

SUSTAINABILITY REPORT FOR FINANCIAL YEAR ENDED DECEMBER 31, 2014

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 unfortunate 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. In 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 guarantee, legal liability and reputational risk. Our fit-for-purpose E&S systems and processes have therefore been developed 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. The bank believes that its regular engagement with clients and third-party suppliers about matters that directly affect them plays an important role in avoiding or minimizing risks and impacts to people and the environment.

EQUATOR PRINCIPLES COMPLIANCE

Equator Principles (EPs) have become 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. Most importantly, 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.

Environmental and Social issues are required considerations in the appraisal, administration, monitoring and reporting of credit facilities of the Bank and these requirements have been integrated into the Bank's lending processes. 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 team reviews all project finance applications for more than US\$10m as stipulated by the Equator Principles. In line with requirements of other international associates of the Bank, the team may also review applications below this threshold.

While the bank's operations minimally lead to environmental and social impacts, activities of some of our clients can cause palpable, short, medium or long-term negative impacts on the biophysical and social environment within their areas of influence and these may lead to:

- Direct risks for the Bank through liability for impacts caused by clients;
- Reputation risks through association with such clients;
- Credit risks as a result of disruption to business operations, loss of license to operate, fines, penalties and legal enforcement or closure; and
- Market risks associated with reduced value of security and collateral

Fidelity provides environmental and social risk management training to all employees though with special emphasis on those involved in business relationship management, credit operations and risk management. In 2014, the Bank collaborated with the external E&S consulting firm of Environmental Resources Managers Limited (ERML) to update its Sustainability Banking Policies and Guidance Notes. As part of the engagement, ERML facilitated regionalized awareness and capacity building workshops/training for 425 employees of the Bank selected from various Divisions including Relationship Management, Credit Operations, Risk Management, Audit and Facilities Management teams of the institution. A special session of the training tailored to E&S issues to be considered while approving credit facilities was also provided to members of the Board and Senior Management of the Bank.

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. Our project categorization is in line with the recommendations of the IFC Performance Standards defined 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 the Equator Principle III requirements for the period, January 1 to December 31, 2014. Fidelity Bank did not participate in any project finance related advisory services, project related corporate loans and bridge financing, as defined in the Equator Principles:

Project Finance - Sector Reporting

Sector	E&S Risk Categories		
	A	B	C
Oil and Gas	12	0	0
Power	7	2	0
Infrastructure	0	7	0
Others	0	15	0
Total	19	24	0

Project Finance – Regional Reporting

Region	E&S Risk Categories		
	A	B	C
Americas	0	0	0
Europe, Middle East and Africa	19	24	0
Asia Pacific	0	0	0
Total	19	24	0

Project Finance – Country Designation

Designation	E&S Risk Categories		
	A	B	C
Designated Countries	0	0	0
Non-Designated Countries	19	24	0
Total	19	24	0

Project Finance – Independent Review

	E&S Risk Categories		
	A	B	C
Yes	19	0	0
No	0	24	0
Total	19	24	0

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 training and

capacity building to grow their businesses. To this end, 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 and build capacity of SME owners on how to identify and optimize opportunities in the business environment through the electronic media. In 2014, we continued to develop our Managed SME Scheme to deliver tailor-made training and capacity enhancements. Through the scheme, SME owners receive training on 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. The aim is to help our SME customers manage their finances more efficiently, while accessing appropriate products and financing to grow their businesses. Our lending to SMEs stood at ₦71 billion as at 31st December 2014, representing 13% of the Bank's total loan book.

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. Given the importance of the private sector's role in the reduction of greenhouse gas (GHG) emissions, Fidelity engages in innovative investments and advisory services to support climate-friendly solutions and opportunities for businesses. Fidelity also supports adaptation measures that promote sustainable investments.

Fidelity support for low-carbon economic development is one dimension of its balanced approach to development, including supporting access to modern, clean and reliable energy services. The Bank pursues this objective through the use and development of relevant service products, instruments, markets, and advisory services as well as through the adoption of appropriate technologies, processes, and practices in the activities it supports. In pursuit of greenhouse gas emissions reduction, we have implemented strategies at Fidelity to reduce local and overseas travels. Key components of these strategies include implementation of online learning and conferencing facilities which have reduced official travels within the Bank by an estimated 15%. Also, as a deliberate carbon emissions reduction strategy, we ensure that our over 695 ATMs are powered with clean and renewable energy generated from a combination of solar panels and power inverters.

GUIDED BY THE INTERNATIONAL BILL ON HUMAN RIGHTS

Fidelity is guided by the International Bill on Human Rights and the conventions of the International Labour Organization in its dealings with employees, suppliers and third-party contractors. The Bank recognizes the responsibility of business to respect human rights independently of the state duties to respect, protect, and fulfill human rights. This responsibility ensures we avoid infringing on the human rights of others and to address adverse human rights impacts businesses may cause or contribute to. Meeting this responsibility also means creating access to an effective grievance mechanism that can facilitate early indication and prompt remediation of various project-related 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. We are currently implementing

procedures that will enable us require similar compliance from our contractors and third party suppliers.

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. They are an essential part of private sector development. The Bank therefore expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts. Recognizing that women are often prevented from realizing their economic potential because of gender inequity, Fidelity is committed to creating opportunities for women in its employment as well as through its lending, investment and advisory activities. In this regard and in compliance with Central Bank of Nigeria requirement, Fidelity Bank ensures a minimum 40% female representation in all its workforce at all cadres.

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 communicate the Bank's zero tolerance for corruption, bribery, abuse of office and similar misdemeanours. In collaboration with the professional firm of KPMG, the Bank in 2007 put in place a robust Whistle Blowing Policy which enable staff anonymously report unethical activities affecting any aspect of the 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 day-to-day 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 is 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 green parks in key locations across Nigeria. In 2014, the Bank continued to maintain its environmental advocacy programme through financial sponsorship for the Nigerian Conservation Foundation / Lagos State Government organized Walk for Nature.

OTHER CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

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 communities in which it operates 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. The Bank's E&S awareness programme produced over 2,500 staff volunteers in 2014 who in addition to volunteer labour contributed a total sum of ₦28million. This amount was matched 100% by the Bank which provided an additional ₦28million to fund various help projects in about 21 communities in which the Bank operates. Key projects completed and handed over to beneficiary communities under the scheme include borehole construction and installation of water treatment plants, rehabilitation of hospitals, renovation of schools, renovation and equipment of a boys' correction center, equipment of women vocational and empowerment centres, donation of books to school libraries, donation of motor vehicles to orphanages, etc.