supply chains are not creating biodiversity impacts? • How does the company assess risks to production from changes in ecosystem services (particularly water and climate related)? • Could the company create impacts on ecosystems services used by local communities (e.g. water, soil, timber)? Are there measures in place to mitigate and/or compensate for such impacts?
Indigenous Peoples: Indigenous peoples (IPs) are groups of people with identities that are distinct from mainstream groups in national societies. They may be referred to by terms such as 'ethnic minorities' or 'minority nationalities'. Managing impacts on IPs can be complex and can create significant risks for companies and investors and customers should ensure that the companies engage with IPs over the course of the investment.	• Could the company's operations directly or indirectly affect IPs? • How many IPs could be affected? • Did the company obtain the Free, Prior and Informed Consent (FPIC) of affected IPs? • Has the extent/relevance of the impacts on IPs livelihood been properly assessed? (e.g. through an ESGIA). • Does the company have an effective grievance mechanism to allow IPs to raise their concerns/claims?

Topic to be assessed	Discussion points/questions
Cultural heritage: Occasionally, investments may impact cultural heritage. Cultural heritage includes physical heritage which may be obvious (archaeological features and ancient buildings) as well as intangible heritage (e.g. sacred graves or natural features that have historic and cultural significance) which may be less obvious and may only be identified through consultation with local communities. Cultural heritage also includes 'chance finds' which may be discovered during construction or development activities. Managing impacts on cultural heritage can be complex and can create significant risks for the Bank. Customers should seriously consider appointing external experts to provide technical assistance if required.	**Protection of cultural heritage** • Could the company's operations directly or indirectly affect cultural heritage? • Have the extent/relevance of the impacts on cultural heritage been properly assessed? (e.g. through an ESGIA). • If cultural heritage may be impacted, has the company obtained the necessary permits/approvals for its operations? • If cultural heritage may be impacted, has the company implemented a formal consultation and engagement process with relevant stakeholders to discuss the impacts and any mitigation measures? • Does the company have an effective grievance mechanism? • Has the company developed and implemented 'chance find' procedures? • Is the company going to use cultural heritage for commercial gain? If yes, will these benefits be equitably shared with the affected communities?
Commitment to Corporate Governance (CG): One of the key corporate governance risks is that the customer and its shareholders may not demonstrate a commitment to implementing high quality corporate governance (CG) policies and practices.	• Does the company have a charter or articles of incorporation according to local legislation, with provisions on: a. the protection of shareholder rights and the equitable treatment of shareholders; b. distribution of authority between the Annual General Meeting of shareholders, the Board of Directors and executive bodies; and c. Information disclosure and transparency of the company's activities? • Are the Board of Directors and the senior management familiar with any voluntary code of CG for the country (if such a code exists)? To what extent does the company comply with the provisions of this code? How is this compliance disclosed?

Topic to be assessed	Discussion points/questions
	• Does the company have key corporate governance policy? What are the procedures for monitoring compliance with these? Who does the monitoring? • Does the company disclose the extent to which it is complying with its CG policies and procedures? • Does the company have a designated officer responsible for ensuring compliance with the company's CG Policies and code of ethics? • Does the management/Board of Directors approve an annual calendar of corporate events (Board meeting, shareholders meetings, etc.?)
Board structure and role: Another key CG risk is that the Board may not act independently of the executive management of the company and always in the best interests of the company.	• How is the composition of the Board of Directors determined? • How many of the Board are Executive Directors and how many are Non-Executive? • Is there an independent Chairman of the Board? • Are there any shareholder agreements, provisions of the company's charter, or informal understandings that specify which shareholders appoint Directors? • How are any independent Directors selected? How, if at all, does the company define 'independent' Director? • What is understood as the role of the Board of Directors vis-à-vis management, particularly with respect to the following? a. Setting the strategy and vision of the company. b. Selection and compensation of the CEO and senior management. c. Risk management, oversight of internal controls, external audit and preparation of financial statements. d. Major capital expenditures and large-value transactions. • Does the Board of Directors review material transactions that involve conflicts of interest and related parties? • Does the company have a formal or informal succession plan for its current CEO? How much longer does the current CEO intend to remain in this position?

Topic to be assessed	Discussion points/questions
Directors: There is also a risk that the Directors of the company may not competent enough to fulfil their duties as Directors.	• How does the current mix of skills/experience on the Board of Directors serve the company's interests? • Are Directors appointed on the basis of a clear job description which identifies a required background and expertise? • Does the company offer induction and/or regular training to members of the Board? • Does the Board of Directors conduct self-evaluations or other reviews of its effectiveness? • How and when such reviews are conducted and with whom are the results shared? • Has any of the Board of Directors ever been sanctioned for violating any of his/her duties? • How often is the Board of Directors elected? Are there a maximum number of terms that a Director can serve?
Board meetings: The Board process might be ineffective due to few meetings, or the lateness in forwarding of board papers to directors.	• How often does the Board of Directors meet? • Is an agenda prepared and distributed in advance of Board meetings? Are minutes prepared and approved after Board meetings? • Does the company have a corporate secretary? If not, who organizes Board meetings?
Board Committees Absence or inadequacy of a committee structure may lead to the Board being over-loaded with work and subsequent failure to address issues in sufficient detail.	• Does the company have Board Committees? If so, how are they established, who sits on them, and how do they function? • When and how do those committees report to the Board? • Are there any committees which are made up of Non-Executive Directors?

Topic to be assessed	Discussion points/questions
Minority Shareholders Minority shareholders' rights may inadequate or abused, which is a violation of corporate governance requirements.	• Are there differences between the voting rights and cash flow rights of the company's various classes of equity and quasi-equity securities (as different from the 'one share, one vote' principle)? • Do minority shareholders have any mechanisms to nominate members of the Board of Directors (e.g. cumulative voting, block voting, etc.)? Have such rights been exercised? • Is ultimate beneficial ownership of shares disclosed by controlling shareholders and management? • Are there any minority shareholders protection mechanisms in place? • How will minority shareholders be treated in the event of a change of control of the company (e.g. tag-along rights)? • Does the preparation and calling of annual and extraordinary shareholders meetings enable the participation of all shareholders (i.e. sufficient notice, agenda and supporting materials, proposing agenda items, participation personally or through proxy, the right to ask questions, dissemination of the results of the meeting)? • Has the company ever been subject to investigation into its treatment of shareholders? How have shareholder disputes been resolved?
Transparency and Disclosure: The company's financial disclosures may not be a relevant, faithful, and timely representation of its economic transactions and resources.	• Are the financial statements prepared in keeping with internationally recognized accounting standards (e.g., IFRS/IAS)? • Were there any material re-statements of the company's financial statements in the past five years? Please specify. • Does the company disclose major transactions, related party transactions, off-balance sheet activities, and other material events? How (e.g., Annual report, website)? • Does the Board of Directors/Audit Committee review key elements of the company's financial statements? How often? • Does the company have a written information disclosure policy that seeks to make all material information (financial and nonfinancial) fully, timely and equally available to all stakeholders?

Topic to be assessed	Discussion points/questions
	• If the company is publicly listed: ▪ Are periodic meetings with securities analysts held? ▪ Who participates in such meetings? ▪ Has the regulator or the exchange ever required the company to provide additional information or clarification in the annual report, financial statements or other disclosure? ▪ If so, on what elements? ▪ Has the company ever been sanctioned or censured by the regulator or the exchange for any failure or delay in disclosing required information to the public? • Who are the company's auditors?

A.7 RISK ASSESSMENT GRID

A.7.1 Risk Assessment Grid

A.7.1.1 Likelihood Criteria

This is a measure of the probability that a risk may occur in the near future. The tenure of a transaction (loan/investment duration) is considered when assessing the likelihood that ESG risks associated with the transaction may occur. The likelihood ranking criteria to assess the risks identified during due diligence shall be as follows:

Likelihood of Occurrence of Risk	
Description	***Rating***
The event has 80% or higher chance of occurring during the tenure of the loan/investment	***Almost Certain (5)***
The event has between 51% and lower than 80% chance of occurring during the tenure of the loan/investment	***Likely/Probable (4)***
The event has between 21% and lower than 50% chance of occurring during the tenure of the loan/investment	***Possible (3)***
The event has between 6% and lower than 20% chance of occurring during the tenure of the loan/investment	***Unlikely (2)***
Occurrence of event is unlikely or virtually impossible. The event has lower than 5% chance of occurring during the tenure of the loan/investment	***Rare (1)***

A.7.1.2 Impact Criteria

Impact is measured according to the magnitude of a loss if the risk event occurs. It is an indication of how significant the potential loss can be or its consequences on the Bank. The inherent risk level can be derived by multiplying the consequence/impact by the likelihood or probability of occurrence. BOI's impact criteria is measured as follows:

Scale	***5***	***4***	***3***	***2***	***1***
Definition	*Catastrophic*	*Major*	*Moderate*	*Minor*	*Insignificant*

A.7.1.3 Risk Prioritization and Ranking

The level of each risk identified is a combination of the likelihood of occurrence and the impact of the risk and shall be used to prepare a risk heat map for the transaction or FI's sub-projects/transactions as illustrated in the heat map below.

Likelihood of Risk					
	5 Supplementary Issue	10 Issue	15 Unacceptable	20 Unacceptable	25 Unacceptable
	4 Acceptable	8 Supplementary Issue	12 Issue	16 Unacceptable	20 Unacceptable
	3 Acceptable	6 Supplementary Issue	9 Issue	12 Issue	15 Unacceptable
	2 Acceptable	4 Acceptable	6 Supplementary Issue	8 Supplementary Issue	10 Issue
	1 Acceptable	2 Acceptable	3 Acceptable	4 Acceptable	5 Issue
	Consequence of Risk				

i. Those risks falling under the red colored grids are the Bank's Significant or Critical risks, the orange ones are the High risks, the yellow ones are the Moderate risks and the green colored grids are the Low risks.

ii. Significant/Critical risks are classified as primary risks and are rated "High" priority due to their ability to threaten the achievement of the Bank's business objectives. High risks are second priority, followed by the Moderate risk. Low risks are both unlikely to occur and its impact is not that significant.

iii. While the Bank shall effectively manage all the risks it is exposed to, swift attention and high priority shall be given to risks considered to have significant impact on the ability of the Bank to achieve its objectives.

iv. Every identified risk shall be measured to determine the likelihood of occurrence and the impacts on the predetermined objectives of the transactions and its sustainability.

A.8 SCHEDULE OF CREDIT APPROVAL LIMITS[3]

S/N	Approving Authority	Facilities without Bank Guarantee (millions)	Facilities with Bank Guarantee (millions)
1.	Chief Risk Officer (CRO) + Line Executive Directors	> 5 -10	
2.	Chief Risk Officer (CRO) + Line Executive Directors + Managing Director/CEO	>20 - 50	
3.	MiCC (MiCC will in addition review the credits above ₦50 Million but not more than ₦100 Million for recommendation to the MD)	>20 - 100	
4.	EMC	>100mm – 500	<3bn
5.	BCIGC	>500 – 1bn	<5bn
6.	The Board	>1bn	>5bn
7.	Chief Risk Officer (CRO) + Line Executive Directors	> 5 -10	

A.9 ESG RISK FRAMEWORK GUIDELINES FOR THIRD-PARTY ENTITIES

A.9.1 The ESG risk policy guidelines for third-party (vendors, suppliers and service providers) relationships outline the potential ESG risks associated with the Bank's contracting process as well as the controls that may be adopted in managing these risks. These risks and controls are not exhaustive and shall only be used as guides in managing the ESG risks associated with the Bank's contracting process. Hence, the guidelines shall not replace specific process level ESG risk identification and assessment which are expected to be carried out from time to time.

[2] Source: CDC Environmental and Social Checklist/Governance and Business Integrity Due Diligence Monitoring Checklist

A.9.2 In addition, the ESG risk policy guidelines for the Bank's contracting process shall be reviewed to reflect any future changes in the process as well as the outcome of the Bank's sustainability strategy.

Contracting/ Procurement Process	Environmental, Social and Governance Risks	Mitigating Controls
Good sustainable procurement involves purchase of goods and services which are considered to have less impacts on environmental, social governance aspects of sustainable development than other goods and services that serve the same purpose.	Goods and services provided to the Bank may have negative impacts on the environmental, social and governance aspects of sustainable development in the following ways: **A. Environmental Risks** i. Production of goods supplied may involve ▪ Emission of GHG and hazardous chemicals ▪ Use of slow degradable materials such as plastic, etc. ▪ Generation of huge and uncontrolled solid wastes. ii. Non-compliance with local and industry environmental regulations. **B. Social Risks** i. Employment of forced or child labor ii. Poor occupational health and safety procedures for workers iii. Violation of human rights **C. Governance Risks** ***(Please refer to the Agro-processing Governance Risks in Appendix A.1)***	**A. Environmental Risk Mitigants** i. In order to adequately mitigate potential environmental risks during production of goods, vendors should: a. Ensure that modern equipment are used in their factories in order to reduce the emission of greenhouse gases and hazardous chemicals that are harmful to the environment. They should also begin to adopt the use clean fossil fuels which emit less harmful gases to the atmosphere. b. Ensure that products and packaging materials are biodegradable or can be speedily and safely recycled. c. As much as possible, carry out adequate waste management by optimizing the production process to reduce waste, using appropriate/ proper waste disposal techniques and consider recycling of waste materials. ii. Goods and services should be provided in line with leading local and international environmental, health and safety standards. Necessary regulatory licenses and documentation should be promptly obtained from industry

Contracting/ Procurement Process	Environmental, Social and Governance Risks	Mitigating Controls
		regulators to ensure total compliance with environmental regulations. **B.** **Social Risk Mitigants** Vendors can also avoid potential social risks by implementing the following controls: i. Ensuring that employee recruitment, especially for unskilled laborers, are carried out in strictest accordance with leading labor practices. This would help in significantly reducing the risk of employing child workers. ii. Ensuring that employees are adequately trained on how to minimize occupational hazards and reduce health/safety risks. Staff should also be provided with PPE equipment and wearing of these should be enforced at all times. A suitable working environment should be created for these staff in line with what is obtainable according to leading practices. iii. Ensuring that the employees at all levels are sensitized on proper workplace behavior and attitude as well as the penalties and consequences of non-adherence. All staff should abide by the applicable code of conduct. **C.** **Governance Risk Mitigants** ***(Please refer to Agro-processing Governance Risk Mitigants in Appendix A.1)***

A.10 SAMPLE QUESTIONNAIRE TO BE ADMINISTERED IN THE VENDOR SELECTION PROCESS[4]

S/N	Issue	Requested information
1.	**ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS**	
		Please provide a copy of the company's environmental, social, and health and safety policies.
		Please provide information on both: • The company's corporate E&S Management System. • The project's E&S Management System that the company would typically implement at the site.
		Please provide a typical organization chart that shows how safety and health, environmental, social (including stakeholder engagement and grievances), and labor issues are managed at the site level, including management and monitoring of subcontractors and their performance.
		Please provide appropriate E&S metrics for the past three calendar years, including spills, releases to the environment, number of environmental fines or regulatory administrative processes, number of registered stakeholder grievances (disaggregated by gender), and number of registered labor grievances (disaggregated by gender).
	Subcontractors	Please provide detailed information on how the company selects and manages its subcontractors (local or other), particularly in determining whether they have systems in place to follow the necessary environmental, social, and health and safety requirements of the project.

S/N	Issue	Requested information
	Subcontractors	Please provide information on how the company monitors subcontractors' environmental, social, and health and safety compliance and performance.
	Supply chain	The Bank requires that goods and services are procured locally, as far as possible, when available at equivalent quality and price. Please demonstrate how the company might achieve this, illustrating with examples from other projects if appropriate.
2.	**LABOR AND WORKING CONDITIONS**	
		Please provide a copy of the company's safety policy.
		Please provide appropriate health and safety metrics for the past three calendar years, including • Worked hours for the period • Total recordable fatalities • Total recordable injury frequency rate • Total recordable disease frequency rate.
		Please describe in detail how the company trains for and implements safe working practices among its workforce.
		Please describe how the company plans to safeguard the health and safety of its workers while on site. What are the anticipated occupational, health and safety risks and how will they be addressed?
		Please provide a copy of the company's HR policies and grievance mechanism and describe how these will be communicated to all employees.

S/N	Issue	Requested information
		Please provide details on how the company will comply with national labor and employment law.
		Please provide details how the company will manage equal opportunities and nondiscrimination, sexual harassment issues, migrant labor, and retrenchment among its workforce.
		Please describe how the above issues will be managed by the company at the subcontractor level, including monitoring and reporting systems.
		The Bank requires that vendors have cognizance of the minimum standards for worker facilities at sites, including sanitation, access to drinking water, and accommodation set out in the IFC E&S Policies and according to International Labor Organization (ILO) requirements. Please describe how the company will incorporate these requirements into applicable projects.
		Please describe how the company typically manages solid waste, both hazardous and nonhazardous, generated by its activities at a construction site, including reduce, reuse, and recycle initiatives.
		Please describe how the company typically manages wastewater generated by its activities at a construction site, including reduce, reuse, and recycle initiatives.
		Please describe how the company typically manages storm water flow generated by its activities at a construction site.
		Please describe how the company typically manages the transportation and storage of hazardous substances and materials at the company's sites.

S/N	Issue	Requested information
		Please describe how the company typically manages soil removal and storage.
		Please describe how the company typically manages the control of erosion and sedimentation at the company's sites.
		Please describe how the company typically manages air quality and nuisance noises at its sites.
		Please provide examples of environmental monitoring programs that the company has carried out on other jobs.
		Please describe how the company typically manages and uses fresh water at the company's sites.
		Please describe how energy efficiency is typically built into the company's activities.
		Please describe how greenhouse gas emissions will be accounted for and reported.
		Please describe other resource efficiency practices at the company's sites.
3.	**COMMUNITY HEALTH, SAFETY, AND SECURITY**	
		Please describe how the company prepares for emergencies at its sites, including those that may affect nearby communities, such as an explosion or accident or a spill or release into a local water course.
		Please describe how the company trains for and implements good driving practices among its workforce to avoid or minimize impacts to the communities.

S/N	Issue	Requested information
		Please provide a code of conduct describing expectations for the behavior of direct and subcontract employees when outside the work site and in the host community.
		Please provide details of how the company typically manages community engagement and community relations to respect the Bank's existing relationship with communities and contributes to this.
		Please provide details of the company's physical and personnel security measures and how security is typically implemented at its premises/sites.
		Please provide details of the company's policy for the adequate management of security measures and protection of human rights of local communities.
4.	**BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES**	
		The Bank has several requirements relating to the conservation of biological diversity (biodiversity) including terrestrial and aquatic ecosystems. Please describe any previous projects that the company has undertaken where this was also a significant issue and how the company contributed to this effort.
		If the company has not been involved in projects where biodiversity has been a significant issue, please describe how the company would plan to address and support the Bank regarding the conservation of biodiversity for this project.
5.	**CORPORATE SOCIAL RESPONSIBILITY**	
		The Bank has requirements relating to social responsibility for this project. Please provide examples of social responsibility initiatives that the company has contributed to at other sites or projects and suggest ways that the company might contribute to this project, in discussion and coordination with the Bank.

[4] Source: Good Practice Note: Managing Contractors' Environmental and Social Performance (IFC)