

»» Environmental & Social Risk Analysis

The Access Bank Experience

September 8, 2011

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»»» Outline

- »»» Sustainability at Access Bank
- »»» Our ESG Initiatives
- »»» Our ESG Initiatives: Cost Benefit Analysis
- »»» ESRM Policy
- »»» ESRM Procedures
- »»» Awards & Recognitions
- »»» Action Plans
- »»» Industry Collaboration

»»» Sustainability at Access Bank

»»» What is Sustainability

- »»» Delivering value through sustainable business practices.
- »»» Balancing economic growth, social development and environmental protection to ensure future generations are not compromised by actions taken today.

»»» Our Strategy

- »»» To mainstream sustainability into our operations for the long term success of our business

»»» Our E&S Commitment

- »»» Financing projects that are developed using sound environmental and social management practices. They ensure:
 - »»» the long-term success of an organization,
 - »»» the long-term success of projects, and
 - »»» the sustainability of the world in which we live.



»»» Sustainability at Access Bank

- »»» Environmental & social issues pose serious concerns for a project and its debt financing:
- »»» An environmental issue may jeopardise a projects economics
- »»» Financing a project that is not environmentally sound may also expose lenders to liabilities.
- »»» More broadly, no business will survive in the long-term unless it:
- »»» Maintains the highest standards of governance and ethics
- »»» Considers its operating community
- »»» Delivers consistent value to customers, and
- »»» Mitigates its overall impact on the environment

»»» Our ESG Initiatives

Objectives	Actions already taken
Mainstream Environmental, Social and Governance (ESG) considerations into our business operations	<p>Establishment of a CSR department in 2008 with responsibility for our sustainability initiatives.</p> <p>Signed on to conventions and principles in line with ESG best practices, including</p> <ul style="list-style-type: none"> •The Equator Principles •The United Nations Principles for Responsible Investment (UNPRI). •The Global Reporting Initiative (GRI) •The United Nations Environment Programme Finance Initiative (UNEPFI).

1. **The Equator Principles:** A voluntary set of environmental and social benchmarks for managing environmental and social issues in developing project finance globally.
2. **The United Nations Principles for Responsible Investment:** A network of international investors working together to put certain principles for Responsible Investment into practice.
3. **The Global Reporting Initiative:** Sets global standards for reporting on economic, environmental and social dimension of an organization's activities, products and services.
4. **The United Nations Environment Programme Finance Initiative:** A global partnership between UNEP and the financial sector working to understand the impacts of environmental and social considerations on financial performance.

»»» Our ESG Initiatives

Objectives	Actions already taken	Actions currently being taken
<p>Mainstream Environmental, Social and Governance (ESG) considerations into our business operations</p>	<p>Establishment of ESG Integration Committee to drive the sustainability journey of the bank.</p> <p>ESG Integration committee comprising of representatives from CSR/Sustainability unit, Credit Risk Management, Financial Markets, Information Technology, legal, Internal Control among others</p>	<ul style="list-style-type: none"> •Working with strategic partners in strengthening our E&S processes and capacity building. •Key Areas •Cost Benefit Analysis of advancing environmental risk management. •Development of ESRM Manual, Policy and Procedures to align with global best practice. •Capacity building for employees in E&S risk management. • Test-running and upgrading of the customized sustainable toolkit to align with the peculiarities of the Nigerian environment. •Providing necessary support to the bank's clients in the implementation of Environmental & Social Risk Management. •Industry wide training to create awareness to the Nigeria Financial Institutions on the concept of Sustainable Finance

»»» Our ESG Initiatives

E&S Capacity Building: Working with strategic partners to strengthen processes and build capacity

E &S Policy and Procedures	Reviewed and aligned with international best practice standards
E &S Sector Policies	Specific E&S policies for sectors with the greatest impacts for E&S risks (Oil & Gas, Cement, Flour etc) developed
E &S Risk Management Toolkit	Deployment of a risk management toolkit that will assist us in: <ul style="list-style-type: none"> »»»Screening projects to identify potential E&S risks; »»»Determining appropriate level of E&S due diligence required for projects; »»»Integrating E&S policy into our existing credit processes.
Training & Capacity Building	Skills development across a number of functions within the organization

»»» Our ESG Initiatives: Cost Benefit Analysis

Focus areas	Definition	Example
Costs		
Negative impacts on business	If and how an advanced environmental risk management could lead to decline in or loss of current and potential business	<ul style="list-style-type: none"> • Client business lost to competitors with lower E & S standards. • Longer transaction times
Damage to client relationships	Potential negative impacts on client relationships from the application of an advanced environmental risk management approach	<ul style="list-style-type: none"> • Existing client relationships due to non compliance with E & S standards
Time & Resources	Financial & resource costs required to design and implement advanced environmental risk management model	<ul style="list-style-type: none"> • Implementing appropriate governance structure • Training • Conducting E & S due diligence

»»» Our ESG Initiatives: Cost Benefit Analysis

Focus areas	Definition	Example
Benefits		
Access to DFI finance	Gaining enhanced access to capital from DFI's	<ul style="list-style-type: none"> •Participation in new DFI programs •Discount on DFI loans •Secure access to further DFI capital
Effective risk management	Better decision making on clients and transactions, enabling stronger profitability and achievement of the Bank's strategic ambitions	<ul style="list-style-type: none"> •Lower credit risk •Higher quality portfolio •Well managed clients in sensitive sectors •Lower financial losses from E & S issues
Increase in business and enhanced client relationships	Enabling growth in business potential and deepening client relationships through engagement and better understanding of their business	<ul style="list-style-type: none"> •Growth in existing client business •Increase in client satisfaction and retention •Increase in new business from referrals
Reputation, trust & brand value	Potential to protect reputation and brand value	Gain credibility as a well managed, leading emerging markets bank
Employee engagement and talent attraction	Supports talents attraction and staff retention	Increase in employee engagement from involvement in wider sustainability initiatives

»»» ESRM Policy

- »»» The ESRM policy outlines Access Bank's approach and parameters for responsible client engagement and the provision of responsible financing.

- »»» Specific objectives of the ESRM policy are to:
 - »»» Integrate ESRM considerations into the Bank's credit/investment process
 - »»» Provide clear guidance on Access Bank's position on ESRM in our business activities
 - »»» Fully implement and comply with Equator Principles for all Project Finance facilities
 - »»» Fully apply the E&S requirements of Development Finance Institutions (DFI) where facilities include DFI financing
 - »»» Establish an effective reporting framework to track and report E&S issues in relevant products and services offered by Access Bank.



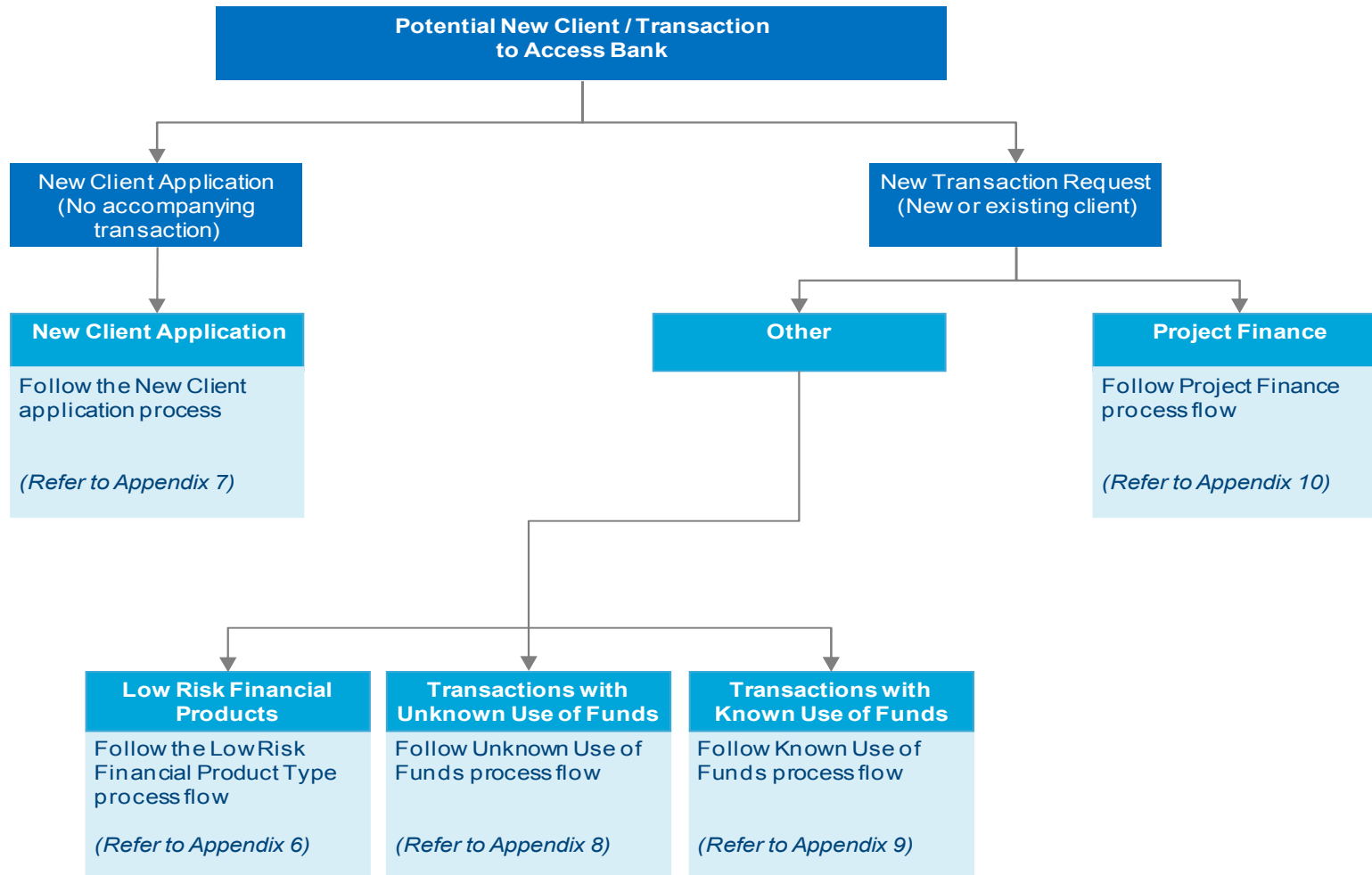
ESRM Procedures

Access Bank's ESRM procedures are made up of five distinct phases for the management of E&S risks that emerge in our credit/investment cycle.

E &S Screening	Involves identification of initial risk alerts and ensures that transactions does not fall within the banks exclusion list
E &S Risk Assessment	<ul style="list-style-type: none">•Evaluation of the level of risk associated with the transaction.•Categorization stage
Decision and Documentation	<ul style="list-style-type: none">•Forming a decision on proceeding with the transaction•Identifies potential mitigation measures to include in loan documentation
Monitoring	<ul style="list-style-type: none">•Monitor and measure client compliance with, and progress in meeting the Bank's E&S standards.
Reporting	<ul style="list-style-type: none">•In accordance with Equator Principles obligations, GRI sustainability reporting guidelines and the requirements of DFIs and other investors.

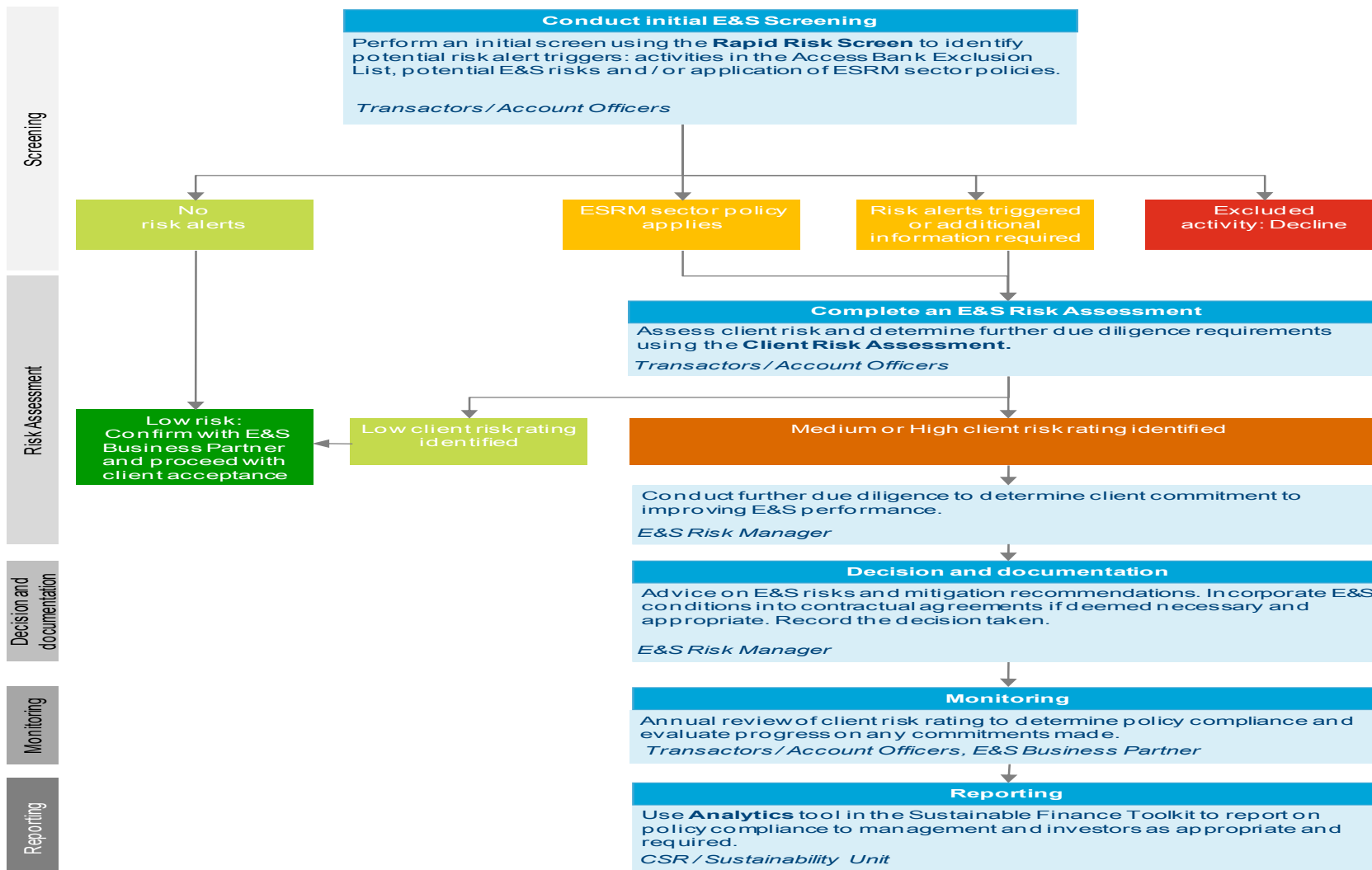


ESRM Procedures





ESRM Procedures





ESRM Procedures: Roles and Responsibilities

Entity	Roles & Responsibilities
Customer-facing staff (Transactors / Account Officers) within SBUs	Create, manage and own risk assets, through a very thorough customer selection and controlled risk management process without compromising portfolio profitability, and in compliance with the bank's management policies including the ESRM policies--:
E&S Business Partners	<p>Access Bank has two E&S Business Partners based in Credit Risk Management. One is focused on the IBD and the other on the CBD. Both E&S Business Partners will liaise with the FMD as needed.</p> <p>The E&S Business Partners have responsibility to:</p> <ul style="list-style-type: none">• Ensure all credit facility requests are accompanied by the relevant outputs of the ESRM Procedure to ensure informed decision-making;• Review and confirm initial screening and risk assessment outcomes for clients and transactions identified as lower risk• Review and confirm E&S categorisation for Category C projects with Low risk client assessments;• Review E&S risk issues of clients and transactions escalated for further due diligence by Transactors / Account Officers and make recommendations and decisions as appropriate• Conduct customer and project site visits where additional E&S due diligence is beneficial or required to confirm or gather information on E&S risks;• Escalate clients and transactions to the E&S Risk Manager where material E&S issues are unresolved and further review is necessary.
E&S Risk Manager	<p>Access Bank has one E&S Risk Manager for the bank. The E&S Risk Manager is based in the Credit Risk Management..</p> <p>The E&S Risk Manager has the responsibility to:</p> <ul style="list-style-type: none">• Review E&S risks of clients and transactions escalated for approval from SBUs and make recommendations and decisions as appropriate;• Refer clients and transactions to the MCC where material E&S issues require further review and escalation; Engage with the CSR / Sustainability Unit as needed on potentially higher risk clients and transactions with material E&S issues.
CSR/Sustainability Unit	<p>The CSR/Sustainability Unit has oversight over ESRM policy development and implementation.</p> <p>Specifically, the CSR/Sustainability Unit has the responsibility to:</p> <ul style="list-style-type: none">• Design and develop ESRM Procedures and coordinate the ESRM Policy definition process;• Ensure the Bank's compliance with the ESRM Policy and Procedures;• Engage with the E&S Risk Manager as needed on potentially higher risk clients or transactions where material E&S issues exist;• Regularly assess and monitor quality and performance of the Bank's E&S risk portfolio;• Create timely, accurate and complete ESRM reports to the CSR Committee for management actions and decision-making;• Conduct at least annual reviews of the ESRM Policy and update as required.





ESRM Procedures – Roles and Responsibilities

CSR Committee By delegation from the Board of Directors of Access Bank, the CSR Committee seeks to satisfy itself, by means of suitable steps and appropriate information, that proper and satisfactory internal systems and controls are in place to identify and contain E&S risks, and furthermore that the Bank's business and that of its subsidiaries is conducted in a responsible manner.

Management Credit Committee (MCC) The MCC is the highest management approval body for credits in Access Bank and performs the dual role of credit policy articulation and credit approval.
The MCC has the responsibility to:
Review and recommend to the Board Credit Committee for approval, credit policy direction including articulation of risk and return preferences at corporate level and for individual asset-creating business units in the bank;
Ensure compliance of the credit environment in the bank with approved policies and framework;
Review and approve credits in compliance with the Bank's ESRM policy, which will involve a comprehensive analysis / appraisal of E&S issues inherent in the projects which must be in line with global best standards and practices.

Board Credit Committee (BCC) The BCC acts on behalf of the Board of Directors on sustainability matters as regards the credit policies and procedures. It is responsible for the approval of all credit policies and procedures including product programs that have E&S considerations in line with the Bank's ESRM Policy.



➤➤➤ Awards and Recognition

Access Bank has received numerous awards for its commitment to innovation and sustainability.



»»» Action Plans

- »»» Roll out of the customised sustainable finance toolkit in the screening of all new transactions in the bank
- »»» Organising capacity building workshops for the bank's customers especially in the high sectors areas (Oil & Gas, Cement). This is to develop skills and provide necessary education in Environmental & Social Risk Management
- »»» Formulation of a common lending principle for Nigeria Financial Institutions in the area of Environmental & Social Risk Management.

»»» Industry Collaboration

- »»» The banking industry has commenced collaboration in financing real sector projects following the initiatives of the Bankers' Committee.
- »»» In the spirit of the ongoing collaboration, it is desirable that more banks subscribe to the Equator Principles and other sustainability initiatives.
- »»» We thank our DFIs Partners for their proactive engagement of Nigerian Banks towards upgrading our E&S Standards.

»» Thank You