Nigerian Sustainable Banking Principles

Guidance Note

FINAL VERSION

July 2012

Glossary of Terms and Abbreviations

Term or Abbreviation	Definition or Explanation
Bank	A Nigerian: (a) money deposit Bank; (b) discount house; or (c) development Bank signatory to the Nigerian Sustainable Banking Principles Joint Commitment Statement.
Business Operations	The undertakings of employees and the physical human capital, assets and infrastructure (e.g. offices, branches, equipment) that a Bank engages in the course of facilitating its Business Activities. This would also include suppliers, contractors and third party providers engaged by a Bank in the course of facilitating its Business Operations and Business Activities.
Business Activities	The provision of financial products and services to clients including, but not limited to: corporate finance, investment banking (corporate advisory, structured lending and capital, trading), equity investments, project finance, project finance advisory, structured commodity finance, small and medium business lending, retail banking, trade and leasing, and other forms of direct lending.
CBN	The Central Bank of Nigeria
E&S	Environmental and Social
E&S footprint	The total effect or impact that a Bank's Business Operations have on the environment and society in which it operates (e.g. the amount of natural resources used, the amount of waste produced, or the effects on local/host communities or the Bank's human capital).
E&S risks	The potential E&S 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.
E&S impacts	Any change, potential or actual, to (a) the physical, natural, or cultural environment, and (b) impacts on surrounding community and workers, resulting from a business or business activity to be financed. E&S impacts may be temporary or permanent, involving reversible or irreversible changes on the environment or society. Environmental risks can include changes to the atmosphere, water and land due to human activities (e.g. greenhouse gases, pollution, changes to habitats, etc.). Social risks can include impacts to a client's workforce as well as the surrounding community (e.g. occupational health and safety, human rights and labour standards, land disputes or resettlement, corruption, etc.).
E&S opportunities	New business opportunities arising from meeting E&S challenges such as development of clean or renewable technology, job creation and community development. Taking account of E&S issues in making a business decision, could also lead to potential benefits to the client or the Bank providing financial services to the client.
Equator Principles	The Equator Principles are a voluntary set of standards for identifying, assessing and managing environmental and social risk in project financing.
IFC	International Finance Corporation
Principles	Nigerian Sustainable Banking Principles
SME	Small and Medium Enterprise
Sustainable Banking	We define sustainable banking as an approach that recognises the role of Banks in driving long-term economic development in Nigeria that is not only economically viable, but also environmentally responsible and socially relevant.
UNEP-FI	United Nations Environment Programme – Finance Initiative

Guidance Note for the Nigerian Sustainable Banking Principles

Introduction

What: The Principles have been developed by and for the banking sector in Nigeria to signal our commitment to economic growth that is environmentally responsible and socially relevant. As financiers and business leaders, we recognise the role that we can play to deliver positive development impacts to society whilst protecting the communities and environments in which we operate. Banks can deliver on this role by:

- Understanding and appropriately managing the E&S risks and opportunities associated with their respective Business Activities and Business Operations;
- Improving economic stability by improving the lives of people through the protection of human rights, promotion of women's economic empowerment, and increased access to finance for the unbanked segments of the economy;
- Working together to develop across the sector the right governance structures, E&S management capacity and collaborative partnerships necessary to implement the Principles; and
- Measuring and reporting progress.

The implementation of the Principles can serve as a powerful platform to drive the kind of profitable yet sustainable economic growth the banking sector needs and wants to see in Nigeria. In particular, three sector-specific guidelines have been developed to frame the role of the Banks with regard to driving sustainable investment in and lending to three sectors critical to Nigeria's continued economic growth story: agriculture, power and oil and gas.

Why: The business activities of the clients that Banks fund can have potentially negative impacts on the environment or local communities where their clients operate. These negative impacts can include air or water pollution, destruction of biodiversity, threats to human health and safety, violations of labour rights, or displacement of livelihoods. Each of these issues may have hidden external costs which in turn hinder the overall growth prospects of the economy and society. When Banks provide financial products and services to clients with poor E&S performance, they not only enable such clients to impose these negative impacts on the environment and society, but expose themselves to risk in the form of credit risk, reputational risk, and legal risk. In addition, a Bank's Business Operations may potentially have negative impacts on the environment or local community in which it operates. We therefore commit to leading by example and improving our own E&S performance.

We believe that Sustainable Banking is good business. If we appropriately manage E&S risks and opportunities, we will enhance our:

- Overall risk management which in turn reduces costs and liabilities;
- Ability to access capital and attract foreign investors and partners;
- Financial and non-financial performance;
- Brands and reputations at the individual organisation as well as sector level;
- Operational efficiencies;
- Ability to attract and retain talent;
- Relationships with our clients by becoming a trusted advisor; and
- Growth prospects by reaching new markets and innovating new products and services.

How: The Principles are based on leading international sustainable finance standards and established industry best practice, but they are developed in line with the Nigerian context and development needs. We have adopted a mitigation approach to our Business Activities and Business Operations in which we commit to avoid, minimise or offset negative E&S impacts where possible. At the same time, we have also sought to be pro-active about promoting positive development impacts where we can, recognising that the benefits to society can also drive business opportunities for Banks.

We have taken a Principles-based approach which means that we have not prescribed specific implementation requirements or rules. Therefore, the Principles shall be interpreted and applied by each Bank in a manner that provides for an appropriate fit with the Bank's core values, business model, and enterprise risk management framework. Each Bank will need to develop an E&S management system which incorporates the Principles and balances the identification of E&S risk and opportunities. The degree and level of E&S management should be commensurate with the scale and scope of a Bank's Business Activities and Business Operations.

Each Bank will apply the Principles to its domestic operations. Where relevant, it will be at the discretion of a Bank to determine whether to apply the Principles to its international Business Activities or Business Operations.

This Guidance Note:

- Provides definitions of terms and abbreviations (*see Glossary on page 2*);
- Describes each Principle and how it applies to the Business Activities and Business Operations of Banks;
- Provides targets and recommended approaches to implementing each Principle; and
- Suggests how a Bank can measure, monitor and report on its progress in meeting the Principles.

When: Upon adoption of the Principles, the Banks have 12 months to establish an E&S management system which includes, at a minimum, an overarching Sustainable Banking commitment statement, E&S policies and procedures, and a Sustainable Banking reporting framework. Implementation of the E&S management system begins in year two, including data capture for reporting purposes. All Banks must issue an initial Sustainable Banking report detailing their respective Principles implementation progress no later than 31 December 2013. A full Sustainable Banking report will be required from each bank no later than 31 December 2014.

Scope of Application

The Principles and this Guidance Note apply to a Bank's: (a) Business Activities; and (b) Business Operations.

In the case of a Bank's Business Activities, how the Principles will be applied will depend on the nature of the Business Activity to be financed. Typically, the higher the level of E&S risk or E&S opportunity, the higher the level of attention and management required from a Bank. In addition to the type of transaction, the key considerations are the sector in which a client operates and the client's commitment and capability to manage E&S issues.

The Principles and this Guidance Note may not be appropriate for application to some financial services such as asset management or insurance or in the cases where there may be limited opportunity for a Bank to influence a client's E&S performance. A Bank must clearly indicate which financial products or services have been excluded from application of the Principles and provide justification in its Sustainable Banking policy.

Implementation of the Principles

In summary, each Bank shall:

- **Set the tone from the top:** Integrating the Principles into the organisational culture of a Bank requires strong executive leadership to ensure successful implementations. The Board should demonstrate its commitment to the Principles through its policies and decisions. Senior management shall be responsible for meeting targets set by the Board relating to the implementation of the Principles.

- **Establish Sustainable Banking approach:** A Bank shall develop: (a) an overarching Sustainable Banking policy which defines its commitment and approach to Sustainable Banking and implementation of the Principles; (b) a set of Sustainable Banking procedures which detail how the Bank will manage E&S risk and opportunities consistent with its core business and existing internal decision-making processes; and (c) a Sustainable Banking reporting framework. A Bank's Sustainable Banking approach will:

    - **Articulate how the Principles are relevant** for the Bank's specific Business Activities and Business Operations and how the Bank will apply the Principles.
    - **Integrate the Principles into business decision-making processes** through the provision of assessment criteria and decision frameworks for Business Activities (an E&S management system) and for Business Operations (E&S Footprint management framework). These frameworks for applying the Principles should be consistent with, and integrated into, existing internal processes as well as, where applicable, a Bank's enterprise risk management framework
    - **Incorporate relevant international E&S standards and industry best practice:** In addition to compliance with local laws, all Banks shall apply, where relevant, international E&S standards and industry best practice such as the IFC Performance Standards, the Equator Principles for project finance, the World Bank Group Environmental, Health and Safety Guidelines for lending to different sector activities, or strategies for sustainable financing by UNEP-FI.
    - **Define clear E&S governance structures** relating to roles and responsibilities, practices and standards, codes of conduct, performance-linked incentives, audit procedures and disclosure requirements.
    - **Measure and report progress:** A Bank shall articulate objectives, performance indicators and milestones against which the Bank can measure its progress in implementing the Principles and its Sustainable Banking policy and procedures. As part of its public commitment to adopting the Principles, a Bank will report publicly its implementation progress on an annual basis.

- **Build and maintain sufficient institutional capacity:** A Bank must dedicate adequate resources and capacity to deliver its Sustainable Banking commitments. Appropriate roles and responsibilities across functions must be identified and articulated, relevant employees trained, and performance indicators adjusted accordingly.

- **Leverage collaborative partnerships:** A Bank should actively seek ways to deepen its understanding of sustainability issues and practices. Representation in international sustainability initiatives, platforms and commitments will support this objective but can also help to raise the profile of the Nigerian Sustainable Banking Principles internationally while providing a platform for knowledge sharing.

Figure 1 below provides an overview of a Sustainable Banking Approach, incorporating each of the nine principles. Note that the main figure represents application of the Principles at the individual Bank level, whereas "Capacity Building" and "Collaborative Partnerships" would apply at the individual Bank level as well as at the sector level.

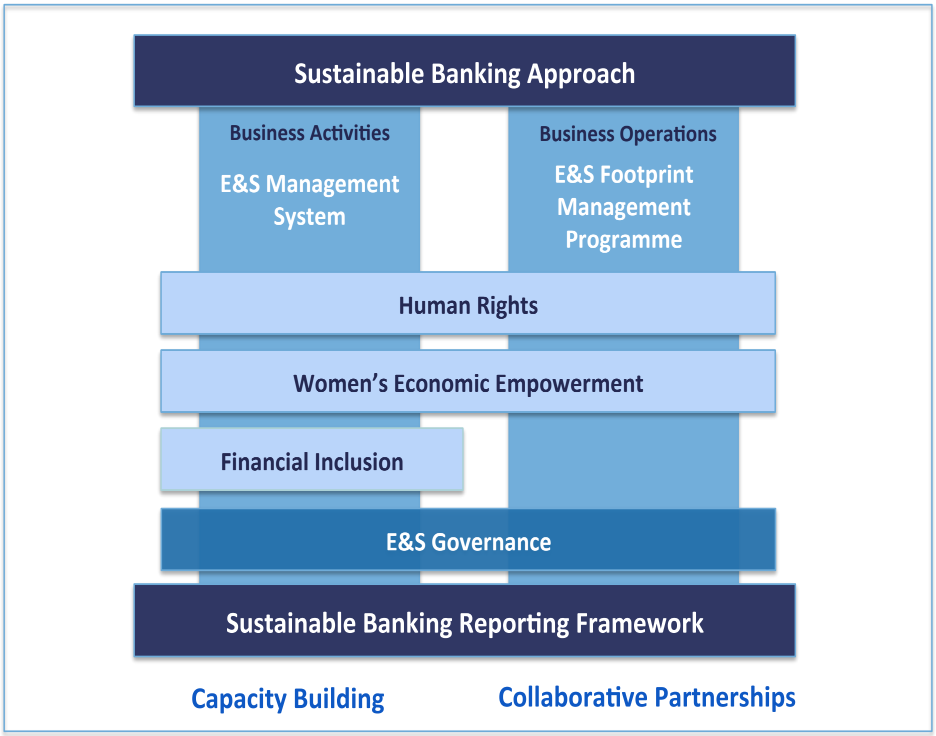

Figure 1: Sustainable Banking Model for Implementation of the Nigerian Sustainable Banking Principles

An overview of the key implementation phases and activities for the next two years is provided below in Figure 2:

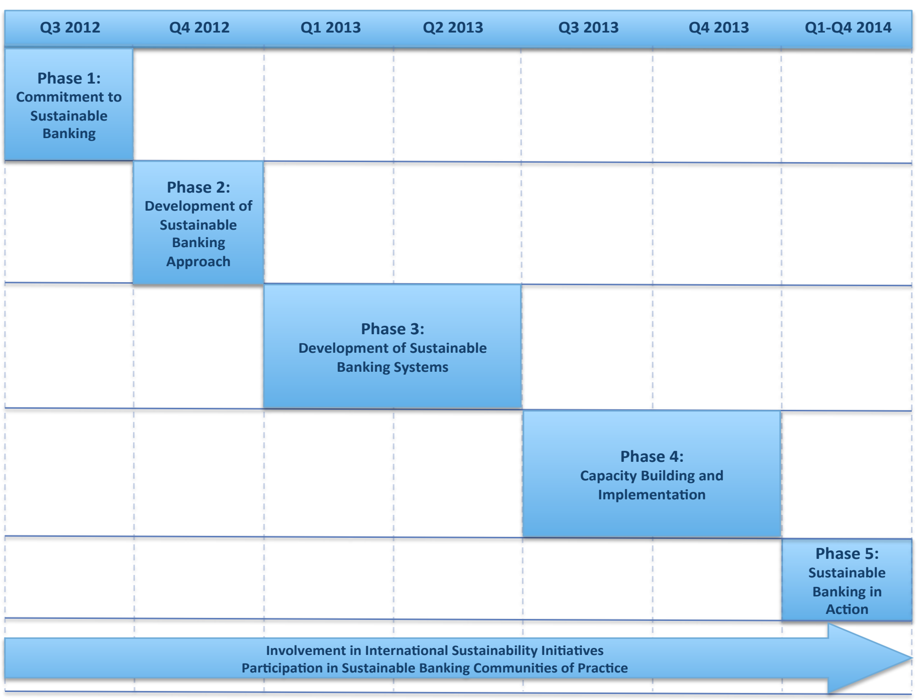

Figure 2: Implementation Phases and Activities Timeline

The table below provides a summary of the implementation phases and activities:

<table>
<tr><th>Phase 1:
Commitment to Sustainable Banking</th><th>Phase 2:
Development of Sustainable Banking Approach</th><th>Phase 3:
Development of Sustainable Banking Systems</th><th>Phase 4:
Capacity Building and Implementation</th><th>Phase 5:
Sustainable Banking in Action</th><th>Ongoing</th></tr>
<tr>
<td>Adoption of Principles

Creation of Sustainable Banking Desks/Units:
• Business Activities
• Business Operations

Board Level Capacity Building

Establish Sustainable Banking Committee

Executive Level Capacity Building</td>
<td>Development of Sustainable Banking Approach
• E&S Management System
• E&S Footprint Management
• Cross Cutting Themes (HR, WEE, FI)
• Institutional Capacity Building
• Commitment to Standards
• Sustainable Banking Reporting Framework

Establish Sector Guideline approaches (incl. Targets/ Reporting)</td>
<td>Develop E&S Governance Framework

Procedures/Systems Development (E&S Management System, E&S Footprint Management)

Implementation Targets and Milestones (incl. 5 Year Plan)

Reporting Criteria</td>
<td>Institutional Capacity Building

Develop and deliver initiatives (WEE, FI)

Client Engagement

Initial Sustainable Banking Progress Report (31 Dec 2013)</td>
<td>First Full Sustainable Banking Report (31 Dec 2014)</td>
<td>Involvement in international sustainability initiatives

Participation in Sustainable Banking Communities of Practice</td>
</tr>
</table>

Further details about the specific activities are included in the following sections covering each of the Principles.

Principle 1 | Our Business Activities: Environmental and Social Risk Management

We will integrate environmental and social considerations into decision-making processes relating to our Business Activities to avoid, minimise or offset negative impacts.

What does this Principle mean?

In the delivery of its core Business Activities, a Bank may be exposed to the E&S risks associated with the underlying business activities of the clients it finances. These risks may represent credit and/or reputational risk, and a Bank needs to incorporate E&S risks into its enterprise risk management framework. In this way, a Bank can effectively assess and manage the level of E&S risk exposure associated with clients. A Bank's approach must be commensurate with the nature and scale of the client's operations, sector and the nature of E&S risks and potential impacts. By carefully considering the E&S risks and potential impacts associated with its clients, a Bank will be better able to manage reputational risk and improve the overall risk profile of its portfolio (e.g. credit, operational, legal risks). Senior management should, in the longer-term, seek to incorporate E&S risk and Sustainable Banking considerations into wider capital allocation decisions.

In applying this Principle, a Bank will incorporate in its decision-making processes an approach that systematically identifies, assesses and manages E&S risks and potential impacts associated with the client or business engagement. Where avoidance of E&S risk is not possible, a Bank should seek to engage with the client to minimise and/or offset identified risks and impacts, as appropriate.

Understanding a Bank's exposure to E&S Risk

E&S issues[1] may include, but are not limited to, environmental damage, hazards to human health, safety and security, negative impacts on livelihoods and threats to a region's biodiversity and cultural heritage. A client will have control over the potential E&S impacts associated with its operations and can take the necessary action to mitigate these risks. A Bank can reduce its E&S risk exposure by ensuring that its clients can demonstrate the right level of commitment and capacity to manage E&S risks. Furthermore, a Bank can also assess the track record of its clients in terms of performance in relation to E&S commitment and capacity. By assessing a client's E&S approach and performance, a Bank may identify opportunities to provide additional services to support clients with E&S issues (e.g. new financial services for specifically addressing E&S impacts).

The extent of a Bank's exposure to E&S risk depends on: (a) the type of products or services being provided; as well as (b) the nature of the Bank's involvement with a particular client and the likelihood and/or severity of potential E&S impacts. The financial product or service will be associated with high, medium or low levels of potential exposure to risk based on funding, tenor and the role of the Bank, including cases where the Bank takes an ownership stake in equity or a commodity. The higher the level of risk, the more involved the management response will need to be for any E&S issues associated with the transaction or client's business activities. A broad indication of the different types of financial products/services and potential level of exposure to risk along with the corresponding nature of E&S management response is illustrated in the table below:

[1] For a more comprehensive list of E&S issues please refer to the following link (http://firstforsustainability.org/risk-management/environmental-and-social-issues.php)

Type of Financial Products/Services	Potential Level of Exposure to Risk	Level of Response
Long-term corporate lending, project finance and advisory, investment banking (corporate advisory, structured lending and capital, other debt and equity investments), structured commodity or trade finance with an ownership stake, private equity with a majority ownership, SME lending in a sensitive sector	High to Medium	Requires a more involved approach to managing E&S issues.
Short-term corporate lending, SME lending in a non-sensitive sector, private equity with a minority ownership, and other types of short-term direct lending	Medium to Low	Requires a moderate or lighter approach to managing E&S issues.
Retail banking, other research and advisory, short-term financing, trade, leasing	Low	Requires a light approach, if at all, to managing E&S issues.

Beyond the type of financial product or service, a Bank's exposure to E&S risk is determined by a client's sector, location and ability to manage E&S risks. Clients with higher potential exposure to E&S risk will require more detailed due diligence (for further details, please see the following section).

A Bank should apply its E&S risk management approach according to the expected level and nature of risk exposure to potential E&S impacts.

Implementation of Principle 1

A Bank should develop and take a practical approach to integrating E&S risk considerations through the:

- **Development of appropriate E&S policies:** A Bank must develop appropriate policies to integrate E&S risk considerations into its decision-making processes and enterprise risk management framework. This should include specific E&S policy application to different financial products and services, as part of the Bank's wider over-arching commitment to Sustainable Banking. E&S policies will need to state the E&S requirements and standards that apply to the different financial products and services of the Bank. If a Bank provides finance to sectors and geographies that are deemed more sensitive, additional sector or location specific E&S policies may need to be developed. All policy approaches should be appropriate for the financial products and services the Bank provides and should give attention to its priority sectors (e.g. Cement, Oil and Gas, Power, Infrastructure etc.). For example, a Bank may require different commitments for different business activities such as Project Finance or Retail Banking. At a minimum, Banks' E&S policies must commit to strictly review and potentially decline clients or engagements that do not comply with local E&S laws and regulations.

- **Development of appropriate E&S procedures:** A Bank should develop appropriate E&S management procedures as a formal part of its client engagement and approval process to implement its E&S policies. These procedures would include:
    - **Screening for potential E&S risks across applicable client engagements and financial product / service types:** Screening would include identification of potential E&S risks which require further due diligence or risk management or exclusion of particular activities that the Bank will not finance (e.g.

some development finance institutions require the application of exclusion lists which prohibit certain activities).

- **Categorisation of potential E&S risks:** A Bank should have in place a system to consistently categorise the potential E&S risks associated with its engagements and clients. A good practice system categorises potential E&S risk as high, medium or low (e.g. under the Equator Principles Category A is high risk with major or irreversible E&S impacts, Category B is medium risk with material but reversible E&S impacts and Category C is low risk with minor reversible E&S impacts). E&S risk categorisation should inform and determine the level and nature of E&S due diligence that is undertaken by the Bank as well as the necessary procedures required. In determining the appropriate level of E&S due diligence, a Bank will need to consider and combine the: (a) level of transaction risk associated with the type of financial services/products being provided (see previous table above); and (b) level of client risk associated with the potential E&S risks arising from the client's business activities, sector or E&S performance track record. The matrix below illustrates how the relationship between transaction risk and client risk can determine how a Bank shapes its E&S due diligence approach.

TRANSACTION RISK	**CLIENT RISK**		
	High	Medium	Low
High (Category A)	Detailed Due Diligence	Moderate Due Diligence	Minimum Due Diligence
Medium (Category B)	Detailed Due Diligence	Moderate Due Diligence	Minimum Due Diligence
Low (Category C)	Moderate Due Diligence	Minimum Due Diligence	Minimum Due Diligence

- **Development and customisation of E&S due diligence procedures:** Procedures should be developed, consistent with existing internal procedures and processes, to manage different E&S risk categories, appropriate to the financial products and services of the Bank. In addition, where the Bank finances sensitive sectors with a higher E&S risk profile, E&S due diligence procedures may need to be tailored to incorporate sector-specific considerations and different E&S risk category levels. E&S training should be provided to staff that covers E&S risks and requirements for different financial products and services. Where E&S risks are identified and can be managed or mitigated, a Bank may formally agree the necessary actions with the client before disbursement of funds (e.g. requiring covenanting of E&S management action plans in loan documentation, or appropriate E&S risk disclosures in prospectuses and offering circulars). The review of E&S conditions and requirements should be integrated into client relationship, credit approval review procedures, the issuance of financing agreements and on-going review and monitoring processes.
- **Articulation of E&S governance and approval authority measures:** Effective implementation of a Bank's E&S policies and procedures requires a defined governance structure with clearly articulated roles and responsibilities, structure and staff to implement E&S policy commitments (as detailed in **Principle 6**).
- **Monitoring E&S risks and reviewing E&S conditions:** It is important to monitor the client's on-going E&S performance to ensure that its E&S risks are being properly managed over time. Where conditions are not met, the issue should be escalated to the appropriate authority for consideration, consistent with the overall governance structure and procedural approach of the Bank.

- **Provision of client engagement guidance on E&S issues:** Training should be provided to the Bank's client relationship managers and risk staff on how to engage clients on E&S issues (as detailed in **Principle 7**).

- **Development of appropriate E&S reporting criteria:** A Bank will need to report on its E&S risk assessment processes including but not limited to: total number of clients and engagements assessed for E&S risks, by risk category, sector and financial product type.

- **Reporting on implementation progress:** The Bank should report on the progress made in implementing this Principle (as detailed in **Principle 9**).

- **Support for investment in sustainable, innovative business opportunities:** In addition to E&S risk management, Banks should develop processes to identify and invest in business opportunities, clients or sectors that promote the use of advanced E&S risk management practices, new technologies, low carbon activities, entrepreneurial SMEs, etc. in line with extant banking laws and which aim to achieve a positive impact. A Bank may decide to offer preferential financing conditions (e.g. rates, maturity, grace period, eligibility criteria, etc.) for profitable clients or investments that demonstrate strong E&S performance. In addition, investing in sustainable, innovative businesses also positions the Bank as a driver of economic growth and stability.

Demonstrating Progress

In implementing this Principle, a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
E&S policies developed and implemented	• Development of an E&S policy - the policy should be disclosed in a Bank's corporate communications such as its website (including the provision of a description of the E&S policy framework and management system). Additional sector or location specific policies, if appropriate, may be developed.	Developed by Q4 2012; on-going implementation thereafter
Establish Sector Guideline approaches	• Development of sector-specific E&S approaches for relevant business units consistent with the Sector Guidelines. • Agree and include targets and reporting requirements on progress.	Developed by Q4 2012
E&S procedures developed and implemented	• Concurrent with E&S policy, development and implementation of procedures for managing E&S issues, with clearly articulated roles, responsibilities, structure and staff. Note that a Bank, may over time, amend or modify its E&S procedures to accommodate minor changes to E&S policies or other related systems and procedures.	Developed by Q1-2 2013; on-going implementation thereafter
E&S Management System reporting	• Development of E&S risk reporting framework and criteria (e.g. basic quantitative data including requirements to report: o Total number of clients and engagements assessed for E&S risks, by risk category, sector and financial product type; • Data capture to begin when E&S policies, procedures and risk reporting framework have been finalised and rolled out. • E&S Management System reporting to occur annually as part of	E&S Management System reporting framework: Q1-2 2013; on-going implementation thereafter

	Sustainable Banking report. • Longer term targets for reporting on implementation process year-on-year would focus on: (a) the percentage of clients, and portfolio screened in E&S risk; (b) the extent of impact mitigated; and (c) the number projects/clients with E&S action plans and E&S rating improvements over the time.	
Client engagement	• Capture cases where client engagement on E&S issues resulted in positive outcomes for the client and the Bank. • Organising events to build relationships and raise client awareness on different E&S risk issues and how they are relevant to client business activities. Client feedback or satisfaction levels linked to E&S engagement could be used to demonstrate progress.	On-going

Principle 2 | Our Business Operations: Environmental and Social Footprint

We will avoid, minimise or offset the negative impacts of our Business Operations on the environment and local communities in which we operate and, where possible, promote positive impacts.

What does this Principle mean?

Seeking to lead by example, a Bank will consider the direct impacts on the environment and society arising from its own Business Operations. A Bank will work to be a driving force for good in the communities and natural environment in which it operates by finding ways to avoid, minimise or offset negative impacts whilst innovating new means to achieve positive gains. This approach requires the management of a Bank's E&S footprint through:

- Efficient use of materials and resources such as energy and water consumption and effective waste management in physical operations and supply chains;
- Compliance with applicable labour and social standards; and
- Alignment of a Bank's community investment programmes with Nigeria's overall goals for economic and social development (e.g. promoting greater access to finance and basic needs in the community, reducing poverty, improving health, increasing long-term employment, driving economic empowerment of women, etc.)[2].

This would also include the assessment of the E&S commitment, capacity and track record of its suppliers, contractors and third party providers. By behaving in a responsible manner and upholding the standards it will require of its own clients, a Bank demonstrates a credible and consistent commitment to Sustainable Banking.

Implementation of Principle 2

A Bank should take a practical approach to managing the potential negative impacts of its Business Operations and promoting positive impacts through the:

- **Development of an environmental management programme with facilities management,** which addresses:

    - **Climate change and greenhouse gas emissions reduction:** A Bank can support energy efficiencies by promoting or utilising renewable power generation, reducing business travel and commuting, and adopting green building standards and practices for operating and maintaining facilities and buildings.
    - **Water Efficiency:** A Bank should promote the efficient use of water and seek to sustainably manage its use of water resources (i.e. reduce, reuse and recycle) that may include improved maintenance of infrastructure and recycling wastewater for grounds management.
    - **Waste Management:** A Bank should improve waste management by eliminating, reducing, and recycling product and paper waste; using not only less material (e.g. less paper, less packaging, etc.) but also implementing more efficient waste management systems to reduce the amount of waste produced.
    - **Environmentally friendly facilities construction and management:** A Bank should strive to improve the energy efficiency of its existing facilities and, where new facilities are constructed, incorporate

[2] For a Bank with a strong retail presence, this may enhance the reputation of the Bank in the community but will also secure and ensure the future of its customer base.

relevant or leading "green" technology or energy efficient building standards. A Bank should also ensure appropriate health and safety considerations are taken into account in managing physical operations and, where possible, provide positive improvements (e.g. disabled facilities etc.).

- **Compliance with relevant labour and social standards:** A Bank should outline the minimum labour and social standards it will apply in managing its own Business Operations consistent with international good practice standards such as those contained in the United Nations Declaration of Human Rights and the International Labour Organisation.

- **Implementation of a community investment programme:** A Bank should develop and promote investment in community projects and initiatives with the aim of contributing to the sustainability and development of the communities in which its Business Operations are located. This programme, which should be supported by senior management, could include a range of resources and donations such as employee volunteer hours, other in-kind support and financial support to community initiatives that demonstrate clear positive social outcomes, such as new ways to deliver basic services and those that remove barriers to economic participation.

- **Application of E&S standards to relevant third parties:** A Bank should articulate E&S procurement standards for Bank suppliers, contractors, and other third party service providers in the Bank's Sustainable Banking policy and procedures. The Bank should screen, engage and monitor such service providers to ensure they meet applicable E&S standards and requirements. In addition, the Bank could adopt procurement policies that include responsible sourcing and certification standards.

Demonstrating Progress

In implementing this Principle, a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
E&S Footprint management programme developed and implemented	• Development of an E&S footprint management programme, including processes to manage the E&S footprint of a Bank's Business Operations (i.e. environmental issues relating to climate change, greenhouse gas reduction, water efficiency, waste management, facilities and social issues relating to labour, health and safety, human rights standards). Best practice could include ISO 14001, United Nations Declaration of Human Rights and the International Labour Organisation. • Identification of key roles in procurement/vendor management, facilities management, communications, human resources other relevant departments to develop relevant E&S policies and procedures and E&S management programme. • Development of implementation plan to initially establish and roll-out environmental management programme, with on-going implementation thereafter.	Developed by Q4 2012; on-going implementation thereafter
Community investment programme	• Development of a community investment programme, supported by senior management, which ensures Bank resources are deployed to generate long-term positive	Developed by Q4 2012; on-going implementation

	community impacts consistent with wider national development goals.	thereafter
E&S standards for third parties developed and applied	• Development of third party E&S standards to manage E&S risk and potential impacts associated with engaging third parties (i.e. suppliers, contractors, third party service providers, etc.). • Development of an initial implementation plan, to establish and roll-out appropriate standards with on-going application and monitoring thereafter.	Developed by Q1-2 2013; on-going application thereafter
E&S Footprint Reporting	• Development of E&S footprint reporting framework and criteria (e.g. basic quantitative data) including requirements to report with regard to: o E&S footprint management programme: continuous improvement year-on-year demonstrated through quantifying and reporting results consistent with the Global Reporting Initiative standards for environmental management and other labour and social standards. o Community investment programme: reporting metrics should include information about level of contributions (human capital, time, financial and other resources) and for what purposes. o Third party E&S standards: reporting metrics should include information about the number of suppliers, contractors, and third party service providers assessed and the standards that have been applied. • E&S footprint reporting to occur annually as part of Sustainable Banking report.	E&S footprint reporting framework: Q1-2 2013;

Principle 3 | Human Rights

We will respect human rights in our Business Operations and Business Activities.

What does this Principle mean?

Increasingly, human rights are emerging as a prominent business issue. While they were once regarded the purview of governments and state level action, community pressures and political changes worldwide have made human rights an important consideration in business impacts on the community and society. A Sustainable Banking approach recognises and respects human and labour rights in a Bank's Business Operations as well as its Business Activities. Good labour and human resource practices are important to ensure that a Bank retains a talented and productive workforce to meet its business objectives. Having business partners and clients with good human rights records protects a Bank's reputation as an institution worthy of respect and trust. Human rights violations that are associated with a Bank's Business Activities or clients will not only undermine the Bank's standing, it can also make the Bank vulnerable to public scrutiny.

In applying this Principle, a Bank commits to upholding and respecting human rights and internationally recognised standards in its own Business Operations. In addition, though its ability to influence a client's behaviour may be limited, a Bank will assess the human rights commitment, capability and track record of the clients to which it provides financial services.

Implementation of Principle 3

A Bank should develop and take a practical approach to managing human rights issues in its Business Operations and Business Activities through:

- **Development and implementation of a human rights policy:** A Bank should develop a human rights policy (either as part of a wider Sustainable Banking policy or as a standalone policy). The policy should cover the Bank's commitment to upholding human rights standards in its own operations (including labour and working conditions), as well as conducting due diligence to assess the treatment and management of human rights by its clients. A Bank's approach to human rights should be consistent with promoting the requirements, and improving the enforcement, of: the Nigerian Constitution, the United Nations Declaration on Human Rights, and other international treaties to which Nigeria is a signatory. A Bank will require its clients to adhere to applicable local laws, regulations and the standards contained in conventions (international or otherwise) that apply.

    - Key policies and requirements should include: (a) ban on discrimination against any group or individual, based on race, gender, religion, culture, politics or economic background; (b) recognition of the rights of traditional, indigenous, or rural communities that have unique cultural value; and (c) recognition of employees' entitlement to safe and fair labour conditions and to exercise collective and individual rights to associate and speak freely, as allowed by national law.
    - A Bank should outline the minimum human rights standards it will apply in managing its own Business Operations (e.g. prohibiting the use of child labour and forced labour). Additionally, a Bank should seek to outline the human rights standards it will apply to its clients (e.g. to not support clients and/or transactions where child labour and forced labour is evident), consistent with leading international standards.

- Human rights considerations must be taken into account where Business Operations or Business Activities involve the deployment of security personnel, including adherence to the principles established in the Voluntary Principles on Security and Human Rights.

- **Integration of human rights due diligence into E&S procedures:** A Bank should integrate human rights due diligence into its decision-making processes when assessing clients and engagements and when selecting the Bank's suppliers, contractors and third party service providers (see, for example the UNEP-FI Human Rights Toolkit). A Bank's approach to human rights should detail how it manages identified human rights issues as well as provide guidance for establishing an appropriate grievance mechanism to address human rights complaints or disputes.

- **Investment in resources and training of staff on human rights issues:** To ensure a Bank has the capacity and resources to successfully implement its human rights policies, a Bank should dedicate resources to train and educate staff on human rights and labour issues in general, and on their relevance to the Bank's Business Operations and Business Activities.

Demonstrating Progress

In implementing this Principle a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
Human rights approach	• Development of human rights policy, either as a standalone policy or integrated into Sustainable Banking policy. The policy will be consistent with the United Nations Declaration on Human Rights, the Nigerian Constitution and local law. Best practice would include the UN Guiding Principles on Business and Human Rights. • Development and implementation of human rights due diligence procedures and tools to screen, assess, and integrate human and labour rights considerations into business decision-making processes. • Clearly defined roles and responsibility for application of human rights standards across the Bank's Business Operations. • Development and implementation of a mechanism for handling grievances and disputes. • Development of implementation plan to initially establish and roll-out human rights policy requirements; on-going implementation thereafter.	Developed by Q4 2012; on-going implementation thereafter
Human rights training	• Training of employees on human rights issues. • Owners of human rights policies sufficiently trained on implementation responsibilities. • Reporting metrics could include level of investment and numbers of employees trained.	By Q3-4 2013; on-going as needed
International commitments	• Adherence to international commitments such as the United Nations Global Compact or participation in international initiatives on human rights can drive deeper understanding of key issues as well as raise the profile of the Nigerian banking sector.	On-going

Human Rights Reporting	• Development of human rights risk reporting criteria (e.g. basic quantitative data including requirements to report e.g. total number of clients and engagements assessed for human rights risks. • Human rights reporting to occur annually as part of Sustainable Banking report.	Human rights reporting criteria: Q1-2 2013;

Principle 4 | Women's Economic Empowerment

We will promote women's economic empowerment through a gender inclusive workplace culture in our Business Operations and seek to provide products and services designed specifically for women through our Business Activities.

What does this Principle mean?

In many parts of the world, including Nigeria, women often face the barriers of discrimination and persistent gender inequalities which deny them access to finance or the formal economy. But the ability of women to fully participate in the economy (both formal and informal) is fundamental to sustainable economic growth and development. In the context of the Principles, women's economic empowerment refers to the ability of women to participate in, wholly contribute to, and fully benefit from, the Nigerian economy without prejudice and in a way that recognises the value of their contributions, respects their dignity, and creates a fairer distribution of income. Economic empowerment increases women's access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information. This in turn leads to sustained economic growth and a more equal society. We will promote women's economic empowerment through our Business Activities by developing products and services specifically aimed at women and consistent with the wider CBN women economic empowerment strategy.

In terms of our Business Operations, each Bank will commit to promoting an inclusive workplace culture and initiatives that support the leadership development and positive contribution of female employees at all levels of the organisation. A Sustainable Banking approach recognises that business performance and productivity are enhanced by a diverse workforce and incorporates the value and ability of women to contribute and succeed in the workplace. For example, companies with a high representation of women board directors outperformed those with low or no representation by 53% for return on equity and 66% for return on invested capital[3].

For Banks, women can mean good business: (1) skilled women represent a broad and motivated talent pool from which to hire and promote to all levels of the organisation; and (2) as half of the population, women not only represent a powerful force for driving economic growth but a vastly underutilised customer base.

Implementation of Principle 4

A Bank should take a practical approach to women's economic empowerment that is appropriate for its Business Activities and Business Operations through:

- **Developing and implementing a women's economic empowerment policy:** As part of a Bank's wider Sustainable Banking commitment, a women's economic empowerment policy should be developed and implemented to be consistent with CBN strategy and targets (e.g. a minimum of 40% female representation at management and board level by December 2014). The approach should include developing clear short- and long-term objectives for a Bank's: (a) Business Activities: to provide products and services aimed at promoting gender equality for women and consistent with financial inclusion as detailed in **Principle 5** (e.g. financial loans and advice for female entrepreneurs); and (b) Business

[3] Source: Catalyst, 2007, Women Board Directors (WBD) Align with Strong Performance at Fortune 500 Companies.

Operations: to promote a gender inclusive culture and female talent management (e.g. leadership development, leave schemes, child care, wage equality etc.); and. Specific policy approaches should be aligned with existing human resource and product development policies and processes where appropriate.

- **Establish a Women's economic empowerment committee:** A Bank should endeavour to establish an internal committee comprised of senior leaders from across the business to oversee accountability for gender diversity and to steer gender inclusive strategies consistent with the Bank's core business activities.

- **Develop initiatives and programmes to promote and celebrate women empowerment:** To create a gender inclusive culture a Bank should support and establish initiatives designed to educate and empower women with new skills and provide opportunities for them to connect with senior role models. This could include setting up internal women's networks to create connectivity between women at all staff levels and with female clients. A Bank should fully utilise the role of women employees in its core business activities (e.g. utilising female talent to develop products and services for female clients). Additionally a Bank should support sector level initiatives (e.g. the CBN's 'Year of the Woman' in the banking industry) to celebrate and showcase successful women in the banking industry.

- **Invest and dedicate resources for female talent:** A Bank should dedicate specific leadership development and training programmes to support the development of a strong female talent pipeline. This would include coaching and mentoring programs to support the transition of female middle management to executive and board level positions.

- **Support the establishment of a sector-wide women empowerment fund:** In collaboration with the CBN and the Nigerian banking sector, a Bank should support the CBN's commitment to establish a fund to be accessible by qualified businesses, owned and managed by female entrepreneurs.

Demonstrating Progress

In implementing this Principle, a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
Women's Economic Empowerment policy	• Development of women's economic empowerment policy, either as a standalone policy or integrated into Sustainable Banking policy. The policy should be consistent with the CBN Women's Economic Empowerment Strategy. The policy should aim to promote gender equality in two ways: (1) economic empowerment of women through the provision of financial services; and (2) gender diversity in the workplace. • Development of an implementation plan to initially establish and roll-out women's economic empowerment policy requirements; on-going implementation thereafter.	Developed by Q4 2012; on-going implementation thereafter
Setup a Women's Economic	• Setup of a dedicated women's economic empowerment committee (comprised of senior leaders across the business) with defined responsibility for women's economic empowerment	By Q3-4 2013

Empowerment Committee	issues in the Bank's Business Operations.	
Women's Empowerment Initiatives	• Develop and implement initiatives that focus on promoting gender equality and empowering women in the workplace and society.	On-going
Women's Economic Empowerment Reporting	• Development of women's economic empowerment reporting criteria (e.g. basic quantitative data including requirements to report): o Female composition in banks, across business units, management levels, and at Board level; o Total investment made towards female employees o Women's economic empowerment policies, structures and number of initiative programs in place. • Women's economic empowerment reporting to occur annually as part of Sustainable Banking report.	Women's Economic Empowerment reporting criteria: Q1-2 2013;

Principle 5 | Financial Inclusion

We will promote financial inclusion, seeking to provide financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector.

What does this Principle mean?

A Bank should develop an approach that promotes accessible and affordable financial products and services to disadvantaged groups who are either not served or are underserved by the formal financial sector in line with the CBN's financial inclusion strategy. By catering to these needs, financial inclusion brings currently marginalised populations into the mainstream economy, improving their chances for resilient livelihoods and financial stability. For Nigeria's economic and social development, financial inclusion is a critical instrument for achieving key objectives such as: reducing extreme poverty; reducing barriers to economic participation by women and disadvantaged groups; improving financial education and financial literacy for all.

Implementation of Principle 5

A Bank should take a practical approach to financial inclusion that is appropriate for its Business Activities through:

- **Developing and implementing a financial inclusion policy:** As part of a Bank's wider Sustainable Banking commitment, a financial inclusion policy should be developed and implemented which should be consistent with CBN financial inclusion strategy and targets (i.e. 80% financial inclusion by 2020 through channel growth, tiered KYC or know-your-client approach, enhanced consumer protection, improved financial literacy).

- **Providing development and growth support to SMEs:** A Bank should look to provide commercially viable support for small-scale entrepreneurs, start-ups and SMEs with targeted products and services. This may involve providing access to affordable financial services for micro-enterprises. A Bank should consider a financial inclusion approach that is appropriate for financing individuals as well as more established small enterprises. This is especially relevant given that for very small enterprises, personal finance is sometimes not easily distinguishable from the finances of the enterprise (i.e. sole traders).

- **Improving financial literacy and institutional practices:** A Bank should aim to provide services that remove educational, gender and other barriers to financial access, including initiatives to support 'consumer protection initiatives'.

- **Improving access to Bank facilities and services:** A Bank should seek to provide opportunity for increased access to its products and services through platforms such as cash centres, e-branches, and mobile money and increasing efficiency to serve more clients. A Bank should consider making its physical locations and facilities accessible to physically challenged persons.

Demonstrating Progress

In implementing this Principle, a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
Financial	• Development of a financial inclusion policy, either as a standalone	The sooner of Q4

inclusion policy	policy or integrated into the Sustainable Banking policy. The policy will be consistent with the CBN Financial Inclusion Strategy and will: ○ Support SME development and growth. ○ Define a financial literacy framework, promote inclusion of financial literacy curricula in primary, secondary and tertiary institutions of learning by 2020. ○ Promote consumer protection: implement consumer protection framework as defined by the CBN by 2012. ○ Develop products and services tailored to middle, low income and disadvantaged groups (e.g. female and youth clients) consistent with the CBN strategy including: ○ **For female client segments:** • Target of 60% of the micro SME development funds at women borrowers; • Require a minimum level of female staff of 30% in microfinance banks; • Encourage female management at retail agents; • Offer specifically tailored women entrepreneurship development. ○ **For youth client segments:** • Ensure inclusion of 50% of youth that turn 18 every year; • Develop and implement a framework for child and youth finance; • Implement children and youth financial literacy initiatives in Nigerian education institutions. ○ Drive innovation for improved financial system accessibility and usage (e.g. branchless banking, access to physically challenged persons). • Development of implementation plan to initially establish and roll-out financial inclusion requirements; on-going implementation thereafter.	2012 or as is consistent with CBN Financial Inclusion Strategy
Financial Inclusion Reporting	• Development of Financial Inclusion reporting criteria (e.g. basic quantitative data including requirements to report) consistent with CBN defined criteria including: ○ Numbers of disadvantaged groups supported, level of investment or loan, and by state location; ○ Numbers of new or innovative products or service offerings + uptake of such products or service offerings; ○ Numbers of previously unbanked individuals banked, etc.; ○ Number of branches segmented by branch type and location by state; ○ Number of individual and SME accounts held with the bank, segmented by state location. • Financial inclusion reporting to occur annually as part of Sustainable Banking report.	Financial Inclusion reporting criteria: Q1-2 2013;

Principle 6 | E&S Governance

We will implement robust and transparent E&S governance practices in our respective institutions and assess the governance practices of our clients.

What does this Principle mean?

Robust, transparent governance on E&S issues is an important aspect of a Bank's commitment to Sustainable Banking and critical to its reputation as a credible, responsible institution. The way an organisation is governed provides insight into the organisation's business practices and accountability to its stakeholders. Among the key components of good E&S governance are: transparent organisational structures, clearly defined roles and responsibilities; reporting on and accounting for a Bank's performance and progress made on the implementation of the Principles.

It is also important to assess the E&S governance practices of a Bank's clients. A client with a sustainability commitment but poor E&S governance practices can present a serious business risk to a Bank. By assessing a client's E&S governance practices, and by encouraging improved E&S performance, a Bank can protect itself from potential financial, legal and/or reputational risk that can arise from a client that has poor E&S governance and low levels of accountability.

In applying this Principle, a Bank will establish an effective E&S governance structure in support of its Sustainable Banking commitments and to encourage comparable practices among its clients.

Implementation of Principle 6

In developing its E&S governance approach, a Bank should consider both its own Business Operations as well as assess the activities of its clients. A Bank should:

- **Establish E&S governance responsibility:** A Bank must establish clear lines of responsibility, authority and accountability in its governing structure when developing its Sustainable Banking policies and procedures. The Bank's Board should have oversight of such policies as part of existing governance mechanisms. Senior management should ensure that relevant employees are given appropriate responsibilities and that appropriate measures are in place to support the Bank's Sustainable Banking commitments and targets.

- **Develop institutional E&S governance practices**: A Bank should develop robust and transparent procedures, which entail a clear governance structure, limits of authority, standards and codes of conduct to support implementation of its policies and the Principles. These procedures should be integrated into, or be consistent with, existing client assessment, decision-making processes and enterprise risk management frameworks.

- **Actively support key industry initiatives that aim to address E&S governance issues with clients operating in sensitive sectors**: Initiatives aimed at sensitive sectors such as the: (a) Extractive Industry Transparency Initiative; (b) Nigerian Extractive Industry Transparency Initiative; or (c) International Hydropower Association Sustainability Guidelines, should, where relevant, be endorsed and considered when conducting E&S due diligence and engaging with clients.

- **Implement E&S performance-linked compensation and incentive schemes:** A Bank should link employee performance to its E&S governance and accountability requirements. Appropriate incentives should encourage and promote the desired behaviours of employees in performing against their stated roles and responsibilities, and in turn meeting E&S governance and accountability standards. Rewarding both the short- and long-term performance objectives would further reinforce enhanced governance practices and performance.

- **Establish internal and, where appropriate, external E&S audit procedures:** A Bank should regularly conduct internal reviews of the integrity and quality of E&S governance and accountability practices and procedures for continuous improvement under its Sustainable Banking policies and procedures. In some cases, an external audit of E&S governance, accountability practices and procedures may be appropriate.

- **Increase public disclosure and dialogue:** A Bank should consider the level and detail of E&S information being publicly disclosed with regard to its progress in implementing the Principles. By bringing increased visibility and transparency to the Bank's efforts to implement the Principles, a Bank can build further credibility and trust with its clients and stakeholders.

Demonstrating Progress

In implementing this Principle, a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
Sustainable Banking governance committee	Establishment of a Board-level Sustainable Banking Governance Committee to oversee the development of Sustainable Banking commitments, which should include governance and accountability for E&S issues and ensure the measuring and monitoring of progress against those commitments.	Q3 2012
E&S governance integrated into risk committee and functions	A Bank's Sustainable Banking policies and procedures should include a governance structure, which details roles and responsibilities relating to assessing and categorising E&S risk potentially associated with clients/engagements. This responsibility could be integrated into existing risk committee structure and function.	Q1-2 2013
E&S Performance-linked incentives	A Bank should align Sustainable Banking governance and accountability performance metrics with its existing performance management indicators and processes to ensure that employees across all relevant functions are incentivised to deliver against agreed E&S related responsibilities and targets.	Q1-2 2013; on-going thereafter
Internal and external E&S audits	As part of a commitment to continuous improvement, a Bank should undertake, on an annual basis: • Internal audits to assess progress and monitor the effectiveness of E&S governance structures and accountability practices and procedures. • External audits, using independent third party assessors to review Sustainable Banking and E&S governance and accountability processes, which should be consistent with standard audit processes.	Q3-4 2013; on-going annual audits

Principle 7 | Capacity Building

We will develop individual institutional and sector capacity necessary to identify, assess and manage the environmental and social risks and opportunities associated with our Business Activities and Business Operations.

What does this Principle mean?

To successfully identify, assess and manage relevant E&S risks and opportunities, a Bank's employees must be able to understand how and when E&S issues may be associated with the Bank's Business Activities and Business Operations and what are the consequent implications for the Bank. Therefore knowledge, skills and capacity relating to Sustainable Banking must be built from top levels of management to all relevant employees.

In applying this Principle, a Bank commits to developing the right skills, knowledge and capacity for management and employees to meet individual targets in connection with agreed Bank-wide Sustainable Banking commitments. A Bank will provide the necessary resources and support to equip and train employees on E&S management approaches based on roles, responsibilities and function.

Developing knowledge and awareness of E&S issues will be a continuous process for both individual Banks and the sector as a whole. Banks should seek to collaborate with one another, for example, by establishing a community of practice for shared learning wherever possible to provide for consistency in application of standards and practices.

Implementation of Principle 7

In developing the appropriate institutional capacity, a Bank should:

- **Identify relevant roles and responsibilities for delivery against Sustainable Banking commitments:** A Bank should determine how E&S considerations impact on its Business Activities and Business Operations to determine appropriate roles and responsibilities for managing E&S issues across the Bank.

- **Provide Sustainable Banking training sessions:** A Bank should create awareness on E&S issues as well as training sessions as part of a Bank-wide learning programme across management levels and operational functions. Training could integrate criteria or baseline requirements that need to be met (e.g. exam scores). Training and capacity building initiatives could include but are not limited to: executive education, programmes delivered through industry platforms such as the Financial Institutions Training Centre or the Chartered Institute of Bankers of Nigeria, workshops delivered by external practitioners or consultants, secondments and staff exchanges or academic learning.

- **Create practical E&S training tools and resources:** A Bank should commit to providing appropriate decision frameworks, assessment and screening tools and resources that support the implementation of the Principles in a manner that is commensurate with the level of E&S risk associated with the nature of the Bank's Business Activities (i.e. type of financial products, sectors, profile of clients). Where possible, any Sustainable Banking content, tools and resources should be integrated into a Bank's general training and development programmes or curricula.

- **Multi-stakeholder capacity building:** Banks across the sector commit to collaborate with each other as well as engage relevant third parties such as the government, clients, development agencies, development finance institutions, industry associations, non-governmental organisations, external experts, academics and others to build sector level capacity and skills (also see **Principle 8**).

Demonstrating Progress

In implementing this Principle, a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
Develop institutional Sustainable Banking capacity	• Identification of key roles and responsibilities across Bank functions to deliver against Sustainable Banking commitments within Business Activities and Business Operations. • Develop and deliver Sustainable Banking training sessions for Board and senior management across core business units.	Q3 2012
	• Creation of awareness of E&S issues and development of training programmes across relevant management levels, commercial teams and mid- and back-office functions. • Development and implementation of training and education systems, tools and resources to address E&S issues as part of the Bank's learning and development curricula.	Q3-4 2013
Develop sector Sustainable Banking Capacity	• Sector collaboration and shared learning platforms to create awareness and promote the training of Banks' personnel on practical implementation of applicable standards and practices. • Consider development of Sustainable Banking training and assessment tools and provision of resources to ensure consistency of application of standards and practices at the sector level. • Engage relevant third parties on a regular basis to build sector level capacity and skills. • Participation in Sustainable Banking Communities of Practice.	On-going
Sustainable Banking Capacity Reporting	• Development of reporting criteria: Training programmes developed and delivered (number, frequency, format, content, learning outcomes, numbers of participants trained and in what functions/roles within the Bank, examination results, pass/fail rates, etc.). • Sustainable Banking capacity building reporting to occur annually as part of Sustainable Banking report.	Sustainable Banking Capacity reporting criteria: Q1-2 2013;

Principle 8 | Collaborative Partnerships

We will collaborate across the sector and leverage international partnerships to accelerate our collective progress and move the sector as one, ensuring our approach is consistent with international standards and Nigerian development needs.

What does this Principle mean?

Collaborative partnerships recognise and support the role the Banks can play in further developing Nigeria's economy and society whilst acknowledging that the Banks can do more together than they could acting alone.

In applying this Principle, the Banks should collaborate in a sector-wide effort to drive improved standards and progress of Sustainable Banking in Nigeria consistent with international standards and emerging industry best practice.

Banks should actively participate in international and multi-stakeholder initiatives so as to benefit from exposure, as well as contribute, to international standards and best practice, whilst lending credibility and authority to their institutional commitments under the Principles.

Implementation of Principle 8

To implement this Principle, a Bank should:

- **Collaborate and coordinate with other Banks:** Whilst a Sustainable Banking approach can drive growth and business opportunities for a Bank, the Principles are designed to encourage collaboration and movement as a whole rather than drive competition and distance between individual Banks.

- **Convene sector-wide workshops and events:** Banks should collaborate to build greater Sustainable Banking capacity and impact by convening sector-wide workshops and events to discuss best practice relevant to the Nigerian context. Capacity building workshops and training programmes, designed and resourced collaboratively could be utilised to create a consistent level of understanding and awareness across the sector. Initiatives could include collaboration between Banks and clients in varying industries on addressing specific sustainability and Nigerian development challenges.

- **Commit to international standards and best practice initiatives:** Banks should commit to relevant international best practice standards and initiatives to demonstrate and profile Nigerian Banks' commitment to Sustainable Banking (e.g. the United Nations Global Compact, Millennium Development Goals, UNEP-FI, the Global Reporting Initiative financial sector supplement, the World Business Council for Sustainable Development, the Equator Principles, etc.).

- **Establish and participate in Nigerian sector level initiatives:** In collaboration with the CBN and the Bankers' Sub-Committee on Economic Development and Sustainability, Banks should work together to promote sector-specific initiatives (e.g. proposals for the finance of renewable energy) or economic development objective (e.g. poverty alleviation or economic empowerment of women) and leverage a collective approach for greater impact.

Demonstrating Progress

In implementing this Principle, a Bank should be able to demonstrate progress against the following targets:

Target	Requirement/Deliverable	Due Date
Sector collaboration	• Continuous engagement of the Banks within the Bankers' Sub-Committee on Economic Development and Sustainability to promote sector-specific or issue-based initiatives. • Regular meetings and capacity building workshops to further the implementation of the Principles. • Participation in Sustainable Banking Communities of Practice.	On-going
Commitment to international standards and best practice initiatives	• Meaningful, public commitments to leading global standards and active participation in international initiatives where relevant to core Business Activities and Business Operations or consistent with the Principles.	Q4 2012; on-going as new standards and initiatives are developed

Principle 9 | Reporting

We will regularly review and report on our progress in meeting these Principles at the individual institution and sector level.

What does this Principle mean?

Banks should develop and apply metrics for monitoring, measuring and reporting implementation progress.

In applying this Principle, a Bank commits to continuously monitor and measure performance against each of the Principles and will report progress against targets to its relevant internal and external stakeholders. Internal reporting mechanisms on the Principles should feed into the main decision-making processes of the Bank. Increasing the visibility and transparency of a Bank's progress against the Principles, at the individual as well as sector level, will help to enhance the credibility of the Nigerian banking sector as a whole.

Implementation of Principle 9

To report on the implementation of the Principles, and the progress made against targets, a Bank should:

- **Establish a Sustainable Banking reporting template:** After a Bank has established appropriate Sustainable Banking commitment and implementation plan, a reporting template should be developed that: (a) is consistent with the objectives and reporting requirements of each the Principles; and (b) is aligned with the core values and business model of the Bank. Reporting data can be used to report internally to management, as well as inform external reporting requirements.

- **Set clear targets and relevant performance indicators:** A Bank should articulate clear goals, targets and measurement indicators to be monitored and measured for each Principle, as appropriate for the Bank's different Business Activities and Business Operations. Measurement indicators should show year-on-year growth and demonstrate progress trends for the Bank.

- **Ensure the necessary systems are in place to collect data:** A Bank should, consistent with its internal processes and systems, ensure that it can identify and obtain the right data needed to report internally and externally on the Principles. Information should be collected through existing systems where Sustainable Banking considerations can been integrated into the main data collection systems of the Bank. In addition, internal and external audits can provide data sources for demonstrating the implementation of the Principles. A Bank should collect relevant information relating to its Sustainable Banking policies and procedures, significant achievements and case studies, as well as customer feedback and other data that will demonstrate the progress made on each Principle.

- **Agree the frequency, nature and format of internal and external reporting:** A Bank should make clear in its Sustainable Banking policy and procedures what information will be reported, how it will be reported and to whom it needs to be reported. Reports should include progress demonstrated against the targets articulated for each Principle as well as the targets set within a Bank's Sustainable Banking policies and procedures. A Bank should aim to produce a report on an annual basis on a standalone basis or preferably as an integral part of the Bank's annual report to its shareholders. In addition, a Bank may be required to submit a sustainability report to relevant regulatory authorities as and when required.

- **Contribute to Sector-Level Reporting:** A Bank should produce external reports, at least annually, on the relevant progress and performance that it has made in implementing the Principles, which will inform a sector-level report on the collective success in implementing the Principles.

Demonstrating Progress

In implementing this Principle, a Bank should be able to report progress against the following targets:

Target	Requirement/Deliverable	Due Date
Develop an overall Sustainable Banking Reporting Framework	• Development of a reporting template that incorporates all of the relevant reporting criteria described for each of Principles consistent with the Bank's Sustainable Banking commitments.	Q4 2012
Agreed implementation targets and milestones	• Development of clear targets and milestones consistent with the Principles and the Bank's Sustainable Banking commitments, policies and procedures for its Business Activities and Business Operations. • Performance indicators should be articulated to measure progress and monitor year-on-year performance for continuous improvement.	Clear targets and milestones Q1-2 2013; measurement of continuous improvement on-going thereafter
Internal reporting system	• Consistent with sector best practice reporting requirements, a Bank must demonstrate ability to collect relevant data and information to evaluate its performance against the Principles and its Sustainable Banking commitments, policies and procedures. Data collection should be part of existing internal processes for optimal results. • A Bank should seek independent third party review and assurance of its internal reporting system and data collection processes.	Setup data collection systems Q3-4 2013; Internal and/or independent review on-going thereafter
External reporting	• Reporting to external stakeholders, at least annually, on progress against the Principles and the Bank's Sustainable Banking commitments, policies and procedures. • Progress against agreed objectives and targets will be incorporated into the reporting approach. • Reports, which may be standalone or an integrated part of the annual report, should meet reporting requirements specified in the Global Reporting Initiative Financial Sector Supplement. • Where appropriate, independent third party review and assurance of external auditing of reports should be demonstrated.	Initial Sustainable Banking Progress Report 31 Dec 2013; First Full Sustainable Banking Report 31 Dec 2014; annually on an on-going basis