

Sustainability Banking Report 2016

Fidelity Bank's mission is to make financial services easy and accessible to customers. Execution of this mission connects us with the goals of sustainable economic development and poverty reduction. As a Bank, we understand our critical role in driving long term economic development through the provision of sustainable financial products and advisory services. We understand the need to ensure our lending and investment decisions meet the tripod objectives of economic viability, environmental responsibility and social relevance.

Consequently, Fidelity Bank will continue to provide financial services and products with the intent to “do no harm” to the environment and the people. This way we continue to ensure that the costs of economic development do not fall disproportionately on those who are poor or vulnerable, that the environment is not degraded in the process, and that renewable natural resources are managed sustainably. With this understanding, Fidelity Bank will continue to observe relevant local and international standards such as the Nigerian Sustainable Banking Principles (NSBP) and the Equator Principles in managing environmental and social risks in its own operations as well as that of clients it finances.

Managing Environmental and Social (E&S) Risks in Clients' Businesses

At Fidelity Bank, we understand that our lending and investment decisions could in uncontrolled circumstances, produce negative environmental and social impacts. Consequently, we have developed and deployed systems and processes to identify, assess, measure, mitigate, monitor and report such impacts. Our robust E&S Risk Management procedures which are well entrenched in the Bank's credit and investment processes, afford the Bank the opportunity to help clients manage such risks to secure long term sustenance of their businesses. By so doing, we meet our own objectives of engaging in responsible banking.

Compliance with Equator Principles

Equator Principles (EPs) are the financial sector's leading voluntary standard for identifying and managing social and environmental risks in relation to projects and project related financing. The Principles are based on the International Finance Corporation's (IFC) Performance Standards (PS) and

the World Bank Group's Environmental, Health & Safety (EHS) Guidelines. Equator Principles were launched in 2003, later updated in 2006, and its most recent version, Equator Principles III, released in June, 2013. The latest version of the EPs brings important changes to its application scope on transparency and accountability of both Equator Principles Financial Institutions (EPFIs) and their clients, as well as on climate change and human rights. In addition to Project Finance, the new EPs now apply to Project- Related Corporate Loans as well as Bridge Loans. Accordingly, we have updated our lending policies and procedures to reflect the new requirements.

As part of the structure to mainstream E&S issues in the lending processes, Fidelity Bank maintains a dedicated Sustainability Banking Unit that operates out of the Bank's Head Office within its Risk Management Directorate. The Sustainability Banking Unit reviews project related applications above the threshold of US\$10m as stipulated by the EPs while also reviewing other applications below this threshold in line with other national and international requirements.

Fidelity Bank has continued to strengthen its environmental and social risk management systems. The environmental and social risk assessment processes form an integral part of the Bank's credit analysis process. Every business related credit is screened/assessed against a set of Environmental and Social Risk criteria and then classified based on category definitions.

Measures to mitigate identified risks are presented as part of loan preconditions and covenants. Fidelity Bank has also instituted measures that ensure effective monitoring and reporting on credits assessed. In the course of our monitoring/inspection visits to the clients, the Bank endeavors to provide education on the long term sustenance of their businesses through effective environmental and social risk management.

As part of its routine roles, the Sustainability Banking Unit organizes and facilitates training of Relationship Management teams across the Bank. The Bank's Sustainable Banking Module is hosted on the Fidelity Electronic Learning Management Systems (ELMS) and staff are required to take mandatory training and tests on the portal periodically.

As a financial institution adopting the EPs, Fidelity Bank has agreed not to support projects where the borrower will not or is unable to comply with the environmental and social requirements arising from the application of the EPs. As part of our E&S assessment procedures, we classify projects in line with the IFC Performance Standards for project categorization as follows:

- **Category A:** Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;
- **Category B:** 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; and
- **Category C:** Projects with minimal or no social or environmental impacts.

Below, we report our project finance activity, in line with Equator Principle III requirements for the period, January 1 to December 31, 2016. During the review period, Fidelity Bank did not engage in any project finance related advisory services, project-related corporate loans and bridge financing, as defined in the EPs:

Project Finance - Sector Reporting

Sector	E&S Risk Categories		
	A	B	C
Oil and Gas	1	0	0
Power	0	0	0
Infrastructure	0	0	0
Others	0	1	0
Total	1	1	0

Project Finance – Regional Reporting

Region	E&S Risk Categories		
	A	B	C
Americas	0	0	0
Europe, Middle East and Africa	1	1	0
Asia Pacific	0	0	0
Total	1	1	0

Project Finance – Country Designation

Designation	E&S Risk Categories		
	A	B	C
Designated Countries	0	0	0
Non-Designated Countries	1	1	0
Total	1	1	0

Project Finance – Independent Review

	E&S Risk Categories		
	A	B	C
Yes	1	0	0
No	0	1	0
Total	1	1	0

FIDELITY MANAGED SME AS A VEHICLE FOR POVERTY REDUCTION

At Fidelity Bank, our goal is to become the most innovative SME support banking business in Africa while helping our clients build sustainable businesses. Our support for the growth and development of SME businesses is premised on our strong conviction that SME businesses are critical agents for economic development, job creation and poverty alleviation.

Our experience indicates that SMEs do not only need financing but also require focused capacity building to grow their businesses. To this end, Fidelity Bank under its Managed SME Division, continues to develop and deliver tailored business management capacity building programmes to SME owners. Through these schemes, budding and established entrepreneurs receive training on the potentials of non-oil export markets, business sustainability and value chain opportunities in manufacturing along with an overview of how the Bank works to finance SME businesses.

Business icons and captains of industry in various sectors of the economy and leaders in the public sector are sponsored by the Bank to enlighten SME owners on how to identify and optimize opportunities in the business environment through the electronic media. The Fidelity Regional SME Conferences and the Fidelity SME Radio Programme remain key platforms for the delivery of these capacity building initiatives.

Fidelity Bank is passionate about building Nigerian entrepreneurs and has committed ample human and material resources to drive the objective. As proof of commitment to the support of SME businesses, the Bank's SME customer footprint as at end of 2016 was in excess of 290, 000 customers across Nigeria.

CONTRIBUTING TO GREENHOUSE EMISSIONS REDUCTION

Fidelity recognizes that climate change is a serious global challenge and that climate-related impacts may impede economic and social well-being and development efforts.

Fidelity will continue to embrace adaptation measures that promote

sustainable investments in its business. In pursuit of greenhouse gas emission reduction, our strategy is geared towards energy efficiency measures at our newly developed branches/facilities, which are fitted with energy efficient lighting facilities. This has reduced our energy requirements for lighting by about 50 percent and the lighting facilities are estimated to last 25 times longer than traditional incandescent lighting systems. The Bank has also gone an extra mile to invest in the use of roofing sheet gauge 0.75mm on our new branch buildings thereby reducing energy requirement for ventilation and air conditioning (HVAC) equipment.

More so, all glass material fittings used at our new branches are thicker, tinted or reflective. These initiatives have invariably impacted positively on the use of fossil fuels in powering generators and reduced consumption from the national grid thus contributing to reduction in greenhouse emissions and related global warming.

Fidelity continues to retain its home-to-work commuting policy which offers well over 600 members of staff home-to-work commuting every work day. While this gesture serves to promote employee welfare, it also contributes to greenhouse emission reduction.

GUIDED BY THE INTERNATIONAL BILL ON HUMAN RIGHTS

Fidelity Bank identifies with the responsibility to respect human rights as set out in the International Bill on Human Rights and the conventions of the International Labour Organization. While dealing with employees, suppliers and third-party contractors, the Bank ensures that business is done in a manner that respects human rights, that everyone is treated fairly and without discrimination.

In order to ensure that we always meet this responsibility, we maintain an effective grievance mechanism and whistle blowing platforms that facilitate prompt identification and remediation of grievances. In pursuit of these objectives, the Bank introduced the HR Clinic, an initiative designed to provide an interactive platform between the HR team and employees bank-wide.

It encourages staff to provide feedback on HR processes and creates opportunity for HR advisory and counselling to staff where required. This encourages freedom of expression amongst the staff.

Furthermore, Fidelity employee policies prohibit use of child labour; forced labour and discrimination on grounds of race, religion, age, gender or economic background.

HEALTH AND HIV/AIDS POLICIES

The Bank recognizes her workforce as one of her most strategic assets; offering a competitive advantage for sustainable business success. For this reason, the Bank is committed to supporting the good health and wellbeing of every employee and continues to adopt best practices that cater for the healthcare needs of all employees including but not limited to access to an in-house occupational doctor, appropriate medical intervention, guidance and counseling, equal opportunity policy structures and workplace inclusiveness.

The Bank periodically runs HIV/AIDS education and awareness programmes to enhance and deepen understanding at least once a year. Staff members are encouraged to voluntarily undergo regular medical check-ups including routine tests to know their HIV/AIDS status. The Bank has adopted a policy of non-discrimination against any employee or customer on the basis of their HIV/AIDS status.

Employees living with HIV/AIDS have the right to confidentiality and privacy concerning their HIV status. All medical information regarding employees with HIV/AIDS is kept strictly confidential, except where required by law to be disclosed to specific people or with the expressed consent of the employee. In the event of a noticeable deterioration in the health of an employee living with HIV/AIDS matched by a decisive impact on the employee work ability, the Bank's standard incapacity procedures are usually applied.

EMPOWERING AND CREATING OPPORTUNITIES FOR WOMEN

Fidelity Bank believes that women play a crucial role in achieving sound economic growth and poverty reduction. When empowered, they contribute significantly to family income and consequently, poverty reduction. Recognizing that women are often prevented from realizing their economic potentials because of gender inequity, Fidelity is committed to creating opportunities for them in its employment as well as through lending, investment and advisory activities.

Through the Fidelity Managed SME Programmes, the Bank empowers women entrepreneurs with know-how and expertise that enables them build successful businesses. In this regard and in compliance with the Central Bank of Nigeria (CBN) requirement, Fidelity Bank ensures a minimum 43 percent female representation in its workforce. The Bank also expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts.

TIMELY REPORTING AND TRANSPARENT DISCLOSURES

Fidelity seeks to provide accurate and timely information regarding its lending, investment and advisory activities as well as more general information in accordance with its corporate governance stance. The Bank recognizes the importance of disclosure of information, both for itself and its clients, as a means of managing environmental, social and governance risks. To guard against the risk of financial crime within our business, we focus on training our employees, strengthening our screening systems and ensuring that our policies and procedures are effective and up to date.

CODE OF ETHICS AND INSIDER DEALING

Fidelity Bank prides itself in its long standing good professional and ethical reputation. This is sustained through a combination of policies, systems and cultural practices. The Bank has in place a very effective Code of Conduct and Ethics which clearly communicates the Bank's zero tolerance for corruption, bribery, abuse of office and similar misdemeanors. In collaboration with the professional firm of KPMG, the Bank since 2007 put in place a robust Whistle Blowing Policy which enable staff anonymously report unethical activities affecting any aspect of its operations. The Bank's Insider Trading Policy defines clear boundaries and consequences for associated infractions. These systems work in concert to strengthen staff integrity, confidence and ensure a more disciplined work force.

COLLABORATING WITH PARTNERS

Fidelity acknowledges that it can do more working together with others than it could acting alone. The Bank therefore endeavors to collaborate with clients who identify and manage environmental and social risks and who pursue environmental and social opportunities and outcomes in their business activities with a view to continually improving their sustainability performance.

Fidelity participates actively in sector-wide efforts and international initiatives to promote sustainable development. Fidelity is a signatory to the United Nations Environmental Programme-Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC) and Equator Principles. Other partners that Fidelity collaborates with for sustainability include the Nigerian Conservation Foundation (NCF), The Nigerian Writers Association, and Spinal Cord Injuries Association of Nigeria (SCIAN).

LEADING BY EXAMPLE IN E&S FOOTPRINTS MANAGEMENT

Fidelity believes that the commitment to E&S risk management requires leading by example. We therefore manage the E&S footprints associated with our internal operations and undertakings by making sustainability

considerations an integral part of everyday work in our offices wherever located.

This commitment includes pursuing best practices in environmental and social management with the objective of achieving carbon neutrality and conservation of nature in our business operations. We do this by continually seeking innovative ways for efficient use of materials and resources such as energy and water consumption and efficient management of paper and electronic waste in our banking operations.

In this regard, the Bank has since 2008 embraced the environmental management concepts of reduce, reuse and recycle. Strategies to realize our commitment to these concepts led to our use of recycled biodegradable paper cash bags as against the common practice among our peers who use polyethylene cash bags.

We have equally implemented paperless computing concepts which ensure that most internally generated communication within the Bank are handled electronically without recourse to paper printing. Our cashless banking concepts have eliminated the use of paper and cheque books for certain categories of transactions resulting in huge paper savings. Likewise, about 95 per cent of our customer statements are delivered electronically.

In pursuit of our nature conservation and environmental beautification strategies, the Bank works with State and Local Governments to create and maintain green parks in key locations across Nigeria. In 2016, the Bank continued to maintain its environmental advocacy programme through financial sponsorship and physical participation in the Nigerian Conservation Foundation / Lagos State Government organized Walk-for-Nature programme.

As part of E&S footprints management, Fidelity aligns its community investment programmes with its overall goals for economic and social development within communities in which the Bank operates. The Bank strives for positive social contributions in these communities by providing basic needs, reducing poverty, supporting education, improving health and increasing long-term employment through its internal community help initiative tagged "Fidelity Helping Hands Project (FHHP)". Fidelity also raises staff awareness regarding this commitment.

In 2016, key projects completed and handed over to beneficiary communities under the scheme include renovation of health centres and schools, provision of healthcare support, donation of educational materials

to schools and relief materials to Internally Displaced Persons (IDP) camps and orphanages/special children's centres, etc.

The major highlight of the Banks 2016 Corporate Social Responsibility initiatives/activities was the establishment of the Fidelity Youth Empowerment Programme aimed at educating, engaging and empowering undergraduates of Nigerian tertiary institutions with entrepreneurial skills in order to become financially independent upon graduation. Since its inception, over 500 undergraduates have been trained and empowered.