ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

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CHAPTER 1

1.1 Introduction

1.1.1 Preamble

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

1.1.2 BOI's Vision

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

1.1.3 BOI's Mission

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

1.1.4 BOI's Mandate

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

1.1.5 BOI's Core Values (SPPIRIT)

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

1.2 Purpose of this Policy

The ESG policy document conveys BOI's commitment and support for Environmental Social and Governance (ESG) objectives by incorporating relevant sustainability

considerations in its business activities (lending, investing and related activities) as well as its day-to-day operational practices.

The policy document prescribes guidelines to ensure good governance practices for the Bank's customers that include transparency, accountability and ethics in decision-making. By embedding these principles into its corporate culture, the bank earns the trust of all stakeholders, including customers, investors, and regulators.

The policy document aligns the Bank with global goals on sustainability, including the United Nations SDGs and Nigeria's Climate Change Act ensuring the activities of the bank underpin economic growth that is long term, environmentally sustainable and socially inclusive. In all, the ESG policy not only drives responsible banking but also enhances the bank's reputation, resilience, and ability to adapt to an evolving business landscape.

1.3 Environmental, Social and Governance Policy Statement

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

As part of efforts to incorporate sustainable practices into its activities, the Bank has identified the need to adequately identify and manage project ESG risks and their impact with a view to mitigating such risks. The Bank therefore seeks to ensure the effective implementation of an Environmental, Social and Governance Management System ("ESMS") that achieves the following:

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 the Bank's resources are to be committed.
iii. Ensure that the Bank's partners (in co-financed deals) share a common commitment to managing ESG risks.

iv. Ensure that there is appropriate internal capacity to handle ESG issues, which shall be supplemented by external expertise, as the need arises.

v. Agree on a common exclusion list when working with fund/credit guarantee partners. Where the Bank's exclusion list is more stringent than the partners' list or a list is not provided by the partners, the Bank's list shall be considered.

vi. Conduct ESG reporting that provides detailed information based on progress to target results as reported under the Bank's Impact Framework as reported by the Impact Group. This report shall be shared with relevant stakeholders including management, board and external parties as required.

vii. Technology shall be integrated into ESG operations for real-time monitoring and reporting on the Bank's ESG activities.

viii. Sector-specific considerations shall be integrated into the policy for high-impact sectors including but not limited to manufacturing, extractive industries and energy.

ix. Implement regular training and capacity building programs for staff, management and customers on ESG issues, emerging trends and best practices.

1.4 Policy Ownership

The ownership of the policy rests with the Board of Directors who shall be responsible for ensuring the alignment of the implementation of this policy document with the Bank's mandate. The Board shall receive support from the Board Audit and Risk Committee ("BARC") and the Executive Management Committee (EMC). This Policy is applicable and shall be communicated to all employees and relevant stakeholders of the Bank.

1.5 Governance and Compliance

1.5.1 Applicable ESG Laws and Standards

The Bank's ESG policy document aligns with local and international best practices to guide the identification, implementation and management of ESG activities as related to the Bank's business activities. These standards include, but are not limited to:

- Nigerian Sustainable Banking Principles (NSBP)
- IFC Performance Standards on Environmental and Social Sustainability.

- Equator Principles
- Principles for Responsible Banking (PRB)
- Nigerian Code of Corporate Governance (NCCG)
- Principles for Responsible Investment (PRI)
- Taskforce on Climate Related Financial Disclosure (TCFD)
- World Bank Environmental and Social Framework (WB ESF)
- Banking Requirements for Oil and Gas Sector Financing
- Banking Requirements for Power Sector Financing
- Banking Requirements for Agriculture Sector Financing
- Benchmarks from leading practices of comparable organizations such as European Bank for Reconstruction and Development (EBRD), African Development Bank and the African Finance Corporation (AFC)
- IFRS S1 & S2 Reporting Standards

This ESG policy is also aligned with the Bank's Corporate Governance Framework and Compliance policies. In addition, to other internal documents including but not limited to:

- Environmental & Social Management System Framework
- Sustainable Finance Framework
- Whistle Blowing Policy
- Human Rights Policy
- Health & Safety Policy
- Human Resources Manual

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

BOI shall strive to maintain an ESG management function that is process driven, IT enabled and driven by professionals in the field with a focus of achieving an environmentally and socially responsible banking business. BOI shall support its customers and relevant stakeholders in addressing ESG issues by requiring them to set

up and administer appropriate mechanisms and/or procedures to address related grievances and complaints by aggrieved or affected persons.

CHAPTER 2

2. 1 ESG GUIDING PRINCIPLES

The Bank's ESG principles are geared towards good practices aimed at integrating ESG considerations into its operations. The principles shall draw applicable references from the various standards and principles mentioned in Chapter 2.1. The Bank shall take care to avoid, minimize or mitigate negative impacts of its business activities and operations on the environment and in local communities in which it operates including, but not limited to, children, displaced people or those living in fragile areas, people living with disabilities, etc. The Bank shall therefore adhere to the following statements:

2.1.1 Environmental Principles:

i. **Resource Efficiency:** The Bank shall review projects to appraise the optimal use of natural resources (e.g., water, energy, raw materials) through conservation, recycling, and application of sustainable technologies to minimize waste and environmental footprint.
ii. **Climate Change:** The Bank shall identify and address climate-related risks, including physical risks (e.g., extreme weather) and transition risks (e.g., regulatory, market) related to projects and equity investments.
iii. **Pollution Prevention and Control:** The Bank shall ensure that practices that reduce air, water, and land pollution through cleaner production processes, emissions control, and waste management are incorporated into projects.
iv. **Biodiversity and Ecosystem Protection**: Projects that promote conservation activities and help restore ecosystems affected by business operations shall be supported.
v. **Compliance with Environmental Legislation:** BOI shall ensure that, where relevant, projects comply with national and international environmental legislation, including obtaining necessary permits and undertaking regular reporting and audits.

2.1.2 Social Principles:

i. **Human Rights and Labour Practices**: Projects shall be appraised to ensure compliance with applicable international human rights laws and standards,

including but not limited to equitable wages, safe working environments, and prohibition of forced labour, child labour, and workplace discrimination.

ii. **Diversity and Inclusion:** The Bank shall review projects to encourage diverse backgrounds and perspectives, opportunities for all, and support to underrepresented communities. For its internal activities, this policy shall be guided by the relevant and applicable Human Resource policies.

iii. **Health and Safety:** The Bank's internal operations shall be guided by the approved Health & Safety policy. For projects, the Bank shall review to ensure that strong policies on health and safety to protect workers, contractors, and nearby communities from risks and accidents in the workplace as put in place.

iv. **Equity and Fairness:** Respect for the individual is a fundamental obligation which must be institutionalized by BOI staff and its customers. It is therefore expected that staff of the Bank shall engage in actions that promote respect, dignity, fairness and preservation of the rights of parties they deal with on behalf of the Bank. Furthermore, customers shall be encouraged to adhere to the same responsibilities, especially as pertains to their loan relationship with the Bank.

v. **Women's Economic Empowerment:** The Bank shall promote women's economic empowerment through a gender inclusive workplace culture in its business operations. It shall seek to provide products and services designed specifically for women through its business activities.

vi. **Financial Inclusion:** The Bank's activities shall promote financial inclusion through the provision of financial services (and non-financial services where applicable) to individuals and communities that traditionally have had limited or no access to the formal financial sector.

2.1.3 Governance Principles:

i. **Accountability and Transparency:** ESG activities shall align with the Bank's corporate governance, anti-corruption and compliance frameworks, transparent financial accounting and reporting, and timely public disclosure of the organization's ESG performance to stakeholders.

ii. **Ownership:** The ownership and oversight of the Bank's ESG activities shall rest with the Board of Directors as defined in section 1.4 above.

iii. **Stakeholder Dialogue:** The Bank shall develop effective relationships with key stakeholders, including shareholders, employees, customers, and regulators, through communication and responsiveness to concerns.

2.1.4 Cross-cutting Principles:

i. **ESG Integration:** The Bank shall integrate ESG considerations into all business areas including but not limited to credit appraisals, planning and performance monitoring.

ii. **Data-driven Decision Making:** BOI shall adopt ESG data and analytics to support strategic decisions, monitor performance, and enhance risk management practices.

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

iv. **Collaborative Partnerships:** The Bank shall collaborate and leverage on existing and new international partnerships to accelerate its collective progress and shall ensure an approach consistent with local and international standards.

v. **Reporting and Disclosure:** The Bank shall regularly review and report on its progress in meeting its ESG Standards and Principles by adopting relevant reporting frameworks.

2.2 ENVIRONMENTAL SPECIFIC PRINCIPLES

Promoting sustainable Industry, Mining and Energy Resources

i. BOI shall support environmental control measures to reduce adverse effects from industrial, mining and energy resources and utilization projects.

ii. BOI commits to the conservation of nature and natural resources in its operations and in the project that it finances, in alignment with leading practices and relevant national and global frameworks.

iii. BOI shall give preference to projects that employ low waste industrial technologies and avoid adverse effects on natural resources and environment and incorporate energy conservation and energy efficient technologies.

2.3 ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK APPETITE

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

employees, customers and community relations, negative consequences on the health and safety of staff and people in the community.

CHAPTER 3:

3.1 THE BANK'S RESPONSIBILITES

The level of engagement regarding any activity shall be determined by the nature and scope of the proposed transaction or activity as well as the specific circumstances of the collaboration and relationship with the customer or stakeholder. To this end, for all its lending and investing activities:

a. **Customer Capacity and Commitment Assessment:** The Bank shall conduct environmental, social and governance due diligence. When carrying out investment/credit due diligence, the Bank shall consider the following primary aspects:
   - That the project is not on the approved exclusion list.
   - Likely environmental, social and governance risks and impacts based on information provided by the relevant stakeholders.
   - The customer's institutional framework, capacity and commitment to meet the requirements of this Policy and other related policies of the Bank.

b. **Financing and Compliance:** The Bank shall not finance activities that contravene its environmental, social and governance requirements as well as other related policies. Exceptional situations requiring compliance within a stipulated period must meet stated conditions. Repeated non-compliance can lead to potential denial of financial assistance from the Bank.

c. **Due Diligence**: The Bank's ESG due diligence process shall apply to all its lending and equity activities and shall be commensurate with the level of ESG risk and impacts of each project. The Bank shall weigh the costs and benefits of each proposed business activity and articulate its rationale and conditions for Board approval.

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

incorporate specific ESG risk assessments and mitigation strategies that are in line with relevant standards.

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

f. **Vulnerable Groups Exposure:** Where a project targets Vulnerable Groups, the Bank shall ensure that such projects implement appropriate measures to mitigate adverse project impacts on these groups. These measures shall be appraised during the ESG due diligence exercise.

3.2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE DUE DILIGENCE PROCESS

Environmental, Social and Governance risk classification

BOI shall conduct ESG due diligence on the business activities of a customer/investee company to determine the environmental and/or social risks associated with the project. In addition, the Bank shall review the governance model of the entity to identify potential risks. The due diligence shall be in alignment with the Bank's ESMS framework.

Appraised organizations shall be categorized into one of the following classifications:

Category A (High Risk): Business activities with potentially significant adverse environmental, social or governance risks and/or impacts that are diverse, irreversible, or unprecedented.

Category B (Moderate Risk): Business activities with potentially limited adverse environmental, social or governance risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Category C (Low Risk): Business activities with minimal or no adverse environmental, social or governance risks and/or impacts.

Key considerations in categorizing customer/investee companies/ financial institutions

All projects/investments appraised shall consider the project type, sector of operation, location, nature and severity of the project's environmental, social and governance activities. ESG due diligence for transactions shall typically include the following key components:

i. Review of all available information, records and documentation related to the ESG risks and impacts of the business activity, as well as ESG categorization of the project.
ii. Evaluation of the customer's ESG plans, and if operational, its ESG performance in relation to Sustainability Principles.
iii. Identification of gaps to define any areas of non-compliance with the requirements of this Policy.
iv. Project ESG categorization shall apply for the entire project duration, with a mandatory review after three years.

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

3.3 ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT PLAN

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

i. If there is a change in the potential ESG impacts of a transaction, the project/transaction shall be re-categorized. These changes shall be identified during project monitoring.
ii. The overall ESG rating that shall be assigned to the project/transaction shall form an input into the Bank's credit assessment for the transaction.
iii. Where required, the appropriate ESG Management Plan (ESMP) shall be articulated and agreed with the client. This plan shall summarize the ESG risks identified, the required mitigation measures including timelines, responsible parties and outcome indicators.
iv. ESG covenants, along with the required conditions precedent and subsequent for drawdown, shall be integrated into loan agreements in alignment with the implementation of the ESMP.
v. Where, during project monitoring activities, there are significant changes in implementation that shall have a material effect on ESG risks a

Corrective Action Plan (CAP) shall be developed to form part of the ESMP that shall be executed for the remaining duration of the project.

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.

3.4 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 ESMS Framework shall 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.

CHAPTER 4

4.0 DONOR-FUNDED PROJECTS/PROGRAMMES

Donor-funded projects/programmes shall adhere to the Bank's Environmental, Social and Governance (ESG) Policy, ensuring alignment with the Bank's core values and international best practices. This section of the policy focuses on integrating environmental and social considerations throughout a donor-funded project/programme lifecycle.

Where the partner institution/donor provider has a tailored ESG policy for the project, the said policy shall be applied to the project/programme implementation. The said policy shall be reviewed to ensure alignment with BOI's ESG policy.

4.1 BANK'S CORE VALUES IN GRANT PROJECT IMPLEMENTATION

The Bank is committed to:

- Ensuring donor-funded projects/programmes are environmentally sound and socially responsible.
- Promoting sustainability and resilience, particularly in vulnerable communities.
- Upholding transparency, accountability, and inclusivity in decision-making.

4.2 PRINCIPLES FOR GRANT PROJECTS/PROGRAMMES IN THE ESG POLICY

The Bank's Environmental, Social and Governance Policy incorporates a comprehensive set of principles that ensure the highest standards of social performance. The Bank ensures that all donor-funded projects/programmes adhere to these principles, promoting sustainable development while safeguarding the interests of affected communities and stakeholders.

1. Compliance with the Law

All activities supported under donor-funded projects/programme shall comply with all applicable domestic and international laws. This shall include obligations under international treaties, customary international law, and national legal frameworks, particularly those relevant to human rights, environmental protection, labor, and social equity.

2. Access and Equity

Donor-funded projects/programme shall ensure fair, inclusive, and non-discriminatory access to the initiatives of the programme. The programme design and

implementation shall seek to address existing inequalities or barriers. Projects/programmes shall be designed and implemented to promote equitable access to project resources and opportunities for all individuals, particularly disadvantaged or marginalized groups.

3. Marginalized and Vulnerable Groups

Donor-funded projects/programme shall identify, engage, and support marginalized and vulnerable groups, ensuring that such populations are not disproportionately affected by project activities. Special consideration shall be given to their needs, rights, and voices throughout the project cycle, including planning, implementation, and evaluation. Effective stakeholder management activities shall be executed to ensure constant engagement with the Groups.

4. Human Rights

All activities shall be designed and implemented in a manner that abides by local human rights laws including BOI's Human Rights policy where relevant. No activity shall result in or contribute to violations of human rights ensuring that all persons affected by the project are treated with dignity and respect.

5. Gender Equality and Women's Empowerment

Donor-funded projects/programme shall actively promote gender equality and the empowerment of women and girls. All activities shall be gender-responsive and inclusive with gender, considerations integrated into project design and implementation.

6. Core Labour Rights

BOI upholds the core labor standards as defined by the International Labour Organization (ILO), including the rights to freedom of association, collective bargaining, non-discrimination, and the elimination of forced labor and child labor.

7. Indigenous Peoples

Donor-funded projects/programme implemented by the Bank shall align with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) to identify indigenous people. Where indigenous people are identified, the Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples must be obtained prior to the approval or implementation of the project. Activities that may affect their rights, lands, resources, or territories must be identified with clearly defined mitigation strategies put in place.

8. Involuntary Resettlement

Projects/programmes shall ensure that there is no displacement implications (involuntary resettlement) as a result of their activities. Where physical or economic resettlement is unavoidable, it shall be conducted in accordance with international best practice, ensuring full consultation, fair compensation, restoration of livelihoods, and restoration or improvement of living standards.

9. Protection of Natural Habitats

Donor-funded projects/programme shall avoid degradation of or harm to natural ecosystems that local populations depend on for their livelihoods, cultural practices, or subsistence. This shall be reflected in the project/programme design document.

10. Conservation of Biological Diversity

Donor-funded projects/programme shall avoid or mitigate adverse impacts on biological diversity, particularly where such biodiversity is critical to the cultural identity, livelihood, or food security of local or Indigenous communities.

11. Climate Change

While focused on environmental outcomes, climate-related impacts shall also be assessed from a social perspective. Activities shall avoid increasing the vulnerability of communities to climate risks and instead build adaptive capacity, particularly among the most socially and economically vulnerable.

12. Pollution Prevention and Resource Efficiency

Donor-funded projects/programme shall strive to minimize pollution and use resources efficiently as applicable. This principle includes consideration of community health impacts and the social consequences of pollution, particularly for low-income or otherwise vulnerable populations.

13. Public Health

Donor-funded projects/programme shall avoid or minimize risks and negative impacts to public health. Activities must consider the broader health implications for affected populations and put in place measures to identify as well as manage potential health risks where relevant.

14. Physical and Cultural Heritage

Donor-funded projects/programme shall avoid the destruction or damage of sites of cultural, spiritual, historical, or archaeological significance. Where the

project/programme's activities shall occur in a place of interest, the project must engage with affected communities to identify and protect cultural heritage. The agreed measures must be included in the project planning and implementation.

15. Lands and Natural Resources

Where donor-funded projects/programme activities affect lands or natural resources traditionally owned, used, or occupied by local communities, such impacts must be assessed and managed in a manner that recognizes and respects customary rights, tenure systems, and community governance structures.

4.3 ESG DUE DILIGENCE PROCESS FOR DONOR-FUNDED PROJECTS/PROGRAMMES

Donor-funded projects may present specific ESG risks. The Bank shall follow a structured approach to identify, assess, and manage these risks throughout the project lifecycle:

1. **Risk Identification:**
    - **Environmental Risks:** Potential impacts on climate, biodiversity, water resources, and ecosystems. Environmental assessments shall be conducted to identify these risks.
    - **Social Risks:** Risks related to health and safety, labour standards, access to basic needs and fairness/diversity. A thorough social impact assessment must be carried out to ascertain and mitigate all relevant social risks to the project/programme.
    - **Economic Risks:** Financial viability and sustainability of the projects, including issues of cost overruns and funding shortages. These risks shall be adequately identified and mitigation measures defined for each risk.
    - **Legal and Regulatory Risks:** Ensure compliance with both national and international laws governing environmental protection, human rights, and project financing.
    - **Implementation Risk:** Projects/programmes shall be appraised to establish that adequate governance and institutional structures are put in place for implementation activities.

2. **ESG Due Diligence/Assessment Process:**
    - All donor funded projects/programmes shall be assessed using the IFC Performance Standards (same standards used for the appraisal of BOI's credit transactions.

- In addition, projects/programmes shall be assessed against the industry of focus as well as the project's peculiarities.
- Where required, donor projects/programmes shall undergo an Environmental, Social an Governance Impact Assessment (ESIA) to identify and evaluate potential risks and impacts on the environment and communities.
- All ESG assessment activities for donor-funded projects shall also be evaluated against the 15 principles defined in Section 4.2.
- The due diligence process includes a review of the project/programme's environmental, social and governance risk management plans, ensuring that these plans adequately address potential risks, including community impact, land acquisition, labor practices, and climate resilience.
- The due diligence process shall also involve consultation with affected stakeholders to ensure transparency and the inclusion of their perspectives. It is expected that a detailed stakeholder management plan shall be developed following this assessment.
- In the event that the donor/partner seeks to utilize other frameworks, specialized questionnaires shall be developed to complement BOI's standard risk assessment mechanisms while meeting the requirements of the project/programme.
- Projects shall be assessed for their adherence to international ESG standards, ensuring they meet the required benchmarks for environmental protection and social safeguards.
- Stakeholder analysis shall be conducted to understand the affected communities and ensure their rights and needs are integrated into project design.
- The Environmental, Social and Governance Management Plan (ESMP) shall be developed based on findings from the due diligence exercise. It shall guide effective management of climate related and other project risks. It shall also outline risk mitigation measures, key performance indicators, responsibilities and timelines to completion.
- The ESMP shall be updated as required to reflect evolving risks, stakeholder inputs and other relevant issues identified during implementation.

3. **Risk Mitigation and Management:**

- **Risk Mitigation Plans:** Specific ESG mitigation plans shall be developed to mitigate identified risks, related to the implementation of donor funded projects/programmes.

4.4 MONITORING AND EVALUATION FOR DONOR FUNDED PROJECTS/PROGRAMMES

The Bank is committed to ensuring that robust monitoring and evaluation mechanisms are put in place for donor-funded projects/programmes. A monitoring and evaluation plan shall be developed for each project/programme to:

- Track implementation of actions as outlined in the ESMP
- Monitor residual and emerging ESG risks
- Measure performance against agreed ESG metrices, where defined
- Provide reporting to donors and other stakeholders on the project

Mandatorily, all donor-funded projects shall be evaluated in the middle of the project lifecycle and at the end. Additional evaluation exercises may occur as agreed with the project sponsor.

In cases where issues or non-compliance are identified during monitoring exercises, the Bank shall work closely with the project team to implement corrective actions. These actions may include revising the project's risk management plans, improving stakeholder engagement processes, or enhancing environmental protection measures.

The Bank shall ensure that corrective actions are tailored to the specific challenges of the project, with clear timelines and accountability for their implementation. Where breaches occur, the Bank shall institute appropriate measures including:

- Minor breach: This ESG breach is when there is a deviation from or non-compliance to agreed ESG standards. Breaches shall be determined as minor if the situation:
    - Does not pose any significant or irreversible harm to the people and the environment involved in the implementation; AND
    - Can be remedied immediately with minimal resources
    - Does not undermine the overall integrity of the ESG management plan.
- Major breach: Where the breach does not meet the definition of minor breaches, it shall be treated as a major breach. In this instance, implementation shall be suspended until the issues are resolved effectively.

4.5 GRIEVANCE REDRESS MECHANISMS (GRM)

A mechanism shall be defined for each project/programme in line with the process outlined in Section 5 below. This shall ensure that GRMs developed incorporate the peculiarities of each project while leveraging the BOI ESG GRM.

4.6 PERIODIC AUDITS

To maintain ongoing compliance with ESG obligations, the Bank shall conduct periodic audits and inspections of donor-funded projects in line with agreements made with the donor or partner institution. Where agreed with the project/programme sponsors, external auditors shall be engaged to provide an independent audit of the project.

4.7 RISK CLASSIFICATION OF DONOR FUNDED PROJECTS/PROGRAMMES

While projects/programmes shall be appraised as defined in section 4.3 above, the projects shall be categorized as A, B or C in line with the definitions described in Section 3.2 above.

Chapter 5

5.0 ESG GRIEVANCE REDRESS MECHANISM (GRM)

The Bank of Industry (BOI) is committed to the highest standards of transparency, equity, and accountability in the implementation of its climate adaptation community development interventions. This Grievance Redress Mechanism provides a structured and accessible platform through which individuals, groups, or entities may lodge complaints related to the design, delivery, or outcomes of programmes.

It should be noted that all activities as defined in this section shall be executed complementary to the tenets of the Bank's whistleblowing policy.

5.1 PURPOSE AND OBJECTIVES

- To provide a clear, inclusive, and confidential channel for addressing concerns and disputes.
- To promote responsive, equitable, and timely resolution of grievances.
- To enhance programme effectiveness through feedback and continuous improvement.
- To manage ESG risks and impacts associated with climate adaptation programs.

5.2 SCOPE OF THE ESG GRIEVANCE REDRESS MECHANISM

The ESG GRM as detailed in this document shall focus on disputes over climate adaptation and mitigation program eligibility, implementation, misconduct, and social/environmental impacts. It shall be applicable to the following actors:

- Applicants and beneficiaries of the programme
- Community members or institutions affected
- BOI staff, partners, vendors/contractors

The mechanism shall address grievances related to:

- Environmental impacts including but not limited to deforestation, pollution (air, water, soil), climate change, offensive odor, water usage and biodiversity loss.
- Social impacts including but not limited to land acquisition, involuntary resettlement, labour conditions, rights of socially vulnerable parties, community health.
- Governance issues including but not limited to corruption, lack of due diligence, exclusion, gender-based violence, etc.

5.3 GUIDING PRINCIPLES FOR ESG GRIEVANCE REDRESS

The principles to guide the implementation of the ESG GRM shall include:

- Transparency
- Accessibility
- Confidentiality
- Impartiality
- Timeliness
- Accountability

5.4 ROLES AND RESPONSIBILITIES FOR ESG GRIEVANCES

The roles under the framework shall be integrated into BOI's structure as contained in the Bank's Whistleblowing policy. Please refer to section 6 of the Bank's Whistleblowing policy.

The Chief Sustainability Officer shall be notified of the outcome of all investigations carried out. The Chief Sustainability Officer may provide resolution support if and where required.

5.5 ESG GRIEVANCE SUBMISSION CHANNELS

All ESG complaints / grievance submissions may be made as follows:

- **Email**: Send an email to whistleblowing@boi.ng
- **Online portal:** Make a report using the online Whistleblowing Reporting Form/Portal provided on the BOI's website (www.boi.ng).
- **BOI's dedicated whistle-blowing Hotline**: 08034171505.
- Send mail through P.O. Box 2357, Lagos.

5.6 ESG GRIEVANCE HANDLING PROCEDURE

This process for handling grievances shall align with the Bank's process for managing all grievances as contained in section 6.0 of the BOI Whistleblowing policy.

5.7 ESG GRIEVANCE APPEAL PROCESS

The process for handling appeal for ESG grievances shall be initiated if either or all parties involved do not accept the proposed solution in line with section 6.0 of the BOI Whistleblowing policy.

An appeal can be made through any of the grievance submission channels described in Section 5.5 of this document. Where such submissions are made, the appeal shall follow the same process as how Grievance is handled as described in section 5.6 above.

5.8 ESG GRIEVANCE MONITORING AND REPORTING

All ESG related grievances shall be documented in the quarterly reports to be prepared by the Sustainability Division and reviewed by BOI Executive Management. These reports shall be presented to the Board Audit and Risk Committee as appropriate. Where no incidents are reported in a quarter, this shall be highlighted in the report to be provided to the Board.

5.9 ESG GRM CONTINUOUS IMPROVEMENT

The ESG Grievance Redress Mechanism (GRM) shall be reviewed every three (3) years alongside the Bank's ESG policy or as determined global best practices and current market realities. Findings from experiences shall be used to update the mechanism for future use. Stakeholder feedback shall be sought and incorporated into the review process.

5.10 ESG GRM CAPACITY BUILDING AND AWARENESS

Capacity Building and Awareness Training shall be carried out to ensure that BOI staff and stakeholders are aware of the ESG GRM and its procedures.

CHAPTER 6

6.1 ESG REPORTING AND DISCLOSURES

BOI shall incorporate an Environmental, Social and Governance (ESG) report in its annual report, showing at least a summary of its ESG management activities in the reporting period as well as the activities carried out by BOI to reduce its carbon footprint from its internal activities.

6.2 MONITORING AND EVALUATION

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

6.2.1 Lending /Investment Projects

i. The Bank shall actively promote sustainable finance initiatives.
ii. BOI shall conduct periodic monitoring activities for projects and investments. Where there is an ESMP created for the project/investment, the monitoring exercise shall ensure that their action plans are duly executed.
    a Category A projects: Bi-annual monitoring
    b Category B projects: Annual monitoring

c Category C projects shall not require scheduled monitoring visits, except where circumstances necessitate, such as emerging risks or issues identified.

iii. This schedule shall serve as the standard monitoring framework unless otherwise specified in the Due Diligence Report or directed by Management.

iv. BOI shall also review implementation performance as reported in the customer's reports to the Bank against the ESG conditions for investment and the customer's commitments.

v. If a change in the customer's business activity results in altered or adverse environmental or social impacts, BOI shall work with the customer to address them as contained in the ESMP.

vi. If the customer fails to comply with its ESG commitments, as expressed in the ESG conditions for investment or the ESMP, BOI shall work with the customer or relevant stakeholder to ensure compliance through a Corrective Action Plan.

6.2.2 Lending to Financial Intermediaries

i. BOI shall periodically review the process and results of the ESG due diligence conducted by the Financial Intermediary (FI) for its on-lending transactions.

ii. Categorization ratings for FIs shall last for the tenure of the facility.

iii. If the FI returns for a subsequent facility, the current rating shall apply so long as the rating was conducted less than 12 months prior. If the timing is beyond 12 months, the FI shall be reassessed.

iv. FIs must submit reports based on their ESG category:

a Category A: Quarterly reporting

b Category B: Bi-annual reporting

c Category C: Annual reporting

v. BOI shall implement periodic monitoring of onlending facilities with FIs depending on the identified ESG risks and/or impacts.

vi. Monitoring may include scheduled meetings with the FIs or visits to the FIs as well as recipients of the FI loans particularly high-risk projects. The frequency of the visits/supervision shall be commensurate with the identified risks.

6.2.3 Sector Specific Initiatives on Governance & Disclosure

Where a business activity can have potentially broader implications for the public at large, especially in the extractive industry or infrastructure in particular, BOI shall place

greater emphasis on the importance of assessment of governance risks and disclosure of information to manage such risks.

i. Where BOI invests in extractive industry business activities (oil, gas, mining), BOI shall assess the governance risks vis-a-vis its expected benefits.

ii. Where the risks supersede the benefits, BOI shall not support such projects. Where BOI invests in projects involving the final delivery of essential services, BOI shall encourage public disclosure of information to the requisite stakeholders.

CHAPTER 7

7.1 POLICY IMPLEMENTATION

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

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

7.2 POLICY REVIEW

This policy document and its accompanying elements shall be reviewed and updated every 3 years or as the need arises.

APPENDIX 1: EXCLUSION LIST

The Bank shall not finance, directly or indirectly, any project, activity or enterprise involving any of the items listed below, irrespective of the source of funds.

1) Production or trade in any product deemed illegal and in contravention of local laws, regulations or international conventions and agreements.
2) Gambling, casinos and equivalent enterprises.
3) Guarantees/Bonds in respect of criminal cases with courts or tribunals and other illegal activities.
4) Smuggling.
5) Projects promoted wholly for terrorism, drug trafficking, money laundering, arson or other serious crimes.
6) Production or activities involving harmful or exploitative forms of forced labor and all forms of child labor[1]
7) Trade, production, breeding or possession of wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora; Purchase of logging equipment for use in unmanaged primary tropical rainforests.
8) Production, use of or trade in specific banned or internationally restricted substances due to proven health or environmental risks as well as the items contained in the Bank's and domestic prohibition list.
9) Transboundary movements of waste products as prohibited under domestic and international law including Basel Convention.
10) Unregulated high-carbon industries (illegal refineries).
11) Production or activities that shall lead to environmental degradation, social injustices and illegal exploitation of labor.
12) Driftnet fishing in the marine environment using nets of 2.5 km or more in length.
13) Activities involving live animals for scientific and experimental purposes, including the breeding of these animals.
14) Sex trade and related infrastructure, services and media.
15) Racist and/or undemocratic and or Neo-Nazi media.
16) Tobacco.
17) Production of or trade in armaments, weapons and ammunition.

[1] Employees must be at least 14 years of age as defined in the ILO's Declaration on the Fundamental Principles and Rights at Work (C138 – Minimum Age Convention, Article 2), unless local laws require compulsory schooling or a minimum age for admission to employment or work where the highest age requirement will be applied.

APPENDIX 2: RESTRICTED ACTVITIES

The following activities may be considered only after enhanced ESG due diligence and the documentation of an Environmental and Social Action Plan (ESAP) as required. Restricted activities shall not be financed with funds from Development Finance partners whose exclusion lists prohibit them.

1) Politically sensitive projects due to positions held by the client/guarantor and nature of the project. (Instances where the politically exposed projects shall be secured with bank guarantees are allowed).
2) Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.
3) Production or activities that impinge on the land owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such people.
4) Production of or trade in radioactive materials, with the exception of medical materials and quality-control equipment for which the radioactive source is trivial and adequately shielded.
5) Production of or trade in or use of unbonded asbestos fibres or other products with bonded asbestos as dominant material.
6) Production or trade in wood or other forestry products other than from sustainably managed forests.

APPENDIX 3: ENVIRONMENTAL AND SOCIAL (ESG) GRIEVANCE MANAGEMENT REGISTER

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) GRIEVANCE MANAGEMENT REGISTER

ESG Grievance No	Name and contact details of the stakeholder (can be anonymous)	Location (State)	Date of complaint (dd-mm-yyyy)	Type (compensation, nuisance, harassment etc)	Brief description of the ESG grievance (maximum of 100 characters)	Frequency (daily, weekly, monthly, yearly)	Acknowledgement of receipt (Yes/No)	Accepted / rejected (proposed resolution/reason for rejecting)/Appeal	ESG Grievance closure / further actions	Resolution date (dd-mm-yyyy)