

Sustainability Banking Report 2017

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 key 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' 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 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 secure long term sustenance of their businesses. By so doing, we meet our own objectives of engaging in responsible banking. In recognition of its commitment to environmental and social management, Fidelity Bank received the following awards at the maiden 2017 Central Bank of Nigeria (CBN) Sustainability Awards: Sustainable Bank of the Year (2nd Position), Bank of the Year in Women Economic Empowerment (2nd Position) and Sustainable Transaction of the Year in Agriculture (3rd Position).

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 (EP III), released in June, 2013. EP III 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, EP III applies to Project-Related Corporate Loans as well as Bridge Loans. Accordingly, we have updated our lending policies and procedures to reflect the EP III requirements.

As part of the structure to mainstream E&S issues in our 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 procedures 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 including maintaining a robust database that supports effective monitoring and reporting on credits assessed to E&S requirements. In the course of our monitoring/inspection visits, the Bank endeavours to provide client education on approaches to achieving long term sustainability of their businesses through effective environmental and social risk management.

As part of its routine roles, the Sustainability Banking Unit organizes capacity building programmes across the Bank. The Unit circulates quarterly bank-wide internal communication to promote environmental and social risk management awareness among staff. The Unit also delivers Environmental and Social Risk Management training modules at all staff induction programmes, Bank's Thursday lecture series and e-learning portal assignments and quizzes.

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 in line with the International Finance Corporation's 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.

In line with Equator Principle III disclosure requirements, we report that Fidelity Bank did not reach financial close in any Project Finance, Project Finance Related Advisory Services, Project Related Corporate Loans or Bridge Financing for the period, January 1 to December 31, 2017.

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 Nigeria 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 help 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 business owners.

Through these schemes, budding and established entrepreneurs receive training on the potentials of non-oil export markets, business sustainability through effective brand management, leveraging digital technology and business diversification as well as the tailored financing products offered by the Bank to SME businesses with a special focus on women and youths.

Through effective use of the electronic media, business icons, captains of industry and leaders in the public sector are sponsored by the Bank to enlighten SME owners on how to identify and optimize sustainable business opportunities in the environment. The Fidelity SME Radio Forum, the Regional SME Conferences and related TV Series remain key platforms for delivery of these capacity building initiatives.

Fidelity Bank also provides sector focused capacity building programmes through its Export Leadership Institute established in partnership with the Lagos Business School (LBS), Pan- Atlantic University and the Nigerian Export Promotions Council (NEPC) to deliver impactful, world-class export management education to existing and potential business leaders.



The Fidelity Green Mall, a Fidelity multi-merchant shared web based platform helps MSMEs establish online presence to access new markets and opportunities. As proof of commitment to the support of SME businesses, the Bank's SME customer footprint as at date is in excess of 300,000 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% and our newly retrofitted lighting facilities are estimated to last 25 times longer than traditional incandescent lighting systems used at the Bank.

The Bank has also gone an extra mile to invest in the use of roofing sheet gauge of 0.75mm on 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 will continue to maintain its fleet of staff buses which offers well over 600 members of staff free home-to-work commuting services 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. The HR Clinic Initiative promotes freedom of expression, encourages staff to provide feedback on HR processes and creates opportunity for counselling to staff.

Furthermore, Fidelity employee policies prohibit use of child labour; forced labour and discrimination on grounds of race, tribe, 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 appropriate medical intervention through an HMO, 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 requirement, Fidelity Bank ensures adequate female representation in its workforce and currently has about 44% of female staff. 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 Bank 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 Policy which clearly communicates the Bank's zero tolerance for corruption, bribery, money laundering, 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 enables 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. The Bank's anti-corruption policies and procedures are regularly communicated to employees and management in the Bank. 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 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 and Equator Principles. The Bank also partners with the Nigerian Conservation Foundation (NCF) on environmental advocacy initiatives.

LEADING BY EXAMPLE IN E&S FOOTPRINTS MANAGEMENT

Fidelity Bank 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, fuel 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 2017, 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 investing 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 2017, key projects completed and handed over to beneficiary communities under the scheme include renovation of health care centres, construction of



ultra-modern bus stops, drilling and repair of boreholes, donation of healthcare materials to hospitals, 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 2017 Corporate Social Responsibility initiatives/activities was its partnership with African Youth Entrepreneur Empowerment of Nigeria (AYEEN), the largest network in Africa to air its 2nd Reality show called AYE Reality Show 2017 which showcased about 100,000 young and aspiring entrepreneurs with the purpose of empowering the winners. The Bank's Youth Empowerment Academy (YEA) which is aimed at educating, engaging and empowering undergraduates of Nigerian tertiary institutions with entrepreneurial skills in order to become financially independent upon graduation held biannual workshop at Federal Polytechnic, Oko, Anambra State and the River State University, Port Harcourt, River State where over 500 youths were directly impacted in 2017.