



**WEMA BANK**

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# **Wema Bank Environmental and Social Risk Management Policy**

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**ABRIDGED VERSION 2020**

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## 1. Overview of Environmental and Social Risk

### 1.0 Introduction

Environmental and Social Risks are the potential environmental and social issues associated with a client or engagement that may imply exposure to risk and accordingly may need to be taken into account when making business and risk management decisions.

Environmental and Social Risk Management Policy identifies and describes the bank's approach to managing the E&S risks in its Business Activities. The Bank's Key considerations for determining its approach to E&S risk management are:

- Types of financial services offered (including their typical duration, amounts involved, number of tiers between the bank and the clients);
- Industry sectors of the client/investment portfolio;
- Types of E&S issues related to the bank's portfolio and the potential to cause adverse impacts;
- Applicable industry initiatives and legal frameworks;

In addition to the above, the Environmental and Social Risk Management Policy for Wema Bank Plc. shall remain in place and adopted towards ensuring that projects financed are executed in a socially responsible manner and reflect sound environmental management practices.

The bank will also determine whether relevant E&S standards have been adequately applied. Where avoidance of E&S impacts is not possible, the bank will agree with its clients on a plan to minimize and/or offset identified impacts and will work toward improved E&S performance with tangible and practicable goals.

### 1.1 Basis/ Justification & Approach for an Environmental & Social Risk Policy

As the threat of climate change and the depletion of resources has grown, so investors have become increasingly aware of the need to factor sustainability issues into their investment choices. The issues often represent externalities, i.e. impacts on the functioning and revenues of the company that are not

exclusively affected by market mechanisms. As with all areas Environmental and Social Risk Management's major possible concerns are vast and these include: climate change, energy, food safety and production, human rights, corruption and poverty.

These environmental and social issues in combination with today's complex business structures, resources and customer networks, highlight the importance of attentiveness to stakeholders. For most companies, there are categories of stakeholders with whom positive relationships are important for long-term success: investors and lenders, customers, employees, suppliers. Communities also have significant impacts on companies as well as stakeholders.

The Bank's approach to E&S Risk Management shall be consistent with relevant national and international standards and practices and take into consideration, the circumstances specific to the Nigerian context.

The bank will apply its E&S risk management approach according to the expected level and nature of risk exposure to potential E&S impacts. The higher the level of risk, the more involved the management response will be for any E&S issues associated with the transaction or client's business activities. This shall be done through an E&S risk due diligence assessment.

### **1.2 Purpose of Environmental and Social Risk Management Policy**

The purpose of this policy in Wema Bank is to document how to deal with risks that are related to Environmental and Social Risk. It will cover transaction risks as well as risks arising from our business partners or from business practices that may have negative impact on public trust for the Bank.

The policy will guide our activities in sectors that are exposed to significant Environment or Social risks i.e. lending to customers with Environmental and

Social Risk Management practices that are not user friendly and non-value adding.

### **1.3 Objectives of Environmental and Social Risk Management Policy**

The Environmental and Social Risk Policy shall ensure that all projects include adequate provision for actions and costs necessary to prevent, control and mitigate negative impacts on the environment and society, and to improve the quality of both.

Introducing this policy, Wema Bank intends to set out a minimum scope for acceptable Environmental and Social Risks. These will contain details of our requirements in relation to aims, data collection and assessment, baseline assessment, treatment of subcontractors, risk assessment, monitoring/corrective action plan, environmental and social management, training and reporting.

As part of Wema Bank's commitment to sustainability, the Bank will focus on raising awareness of environmental and social risk issues among employees across its operations. Training frontline employees to ensure environmental and social risks are considered alongside business risks when lending decisions are made.

### **1.4 Requirements of Central Bank of Nigeria (CBN)**

The guidelines on sustainable banking are aimed at integrating environmental and social policies into decision-making processes in commercial banks, discount houses and development finance institutions. It adopts the Nigerian Sustainable Banking Principle on Agriculture, Power, and Oil and Gas sector. The adoption of the principle makes it mandatory for banks in mitigating the Environmental and Social risks associated with their business operation and those of their clients.

## 1.5 Scope of Environmental & Social Risk Management

To ensure a consistent approach across our bank, our Environmental and Social Risk Management practices will apply to lending and lending activities.

As reflected in the Bank's approach to E&S risk management, not all engagements in the bank's portfolio require the same level of E&S due diligence. The time and Resources dedicated to each engagement shall be commensurate with the risk profile and nature of the relationship/engagement. In view of this, the bank shall focus more of its E&S assessment efforts on those engagements that have potentially significant E&S impacts.

In this E & S policy, the Bank has defined a list of sectors/issues and banking activities that present an increased E&S risk for the Bank and which will be subject to a more detailed E&S due diligence.

## 2. Wema Bank's Environmental & Social Risk Management Principles

### 2.1 Environmental and Social Risk Management Principles

Wema Bank's environmental and Social Policy identifies our obligation to manage the environmental and social aspects and impacts that our activities, products and services have on society and to respond strategically to the risks which global environmental and social pressures have on our ability to create sustainable value for our stakeholders. The policy will require:

- Developing and managing systems to enable effective risk and opportunity identification, and the management of performance improvement. This includes setting clear targets and reporting against them.
- Putting on best practices for a financial services company, benchmarked against international standards.
- Seeking business solutions and products that provide sustainable development outcomes for our customers and the wider business community.
- Complying with all relevant environmental and social governance and legislations.
- Certifying environmental and social risk assessment input into the credit granting process. Where a project that the Bank intends to finance requires specific environmental or social management; a legally binding action plan shall be developed with the client.

### **3 Wema Bank Environmental & Social Risk Management Policy Commitments**

#### **3.1 Global Commitments**

The Bank will be accomplishing its commitment to actively assume its environmental and social responsibility by subscribing to the global practice, which enables business to operate in a more sustainable and socially responsible manner. The bank will ensure that appropriate procedures are designed to meet these policy requirements.

This statement of commitment on Sustainability is a demonstration of the Bank's obligation towards supporting an environmentally responsible and socially relevant culture in our business operations and with all our clients with which we engage in business. It is also guided by our Vision, Mission and Philosophy and benchmarked against both local and international best practice.

At Wema Bank, we recognize that the long-term survival of our institution depends on our determination and discipline to abide by sound Environmental and Social (E&S) risk management practices and corporate governance principles. We are therefore committed to delivering sustainability and sustainable banking principles through value edge products and services without endangering the future environmental and social indices.

We have also integrated the management of all environmental and social issues that affects our business operations and business activities into the overall business strategy of our bank.

#### **3.2 Regulatory Compliance**

The CBN has adopted the Nigerian Sustainable Banking Principles and the three sector guidelines on Agriculture, Power and Oil & Gas as approved by The Banker's Committee. Adoption of these principles by the CBN makes it compulsory for the Bank to incorporate social and environmental concern into



its processes, policies, operations, procedures and strategies, and to support implementation at the industry level.

### 3.3 Legislative Compliance

Wema Bank shall be committed to compliance with relevant environmental laws and regulations as a minimum level of performance and shall ensure that these standards are exceeded. Following the policies and legislations in developing Environmental and Social Risk Management, references will be made to the following (this list is however not exhaustive):

- I. Nigerian Constitution
- II. Federal Environment Protection Agency Act
- III. State Environmental Protection Agency Acts
- IV. National Health Insurance Scheme
- V. Tobacco Products Control Act
- VI. Nigerian River Basin Authorities Development Act
- VII. Nigerian Road Building Research Agency Act
- VIII. Nigerian Building Regulations Act
- IX. National Maritime and Safety Agency Act
- X. Nigerian Conservation Foundation Act
- XI. Nigerian Wildlife Protection Agency Act
- XII. Capital Development Authority
- XIII. Federal Capital Development Authority
- XIV. Nigerian Coastal Line Protection Act
- XV. Central Bank of Nigerian Minimum Security Requirements in Bank Locations
- XVI. International Convention on Environment: 1992 Earth Summit

### 3.4 Reporting

The Bank shall disclose material environmental and social performance by reporting at least annually to our shareholders on our environmental and social indicators and management of material risks and opportunities. In addition, we shall comply with our reporting obligations under the relevant environmental and societal obligations.

## **4 Wema Bank E&SRM Procedure & Process Overview**

### **4.1 Environmental and Social Risk Management Procedure & Process**

Wema Bank shall have clearly defined environmental and social management systems in place, commensurate with the nature and the level of environmental and social risks associated with its business activities and consistent with its performance requirements.

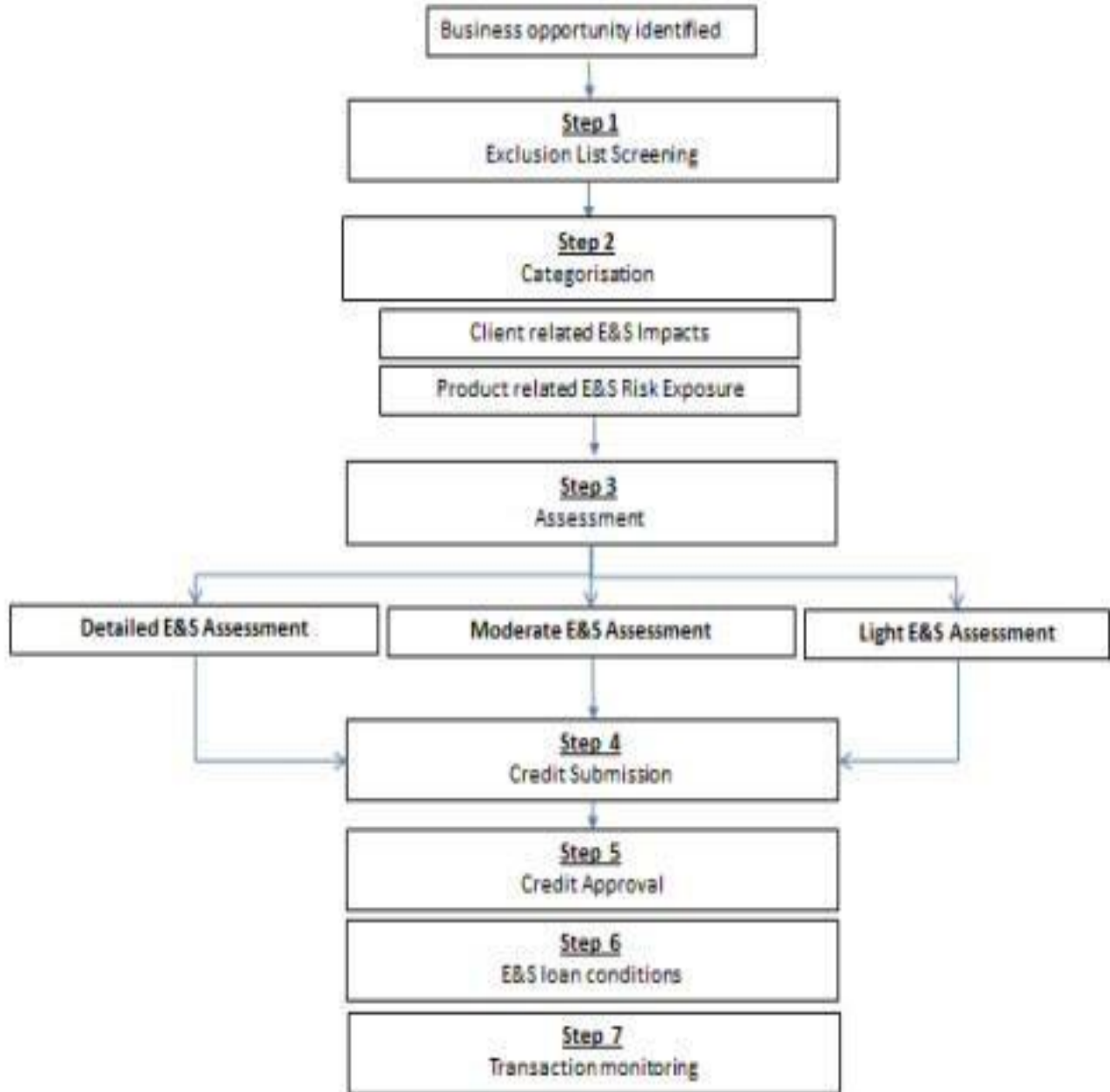
The Bank shall adopt the following environmental and social risk management processes in all its client relations and transactions:

- Identify, categorize, assess and manage the E&S impacts of clients and their business, and the E&S risks to the bank through a series of steps and procedures.
- The use of these procedures shall enable staff to determine what level of environmental and social risk management is necessary for each transaction, and to carry out the necessary investigation. Although these procedures are intended for use in analyzing new potential transactions at the time of application by the customer, they can equally well be applied to an existing portfolio, to identify existing loans which may present an environmental and social risk to the bank. These steps and procedures are summarized below as follows.

### **4.2 Policy Implementation & Enforcement**

The Environmental and Social Risk Management Team shall be responsible for the implementation and enforcement of this policy. All identified breaches to the policy shall be escalated to Management for appropriate redress.

**Procedural steps in Wema Bank’s Credit appraisal & E&S Risk Management**



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