

Access Bank PLC

Environmental and Social Risk Management (ESRM) Policy Manual

May 2022

Risk Rating: Moderate

RETURN THIS POLICY/Framework TO ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT
(ESRM) MANUAL

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1. Introduction

Access Bank is committed to incorporating E&S risk considerations into our decision making and aims to be aligned with international best practices in this regard. This ESRM Manual sets out a framework for the consistent management of E&S risks at Access Bank Plc (“the Bank” or “Access Bank”).

Access Bank’s commitment to ESRM is aligned with our key strategic objectives which includes the vision to be the World’s most respected African Bank and is consistent with the Bank’s Enterprise Risk Management Framework which promotes a moderate and guarded risk attitude to ensure sustainable growth in shareholder value and reputation. The ESRM Manual is also in line with and forms part of Access Bank’s guiding principles for our risk culture, which stipulates the consideration of all forms of risk in decision making and recognizes that enterprise risk management is the cornerstone of our risk approach. Further reference to the Bank’s risk management philosophy can be found in the Credit Risk Management Policy Guide and Portfolio Management Plan.

In addition to the observation of the applicable law and regulations in each country where Access Bank operates (including applicable environmental protection and labor laws), we support the following international conventions and protocols, codes of conduct and industry best practice initiatives:

- International Finance Corporation Performance Standard (“IFC PS”)
- UN Global Compact
- Global Reporting Initiative (GRI)
- United Nations Environment Programme (UNEP) Finance Initiative
- Equator Principles¹
- United Nations Environment Programme Finance Initiative’s Taskforce on Climate-related financial disclosure (UNEP-FI TCFD²)
- International Sustainability Standards Board (ISSB⁴)
- Partnerships for Carbon Accounting Financials (PCAF³)
 - o The 2023 update is aimed at enabling Financial Institutions to measure GHG emissions related to off-balance sheet transactions through Global GHG Accounting and Reporting Standards.

ESRM policies and procedures have been reviewed and approved by the Board of Directors in line with the Bank’s governance requirement.

¹ Access Bank has adopted the Equator Principles (www.equatorprinciples.com).

² Access Bank has adopted the UNEP-FI’s TCFD for disclosure of physical and transition risks in its portfolio (<https://www.unepfi.org/climate-change/tcfd>).

³ Access Bank has adopted the PCAF’s accounting standard for reporting on its financed emissions under specific asset classes (<https://www.carbonaccountingfinancials.com>).

⁴ issb-iag-chair-and-vice-chair-statement PDF (www.ifrs.org)

2. Purpose of the ESRM Manual

This ESRM Manual provides the framework, policies, and procedures for assessing and managing E&S risk issues within all relevant business activities of Access Bank.

Specific objectives of the ESRM Manual are to:

- Establish the relevant business areas to which the ESRM policy is applicable.
- Establish clear policies and procedures for identification, assessment, approval, monitoring and reporting of E&S risks within all such relevant business areas.
- Specify appropriate roles and responsibilities for managing and monitoring E&S risks.
- Ensure that E&S issues in relevant business areas are promptly identified and a management system is in place to assess and review such risks as well as advise client facing business units on how to work with clients to potentially mitigate the risks.
- Determine the training and capacity building requirements to successfully implement the provisions of the ESRM Manual.
- Provide practical resource materials for implementing the ESRM Manual.
- *This policy must be read in conjunction with other Access Bank policies including the Green Bond Framework.*

4 The ESRM Policy

The ESRM Policy outlines Access Bank's overall 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 contractual E&S requirements solely of Development Finance Institutions (each, a DFI) where facilities include DFI financing;
- Establish an effective reporting framework to track and report (on a periodic and ad-hoc basis) E&S issues in relevant products and services offered by Access Bank (including its Subsidiaries)
- Incorporate global reporting standards and framework in the disclosure of GHG emissions, physical and transition risks associated with the bank's portfolio.

It is expected that Access Bank will review the ESRM Policy on an annual basis or when deemed necessary to ensure compliance with relevant national laws and alignment with DFI contractual requirements, including DFI Exclusion Lists. The review will also ensure that the overall approach to assessing and managing E&S risk remains relevant and aligns with ESRM best practices and standards where applicable to the bank.

4.3. Policy Approach

Access Bank seeks to integrate the assessment of E&S risks into its existing business decision-making and risk management procedures. We will assess and review potential E&S risks associated with all transactions in all financing activities to which the ESRM Policy is applied (see 3.2).

Central to effective ESRM is developing an understanding of our clients' approach to E&S risk management relevant to their activities. Although we accept limitations in our ability to influence client behaviour, we will nonetheless engage with our clients on these issues and endeavour to work with clients whose business practices are in alignment with our E&S standards. Clients that demonstrate best practice will be business partners of choice with whom we will seek to continue and expand our relationships. Where clients do not meet our E&S standards and expectations, we will first engage with them to address E&S issues and improve their performance. Where client practices fail to improve or do not demonstrate commitment to improvement, we may consider exiting the business relationship.

For all financing activities where material risks are identified through our ESRM approach, Access Bank will recommend corrective environmental and social action plans ("ESAP") in line with E&S best practices to address these risks. These shall be integrated into loan covenants and other lending documentation and monitored annually for Category B projects and Category A projects.

We are committed to reporting on our ESRM activities in accordance with our obligations to the Equator Principles, TCFD framework, PCAF carbon accounting standards and the contractual requirements of DFI's and other investors and we will seek to incorporate such reporting into our annual external publications.

4.4.Scope of Application

4.4.1 Applicability

The ESRM Policy applies to all financial products and services outlined in Appendix 1. Where sector-specific policies are in place (see Appendix 3 to 7), these will be applied in addition to the ESRM Policy.

4.4.2 Exceptions

The ESRM Policy does not apply to the following financial products/services:

- *Asset management;*
- *E-business;*
- *Private banking; and*
- *Consumer Loans*
- *E&S due diligence assessment shall be conducted for applicable credit whose value is N500 million at the minimum. There shall be no due diligence assessment/client engagement restriction for credit requests above the threshold to Oil and Gas, Power, Manufacturing, Agriculture, Cement and Mining.*
- *Based on the above, relevant credit requests whose facility limit is below the above-mentioned limit shall be categorized as low E&S risk.*

4.4.3 Retrospective application

We acknowledge that legacy issues may arise from credit engagements entered by the Bank prior to the developments of this policy. ESRM policy shall not be applied retrospectively. E&S requirements shall be integrated to the applicable obligors who operate in the high-risk sectors/industry at the point of the renewal of such facilities. In such instances, the Bank shall work with the obligor to comply with recommended corrective action plans. As such, E&S terms perceived to be unachievable in a short term shall be conditions subsequent for the credit. Compliance shall be monitored, reported and retained in the client's file.

4.4.4 Responsible parties

Responsibility for applying the ESRM Policy lies solely with the ESRM-CRM team and other nominated entities. However, employees of Access Bank who are responsible for assessing and / or approving new business engagements to which this policy applies must adhere to its guidelines.

3.3. Assessment of E&S Risks

Access Bank will take the following approach to assessing the E&S risks of clients and transactions that fall within the scope of this policy.

3.3.1 Access Bank's Exclusion List

We will apply Access Bank's Exclusion List (see [Appendix 2](#)) to all clients and transactions to which this policy applies as identified in section 3.2. Access Bank's Exclusion List is reviewed annually (or when applicable) to ensure it complies with the law and is consistent with the contractual requirements of DFI partners. Other contractual requirements of DFIs that provide finance to Access Bank will be applied as applicable, including client and transaction assessment and reporting requirements. The Group Head, Environmental and Social Risk Management has responsibility for proposing changes as needed to the Exclusion list and presenting these for MCC approval⁴.

3.3.2 Low Risk Financial Product Types

There may be some financial product types⁵ where the nature of the transaction and level of E&S risks mean that it is impractical to complete a full assessment of the client. For such financial product types, we will apply an initial screen only, using the **(Loan application checklist- E&S Toolkit in Credit360 FINTRAK)**. Provided that no potential E&S risks are raised through the **(Loan application checklist- E&S Toolkit in Credit360 FINTRAK)**, no further assessment will be required. Where potential risk issues are identified further risk assessment is conducted to further evaluate the issues and determine appropriate next steps. This approach seeks to apply an E&S risk process commensurate with the level of risk associated with a potential transaction and /or client sector /sectoral concerns.

3.3.3 Transactions with Known Use of Funds

For loans, debt and equity underwriting, financial advisories and derivative transactions that are project-linked or involve a specific asset (excluding Project Finance) or where the use of proceeds is known, the Bank will apply an assessment that is broadly consistent with an Equator Principles approach. This requires an assessment of both the transaction and client risk.

3.3.4 Project Finance (Equator Principles)

We will apply the **Equator Principles as the E&S due diligence framework for all Project Finance transactions** in our Investment and Commercial Bank. This requires an assessment of the E&S risks associated with the project asset, climate change risk assessment aligned with climate physical risk and climate transition risk categories of the TCFD (where applicable) and the client's commitment, capacity and track record in managing E&S risk issues. Financed CO₂ emissions from this asset class is to be captured under PCAF and reported in line with PCAF expectations and requirements.

3.3.5 Existing clients

Access Bank would periodically review and monitor E&S compliance by the existing obligors especially those whose business activities are in potentially high E&S risk sectors where E&S due diligence had been covenanted. Monitoring shall commence effective from the date of availment /disbursement in a prospective manner by mutual agreement with the client. The frequency and content shall be at the requirement of the ESRM-CRM policy /SOP and discretion of the ESRM-CRM team. Any issue of non-compliance shall be reported to the relationship team via mail and further escalation to the bank's management if non-compliance issues persists. Willful default by the obligor shall constitute "event of default". The Bank may call-in the facility in the event of continuous default by the obligor.

For all new Project Finance transactions (including advisory services), a reassessment of client's E&S risk shall always be required irrespective of whether a previous assessment has been undertaken in the last 12 months.

For all other new transactions with an existing client, a detailed assessment or full review of client risk is only required in the following cases: (1) existing clients for which no client assessment has been completed, or (2) existing clients for which a client assessment has been completed before but not within the last 12 months; or (3) an assessment completed within 12 months identified as a High or Medium risk client. In all other instances, except where initial transaction screening (using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**) identifies new potentially material client risk issues, information from the last completed Client Risk Assessment can be updated and inserted into the client file.

3.3.6 Sector-Specific policies

Beyond the overarching ESRM Policy framework, we have developed sector-specific policies for Cement (Appendix 3), Oil and Gas (Appendix 4), Power (Appendix 5), and Agriculture (Appendix 6), which are applicable to all financing activities within the specific sectors to which the policies apply. The need for sector-specific policies arises for areas of our portfolio which may expose the Bank to higher levels of risk based on the nature of the sector activities and consequent potential for negative E&S impacts. These sector-specific policies will be considered in addition to the ESRM Policy where relevant.

⁴ See Appendix 2 for updated MCC approval on Revisions to the Access Bank Exclusion List (February 2020)

⁵ See Appendix 1 for a definition of Low-Risk Financial Product Types

3.4 Changes to the ESRM Policy or New Policy Development

The Head of Environmental and Social Risk Management Unit has a responsibility to ensure periodic reviews and update of this policy within the timeline stated in this policy and procedure. They shall be responsible for compiling and presenting the updated ESRM policies and procedures for MCC approval. They shall also ensure the CRO (or designated staff) presents and obtains Board approval whenever policy amendment/ enhancement is carried out.

4. ESRM procedures

4.1. Procedures Approach

These ESRM Procedures enable the implementation of the ESRM Policy and supplementary sector-specific policies through their integration into Access Bank's existing decision making processes. The ESRM Procedures provide clear step-by-step guidance for the application of the ESRM Policy and identify the relevant functions and individuals involved in the implementation and governance of the Policy.

The Bank's ESRM approach actively engages clients on identified risks and allows clients to address their E&S issues and improve performance to meet the Bank's standards while maintaining a business relationship with the Bank. In addition to compliance with applicable laws and regulations, Access Bank favours good industry practice and minimising impact on the environment and communities. Performance commitments are formalised in loan covenants / contracts with clients where deemed necessary and ongoing monitoring evaluates client progress over the life of the loan in line with policy and SOP requirements. The system also provides a mechanism to consider exiting relationships with clients who continually fail to improve or have egregious E&S issues.

The Bank's approach is to favour good industry practice and minimise impact on the environment and communities in addition to compliance with applicable laws and regulations.

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. Each phase represents a critical step of Access Bank's integrated ESRM approach in the products and services we offer. These phases are:

- E&S Screening.
- E&S Risk Assessment.
- Decision and Documentation.
- Monitoring; and
- Reporting.

The ESRM Policy and Procedures apply to all financial products and services outlined in Appendix 1. Visual flow diagrams summarizing the ESRM-CRM Procedures are provided in Appendix 8.

The Relationship Manager and the Group Head of the team originating credit request are the E&S business partners. They are required to work with the ESRM-CRM team to ensure that necessary E&S due diligence is conducted on obligors operating in environmentally/social sensitive industry / sectors (Oil and Gas, Power and Cement by example) as well as Project Finance facilities.

A full outline of responsibilities and the governance structure for ESRM approvals is provided in section 4.3 of this document.

4.1.1 Screening

The first step of the Screening process begins as soon as Access Bank identifies a potential new client or transaction opportunity. Screening of new clients transactions will begin as soon as the obligor's sector falls within the E&S obligor screening list. At the preliminary or initial prospecting stage, the applicable Account Officer or Relationship Manager, managing the obligor will conduct an initial Screening to identify initial risk alerts and ensure that the client or transaction does not fall within the Access Bank's Exclusion List (refer to [Appendix 2](#) for ease of reference).

The initial client or transaction screening is accomplished through completion of the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**. This step is completed by Transactors /Account Officers of Access Bank⁶.

For all clients and transactions identified to have potential E&S risks, further assessment and E&S due diligence requirements may be required and are outlined in the next section, E&S risk assessment.

Access Bank's Exclusion List Activities

Where the Screening identifies an excluded activity (see [Appendix 2](#)), the transaction or client is declined and the client will be informed by the Relationship Manager in writing. Where no excluded activities are identified, the client or transaction may be further evaluated for potential acceptance.

Low Risk Financial Product Types

For low-risk financial product types⁷ where no risk issues are identified through the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**, no further assessment or E&S due diligence is required and the transaction proceeds through the bank's regular approval procedures. If potential risk issues are raised, follow the appropriate assessment procedures based on whether use of proceeds is known.

⁶ Access Bank may, at the discretion of appropriate management authorities, assign this responsibility to other individuals. In this case, such individuals will be informed of their roles and responsibilities.

Transactions with Known Use of Funds

For all transactions with Known Use of Funds, further evaluation of the transaction and client is required using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK** as outlined in section 4.1.2 (E&S Risk Assessment) below, regardless of the outcome of the initial screening.

Project Finance (Equator Principles)

As per the Bank's commitment to Equator Principles, all Project Finance (advisory and transactions) facilities undergo assessment and categorisation through the risk assessment step regardless of the outcome of the initial screening.

4.1.2 E&S Risk Assessment

Upon completion of the initial screening, if the client or transaction remains eligible for financing but requires further evaluation, an E&S risk assessment shall be conducted to evaluate the level of risk associated with the client or transaction. Where necessary, Access Bank conducts further E&S due diligence/client engagement which commensurate with the type of transaction and risks associated with the transaction under assessment.

The risk assessment is completed by Transactors /Account Officers unless otherwise specified by the specific SBU conducting the assessment. E&S Business Partners and the E&S Risk Manager are available for advice and consultation.

Clients identified as Low risk do not require additional E&S due diligence/client engagement and are processed through the regular client onboarding procedures following confirmation of the client risk rating by the divisional E&S Business Partner.

Clients identified as High or Medium risk require further E&S due diligence/client engagement, which may involve, but not limited to, client engagement to determine whether the client is committed to improving E&S performance within relevant business activities.

Existing clients

Access Bank conducts an annual review of existing clients' E&S risks as part of the Bank's client review processes. Existing clients that were not previously assessed undergo assessment through the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK** at the next client review or when a new transaction is requested, whichever is sooner.

For existing clients that have been previously assessed but not within the past 12 months, review the previous Client Risk Assessment and client risk rating to confirm the assessment and rating are still valid and no new issues have arisen.

Transactions with Known Use of Funds

For all transactions with Known Use of Funds, an E&S risk assessment is conducted at both the transaction and client level using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**.

⁷ See Appendix 1.

Where the client has received a Low risk rating within the previous 12 months, information from the last completed Client Risk Assessment can be updated and inserted into the client file. It is the responsibility of the assessor to confirm that the previous client risk information is still current and that there are no relevant new issues arising from the initial screening that may increase the overall risk rating of a client.

For all existing clients rated as High or Medium risk within the previous 12 months, review the previous client assessment to confirm that no new risk issues have arisen. Take further E&S due diligence/client engagement measures as appropriate and required.

Transactions assessed as Category C **and** Low client risk do not require further assessment. Such transactions require confirmation of the risk rating by the divisional E&S Business Partner and can proceed through regular approval procedures.

Transactions with either a High or Medium level client risk rating **or** Category A or B project risk rating undergo additional E&S due diligence/client engagement as appropriate to further assess the potential risk issues and identify possible and appropriate mitigation measures. E&S due diligence may involve, but not limited to, client engagement on E&S issues, a site visit / client engagement where specific specialists to the entity are located and the completion of a Site visit checklist (consult the divisional E&S Business Partner and the E&S Risk Manager in these cases), desktop reviews and client engagement via official medium (emails) where deemed appropriate and necessary.

Project Finance (Equator Principles)

The E&S risk assessment for Project Finance transactions or advisory requests reflects the Equator Principles due diligence framework. Project Finance advisory and transaction requests are assessed for E&S risks using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**, which categorizes the project based on its level of expected and potential E&S impacts and evaluates client risk based on commitment, capacity and track record. This must be completed for all clients seeking approval for Project Finance transactions or advisory services irrespective of whether they have been previously assessed by Access Bank within the previous 12 months.

An assessment of a Project Finance transaction or advisory request requires at a minimum, a review of the project's ESIA documents. If ESIA documentation is not available, there is insufficient information to complete a thorough assessment. Discuss with the divisional E&S Business Partner and decide on an appropriate line of action, which may include consultation with the E&S Risk Manager and discussions with the client. Complete the assessment once appropriate project documentation is available.

Category C

Projects with a Category C project risk rating combined with a Low client risk rating are deemed to be low risk with minimal or reversible impacts and are forwarded to the divisional E&S Business Partner to confirm the assessment and resolve any E&S issues if necessary and proceed through the remainder of the credit risk process.

Projects with a C project risk rating combined with a High or Medium client risk rating need to undergo further E&S due diligence to assess the client's management of potential E&S issues. E&S due diligence may involve, but not limited to, client engagement and stakeholder engagement where appropriate and necessary. Further E&S due diligence is carried out by the divisional E&S Business Partner and escalated to the E&S Risk Manager if required.

Category B

All Category B projects irrespective of client risk rating require additional E&S due diligence to ensure the project is managed in a manner consistent with the Equator Principles framework. Where deemed appropriate and necessary by Access Bank, such projects may, on a case-by-case basis, require review by a third-party consultant independent to the bank and the client (these assessments shall be paid for by the client). For all Category B, E&S due diligence by Access Bank involves the following:

- Review of the project's Action Plan and Environmental and Social Management System.
- Client engagement to further assess commitment and capacity to manage potential E&S issues
- Site visit/client engagement/desktop reviews, completion of E&S site visit report for category B loan transaction is deemed appropriate and necessary especially for "Project related" credit. Category B credit transactions that are not project-related (i.e. credits for working capital needs, salary advance, asset finance, import finance of raw materials, amongst others to oil and gas downstream business, manufacturing industries, steel and metal fabrication business, cement manufacturing, etc.) shall be exempted from site visitation due diligence requirement.
- Review of independent consultant reports where applicable.
- Review of the client's commitment, capacity and track record to manage potential and expected E&S issues in the project.
- Stakeholder engagement where necessary and appropriate

Stakeholder engagement where necessary and appropriate.

Category B projects combined with Low client risk rating are further evaluated by the divisional E&S Business Partner to review the project's compliance with Equator Principles. E&S due diligence will involve the activities described above. All other Category B projects are escalated to the E&S Risk Manager and will involve close review of the client as well as the project.

Category A

All Category A projects irrespective of client risk outcomes require further E&S due diligence consistent with the Equator Principles. All Category A projects are either documented / evidenced and or reviewed by a third party consultant independent to the bank and the client (these assessments shall be paid for by the client).

E&S due diligence for Category A projects include but not limited to the following:

- Review of independent, consultant reports, permitting evidence and current /future site-specific recommendations.
- Review of the project's Action Plan and Environmental and Social Management System;
- Engagement with the client and stakeholders as deemed appropriate and necessary;

- Review of the client's commitment, capacity and track record to manage potential and expected E&S issues in the project
- Client engagement on E&S issues, a site visit /client engagement/ desktop reviews where specific specialists to the entity are located and the completion of an E&S Site visit Checklist (consult the divisional E&S Business Partner and the E&S Risk Manager in these cases), and stakeholder engagement where deemed appropriate and necessary.

All Category A projects are escalated to the E&S Risk Manager for E&S additional review and due diligence evidence where appropriate and communicated to both the RM and senior management at Access Bank either through the FAM and or a separate memo specific to the concern.

4.1.3 Decision and Documentation

Following the appropriate level and type of E&S due diligence, the Bank forms a decision on proceeding with the client or transaction, and where relevant, identifies potential mitigation measures to include in loan documentation.

Where mitigation measures or performance improvement commitments are required in order to meet the Bank's E&S standards, these will be communicated to the client by the RM and may be formalized in the corresponding loan documentation. For all financing activities, where corrective environmental and social action plans ("ESAP") are required in order to meet the Banks E&S standards, these will be communicated to the client by the RM and integrated into the offer letter and other loan documentation. These may also form a condition precedent (CP) within the offer letter to the client and monies shall not be disbursed until such time these CP's have been met.

The Bank may also choose to decline a relationship or transaction where the E&S issues are egregious or where the client repeatedly fails to improve its E&S performance and meet the Bank's ESRM standards. In this case, the client relationship or transaction is referred to the MCC for discussion and decision making.

These decisions and recommendations are documented by the approval authority or delegated individuals and incorporated into credit approval records.

The ESRM team shall request for appropriate ESAPs, which would be **material** to the potential E&S risks.

For Cat A risks, "**Material**" considerations that the ESRM team shall require shall be regulatory related E&S documents. These include but not limited to:

1. Environmental and Social Impact Assessment
2. Community engagement plan
3. Permits and licenses to operate
4. HSE documentation (site specific)

The **Loan application checklist- E&S Toolkit in Credit360 FINTRAK** documents and stores the outcome of each client and transaction assessment conducted using the Toolkit. Information captured by the Toolkit can be collected and aggregated for management information and reporting purposes.

The main Objective of this section is to clearly identify procedures for managing post-loan disbursement compliance with agreed E&S conditions.

The ESRM team shall conduct due diligence (client engagements /site visits /desktop review /required documentation) only at the point where the obligor has contractually agreed with all condition's precedent to drawdown.

In case an obligor has declined to oblige the agreed E&S terms and conditions in the offer letter, the following shall become applicable:

- a. A reminder notice shall be sent by the ESRM /applicable RM managing the relationship within 30 days of missing deadline /activity.
- b. Reminder notice shall be sent in writing by the ESRM /applicable RM to the obligor requesting explanation for the missed deadline/activity after 30 days of the first notice in the event of non-performance.
- c. The E&S Risk Manager has an obligation to submit a report on obligor who have not complied after the second reminder notice to the CRO/Executive Management. This report will be duly approved by CRO/Executive Management via process maker.
- d. In the event that the non-compliance does not show satisfactory improvement after 24 months, at the instance of Executive Management based on the E&S Manager's recommendation. This report will be duly approved by CRO/Executive Management via process maker.
- e. The Bank may call in this facility if all remediation procedure is exhausted when dealing with the client on this specific matter.

4.1.4 Monitoring (contractual engagement period)

Access Bank's approach to ESRM contains procedures to monitor and measure client compliance with, and progress in, meeting the Bank's E&S standards.

Client and transaction E&S risks are recorded and documented over the life of the loan through regular relationship reviews. The Relationship Team and ESRM-CRM team as well shall ensure continuous engagement with the obligor to monitor the implementation of these corrective and preventive actions (where the absence of said corrective actions would represent a "**material risk**⁸" to the bank) and follow up to ensure their effectiveness. ESRM team has a responsibility

to monitor obligor's compliance with the corrective action plans as documented in the approval conditions of "**material risks**". Evidence of monitoring by the ESRM-CRM team shall be in written memo or emails sent to the Relationship Team, relevant due diligence reports following visitation to the obligor's site or desktop reviews (where deemed necessary) and monitoring reports or escalation mails where the Relationship Team or the obligor fail to comply with covenants within contracts with clients.

⁸ Material risk(s) - "Material risk is the risk of significant losses occurring due to the failure to perform, delay in performance, or incomplete performance by a debtor of E&S liabilities under a contract (s)". These material risks shall be advised by E&S team to the bank's senior management. In the initial project evaluation, material risks are only likely to be potentially present in A and B category risks. Material risks shall be the judgement call of the ESRM-CRM team.

In addition to recording information to track E&S performance and establishing relevant operational controls, Access Bank may use spot inspections and audits to verify client compliance and progress towards desired outcomes.

4.1.5 Reporting

The Bank reports on ESRM activities in accordance with both our Equator Principles obligations, GRI sustainability reporting guidelines and the contractual requirements of DFIs and other investors, and we seek to incorporate such reporting into our external annual publications where appropriate and in line with no contraventions of non-disclosure agreements we may have in place with clients of the bank.

In addition to formal reporting to our regulators, Access Bank's senior management receive periodic assessments of the effectiveness of the ESRM policies based on systematic data collection and analysis such as Climate Change Risk Assessment aligned with Climate Physical Risk and Climate Transition Risk categories of the TCFD and Greenhouse Gas (GHG) emissions by PCAF carbon accounting standards (where applicable). The frequency of these reports shall be at the discretion of the E&S team and the content of which may also vary.

The scope and frequency of such reporting depends upon the nature and scope of the activities identified and undertaken in accordance with Access Bank's management approach and other applicable investor requirements and public commitments.

4.2 Governance

Effective implementation of Access Bank's ESRM Policy and Procedures requires a defined governance structure with clearly outlined roles and responsibilities that allows for new client and transaction screening and approval by appropriate levels of authority commensurate to the level of risk present.

Outlined below are the approval authorities for each phase of the Bank's ESRM approach for products and services within the scope of ESRM policies⁹.

⁹In all scenarios where E&S issues remain unresolved, further escalation beyond the approval parties identified here may be necessary and appropriate.

Due diligence phase	Responsibility	Process / activity	Approval authority
Initial E&S Screening (see section 4.1.1)	Transactors / Account Officers	Screen all clients and transactions against Access Bank's Exclusion list and identify potential E&S risks	<p>Where activities relating to a client or transaction fall within the scope of Access Bank's Exclusion List, the engagement must be declined, and the client informed by the RM.</p> <p>For Low-Risk Financial Product Types, if the initial Screening does not raise any potential E&S risks, proceed with the Bank's regular approval procedures. If potential risk issues are raised, follow the appropriate assessment procedures based on whether the use of proceeds is known.</p> <p>For all other product types where potential E&S risks associated with them are identified or where sector-specific policies apply, conduct an appropriate E&S Risk Assessment. No approval is required to proceed with further E&S risk assessment and E&S due diligence.</p>
E&S Risk Assessment (see section 4.1.2)	Transactors /Account Officers conduct initial E&S risk assessment .	<ul style="list-style-type: none"> Low Risk Financial Product Types 	<p>Low Risk Financial Product Types</p> <p>No further assessment is required if there are no risk issues raised. Where risk issues are raised, follow the appropriate assessment procedures based on whether the use of proceeds is known.</p>
	E&S Business Partners and E&S Risk Manager conduct further due diligence as appropriate.	<ul style="list-style-type: none"> Transactions with Known Use of Funds Project Finance 	<p>Transactions with Known Use of Funds and Project Finance</p> <p>Category C</p> <p>Category C transactions combined with a Low client risk rating only require referral to the E&S Business Partner to confirm categorization and proceed through the regular credit approval process.</p> <p>Category C transactions combined with a High or Medium client risk rating require referral to the relevant E&S Business Partner for further E&S due diligence and approval.</p>

Due diligence phase	Responsibility	Process / activity	Approval authority
			Category B
			Category B transactions combined with a Low client risk rating require referral to the E&S Business Partner. Category B transactions combined with a High or Medium client risk rating require referral to the E&S Risk Manager for further E&S due diligence and approval. As deemed appropriate, Category B transactions may require a review by an independent third-party consultant.
			Category A
			All Category A transactions irrespective of the client risk rating require referral to the E&S Risk Manager for further E&S due diligence and approval. The Category A transactions may require a review by an independent third-party consultant.
Decision & Documentation (see section 4.1.3)	SBU E&S specialist	Decide on and document client or transaction approval and recommended E&S risk mitigation measures as deemed necessary. Formalize decision and incorporate covenants in loan documentation where appropriate.	The E&S Business Partner or E&S Risk Manager, together with the relevant SBU should agree and approve E&S covenants in loan documentation, with final approval by the legal department. If significant E&S risk issues remain unresolved, escalate to the MCC or Executive Management, with advice from the E&S Risk Manager.
Monitoring (see section 4.1.4)	Transactors / Account Officers	Annual review and monitoring of all clients and transactions	Annual ESRM review of clients and transactions approved by the divisional E&S Business Partner. Escalate to the E&S Risk Manager as necessary where material E&S issues are raised or remain unresolved. For significant unresolved or material E&S risk issues, defer to MCC other senior decision-making body for discussion and decision.

Due diligence phase	Responsibility	Process / activity	Approval authority
Reporting (see section 4.1.5)	E&S Business Partners and E&S Risk Manager	Internal and external reporting	<p>Annual reporting of all client and transactions risk assessments and approvals /declines is approved by the E&S Risk Manager and CRO/ED (where applicable) with the support of data from the Credit360 Fintrak and other internal management information systems if appropriate.</p> <p>For Project Finance, annual reporting of transactions as per Equator Principles obligations, TCFD framework, PCAF carbon accounting standards as approved by the E&S Risk Manager with the support of data from the Loan application checklist-E&S Analytics tool in the Credit360 Fintrak and other internal management information systems if appropriate.</p> <p>Other disclosure activities such as fulfilling DFI contractual requirements, climate change risk assessment aligned with climate physical risk and climate transition risk categories of the TCFD, Greenhouse Gas (GHG) emissions by PCAF (where applicable) or following GRI sustainability reporting guidelines are approved by the E&S Risk Manager.</p>

4.3

4.4 Roles and Responsibilities

Access Bank has clearly outlined roles and responsibilities of Access Bank Group functions with accountability for the implementation and management of the Bank's ESRM policies. Below is an overview of ESRM-related roles and responsibilities of all relevant Access Bank Group functions.

ESRM governance is critical to the effective implementation of ESRM policies and has been reviewed by the Group Head, ESRM-CRM, CRO/ED and formally approved by the MCC.

Entity	Roles & Responsibilities
Customer-facing staff (Transactors/Account Officers) within SBU	Create, manage and own risk assets, through a very thorough customer selection and controlled risk management process and in compliance

Entity**Roles & Responsibilities**

Customer-facing staff
(Transactors/Account
Officers) within SBU

with the bank's management policies including the ESRM policies. These include, but not limited to:

- Obtain adequate information for E&S screening and risk assessment steps for each new client and transaction request.
- Conduct a complete and accurate E&S risk screening and assessment for each new client and transaction request.
- Initiate credit requests that meet E&S risk acceptance criteria
- Manage E&S risk in line with approved E&S risk management policies.
- Proactively identify and develop appropriate responses to E&S risk non-compliance in existing exposures on a continuous basis, with the support of SBU E&S specialists.

In addition, each transactor/Account Officer is responsible for ensuring that clear communication between the Bank and the client is maintained, and that the internal approvals are consistent with client expectations and the Bank's ESRM Policy.

E&S Business Partners

Access Bank has a dedicated Environmental and Social Risk Management Unit located in the Credit Risk Management Group. This Unit has dedicated E&S officers.

The E&S Business Partners have responsibility to:

- 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 low risk
- Review and confirm E&S categorization for Category C projects with Low-risk client assessments;
- Review E&S risk issues of clients and transactions escalated for further due diligence to Transactors /Account Officers and make recommendations and decisions as appropriate
- Conduct customer and project Site visit /client engagements where additional E&S due diligence is beneficial or required to confirm or gather information on E&S risks.

- Escalate clients' transactions to the E&S Risk Manager where material E&S issues are unresolved and further review is necessary.

- Enterprise Business Support
- Managing the Bank's operations emissions and planning phased transition to Green Energy sources.

Entity	Roles & Responsibilities
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 CRO /Executive Management as needed on potentially higher risk clients and transactions with material E&S issues.
Management Credit Committee (MCC)	<ul style="list-style-type: none"> • 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. <p>The MCC has the responsibility to:</p> <ul style="list-style-type: none"> • 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 practices and standards. • Evaluate inherent climate-related risks and impacts on relevant credits transactions for approval purposes or recommend to the Board Credit Committee for further discussion and final approval.
Board Credit Committee (BCC)	<ul style="list-style-type: none"> • The BCC acts on behalf of the Board of Directors on ESRM-CRM matters as regards 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. • The Board Credit Committee also has oversight function on Climate related risks and attendant impact on the Bank's risk

asset portfolio.

5. Glossary

Access Bank's Exclusion List

This is a list of prohibited activities that Access Bank will not support through the provision of financial products or services. The Access Bank Exclusion List is reviewed annually /when applicable to ensure compliance with national regulations and laws and alignment with the exclusion requirements of DFI investors providing financing to the Bank.

Category A

This is a project categorization under the Equator Principles. These are “projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented” (*Equator Principles, Frequently Asked Questions, [http://www.equator-principles.com/documents/About the Equator Principles.pdf](http://www.equator-principles.com/documents/About_the_Equator_Principles.pdf)*).

Category B

This is a project categorization under the Equator Principles framework. These are “projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures”. (*Equator Principles, Frequently Asked Questions, [http://www.equator-principles.com/documents/About the Equator Principles.pdf](http://www.equator-principles.com/documents/About_the_Equator_Principles.pdf)*)

Category C

This is a project categorization under the Equator Principles framework. These are projects with minimal or no social or environmental impacts. (*Equator Principles, Frequently Asked Questions, [http://www.equator-principles.com/documents/About the Equator Principles.pdf](http://www.equator-principles.com/documents/About_the_Equator_Principles.pdf)*)

Environmental and Social Impact Assessment (ESIA)

An ESIA is a thorough assessment of the expected and potential environmental and social impacts of a project on surrounding communities and the natural environment. It also provides a categorization for the project based on expected and potential impacts and identifies potential mitigation and management measures. The ESIA should be commissioned by the client and undertaken by an independent third-party consultant with requisite experience and qualifications to do so.

Completed ESIA documentation is essential for informed evaluation of a project under the Equator Principles E&S due diligence framework.

Equator Principles

The Equator Principles are a set of voluntary standards used by the financial industry to determine, assess and manage environmental and social risks in Project Finance transactions. The principles are recognized as the industry benchmark for sustainable lending through Project Finance.

Low Risk Financial Product Types



ABP.CRM.0114.001

These financial products are deemed to present lower levels of E&S risk to the bank due to the nature of the product. Access Bank's ESRM Policy only requires an initial screen to be applied to such products.

Partnership for Carbon Accounting Financials (PCAF)

PCAF is the global, industry-led initiative to harmonize the way financial institutions measure and disclose the greenhouse gas (GHG) emissions of their loans and investments. PCAF participants are developing a global standard in line with GHG Protocol for financed emissions (Scope 3 category 15) and an accompanying emission factor database. These elements expand in scope and depth to accommodate the emissions relevant to members. PCAF focuses on the emissions associated with the real economy (goods and services). As a bank, we are to report on our GHG emissions within three (3) years from participation.

International Sustainability Standards Board (ISSB)

The International Sustainability Standards Board (ISSB) is an independent, private-sector organization that develops and approves IFRS Sustainability Disclosure Standards (IFRS SDS). The ISSB operates under the oversight of the IFRS Foundation.

The ISSB recently developed standards to create a global baseline of sustainability disclosures, focusing on investors and financial markets. The standards include ISSB S1 and S2, which require industry-specific disclosures about sustainability-related risks and opportunities within financial statements.

Access Bank is an early adopter of the ISSB reporting standard, ensuring transparency and interoperability with jurisdiction-specific disclosures.

Project Finance (Equator Principles)

As defined by the Basel Committee on Banking Supervision, Project Finance is “a method of financing where the lender looks primarily to the revenues generated by a single project as both the source of repayment and the security for the exposure.” Projects financed through this method are usually large and complex installations. Financing may be used as capital for new structures or for refinancing existing installations, with or without improvements.

The lender is usually paid solely or almost exclusively from the cash flow generated by the project’s output and the project’s collateral value. The borrower is usually a special purpose entity that is created solely to perform the function of developing, owning and operating the facility. (*Basel Committee on Banking Supervision, Nov 2005, <http://www.bis.org/publ/bcbs118.pdf>, page 49.*)

Taskforce on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings. Companies will therefore be better guided in providing information to investors, lenders, insurers, and other stakeholders.

Transactions with Known Use of Funds

These are application for financial products or services where the use of the financing is known or clear to the bank at the time of the client’s request.

Operational Emissions and Reporting

This refers to the emissions generated during our operations across our business offices both in Nigeria and in the subsidiaries. This includes emissions from lighting, cooling, operating equipment, generators, pool cars, employee mobility, e.t.c.

The computation is done using GHG Protocol covering Scope 1, 2 and 3 emissions generated from our operations. Scope 1 emissions are those from our operations; Scope 2 emissions are those “purchased” from electricity Consumption, while Scope 3 emissions are third party/value chain emissions.

The Enterprise Business Support Unit is responsible for the management of operational emissions for the Bank.

6. Appendices

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Appendix 1: Financial Product Type List

Access Bank’s Financial Product Types

Existing credit risk products and service offerings that the bank will continue to offer in the marketplace include, but not limited to the following:

➤ Overdraft	➤ Loans to Micro, Small and Medium Enterprises (MSMEs)
➤ Time Loan	➤ Project Finance
➤ Term Loans	➤ Leasing
➤ Retail Credit	➤ Bonds and Guarantees
➤ Import Finance (LCs Usance, etc.) and other facilities that the Bank consider fit to satisfy customer’s Business need	➤ Green Debt instruments ^a

^a Green Debts, including Green Bonds, Green Funds and such other categories as may be determined by the Bank from time to time. These would be governed in conjunction with the Bank's Green Bond Framework.

Appendix 2: Access Bank Exclusion List

1. Introduction

Access Bank's Exclusion List outlines activities the Bank will not support through the provision of financial products and services.

The Exclusion List is compliant with National laws and is aligned to the exclusion requirements of Development Finance Institutions (DFIs) that provide financing to Access Bank.

2. Exclusion activities

Access Bank shall not finance prospectively any activity involving:

- 1) Production or activities involving forced labour¹⁰ or child labour¹¹;
- 2) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- 3) Production or trade in¹²:
 - weapons and munitions: Access Bank shall not lend to obligor for the purpose of Trade, distribution or manufacturing of weapons and ammunitions except to the Government and Government contractors in the overriding interest of public peace and under a threat to the sovereignty of the Country wherein the Federal Government requires funding to purchase this equipment under a controlled environment against insurgency; and where the business activity does not form a substantial part of the company's operations or a financial institution, investment fund or company's financed activity.
 - Hard liquor/Tobacco: Access Bank shall not lend to the obligor for the purpose of trade, distribution or manufacturing of hard liquor/tobacco except where the volume of trade, distribution and manufacture is not considered 'substantial'. Access Bank's definition of "substantial" means more than 10 % of a financed institution's/company's consolidated balance sheet or earnings. For Financial Institutions, "Substantial" means more than 10% of a Financial Institution's underlying portfolio volume.
- 4) Gambling, casinos and equivalent enterprises¹³;
- 5) Any business relating to pornography or prostitution;
- 6) Trade in wildlife or wildlife products regulated under CITES¹⁴;

¹⁰ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

¹¹ Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

¹² This applies when these activities are a substantial part of a client's primary operations.

¹³ This applies when these activities are a substantial part of a client's primary operations.

¹⁴ Information on Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES) protected species can be found here: <http://www.cites.org/>.

- 7) Production or use of or trade in hazardous materials such as radioactive materials¹⁵, unbounded asbestos fibres and products containing PCBs¹⁶;
- 8) Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations; or
- 9) Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- 10) Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances¹⁷ and other hazardous substances subject to international phase-outs or bans;
- 11) Significant¹⁸ conversion or degradation of Critical Habitat¹⁹;
- 12) Production and distribution of racist and anti-democratic media;
- 13) Commercial logging operations for use in primary tropical moist forest.
- 14) Production or trade in wood or other forestry products other than from sustainably managed forests.
- 15) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- 16) Significant alteration, damage, or removal of any critical cultural heritage;²⁰ or
- 17) Forced relocation of Indigenous Peoples²¹ from traditional or customary lands
- 18) **High Carbon Intensity Projects:** Banks should be cautious when financing projects with high carbon emissions, such as coal-fired power plants or fossil fuel extraction. Transitioning to cleaner energy sources is encouraged.
- 19) **Polluting Industries:** Avoid financing companies with a significant negative impact on the environment, such as heavy polluters or those violating environmental regulations.
- 20) **Unsustainable Agriculture Practices:** Banks should steer clear of financing agricultural practices that harm the environment, such as excessive pesticide use or deforestation for agriculture.

Note: All existing facilities that were acquired retrospectively (mergers and or before enhanced updates to the exclusion list shall not afford the benefit of new facilities and shall be placed into a managed “run-off”. Senior management reserves the right to make additional decisions and

¹⁵ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where EFP considers the radioactive source to be trivial and/or adequately shielded. Additionally, FMO will finance the mining and enrichment of uranium ores for nuclear energy and other non-military use, but will not finance the production of high enrichment (weapons grade) uranium in countries that have signed and ratified and are honouring the Treaty on the Non-Proliferation of Nuclear Weapons.

¹⁶ PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

¹⁷ Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in “holes in the ozone layer”. The Montreal Protocol lists ODS and their target reduction and phase-out dates.

¹⁸ Significant conversion or degradation means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (2) modification of a habitat that substantially reduces the habitat's ability to maintain viable population of its native species.

¹⁹ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregator species; areas with unique assemblages of species or

which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

²⁰ Critical cultural heritage consists of (i) the internationally recognised heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

²¹ The term "Indigenous Peoples" is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- (i) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- (ii) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;
- (iii) customary cultural, economic, social, or political institutions that are separate from those of the dominant society or culture; and
- (iv) an indigenous language, often different from the official language of the country or region.

determinations in and around these projects on a case-by-case basis where appropriate and necessary.

3. Additional Point to this Exclusion List

Credit request to finance items on the exclusion list shall be treated on in the overriding interest of public peace and other circumstances deemed appropriate by the Bank. The Bank’s Board of Credit Committee (“BCC”) approval is required for all the credit requests under this category.

4. Revisions to the Access Bank Exclusion List

The Access Bank Exclusion List is reviewed annually/when applicable to ensure compliance with national regulations and alignment to contractual requirements of DFIs’ lists of prohibited activities. The MCC (February 2020) approved the below recommendations under the bank’s Exclusion list:

S/N	Recommendations	MCC Decision
1	Approval to adjust the Exclusion clause on ESRM Policy. * Business restriction to be limited to credit only. Allow banking services (deposit, e- channels, POS, cards, etc.).	Approved
2	No fresh credit approval to obligors in excluded business.	Approved
3	<p>i. Existing obligors with Term Loans – to run-off as follows:</p> <p>HoRs / GHs to monitor excluded biz who have Term Loans. GHs to notify obligors of plan to run-off at loan maturity.</p> <p>ii. Existing obligors with revolving credit (ODs / Trade): Access Bank may be the lone Banker to obligors with this class of facility. The Bank may be the only banker – requires strategic management to avoid obligor’s business failure The Bank may continue business relationship for a period recommended by the Committee - facility increase is not recommended.</p>	The respective Relationship Managers of the identified companies should review their customer’s business bearing in mind the provisions of the ESRM policy as explained above and do a memo to file on the way forward in the relationship including timelines.

Appendix 3: Access Bank Cement Policy

1. Introduction

The cement industry provides essential material for a broad range of construction and infrastructure activities, which plays a key role in advancing global economic development, particularly in emerging markets. In Nigeria, cement is a growing industrial sector and is expected to be increasingly important to the development of the Nigerian economy.

The sector presents significant opportunities for the financial sector in Nigeria but we also recognize the inherent risks. Our view is that if its activities are managed responsibly, the cement sector can play an important role in Nigeria's economic progress.

Access Bank provides a range of financial services to the cement industry, primarily in Nigeria and other parts of Africa. Our strategy and commitment is to develop professional value-adding relationships with the Cement sector while putting in place appropriate policy frameworks to ensure that our support is provided in an environmentally and socially responsible manner.

We recognize that the activities of the cement industry make this sector particularly sensitive if the potential E&S impacts are not managed appropriately. Access Bank is therefore committed to considering in our decision-making processes, the E&S impacts associated with our clients' activities. We will work with clients to meet our sustainability standards and review our commitment to any client or transaction where such standards may not be adequately met.

The Cement Policy outlines Access Bank's standards for responsible engagement and provision of financial services to the cement industry, consistent with Access Bank's overall enterprise risk management philosophy and ESRM Policy. The Cement Policy is an appendix to the ESRM Policy.

2. Sector-specific E&S risks

The activities of the cement industry present E&S issues that may have potentially significant impacts and consequences. The cement sector is highly energy intensive, contributing approximately 7% of global greenhouse gases, and the industry's management of E&S issues is increasingly expected and required in order to secure the long-term viability of operations. Key factors relevant for consideration by Access Bank include, but not limited :

- Release of particulate matter during handling and storage of raw materials and cement production processes;
- Use of waste fuels (e.g. waste oil, used tires, organic chemical waste) and associated emissions of volatile organic compounds (VOCs), polychlorinated dibenzodioxins (PCDDs) and dibenzofurans (PCDFs), hydrogen fluoride (HF), hydrogen chloride (HCl), and other toxic metals and compounds;
- Impacts on biodiversity, landscape and watersheds from limestone quarrying in the supply chain;
- Emissions of nitrogen oxides (NOx), sulphur oxides (SOx), dust, and certain organic compounds;

- Pollution from process wastewater and solid wastes;

- Use of asbestos; and
- Occupational health and safety.

3. Sector-specific standards

Access Bank recognises that the cement industry is increasingly aware of and active in addressing the E&S impacts that result from its activities. Industry-led initiatives and associations raise awareness of and promote the management of E&S issues related to the sector's activities. Access Bank will be guided by the following industry standards and best practices when assessing a client's approach to managing the E&S impacts resulting from its business activities or a particular transaction:

- Cement Sustainability Initiative (CSI)
- Safety and Health in Construction (International Labour Organisation code of practice)

In addition to the above mentioned industry standards, Access Bank will apply the Equator Principles as the E&S due diligence framework for all Project Finance transactions.

Access Bank will not knowingly provide financial services to activities involving locations or products prohibited by host country legislation and international conventions such as:

- Site location in areas of protected biodiversity and cultural heritage²²;
- Use of unbounded asbestos fibres and asbestos-containing products excluding asbestos Cement sheeting where asbestos content is less than 20 per cent.

4. Scope of application

4.1 Applicability

The Cement Policy applies to all financial services in Appendix 1 of Access Bank's ESRM Policy, where these services are provided to the cement sector.

Our cement industry clients are primarily involved in the manufacture, storage, packaging and transport of cement.

4.2 Exceptions

The Cement Policy does not apply to the following financial products:

- Asset management;
- E-business;
- Private banking; and
- Consumer Loans

²²International conventions include the following:

- o UNESCO World Heritage Sites (whc.unesco.org);
- o UNESCO Biosphere Reserves (portal.unesco.org/science);
- o Ramsar Sites (www.ramsar.org)
- o IUCN/WDPA Protected Areas (I to IV) (www.wdpa.org);

4.3 Retrospective application

We acknowledge that legacy issues may arise from continuing engagements entered prior to the development of this policy. Although the Cement Policy is not intended to be applied retrospectively, Access Bank will endeavour to address potentially material legacy issues relevant to a particular engagement as it becomes due for renewal or periodic review.

5. Policy approach

Access Bank has developed the Cement Policy to address the higher levels of risk posed to the bank based on the nature of the activities in the cement sector and consequent potential for negative E&S impacts.

Central to effective ESRM is developing an understanding of our cement clients' approach to E&S risks relevant to the sector.

The Cement Policy is an appendix to and consistent with Access Bank's overarching ESRM Policy. The Bank will approach the engagement of cement clients and transactions according to the guidance of the overall ESRM Policy.

Where we receive finance from DFIs, we will apply any E&S risk management requirements of the relevant DFI, including transaction and client assessment, and reporting requirements in addition to the Cement Policy.

For all transactions within the scope of this policy, we will review and evaluate the associated E&S impacts and identify potential mitigation measures where necessary. We will review all clients to whom this policy applies in order to evaluate their commitment, capacity and track record of clients to manage the E&S impacts potentially associated with their activities. Access Bank's approach to E&S issues is to favour good international practice and avoid, or at least reduce, mitigate or compensate for, negative impacts where possible, and engage with local communities about matters that directly and materially affect them.

Access Bank will conduct additional E&S due diligence on transactions or clients:

- Located in a country where the regulatory framework is weak or where corruption is material;
- Located in an environmentally or socially sensitive area;
- With adverse material environmental and/or social impacts; or
- Where material external stakeholder or NGO issues have been identified.

Access Bank distinguishes its ESRM approach between different types of engagements:

5.1 Low Risk Financial Product Types

The Cement Policy applies to all financial product types listed in Appendix 1, including Low Risk Financial Product Types. All financial product types undergo assessment according to the type of engagement.

5.2 Transactions with Known Use of Funds

For transactions that are project or asset-linked, the Bank will apply an assessment that is broadly consistent with an Equator Principles approach. This requires an assessment of

transaction and client risk using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**.

5.3 *Project Finance (Equator Principles)*

The Bank will apply the Equator Principles as the E&S due diligence framework for all Project Finance transactions in our Investment Bank and Commercial Bank. This requires categorisation and assessment of the project and the client using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**.

6. Policy governance

The Cement Policy has been reviewed and approved by the MCC. The ESRM-CRM Unit has responsibility for compiling and presenting ESRM policies and procedures to the MCC for approval.

The Group Head, Environmental and Social Risk Management has responsibility for proposing changes as needed to the Cement Policy or creating new Group level ESRM policies and presenting these for MCC approval.

Appendix 4: Access Bank Oil & Gas Policy

1. Introduction

The oil and gas industry is a complex and diverse industry which underpins global economic growth and development. We understand the importance of this industry and its challenge in meeting expanding global energy needs of both mature and emerging markets while raising human welfare and minimising environmental impacts. In Nigeria, oil and gas represents a key industrial sector and plays a crucial role in the development of the Nigerian economy.

The sector presents significant opportunities for the financial sector in Nigeria but we also recognise the inherent risks. Our view is that if its activities are managed responsibly, the oil and gas sector can play an important role in Nigeria's economic progress.

Access Bank provides a range of financial services to the downstream and upstream oil and gas sector, primarily in Nigeria and other parts of Africa. Our strategy and commitment is to develop professional value adding relationships with the key income generating aspects of the oil and gas sector while putting in place appropriate policy frameworks to ensure that our support is provided in an environmentally and socially responsible manner.

We recognise that the potential E&S impacts of oil and gas activities make this sector particularly sensitive if not managed appropriately. Access Bank is therefore committed to considering the E&S impacts associated with its clients' activities in our decision making processes. We will work with clients to meet our sustainability standards and review our commitment to any client or transaction where such standards are no longer met.

The Oil and Gas Policy outlines Access Bank's standards for responsible engagement and provision of financial services to the oil and gas industry, in line with Access Bank's overall enterprise risk management philosophy and ESRM Policy. The Oil and Gas Policy is an appendix to the ESRM Policy.

2. Sector-specific E&S risks

The activities of the oil and gas sector present significant and growing E&S issues that can pose risks for clients and their financiers. In the past, these issues have impacted client profitability as well as social license to operate. The sector's management of E&S issues is increasingly expected and required in order to secure the long-term viability of operations. Key concerns impacting operators, service providers and financiers include:

- Projects or sites located in or near natural habitats and protected areas (including offshore/sub-sea habitats of significance);
- Projects / sites located in remote areas and whose development will increase access to these areas;
- Use of gas flaring in refining operations as a management strategy for associated gases (this is a significant source of greenhouse gas (GHG) emissions);
- Spills, leakage and accidents;
- Consumption of significant volumes of water for processing and cooling operations, thereby affecting water flows and/or quality;

- Lack of transparency and or/corruption and bribery;
- Social conflict and the use of armed forces to control security;
- Social tension and activism over oil/gas developments, including plant damage/closure or NGO campaigns;
- Violation of human rights of local communities, workers or protestors;
- Displacement of people (including relocation and loss of assets such as land, water, crops, homes);
- Material Impacts on indigenous peoples or lands used by indigenous peoples.

3. Sector-specific standards

Access Bank recognises that the oil and gas industry is aware of and active in addressing the E&S impacts that result from its activities. Industry-led initiatives and associations raise awareness of and promote the management of E&S issues related to the sector's activities. Access Bank will be guided by the following industry standards when assessing a client's approach to managing the E&S impacts resulting from its business activities or a particular transaction:

- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights
- Global Gas Flaring and Venting Reduction Voluntary Standard
- International Convention for the Prevention of Pollution from Ships (MARPOL)
- The Energy and Biodiversity Initiative and the Joint Nature Conservation Committee Guidelines for the offshore industry (for protecting marine animals)

Access Bank will also be guided by industry best practices promoted through the following industry bodies:

- The International Petroleum Industry Environmental Conservation Association (IPIECA)
- The International Association of Oil and Gas Producers (OGP)
- International Marine Organisation (IMO)

In addition to the above mentioned industry standards, Access Bank will apply the Equator Principles as the E&S due diligence framework for all Project Finance transactions.

Access Bank will not knowingly provide financial services to activities involving locations or products prohibited by host country legislation and international conventions such as:

- Site location in areas of protected of biodiversity resources and cultural heritage²³;
- Use of unbounded asbestos fibres and asbestos-containing products in the construction of new sites and facilities, excluding asbestos cement sheeting where asbestos content is less than 20 percent;

²³International conventions include the following:

- o UNESCO World Heritage Sites (whc.unesco.org);
- o UNESCO Biosphere Reserves (portal.unesco.org/science);
- o Ramsar Sites (www.ramsar.org)
- o IUCN/WDPAs Protected Areas (I to IV) (www.wdpa.org);

- Use of chlorofluorocarbons (CFCs), halons and other ozone depleting substances subject to international phase-out.

4. Scope of application

4.1 Applicability

The Oil and Gas Policy applies to all financial services in Appendix 1 of Access Bank's ESRM Policy provided to the oil and gas sector.

Access Bank has relationships with clients in the oil and gas sector are involved in upstream and downstream operations, which involve exploration, drilling, production, refining, storage, distribution, bulk-breaking and sale of gasoline, naphtha, kerosene, fuel oils, lubricating oils, paraffin wax, asphalt, petrochemicals and a wide range of derivative products.

Our client base in the oil and gas sector is primarily focused on the five oil majors, five independent operators and oil traders. Focus on this client base, which controls majority of the Nigerian oil and gas market, allows Access Bank to minimise overall risk exposure while maximising returns.

4.2 Exceptions

The Oil and Gas Policy does not apply to the following financial products:

- Asset management;
- E-business;
- Private banking; and
- Consumer Loans

4.3 Retrospective application

We acknowledge that legacy issues may arise from continuing engagements entered prior to the development of this policy. Although the Oil and Gas Policy is not intended to be applied retrospectively, Access Bank will endeavour to address potentially material legacy issues relevant to a particular engagement as it becomes due for renewal or periodic review.

5. Policy approach

Access Bank has developed the Oil and Gas Policy to address the higher levels of risk posed to the bank based on the nature of the activities in the upstream and downstream oil and gas sector and consequent potential for negative E&S impacts.

Central to effective ESRM is developing an understanding of our oil and gas clients' approach to E&S risks relevant to the sector.

The Oil and Gas Policy is an appendix to and consistent with Access Bank's overarching ESRM Policy. The Bank will approach the engagement of oil and gas sector clients and transactions according to the guidance of the overall ESRM Policy.

Where we receive finance from DFI's, we will apply any E&S risk management requirements of the relevant DFI, including transaction and client assessment, and reporting requirements in addition to the Oil and Gas Policy.

For all transactions within the scope of this policy, we will review and evaluate the associated E&S impacts and identify potential mitigation measures where necessary. We will review all clients to whom this policy applies in order to evaluate their commitment, capacity and track record clients to manage the E&S impacts potentially associated with their activities. Access Bank's approach to E&S issues is to favour good international practice and avoid, or at least reduce, mitigate or compensate for, negative impacts where possible, and engage with local communities about matters that directly and materially affect them.

Access Bank will conduct additional E&S due diligence on transactions or clients:

- Located in a country where the regulatory framework is weak or where corruption is serious;
- Located in an environmentally or socially sensitive area;
- With adverse material environmental and/or social impacts; or
- Where material external stakeholder or NGO issues have been identified.

Access Bank distinguishes its ESRM approach between different types of engagements:

5.1 Low Risk Financial Product Types

The Oil and Gas Policy applies to all financial product types listed in Appendix 1, including Low Risk Financial Product Types. All financial product types undergo assessment according to the type of engagement.

5.2 Transactions with Known Use of Funds

For transactions that are project or asset-linked, the Bank will apply an assessment that is broadly consistent with an Equator Principles approach. This requires an assessment of transaction and client risk using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**.

5.3 Project Finance (Equator Principles)

The Bank will apply the Equator Principles as the E&S due diligence framework for all Project Finance transactions in our Investment Bank and Commercial Bank. This requires categorisation and assessment of the project and the client using the **Loan application checklist- E&S Toolkit in Credit360 FINTRAK**.

We are committed to reporting on our activities in the oil and gas sector as per our Equator Principles obligations and the requirements of DFI's and other investors, and we will seek to incorporate such reporting into our annual external publications.

6. Policy governance

The Oil and Gas Policy has been reviewed and approved by the MCC. The ESRM-CRM Unit has responsibility for compiling and presenting ESRM policies and procedures to the MCC for approval.

The Group Head, Environmental and Social Risk Management has responsibility for proposing changes as needed to the Oil and Gas Policy or creating new Group level ESRM policies and presenting these for MCC approval.

Appendix 5: Access Bank Power Sector Policy

1.1 Introduction

This Guideline has been designed to complement the Nigerian Sustainable Banking Principles whilst focusing on the Power sector

The objectives of this Guideline are to:

- Assist Access Bank in the identification and management of E&S risks associated with the provision of financial products and services to the power sector;
- Provide additional sector-specific guidance to supplement the Nigerian Sustainable Banking Principles Guidance Note; and
- Ensure that Access Bank adopts relevant international standards and best practices in the management of their E&S risk exposures.

2.0. Scope & Applicability

This Guideline covers the provision of financial products and services for the Power sector which includes, but is not limited to:

- Power generation sources and associated facilities (i.e. oil, gas and hydropower), except nuclear;
- Electricity distribution and transmission infrastructure (e.g. upgrades or extensions); and
- Alternative sources of power generation and associated facilities (e.g. solar, clean coal, wind, biomass, etc.).

The Guideline applies to all corporate lending, project and structured finance, equity and debt capital market activities, and advisory services provided to new and existing clients in the Power sector. The extent to which the policy apply will depend on the level and nature of Power sector Business Activities financed by Access Bank. Retroactive application of E&S requirements under this Guideline is not required for existing clients. The Guideline and its E&S requirements will, however, apply to any additional new facilities or services for existing clients.

This Guideline does not cover the provision of financial products and services for the extraction, processing and transport of energy raw materials (e.g. the extraction of oil and gas, coal, and other fuel sources). For guidance on oil and gas activities, please refer to the Oil and Gas Sector Guideline.

This guideline may not be appropriate for application to some power sector financial services such as asset management, or insurance or in the cases where there may be limited opportunity for the Bank to influence a client's E&S performance. The Bank will clearly indicate which financial products or services have been excluded from the application of the Guideline in a sector-specific approach as part of the ESRM-CRM policy.

3.0. Power Sector E&S Issues

Nigeria's total installed energy generation capacity is currently derived from oil and gas (77%) and hydropower (23%). The large dependence on oil and gas for energy production which is traditionally associated with significant negative E&S impacts to the environment and society, also creates vulnerability for Nigeria with respect to potential climate change impacts. In addition, the country has poor electricity transmission infrastructure that makes distributing energy supply difficult.

The NPC recognises the challenges associated with power generation, transmission and distribution and noted these in the national transformation agenda under the Vision 2020 for Nigeria, which aims at transforming the nation's economic landscape²⁴. The National Technical Working Group on the Energy sector reported in the Vision 2020 document that energy is critical to economic development. In summary, the Nigerian power sector needs to ensure that:

- Enough sustainable energy (both non-renewable and renewable sources) can be produced to meet demand (including the promotion of alternative and renewable energy sources);
- Electricity infrastructure is improved and sufficient to deliver energy supply to users; and
- All power generation, distribution and transmission activities are conducted in a sustainable manner, so as to effectively manage E&S issues.

Various types of power generation are associated with a diverse range of E&S impacts. The impacts can be significant owing to the size of the projects and the footprint of the power plant and associated infrastructure. As increasing attention is brought to the E&S risk profile of power generation technologies (notably with respect to GHG emissions), operations are likely to face more scrutiny (particularly in relation to fuel and technology choices). E&S risks vary greatly depending on the scale and type of power activity being financed. Table 1 below highlights some of the main E&S risks that may be encountered.

Table 1: Potential E&S risks associated with the power sector

Risk Type	Potential Risk Issue
Environmental	Increased GHG emissions; air pollutant emissions, or locations where existing air quality is already poor due to cumulative impacts from combined pollution sources. Not deploying best available control technologies for emissions and waste (e.g. hazardous pollutant deposits in water bodies and land). High water extraction for cooling operations and which will affect water flow and quality to other ecosystem services that require water.

²⁴Nigerian National Planning Commission, Vision 2020 ([Link](#))

	Habitat defragmentation with the construction of roads, transmission pylons and distribution lines, increasing access to previously remote areas and natural habitats.
Social	<p>People and economic displacement (e.g. loss of assets such as land, crops, fisheries, agricultural land etc.).</p> <p>Conflict with local communities as a result of the siting of plant or storage facilities due to the real and perceived risk of explosion, plants and storage facilities that are situated near populated areas may be of particular concern to local stakeholders.</p> <p>Damaged cultural heritage including UNESCO sites, objects of religious, archaeological, natural significance.</p> <p>Operations in areas subject to natural hazard (e.g. earthquake, extreme weather), which could affect the structural integrity of the plant (e.g. hydropower station/dam).</p> <p>Infringement of labour and human rights.</p>

The banking sector has a key role to play in driving the national vision of attaining a secure and sustainable energy supply pivotal for the success of the Nigerian economy. Access Bank would support and finance current and future energy generation and distribution activities in a manner that takes into account due regard for the environment and society and is consistent with the Nigeria Sustainable Banking Principles and internationally accepted standards.

4.0. Banking Requirements for Power Sector Financing

For all activities that fall within the scope of this Guideline Access Bank shall:

- Undertake appropriate E&S due diligence on power sector clients and activities to identify and assess potential E&S risks, as well as, determine a client's ability to effectively manage identified risks. For new power developments, Access Bank will require a client to provide a detailed E&S impact assessment and for existing developments require a recent E&S audit.
- Require power sector clients to comply with Nigerian laws governing E&S issues.
- Encourage power sector clients to meet the requirements of the IFC's Performance Standards and relevant Environmental, Health and Safety guidelines that represent the minimum internationally accepted good practice.
- Refer to key sustainability initiatives and good practices relevant for power projects during E&S due diligence. Where relevant, Access Bank will request clients to work

toward enhanced performance consistent with such initiatives, standards, and good practice.

- Promote and encourage the uptake of opportunities relating to energy efficiency, clean technology, and renewable energy as appropriate.

5.0. E&S Risk Implementation for Power Sector Business Activities

To meet these commitments and successfully manage E&S issues associated with the provision of financial products and services to power generation, Access Bank would refer to the Nigerian Sustainable Banking Principles guidance note.

6.0. E&S Risk Categorisation of Power Sector Investments

The following information serves to illustrate and support the categorisation of E&S risks for different power transactions. Typically, a transaction will be categorised as high, medium or low risk but in the power sector, most transactions carry either a high or medium level of risk. The purpose of categorising the risk of a potential transaction is to guide the Bank on the degree of E&S due diligence required to inform credit risk approval or underwriting decision-making and the appropriate level of E&S risk management and monitoring oversight that should be applied to the transaction.

A high-risk transaction involves activities that carry potential significant adverse E&S risks and/or impacts that are diverse, irreversible, or unprecedented. Examples of the types of power transactions that would fall into this category of risk would include:

- Large thermal power stations and other combustion installations;
- Hydropower schemes involving large/medium scale dams;
- Hydropower schemes on international waterways, or small hydropower schemes on rivers or water bodies already significantly altered by other abstraction/power generation activities;
- Associated facilities such as pipelines, terminals, and associated facilities for large-scale transport of gas and oil, activities involving surface or underground storage of combustible gases and fuels;
- Transmission lines in populated/urban areas;
- Biofuel projects involving large-scale plantations of biofuel crops; and
- Biomass projects involving hazardous wastes.

A medium-risk transaction involves activities which carry potential limited adverse E&S risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. Examples of the types of power investments that would fall into this category of risk would include:

- Small combustion facilities (3 – 50MWth);
- 10MW or 50MW run of the river hydropower plants without additional up or downstream power projects;
- Medium or small scale wind and solar power projects; and
- Some types of biomass (not involving hazardous materials).

7.0. Power Sector Client Engagement and Monitoring

Access Bank would engage with power sector clients to encourage good E&S risk management practices and promote energy efficiency, clean technology and renewable resources. Where some existing clients have not met certain standards due to a number of factors, including legacy assets, they would be expected to develop credible, documented time-bound “action plan” to achieve the required standards over time. E&S conditions or covenants will be included in the transaction documentation where appropriate to ensure E&S risks are monitored and on-going compliance is addressed with the client.

8.0. Power Sector E&S Reporting

Access Bank will monitor and report on its activities consistent with this Guideline and the Nigerian Sustainable Banking Principles to demonstrate on-going commitment and progress. Access Bank shall seek to externally report on its progress in a meaningful way. Details of reporting requirements are provided in the Nigerian Sustainable Banking Principles Guidance Note. In addition to general E&S risk reporting guidance provided, Access Bank would consider international best practices for reporting in the power sector. The Global Reporting Initiative Electric Utilities Guideline provides detailed reporting guidance on certain activities and E&S risk issues in the power sector.

9.0. Policy governance

The Power Policy has been reviewed and approved by the MCC. The ESRM-CRM Unit has responsibility for compiling and presenting ESRM policies and procedures to the MCC for approval.

The Group Head, Environmental and Social Risk Management has responsibility for proposing changes as needed to the Power Policy or creating new Group level ESRM policies and presenting these for MCC approval.

Appendix 6: Access Bank Agriculture Sector Policy

1.0. Introduction

This Guideline has been designed to complement the Nigerian Sustainable Banking Principles whilst focusing on the agriculture sector.

The objectives of this Guideline are to:

- Assist Access Bank in the identification and management of complex E&S risks associated with the provision of financial products and services to the Nigerian agriculture sector;
- Provide additional sector-specific guidance to supplement the Nigerian Sustainable Banking Principles Guidance Note;
- Ensure that Access Bank adopt relevant international standards and best practices in the management of E&S risk; and
- Strategically position agriculture as an attractive, rewarding and sustainable business opportunity.

Given the large proportion of the population that depends on agriculture as a source of livelihood, it is clear that agriculture is a practical means of reducing poverty, unemployment, food insecurity, whilst providing raw materials for industries and export in the medium to long term. Research suggests that if the agricultural growth targets set by the Federal Government are met, the country will have 9.5% annual growth in the sector and 8% GDP growth in the next 10 years²⁵.

Access Bank will use its financial intermediation role and client relationships to influence the sustainable development of agriculture. It is intended that this guideline will establish the minimum standards for Access Bank to ensure that financial products and services provided to the sector are both socially and environmentally sustainable.

Nigeria's agricultural sector, which by 2010 contributed about 42% of GDP and employed about 60% of working population, is severely underfunded and underinvested with only 2% of all formal credit flowing to the sector. Agricultural lending accounts for approximately 1.4% of formal lending and has been on the decline since 2006. This situation is partly explained by the fact that banks typically perceive agriculture as a high-risk investment due to their limited understanding of and lack of confidence in the sector²⁶. In response to this challenge, the CBN, the Bankers' Committee, and the Federal Ministry of Agriculture & Rural Development have recently developed NIRSAL (Nigerian Incentive-based Risk Sharing system for Agricultural

²⁵<http://www.ifpri.org/sites/default/files/publications/nsspbp02.pdf>

²⁶Nigerian Incentive-based Risk Sharing System for Agriculture Lending (NIRSAL): Transforming value chains for expanded agricultural lending in Nigeria, Monitor Group, July 2011.

Lending), which ultimately seeks to create incentives and encourage the growth of formal credit to the entire agricultural value chain.

NIRSAL is expected to be a catalyst for innovative risk management strategies, long-term financing for agribusiness, job creation for new entrepreneurs, and established market participants in the agribusiness sector. An increase in formal credit flows into agriculture will be achieved by improving the capacity of financial intermediaries to provide credit, refocus credit provisioning on integrated value chains, and establishment of a differentiated guarantee mechanism to share credit-related risks in the value chain.

Sustainable agriculture requires increased funding for land acquisition, good quality seeds and fertiliser, research and development, extension services, irrigation systems, storage facilities, processing machinery and infrastructure (roads and power). Channeling resources and funding for such activities and other transformational avenues are the means through which financial institutions can drive and sustain changes in the agricultural sector, whilst gradually reducing funding for activities that impact negatively on the environment and society.

2.0. Scope and Applicability

This Guideline covers the provision of financial products and services for the agriculture sector including, but not limited to, Business Activities relating to the agribusiness value chain contained in the approved NIRSAL framework.

This Guideline applies to all lending instruments, project and structured commodity finance, equity and debt capital market activities, retail banking and advisory services provided to new and existing clients in the agricultural sector. The extent to which the policy apply will depend on the level and nature of agriculture sector Business Activities financed by the Bank. Retroactive application of E&S requirements under this Guideline is not required for existing clients. The Guideline and its E&S requirements will, however, apply to any additional new facilities or services for existing clients.

This guideline may not be appropriate for application to some agriculture sector financial services such as asset management or non-agriculture related insurance or in the cases where there may be limited opportunity for the Bank to influence a client's E&S performance. Access Bank will clearly indicate which financial products or services have been excluded from the application of the Guideline in a sector-specific approach as part of its ESRM-CRM policy.

3.0. Agriculture Sector E&S Issues and Sustainable Agriculture

As stated previously, agriculture accounted for 42% of GDP and 60% of employment in Nigeria in 2010. With an average growth rate of 5% per annum, the sector has been a major source of employment growth. However, there is still enormous potential in the sector that needs to be unlocked. Beyond increased food security and higher incomes for the rural population, a better performing agricultural sector that supports the growth of productive agribusiness is imperative to drive economic growth and stability in the country. It would aid the creation of small and medium enterprises, whilst being able to produce a broad spectrum for increased production of food and cash crops.

Along the agricultural value chain in Nigeria, there are a number of recurring challenges that continue to hinder the growth of the sector. Among these are the high cost of farm inputs especially seeds and fertiliser, inefficient procurement and distribution systems for critical inputs, poor access to credit for farmers, weak extension services, huge post-harvest losses due to poor storage. Some other challenges are limited value addition to raw products and low investment in research and development, poorly structured markets, weak infrastructure and a discriminatory land tenure system. The above issues continue to keep agricultural productivity low, with high wastage and below optimal contributions to export earnings.

In order to realise the full potential of the sector, it is increasingly recognised that agribusiness should be conducted in a sustainable manner. Sustainable agriculture entails taking into consideration the environment and natural resource base, making use of natural resources in an efficient manner, whilst at the same time providing a sustainable source of income for the farmer and addressing food needs. Furthermore, it takes into account numerous social issues such as economic use of water resources, health and safety of labour, in particular women and children, as well as community and land use issues.

Agricultural activities such as land preparation, planting, nurturing and harvesting, affect the environment in several ways. For example, one of the main causes of deforestation today is the clearing of land for crops, which increases the rate of soil erosion. Often, land is cleared through burning, which emits harmful gases into the atmosphere; the land can also suffer from nutrient depletion thereby reducing the yield that can be realised from planting.

Agriculture affects the climate through the production of greenhouse gases (carbon dioxide, methane, nitrous oxide). The types of chemicals and pesticides used can lead to soil contamination, ground water and air pollution if poorly managed. As the crops are harvested and prepared for further processing, issues such as the disposal of agro-processing waste (effluents, solid waste) and sources of energy used in agro-processing become key sustainability issues.

Sustainable agriculture is not only limited to environmental considerations but also to socioeconomic issues. Agriculture is typically associated with positive impacts such as increased employment opportunities for the rural population, higher incomes, improved food security and strengthened local economic linkages. However, there are also potential negative social impacts that need to be considered if agriculture is to be practiced in a sustainable manner. Examples include social conflict with agricultural settlers and/or agro-processing companies, land ownership conflicts, increased land values and rents, community health risks, increased burden on women and children, labour issues (child labour) and loss of farm income to production of cash crops.

4.0. Water Resource Related Issues

Irrigation is the application of water to crops through artificial means. All crops require water to grow and thrive: however, knowing how, when and how much water to use is imperative for maximising yields whilst minimising the impact on the environment. The irrigation system should provide supplemental water when rainfall is not sufficient to maintain plant health,

while protecting water resources and the environment. An effective irrigation system involves a

planned system of crop irrigation that concentrates on efficient water use and distribution, minimizing runoff or deep percolation and soil erosion.

According to the National Water Resources Master Plan, it is estimated that Nigeria has about 3.14 million hectares of irrigable land. Approximately 1.8 million hectares of this land lie within the Niger-Benue valleys, which contain sufficient water to effectively develop irrigated agriculture without the need to construct large dams.

In spite of this endowment, agricultural activity in most areas of the country is limited to the rainy season, which lasts between 4 and 8 months, primarily due to the wide variation of rainfall. This contributes significantly to the underperformance of farming and the low productivity. However, what is of even greater concern is the grossly sub-optimal utilisation of irrigation potential. Specifically, there exists currently a reservoir capacity in excess of 34 billion cubic metres capable of irrigating more than 500,000ha but only 150,000ha have been developed under formal irrigation out of which only 85,000 ha are actually being irrigated²⁷.

The strategic development and management of irrigation and drainage systems, as well as effective and sustainable irrigation practices are therefore imperative to increase the productivity of agriculture, thereby contributing to national food security and poverty alleviation. Potential solutions could focus on public-private partnerships for the provision of irrigation systems, whereby banks partner with the public and private sector to deliver efficient systems to local communities. However, this would also require the creation of an enabling legal and institutional framework, as well as developing capacity for the implementation of such projects.

5.0. Key Issues in the Irrigation Sub-Sector

Some of the major issues in the irrigation sub-sector include:

- Substantial investment gap;
 - Severely degraded environment in poverty-stricken communities, which places constraints on water retention in root zone where it is needed for healthy crop growth;
 - Unutilised and underutilised development potential: too few irrigation schemes have been developed in comparison to the available potential as a result of declining real investment in the sub-sector;
 - Insufficient water infrastructure & inadequate operation and maintenance of existing water infrastructure;
 - Poor performance of public investment that was in the past “input driven” as opposed to “output led”;
 - Low private sector involvement; and
-

²⁷ *Irrigation Practice in Nigeria*, (2011), Federal Ministry of Water Resources.

- Poor community mobilisation: the early irrigation projects were developed without the participation of the intended beneficiaries and consequently were too sophisticated for beneficiaries to operate and maintain.

It is envisaged that by unlocking finance for the entire agricultural value chain, some of the key challenges related to irrigation and water issues mentioned above will be adequately addressed, that is, with increased confidence in the overall sector, this could provide incentives for increased investment in the irrigation sub-sector from both public and private sector parties.

Table 2: Agribusiness Value Chain Categories and Potential E&S Risks

Value Chain Category	Category Name	Examples	Potential E&S Risks
Category 1	Preparation & Infrastructure	Land preparation Developing water bodies/ irrigation Cluster enabling infrastructure	Land grabbing/conflict Involuntary physical and/or economic displacement Higher land values and rents for local communities Biodiversity loss Impact on water resources; conflict over water resources Climate change adaptation/mitigation considerations Conflict over use of land (e.g. biofuel versus food security)
Category 2	Inputs	Inputs (vaccines, veterinary products, animal feed, embedded power equipment, agricultural machinery, seeds, fertilizer, crop protection, micronutrients, and related material)	Genetically modified seeds/crops Pesticides/chemical pollution Disposal of agricultural waste Water supply issues (source)

Category 3	Planting, Nurturing & Harvesting	<p>Livestock raising / husbandry lifecycle</p> <p>Fisheries</p> <p>Planting</p> <p>Crop management including weeding / replanting</p> <p>Harvesting</p>	<p>Deforestation and soil erosion</p> <p>Impact on soil structure and fertility</p> <p>Disposal of animal waste</p> <p>Greenhouse gas emissions</p> <p>Local labour (health & safety issues; employment practices)</p> <p>Animal welfare</p>
Category 4	Storage and Post-Harvest Handling	<p>Storage</p> <p>Post-harvest handling</p> <p>Access to markets</p> <p>Transportation</p> <p>Logistics</p>	<p>Waste prevention and energy requirements for storage (renewable)</p> <p>Consultation with local communities regarding transport links (roads etc.)</p>
Category 5	Processing	<p>Processing across all stages</p> <p>Packaging companies</p>	<p>Energy requirements for processing</p> <p>Prevention and disposal of waste</p> <p>Health & safety of labour</p> <p>Employment practices</p> <p>Food safety/consumer health</p>
Category 6	Distribution	<p>Wholesale downstream distributors (export and domestic)</p> <p>Specialised services providers</p>	<p>Energy requirements for transportation</p>

In addition to planned increased lending to the sector, the NIRSAL approach will include on-going stakeholder engagement aimed at modernising agriculture and transforming it into an attractive, rewarding and sustainable business opportunity.

6.0. Banking Requirements for Agriculture Sector Financing

For all activities that fall within the scope of this Guideline Access Bank shall:

- Conduct E&S risk analysis and assessment of agricultural clients and activities, and ensure that identified risks are adequately monitored and managed. Adhere to local E&S laws, and where possible encourage other internationally agreed standards.

In addition, and consistent with NIRSAL, Access Bank shall:

- Lend towards the establishment and efficient distribution of fertiliser by supporting fertiliser manufacturing companies in Nigeria that produce/procure and distribute fertiliser, as well as a transparent market-driven fertiliser distribution model.
- Finance the manufacture and distribution of improved and high quality seeds, by lending to indigenous seed companies and importers of seed varieties.
- Strive to ensure that farmers are able to procure seeds directly from seed manufacturers, by availing them with adequate finance.
- With support from industry stakeholders, strive for the establishment of an Agricultural Value Chain Research Development Fund that produces high quality research on the needs of the value chain.
- Encourage and finance providers of storage facilities for seeds, produce and other value-added products provided that they take into consideration energy efficiency issues.
- Encourage and finance processors that add value to local products, whilst taking into consideration the E&S impacts of processing operations.
- Endeavour to lend to farmers whose products have off takers and whose farming practices protect the environment e.g. minimise the use of harmful chemicals/pesticides, efficient use of water resources, adoption of conservation farming technologies etc.
- While waiting for the reform of the Land Use Act, lend based on short and long leases that do not displace and/or negatively impact on the livelihoods of local communities.
- Encourage the creation of public-private marketing corporations that provide adequate support to local products.
- Support the decentralisation of agricultural insurance and encourage the development of a vibrant and competitive market for agricultural insurance by a range of companies.
- Lend with assistance from NIRSAL (i.e. technical assistance, risk sharing, insurance and incentive pillars).

- Lend to promote the use of appropriate and sustainable farm mechanisation and irrigation technology in agriculture.

- Lend to agro-processors and agro-chemical manufacturers that utilise effective methods to reduce, manage and treat the harmful wastes and do not pollute the environment (i.e. nearby water sources, soil, air etc.).
- Lend to promote the use of waste management techniques that promotes the re-use of waste as inputs into other production processes and not into the environment (e.g. rice husk turned into gas can generate rural electricity).

7.0. E&S Risk Implementation for Agriculture Business Activities

To meet these commitments and successfully manage E&S issues associated with the provision of financial products and services to Agriculture Sector, Access Bank would refer to the Nigerian Sustainable Banking Principles guidance note.

8.0. E&S Risk Categorisation of Agriculture Sector Investments

The following information serves to illustrate and support the categorisation of E&S risks for different Agriculture Business Activities. Typically, a transaction will be categorised as high, medium or low risk based on the nature of E&S impacts associated with the client's Agriculture Business Activities and the client's ability to manage such impacts. The purpose of categorising the risk of a potential transaction is to guide the bank on the degree of E&S due diligence required to inform credit risk approval or underwriting decision-making and the appropriate level of E&S risk management and monitoring oversight that should be applied to the loan.

A high-risk transaction is one where activities carry potential significant adverse E&S risks and/or impacts that are diverse, irreversible, or unprecedented.

A medium-risk transaction is one where activities carry potential limited adverse E&S risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

9.0. Agriculture Sector Client Engagement and Monitoring

Access Bank will engage with its agriculture sector clients to encourage good E&S risk management practices and promote sustainable agriculture best practice. Where some existing clients have not met certain standards due to a number of factors, including legacy assets, they would be expected to develop credible, documented time-bound "action plan" to achieve the required standards over time. E&S conditions or covenants will be included in the transaction documentation, where appropriate, to ensure E&S risks are monitored and on-going compliance is addressed with the client.

10.0. Agriculture Sector E&S Reporting

Access Bank would monitor and report on its activities consistent with this guideline and the Nigerian Sustainable Banking Principles to demonstrate on-going commitment and progress. Access Bank shall seek to externally report on its progress in a meaningful way. Details of reporting requirements are provided in the Nigerian Sustainable Banking Principles Guidance Note. In addition to general E&S risk reporting guidance provided, Access Bank would consider international best practices for reporting in the agriculture sector. The Global Reporting Initiative

provides detailed reporting guidance on certain activities and E&S risk issues in the agriculture sector.

11.0. Policy governance

The Agriculture Policy has been reviewed and approved by the MCC. The ESRM-CRM Unit has responsibility for compiling and presenting ESRM policies and procedures to the MCC for approval.

The Group Head, Environmental and Social Risk Management has responsibility for proposing changes as needed to the Agriculture Policy or creating new Group level ESRM policies and presenting these for MCC approval.

Appendix 7: Access Bank Mining Sector Policy

1.0. Introduction

This Guideline has been designed to complement the Nigerian Sustainable Banking Principles, IFC's performance standards and relevant environmental, health and safety guidelines that represent the minimum internationally accepted good practice in the Mining sector.

The objectives of this Guideline are to:

- Assist Access Bank in the identification and management of complex E&S risks associated with the provision of financial products and services to the Mining sector across all locations including the subsidiaries;
- Provide additional sector-specific guidance to supplement the National laws and regulations Sustainable Banking Principles and relevant EHS guidelines;
- Ensure that Access Bank adopt relevant international standards and best practices in the management of E&S risk; and
- Strategically position Mining as an attractive, rewarding and sustainable business opportunity.

Mining operations are defined primarily by the type and method of the mining (e.g. hard rock mining, coal mining, solution mining, marine mining, underground, open pit). Conventional hard rock mine operations combine large scale ore and waste rock extraction, beneficiation [which involves comminution (e.g. Crushing / grinding ore) and mineral concentration], and large scale waste storage and treatment facilities. Metallurgical processing involves geochemical changes to refine the metals, and is typically conducted off-site from the mine.

The overall objective of a mining operation is to extract the valued ore, and complete preliminary processing (e.g. beneficiation), while at the same time manage the much larger volumes of mine waste (e.g. waste rock, tailings, wastewater, process and hazardous wastes) in a manner that protects environment, human health and safety under a range of present and future conditions and timelines. Mining operations are generally classified into four principal categories based on commodity: precious metals, base metals, energy and industrial minerals.

Mine operations are invariably located on or adjacent to the ore body to minimize operation and preliminary processing costs as well as potential for unwarranted land disturbance. Mine locations are diverse, including virtually all bio-geoclimatic zones (e.g. temperate, tropics, polar, desert, high altitude, coastal, surface and subsurface). Processed products are transported for further processing or to market as economic and logistical considerations dictate using a combination of truck, barge, rail, and slurry pipeline, among other methods. Typical surface mine operations range from about 100 ha to 1,000 ha in size, but can exceed 5,000 ha for exceptionally large developments.

The principle components of a typical mine include:

- Mine pits and / or underground workings;

- Waste storage areas and tailings facilities;
- Rock and ore stockpiles; Plant and processing facilities (e.g. mills);
- Water management infrastructure (e.g. treatment ponds, dams, ditches, piping);
- Other infrastructure (e.g. roads, power lines, airstrips)

Mining consists of exploration (preliminary, detailed and advanced) and development, construction and decommissioning phases (operation, final closure and decommissioning, and post-closure care) ²⁸

2.0. Scope and Applicability

This Guideline covers the provision of financial products and services for the mining sector including, but not limited to business activities that serve as a catalyst for critical infrastructure development to support a broader investment relating to the value chain.

This Guideline applies to all lending instruments, project finance, equity and debt capital market activities, retail banking and advisory services provided to new and existing clients in the mining sector. The extent to which the policy apply will depend on the level and nature of business activities financed by the Bank. Retroactive application of E&S requirements under this Guideline is not required for existing clients. The Guideline and its E&S requirements will, however, apply to any additional new facilities or services for existing clients.

This guideline may not be appropriate for application to some mining sector financial services such as asset management, insurance or in the cases where there may be limited opportunity for the Bank to influence a client's E&S performance. Access Bank will clearly indicate which financial products or services have been excluded from the application of the Guideline in a sector-specific approach as part of its ESRM-CRM policy

3.0. Mining Sector E&S Issues

The activities of the Mining sector present significant and growing E&S issues that can pose risks for clients and their financiers. The following section provides a summary of EHS issues associated with mining activities (and including ore processing facilities) which may occur during the exploration, development and construction, operation, closure and decommissioning, and post-closure phases²⁹.

3.1 Environmental Risks.

Potential environmental issues associated with mining activities may include:

- *Water use and quality:* Mines can use large quantities of water, mostly in processing plants and related activities including dust suppression. Potential contamination of water sources may occur early in the mine cycle during the exploration stage and many factors including indirect impacts (e.g. population in- migration) can result in negative impacts to water quality. Reduction of surface and groundwater availability is also a concern at the local level and for communities in the vicinity of mining sites, particularly, in arid regions, or in regions of high agricultural potential.

²⁸www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines.

²⁹www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines.

- *Wastes:* Mines generate large volumes of waste. Solid wastes may be generated in any phase of the mine cycle. The most significant waste generating mining activities will likely occur during the operational phases, which require the movement of large amounts overburden and creation of rock waste and tailings. Other types of solid wastes, depending on the type of mining undertaken, may include leach pad waste, workshop scrap, household and non-process-related industrial waste, as well as waste oils, chemicals, and other potentially hazardous wastes.
- *Hazardous materials:* Accidental release of hazardous materials into soils, surface water, and groundwater resources during transportation or via leaks, accidental spills from storage tanks and pipelines (e.g. tailings pipelines)
- *Land use and biodiversity:* Habitat alteration is the most significant potential threats to biodiversity associated with mining. Habitat alteration may occur during any stage of the mine cycle with the greatest potential for temporary or permanent alteration of terrestrial and aquatic habitats occurring during construction and operational activities. Exploration activities often require the development of access routes, transportation corridors, and several infrastructure construction, which may all result in varying degrees of land clearing and population in-migration.
- *Air quality:* Airborne emissions may occur during each stage of the mine cycle, although in particular during exploration, development, construction, and operational activities. The principal sources include fugitive dust from blasting, exposed surfaces such as tailings facilities, stockpiles, waste dumps, haul roads and infrastructure, and extent, gases from combustion of fuels in stationary and mobile equipment.
- *Noise and vibrations:* Sources of noise emissions associated with mining may include noise from vehicle engines, loading and unloading of rock into steel dumpers, chutes, power generation, construction and mining activities, shoveling, ripping, drilling, blasting, transport (including corridors for rail, road, and conveyor belts), crushing, grinding, and stockpiling.
- *Energy Use:* significant energy is consumed in activities such as transport, exploration activities, drilling, excavation, extraction, grinding, crushing, milling, pumping, and ventilation processes.
- *Visual Impacts:* Mining operations particularly surface mining activities, may result in negative visual impacts to resources associated with other landscape uses such as recreation or tourism. Potential contributors to visual impacts include highwalls, erosion, discolored water, haul roads, waste dumps, slurry ponds, abandoned mining equipment and structures, garbage and refuse dumps, open pits, and deforestation.

3.2 Social Risks

Potential social issues associated with mining include Occupational and Community Health and Safety risks.

3.2.1 Occupational Health and Safety risks: Occupational health and safety issues occur during all phases of the mine cycle. They include: General workplace health and safety; Hazardous substances; Use of explosives; Electrical safety and isolation; Physical hazards; Ionizing radiation; Fitness for work; Travel and remote site health; Thermal stress; Noise and

vibration; and Specific hazards in underground mining (Fires, explosions, confined spaces and oxygen deficient atmospheres).

3.2.2 Community Health and Safety risks: Community health and safety issues associated with mining activities include transport safety along access corridor, transport and handling of dangerous goods, impacts to water quality and quantity, inadvertent development of new vector breeding sites and potential for transmission of communicable diseases. Large mining developments can result to numerous social vices associated due to the rapid influx of project labor (during construction and operational phases)

4.0. Climate-Smart Mining and Climate-Smart Mining Initiative³⁰

This is the responsible extraction and processing of minerals and metals to secure supply for clean energy technologies by minimizing the social, environmental, and climate footprints throughout the value chain of those materials by scaling up technical assistance and investments in resource-rich developing countries.

The Climate-Smart Mining Initiative has been developed to align with the Sustainable Development Goals and the Paris Agreement to ensure that the decarbonization of the mining and electricity industries also benefits the resource-rich countries that host these strategic minerals and the communities directly impacted by their extraction, as well as the developing countries that are projected to deploy renewable energy technologies to reach their climate ambitions.

While the growing demand for minerals and metals provides economic opportunities for resource-rich developing countries and the industry alike, significant challenges will likely emerge if the climate-driven clean energy transition is not managed responsibly and sustainably. Without climate-smart mining practices, negative impacts from mining activities will increase, affecting already vulnerable communities in developing countries, as well as the environment in which they operate.

The Climate-Smart Mining Initiative will help resource-rich developing countries benefit from the increasing demand for minerals and metals, while ensuring the mining sector is managed in a way that minimizes its environmental and climate footprints.

Access Bank will have to partner with the public sector and other key stakeholders for the implementation of climate-smart mining so as to contribute to the low-carbon future.

4.1 Climate-Smart Mining Building Blocks

There are four building blocks for climate-smart mining namely, climate mitigation, climate adaptation, reducing material Impacts and creating market opportunities. These building blocks will help mining companies and downstream users of minerals contribute to the sustainable development goals.

³⁰<http://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf>

4.1.1 *Climate mitigation*: includes the integration of *renewable energy* in the mining sector, *innovation* in extractive practices and *energy efficiency* in mineral value.

4.1.2 *Climate adaptation*: includes *forest-smart mining* with landscape management, *resource efficiency* in mineral value chain and *innovation waste* solutions.

4.1.3 *Reducing material Impacts*: includes adoption of a *circular economy* for low-carbon minerals, *reuse/recycling* of low-carbon minerals and low-carbon *mineral supply chain* management

4.1.4 *Creating market opportunities*: includes *de-risking investments* for low-carbon minerals, leverage *carbon finance instruments* and robust *geological data management*.

5.0. Banking Requirements for Mining Sector Financing

For all activities that fall within the scope of this Guideline Access Bank shall:

- Require mining sector clients to comply with National laws governing E&S issues.
- Encourage mining sector clients to meet the requirements of the IFC's performance standards and relevant environmental, health and safety guidelines that represent the minimum internationally accepted good practice.
- Refer to key sustainability initiatives and good practices relevant for mining projects during E&S due diligence. Where relevant, Access Bank will request clients to work toward enhanced performance consistent with such initiatives, standards, and good practice.
- Promote and encourage the uptake of opportunities relating to climate-smart mining building blocks as appropriate.

6.0. E&S Risk Implementation for Mining Sector Business

To meet these commitments and successfully manage E&S issues associated with the provision of financial products and services to Agriculture Sector, Access Bank would refer to relevant environmental, health and safety guidelines that represent the minimum internationally accepted good practice.

7.0. E&S Risk Categorisation of Mining Sector Investments

The following information serves to illustrate and support the categorisation of E&S risks for different Mining Business Activities. Typically, a transaction will be categorised as high, medium, or low risk based on the nature of E&S impacts associated with the client's Mining Business Activities and the client's ability to manage such impacts. The purpose of categorising the risk of a potential transaction is to guide the bank on the degree of E&S due diligence required to inform credit risk approval or underwriting decision-making and the appropriate level of E&S risk management and monitoring oversight that should be applied to the loan.

A high-risk transaction is one where activities carry potential significant adverse E&S risks and/or impacts that are diverse, irreversible, or unprecedented. These may include the

upstream aspect of the value chain (exploration and production) e.g. Underground Mining, Open-Cast or Pit mining, Alluvial mining and Artisanal Mining.

A medium-risk transaction is one where activities carry potential limited adverse E&S risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. These may include Solution mining and Marine dredging/Deep-sea mining.

The risk of a mine is at the lowest during the first quarter, moderate at the second quarter, high risk at the third quarter and extreme towards the end of the mine's life.

8.0. Mining Sector E&S Reporting

Access Bank would monitor and report on its activities consistent with this guideline and the relevant environmental, health and safety guidelines that represent the minimum internationally accepted good practice to demonstrate on-going commitment and progress. Access Bank shall seek to externally report on its progress in a meaningful way. In addition to general E&S risk reporting guidance provided, Access Bank would consider international best practices for reporting in the Mining sector. The Global Reporting Initiative provides detailed reporting guidance on certain activities and E&S risk issues in the Mining sector.

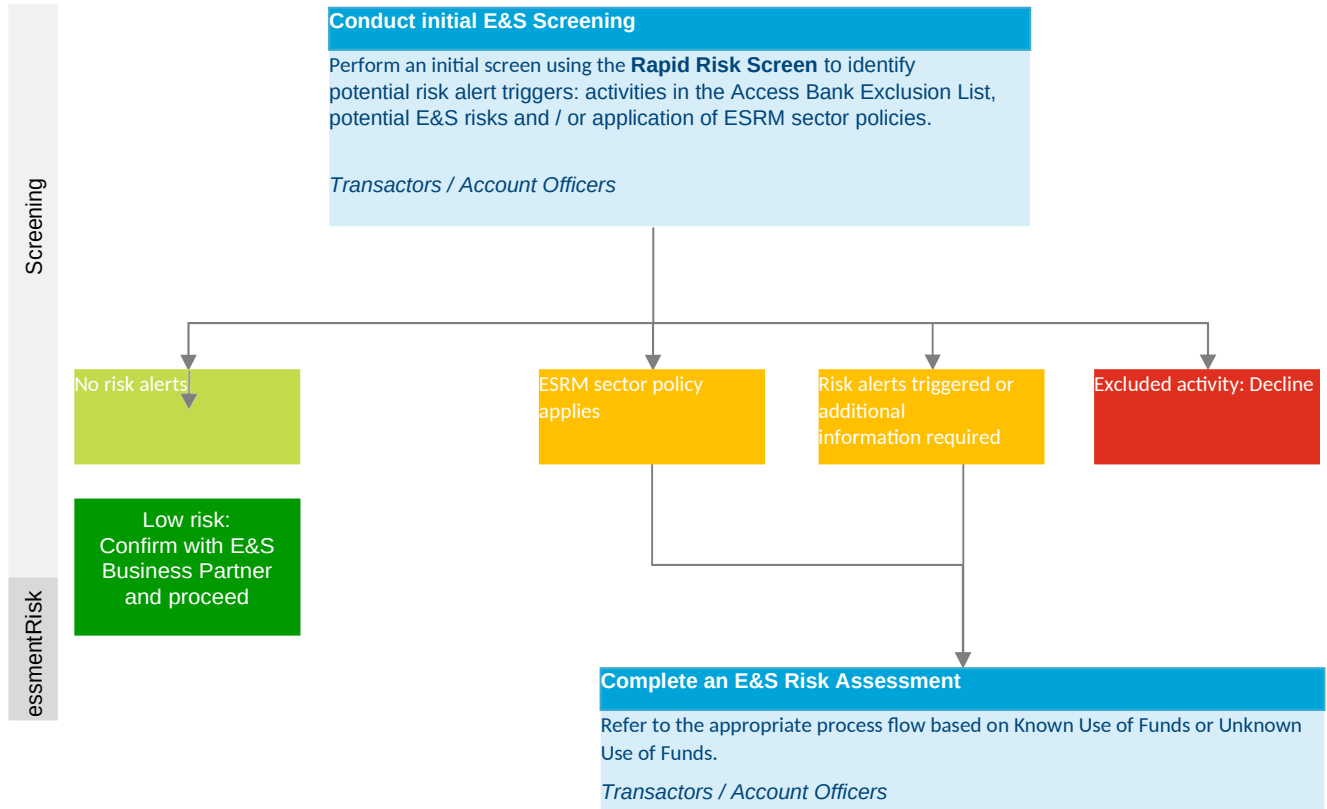
9.0. Policy governance

The Mining Policy has been reviewed and approved by the MCC. The ESRM-CRM Unit has responsibility for compiling and presenting ESRM policies and procedures to the MCC for approval.

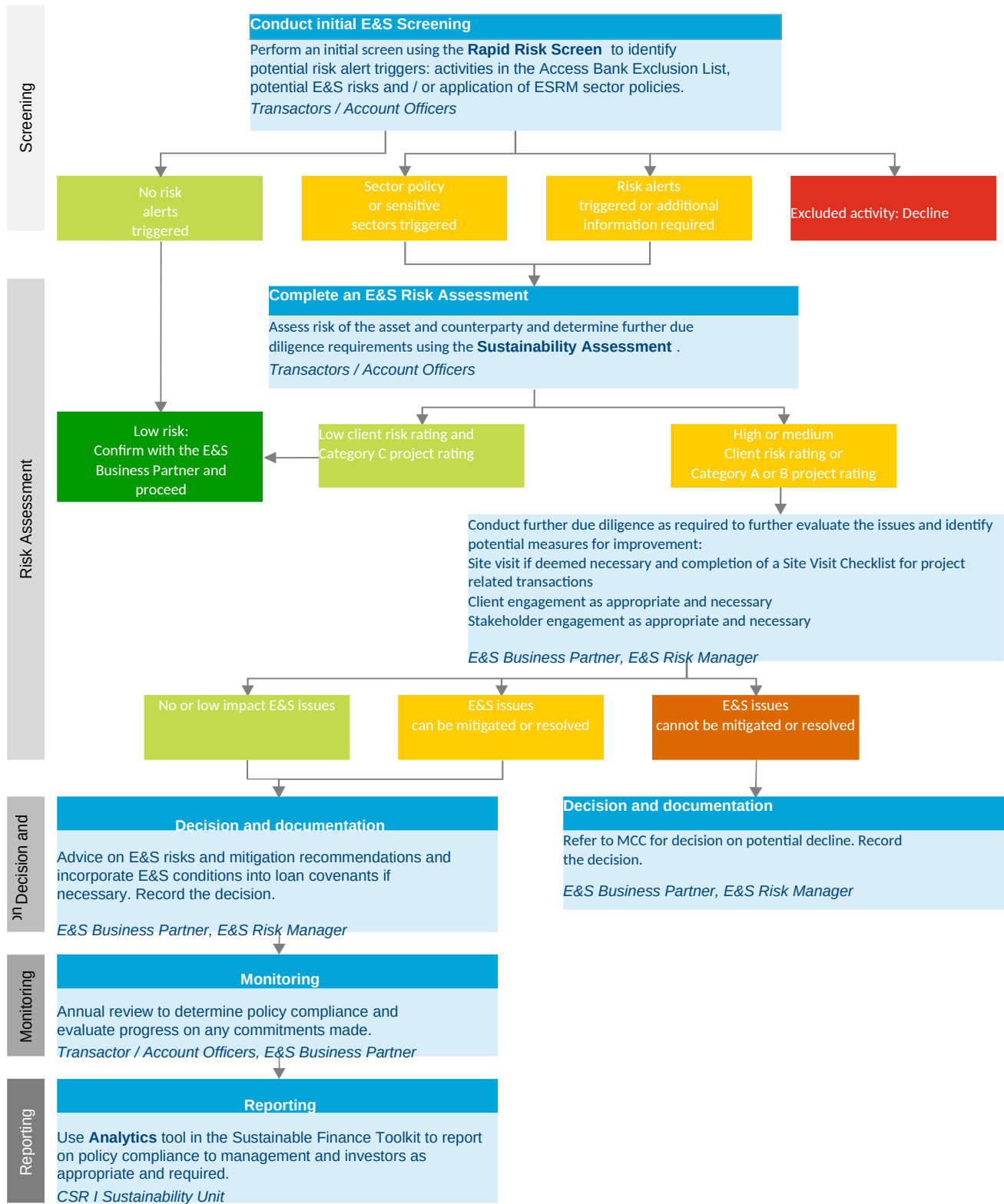
The Group Head, Environmental and Social Risk Management has responsibility for proposing changes as needed to the Mining Policy or creating new Group level ESRM policies and presenting these for MCC approval.

Appendix 8: ESRM procedures overview (subject to review)

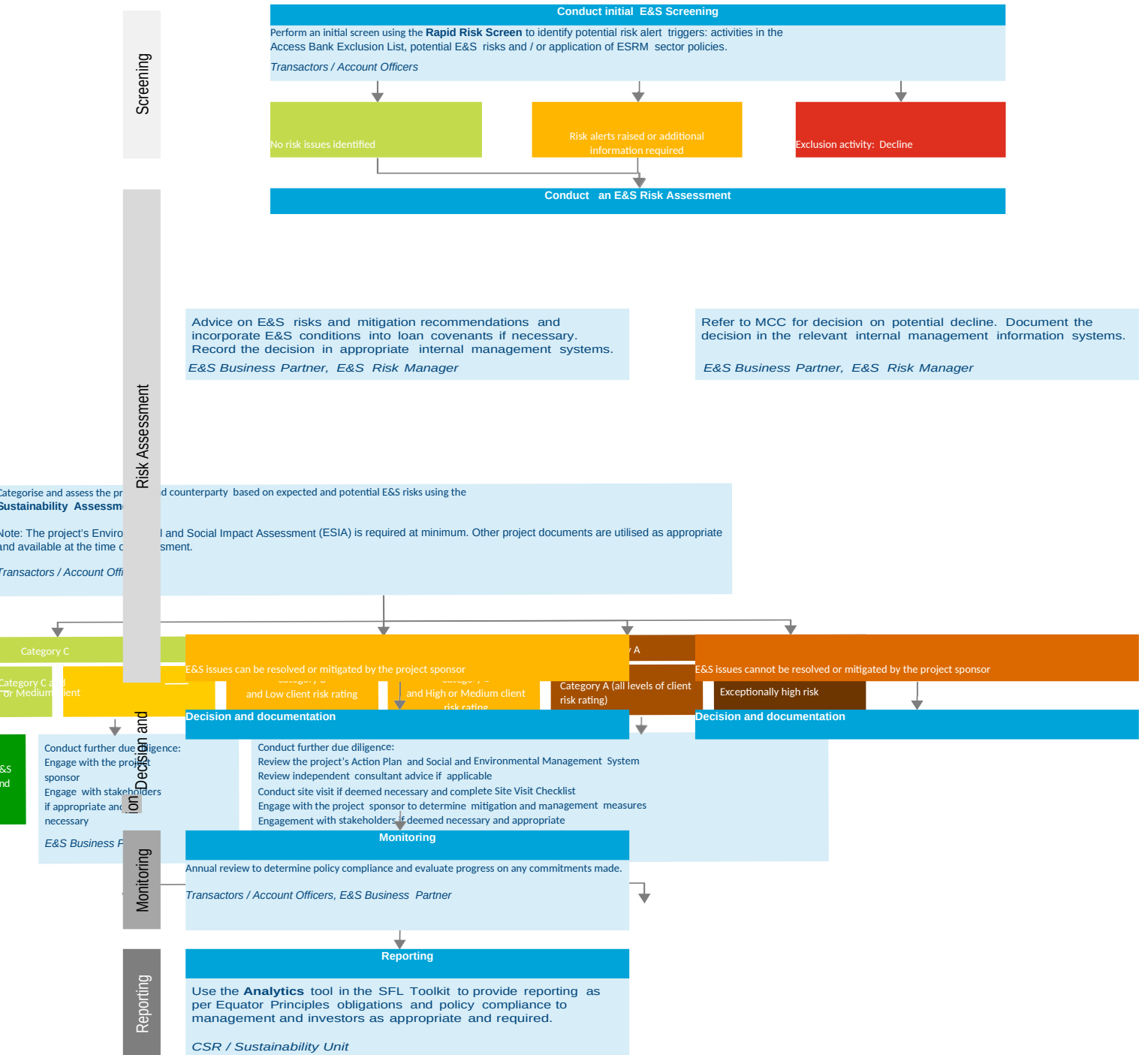
Appendix 9: Low Risk Financial Product Types (subject to review)



Appendix 10: Transactions with Known Use of Funds (subject to review)

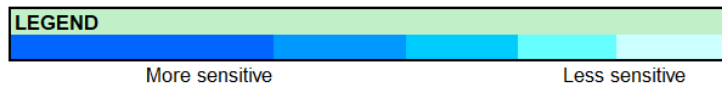


Appendix 11: Project Finance (Equator principles)



APPENDIX 12: Climate Risk Grid

TRANSITION RISK						
Sector	Loan Book	Climate Risk Drivers				Example of potential impacts for clients in these sectors may include
	%	Technology	Policy	Markets	Legal	
Oil & Gas	22%					1. Changes in demand for goods/ services
Agriculture	1%					2. Reduced revenue
Transportation and Storage	4%					3. Increased operating and production costs
Manufacturing	25%					4. Asset devaluation
Power and Energy	2%					5. Difficulty accessing financing
Sub-total	54%					6. Increased capital costs
						7. Business model failures
						8. Reputational damage
						9. Legal fines or judgments
PHYSICAL RISK						
Sector	Loan Book	Climate Risk Drivers				Example of potential impacts for clients in these sectors may include
	%	Chronic	Acute			
Agriculture	1%					1. Change in asset valuation
Real Estate	3%					2. Impaired assets, write-offs and early retirement of existing assets
Manufacturing	25%					3. Lower property values
Power and Energy	2%					4. Increased capital costs and operating costs
Transportation and Storage	4%					5. Reduced or disrupted production capacity
Sub-total	35%					6. Reduced revenue from lower sales or output
						7. Increased insurance premiums or inability to insure.



The grid shows the breakdown of our loan book into sectors and their susceptibility to different climate risks (Physical & Transition) under different risk drivers. This risk drivers is based on the inherent and residual risks per E & S Risk Category – A or B.

Acronyms

CBD	Commercial Banking Division
CFCs	chlorofluorocarbons
CIBD	Corporate and Investment Banking Division
CPG	Credit Risk Management Policy Guide
CRA	Client Risk Assessment
CSR	Corporate Social Responsibility
DFI	Development Finance Institution
E&S	Environmental and Social
EITI	Extractive Industries Transparency Initiative
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management
ESRM	Environmental and Social Risk Management
GDP	Gross Domestic Product
GHG	Green-House Gas
GRI	Global Reporting Initiative
IFC	International Finance Corporation
IMO	International Marine Organisation
IPIECA	International Petroleum Industry Environmental Conservation Association
ISSB	International Sustainability Standards Board
IUCN	International Union for the Conservation of Nature
MARPOL	International Convention for Prevention of Marine Pollution for Ships
MCC	Management Credit Committee
NGO	Non-Governmental Organisation
NPC	Nigerian National Planning Commission
NIRSAL	Nigerian Incentive-based Risks sharing System for Agricultural Lending
OGP	International Association of Oil and Gas Producers
PCAF	Partnerships for Carbon Accounting Financials
SBU	Strategic Business Unit
TCFD	Taskforce on climate-related financial disclosure
UNEP-FI	United Nations Environment Programme – Finance Initiative

ACCESS BANK PLC

Environmental and Social Risk Management (ESRM) Policy

Next Review Date:

2025-05-10

Risk Rating:

High