

## **SUSTAINABLE BANKING REPORT DECEMBER 31, 2015**

Fidelity Bank's mission is to make financial services easy and accessible. Execution of this mission connects us with the goals of sustainable economic development and poverty reduction. As a Bank, we play key roles in driving long-term economic development which we believe should occur in a manner that is not only economically viable but also environmentally responsible and socially relevant. We understand that our lending and investment activities could in uncontrolled circumstances produce negative Environmental and Social (E&S) impacts including air and water pollution; destruction of biodiversity and ecosystems; threats to human health and safety; violations of labour rights; displacement of livelihoods, etc. Consequently, we continually seek ways to carry out our banking activities with the intent to "do no harm" to people and the environment. This way we contribute to ensuring 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 commits to observe relevant local and international standards such as the Nigerian Sustainability Banking Principles (NSBP) and the Equator Principles in managing environmental and social risks in its own undertakings as well as that of clients it finances.

### **MANAGING ENVIRONMENTAL AND SOCIAL RISKS IN CLIENTS' BUSINESSES**

Fidelity may be exposed to the E&S risks associated with the underlying business activities of its clients. These risks often present as credit, collateral, legal liability and reputational risk. Our standardized E&S systems and processes have been optimized to respond to the nature and scale of client operations, sector, nature of E&S risks and potential impacts. Our decision-making processes incorporate an approach that systematically identifies, assesses and manages E&S risks and their potential impacts. Where avoidance of E&S risk is not possible, the Bank engages with the client to minimise and/or offset identified risks and impacts, as appropriate. In this regard, the Bank has taken steps to automate and integrate E&S procedures into its credit screening, approval, administration, monitoring and reporting processes.

### **COMPLIANCE WITH EQUATOR PRINCIPLES**

Equator Principles (EPs) is the financial sector's leading voluntary standard for identifying, assessing, and managing social and environmental risks in relation to projects. The Principles are based on the International Finance Corporation's (IFC) Performance Standards 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 released in June, 2013. The latest version of the EPs brings about 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 lending processes, Fidelity Bank maintains a dedicated Sustainability Banking Desk 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 Equator Principles while also reviewing other applications below this threshold in line with other national and international requirements.

Fidelity provides environmental and social risk management training to all employees though with special emphasis on those involved in business relationship management, credit operations, facilities and risk management. In 2015, the Sustainability Banking Unit in collaboration with the Business Process Automation Division developed an online E&S Screening and Assessment tool and integrated the application with the Bank's automated Credit Appraisal System. Also, as part of its routine roles, the Sustainability Banking Unit organized and facilitated training of Relationship and Risk Management teams across the bank regarding use of the online tool.

As a financial institution adopting the EPs, Fidelity Bank undertakes 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 is 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.

During the year ended December 31, 2015, Fidelity Bank did not participate in any project finance, project finance related advisory services and bridge financing, as defined in the Equator Principles III. Below, we report our project related corporate loans activity for the period, January 1 to December 31, 2015.

### Project Related Corporate Loans - Sector Reporting

Sector	E&S Risk Categories		
	A	B	C
Oil and Gas	2	0	0
Power	0	0	0
Infrastructure	0	0	0
Others	0	2	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>

### Project Related Corporate Loans – Regional Reporting

Region	E&S Risk Categories		
	A	B	C
Americas	0	0	0
Europe, Middle East and Africa	2	2	0
Asia Pacific	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>

### Project Related Corporate Loans – Country Designation

Designation	E&S Risk Categories		
	A	B	C
Designated Countries	0	0	0
Non-Designated Countries	2	2	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>

### Project Related Corporate Loans – Independent Review

	E&S Risk Categories		
	A	B	C
Yes	2	0	0
No	0	2	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>

### FIDELITY MANAGED SME AS A VEHICLE FOR POVERTY REDUCTION

At Fidelity we believe that Small and Medium-Scale Enterprises (SMEs) are engines of economic growth, job creation and poverty reduction. Our experience indicates that SMEs do not only need financing but in addition also require focused capacity building to grow their businesses. To this end, the Bank under its Managed SME Scheme, continued to develop and deliver tailor-made training and capacity enhancements to SME owners in 2015. Through the scheme,

budding entrepreneurs receive training in accounting, financial management, human resources management and the use of information technology systems along with an overview of how the Bank works to finance SME businesses.

To further support the programme, 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. In addition to the continuation of the Fidelity SME Radio Programme in 2015, the Bank introduced its SME TV Series, The Fidelity Regional SME Conference. The SME TV Series is an initiative that seeks to assist SMEs across all geographical zones in Nigeria to identify economic opportunities offered in their immediate environments.

### **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. Working with our clients and collaborative partners to address climate change is therefore a strategic priority for the Bank. Fidelity supports adaptation measures that promote sustainable investments. In pursuit of greenhouse gas emissions reduction, we have implemented strategies at the Bank to reduce local and overseas travels. Key components of these strategies include installation of online learning and conferencing facilities which have reduced official travels within the Bank. Also, as a deliberate carbon emissions reduction strategy, we ensure that our over 734 ATMs are powered with inverters.

### **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, 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 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 test 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 have 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 requirement, Fidelity Bank ensures a minimum 40% female representation in its workforce at all cadres. 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 recognises 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 misdemeanours. 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 strength 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 both a signatory to the United Nations Environmental Programme-Finance Initiative (UNEP-FI) and the 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 2015, the Bank continued to maintain its environmental advocacy programme through financial sponsorship for 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 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 'Helping Hands Project'. Fidelity also raises staff awareness regarding this commitment. In 2015, key projects completed and handed over to beneficiary communities under the scheme include provision of ICT centers, donation of vehicles, free eye surgery and treatments, renovation of schools, construction of boreholes and water treatment plants, etc.