

## **LAPO Microfinance Bank's Sustainability Policy**



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## **Preface**

LAPO Microfinance Bank Limited Sustainability Policy ("The Policy") is documented to guide our business operations and our interaction with stakeholders (employees, customers, shareholders, investors, local communities, government, and other stakeholders). It outlines our responsibilities toward integrating social and environmental issues into our business operations.

This policy aligns with the expectations and realities of the 21st-century business environment, wherein businesses despite being faced with considerable sustainable development challenges, are expected to show a high level of responsibility in the discharge of their business to their operating communities and environment.

The Policy defines the Bank's Sustainability activities in line with global best practices and as it relates to its responsibility to the environment, society, and business. The Policy shall promote ethical practices in the Bank's operations and help ensure transparency and effective communication with all stakeholders.

Within the ambits of its business, the Policy will help ensure that the Bank shows a firm commitment to the expectations of its internal and external stakeholders while remaining relevant to its core business. It will also provide the platform for brand projection.

To achieve this, the Bank's Sustainability activities will support a healthy environment, economic and social development of its people, protect its natural resource base and the environment while enhancing its economic performance and profitability.

In line with this commitment, this Policy identifies the scope and area of focus for Sustainability activities for the organization.

## Founder's Statement

It is gladdening to note that sustainability is no longer just a nice thing to do, but it equally has a strong business case. In Nigeria, LAPO Microfinance Bank is one of the earliest corporate entities to make firm commitments to sustainable finance. The microfinance bank has compelling reasons to commit to initiatives which support the use of resources in a manner that seeks to meet the needs of the present and future generations. First, our clients who are **people** at the bottom end of the society are evidently active agents on the environment and second, are the cost reduction benefits of adoption of sustainable practices within the organization and our operations.

LAPO Microfinance Bank has delivered on its core sustainability mandate through the implementation of a series of activities within the context of its Environment, Social and Governance (ESG) Initiative. Our **marketplace** sustainability interventions include implementation of Environment & Social Management System (ESMS) reports with which loan decisions are made; delivery of loans worth millions of naira to its clients to acquire clean energy devices such solar lamps and clean cooking gas cylinders. In the **workplace** domain, **the paper** saving approach otherwise known as paperless banking has been deepened with board, management and periodically review meetings now held without the use of paper.

Health and safety programmes are periodically organized across the microfinance bank. Within the social dimension of sustainability, LAPO Microfinance Bank implements schemes and programmes which promote the wellbeing of staff and clients (customers). Children of our clients are provided with scholarship awards while those who are outside the formal educational system are supported with skills acquisitions programs.

Our success has been made possible by the strong commitment obtained from the key stakeholders across the organization. The standing Board Committee on sustainability has adequately performed its role of providing direction and oversight for implementation. The microfinance bank's sustainability statement has continued to act as compass for our activities.

We hope to continue to make huge investments in furthering our sustainability initiative in the coming years as we seek to promote sustainable banking principles and practices **within** the microfinance sub-sector of the Nigerian financial system.

March 2019

## **LAPO Microfinance Bank Sustainability Statement**

*“To be a sustainable Microfinance bank that supports its partners to become proactive participants in positively impacting the environment and society through sustainable practices and meeting the economic and social needs of its clients while fulfilling the expectations of its stakeholders.”*

***May 2014***



## P.1 Background Information

### Introduction

In the early years of the new millennium, a major part of the investment market still accepted the historical assumption that ethically directed investments were by their nature likely to reduce financial return. Philanthropy was not known to be a highly profitable business; Friedman had provided a widely accepted academic basis for the argument that the costs of behaving in an ethically responsible manner would outweigh the benefits. However, the assumptions were beginning to be fundamentally challenged. In 1998, two *journalists Robert Levering and Milton Moskowitz*, had brought out the *Fortune 100 Best Companies to Work For*, initially a listing in the magazine *Fortune*, then a book compiling a list of the best practicing companies in the United States with regard to corporate social responsibility and how their financial performance fared as a result.

Of the three areas of concern that ESG represents, the environmental and social had received most public and media attention, not least because of the growing fears concerning climate change. Moskowitz highlighted the relevance of corporate governance in responsible investment. His analysis centered on companies' management, what the stockholder relationships were/are, and the treatment of employees argued that improving corporate governance procedures did not damage financial performance; on the contrary, it maximized productivity, ensured corporate efficiency, and led to the sourcing and utilizing of superior management talents.

In the early 2000s, the success of Moskowitz's list and its impact on the company's ease of recruitment and brand reputation began to challenge the historical assumptions regarding the financial effect of ESG factors, which bore the Millennium Development Goals (MDG).

The MDGs originated from the United Nations Millennium Declaration. The Declaration asserted that every individual has dignity. Hence, the right to freedom, equality, and a basic standard of living includes freedom from hunger and violence and encourages tolerance and solidarity. The MDGs set concrete targets and indicators for poverty reduction in order to achieve the rights outlined in the Declaration.

### P2 Millennium Development Goals (MDG)

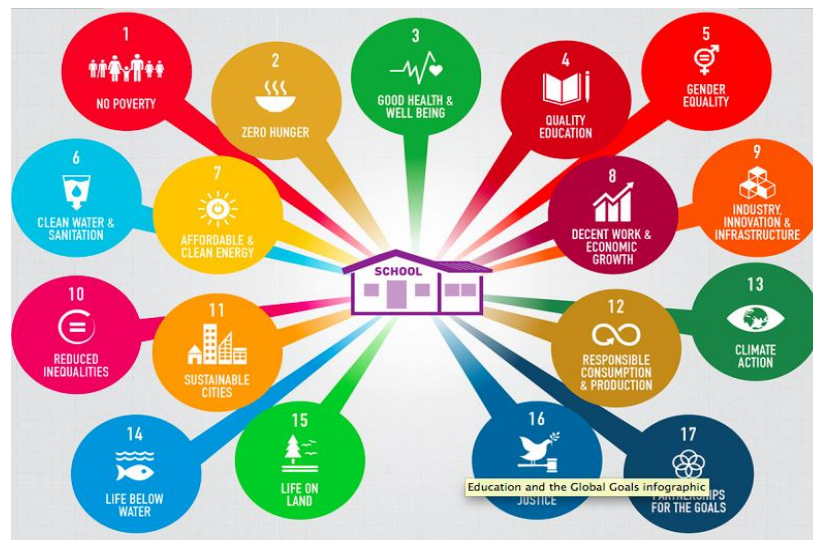
The Millennium Development Goals (MDGs) were the eight international development goals for 2015 that had been established following the Millennium Summit of the United Nations in 2000, following the adoption of the United Nations Millennium Declaration. All 191 United Nations member states at that time, and at least 22 international organizations, committed to helping achieve the following Millennium Development Goals by 2015:

1. To eradicate extreme poverty and hunger
2. To achieve universal primary education
3. To promote gender equality and empower women.
4. To reduce child mortality
5. To improve maternal health
6. To combat HIV/AIDS, malaria, and other diseases
7. To ensure environmental sustainability
8. To develop a global partnership for development

### P3 The Sustainable Development Goals (SDG)

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The goals are a set of targets relating to future international and global development. They were created by the United Nations and promoted as the Global Goals for Sustainable Development. They replaced the Millennium Development Goals that expired at the end of 2015. The SDGs run from 2015 to 2030. There are 17 goals and 169 specific targets for those goals.

These 17 Goals build on the successes of the Millennium Development Goals while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace, and justice, among other priorities. The goals are interconnected – often, the key to success on one will involve tackling issues more commonly associated with another.



The Sustainable Development goals are:

- GOAL 1: No Poverty
- GOAL 2: Zero Hunger
- GOAL 3: Good Health and Well-being
- GOAL 4: Quality Education
- GOAL 5: Gender Equality
- GOAL 6: Clean Water and Sanitation
- GOAL 7: Affordable and Clean Energy
- GOAL 8: Decent Work and Economic Growth
- GOAL 9: Industry, Innovation and Infrastructure
- GOAL 10: Reduced Inequality
- GOAL 11: Sustainable Cities and Communities
- GOAL 12: Responsible Consumption and Production
- GOAL 13: Climate Action
- GOAL 14: Life below Water

GOAL 15: Life on Land

GOAL 16: Peace and Justice Strong Institutions

GOAL 17: Partnerships to achieve the Goal.

## **P4 The Significance of Environmental, Social and Governance (ESG)**

ESG refers to the three main areas of concern that have developed as central factors in measuring the **sustainability** and ethical impact of an **investment** in a company or business in the global financial economies of today. There is growing evidence that suggests that ESG factors, when integrated into investment analysis and decision making, offer investors potential long-term performance advantages. ESG has become shorthand for investment methodologies that embrace ESG or sustainability factors as a means of helping to identify companies with superior business models. ESG is the catch-all term for the criteria used in '*What has become known as **Socially Responsible Investment**.*' This investment, including ESG, is among several related concepts and approaches that influence and, in some cases, govern how asset managers invest portfolios.

### **P4.1 LAPO MfB and Environmental, Social and Governance (ESG)**

ESG refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business in the global financial economies of today. There is growing evidence that suggests that ESG factors, when integrated into investment analysis and decision making, offer investors potential long-term performance advantages. ESG has become shorthand for investment methodologies that embrace ESG or sustainability factors as a means of helping to identify companies with superior business models. ESG is the catch-all term for the criteria used in '*What has become known as **Socially Responsible Investment**.*' This investment, including ESG, is among several related concepts and approaches that influence and, in some cases, govern how asset managers invest portfolios.

#### **Environment**

The environment is a complex set of physical, geographic, biological, social, cultural, and political conditions that surround an individual or organism and the nature of its survival. The environment influences how people live and how societies develop. The environment can also pose risks; for example, air pollution, waterborne diseases, toxic chemicals, and natural disasters are some of the challenges the environment presents for mankind.

#### **Social**

Social refers to a characteristic of living organisms as applied to the population of humans and other animals. It also refers to the interaction of organisms with other organisms and their collective co-existence, whether they are aware of it or not, irrespective of whether the interaction is voluntary or involuntary. Social is used as attitudes, orientations, or behavior that takes the interests, intentions, or needs of other people into account.

#### **Governance**

Corporate organizations often use the word governance to describe both:

- ***The manner in which Boards or their like direct a corporation.***
- ***The laws and customs (rules) apply to that direction.***

Corporate Governance consists of the processes, customs, policies, laws, and institutions affecting how people direct, administer or control a corporation. Corporate governance is the relationship(s) between the many players involved (the stakeholders) and an organization's corporate goal. The principal players include the shareholders,

management, and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment, and the community at large.

## **P5 Concept of Sustainability and Sustainable Banking**

The sustainability concept as identified above is borne out of LAPO's pioneering role in the Nigerian Micro financial sector. It is uniquely positioned to further economic growth and development in Nigeria through its lending and investment activities. The context in which business decisions are made is, however, characterized by complex and growing challenges relating to population growth, urban migration, poverty, destruction of biodiversity and ecosystems, the pressure of food sources, prices and security, lack of energy and infrastructure, and potential climate change, legislation from our stakeholders, amongst others. We believe that such an approach, one of sustainable banking, is consistent with our individual and collective business objectives and can stimulate further economic growth.

This is an opportunity as well to enhance innovation and competitiveness. We seek to lead by example by considering the direct impacts on the environment and society arising from our client's activities and our own business operations. We will strive to be a driving force for good in the communities and natural environment in which we operate by finding ways to avoid or mitigate negative impacts while creating new means to achieve positive gains.

## **P6 The Nigeria Sustainable Banking Principles**

Nigeria, a developing country, is one of the key players in the African financial global markets and has decided to signal its commitment to the future of its economic growth by being environmentally and socially responsible and relevant. As financiers and business leaders, they have recognized the role that they have to deliver positive developmental impacts to the society while protecting the various and indigenous communities in which it operates. As such, members of the Nigerian Banker's Committee adopted nine principles in recognition of Nigeria's banking sector's role and responsibility to deliver positive impacts to the society while protecting the environment and communities in which we operate. It covers all financial institutions operating in Nigeria, of which LAPO is a major player in the financial playing fields of microfinance in Nigeria.

LAPO has opted to be a Sustainable microfinance bank because, from the onset of its inception, it has always deemed it necessary to lift its clients out of poverty and offer them a better opportunity in life to succeed. The nine Nigeria sustainable banking principles are in most ways already applicable to LAPO and imbibing them is fundamental to the continued growth of the bank and also the breadth and spread of LAPO's continued existence.

The Nigerian Sustainable Banking Principles are highlighted as follows:

**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, minimize or offset negative impacts.

**Principle 2: Our Business Operations: Environmental and Social Footprint:** We will avoid, minimize 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.

**Principle 3: Human Rights:** We will respect human rights in our Business Operations and Business Activities.

**Principle 4: Women’s Economic Empowerment:** We will promote women’s economic empowerment through a gender-inclusive workplace culture in Business Operations and seek to provide products and services designed specifically for women through our Business Activities.

**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.

**Principle 6: E&S Governance:** We will implement robust and transparent E&S governance practices in our respective institutions and assess the E&S governance practices of our clients.

**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.

**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.

**Principle 9: Reporting:** We will regularly review and report on our progress in meeting these Principles at the individual institution and sector level.

## P7 LAPO Microfinance Bank Sustainability Areas of Focus

Area of Focus	Activity	Potential Impact on Financial Performance
Environment	<ul style="list-style-type: none"> <li>- Resource management and pollution prevention</li> <li>- Reduced emissions and climate impact.</li> <li>- Environmental reporting/disclosure</li> </ul>	<ul style="list-style-type: none"> <li>- Avoid or minimize environmental liabilities.</li> <li>- Lower costs/increase profitability through energy and other efficiencies</li> <li>- Reduce regulatory, litigation, and reputational risk.</li> <li>- Indicator of well-governed company</li> </ul>
Area of Focus	Activity	Potential Impact on Financial Performance

<b>Social</b>	<b>Workplace</b> <ul style="list-style-type: none"> <li>- Diversity</li> <li>- Health and safety</li> <li>- Labor-Management relations</li> <li>- Human rights</li> </ul> <b>Product Integrity</b> <ul style="list-style-type: none"> <li>- Safety</li> <li>- Product quality</li> <li>- Emerging technology issues</li> </ul> <b>Community Impact</b> <ul style="list-style-type: none"> <li>- Community relations</li> <li>- Responsible lending</li> <li>- Corporate philanthropy</li> </ul>	<b>Workplace</b> <ul style="list-style-type: none"> <li>- Improved productivity and morale</li> <li>- Reduce turnover and ++absenteeism.</li> <li>- Openness to new ideas and innovation</li> <li>- Reduce potential for litigation and reputational risk.</li> </ul> <b>Product Integrity</b> <ul style="list-style-type: none"> <li>- Create brand loyalty.</li> <li>- Increase sales based on products safety and excellence.</li> <li>- Reduce potential for litigation.</li> <li>- Reduce reputational risk.</li> </ul> <b>Community Impact</b> <ul style="list-style-type: none"> <li>- Improve brand loyalty.</li> <li>- Protect license to operate</li> </ul>
	<b>Area of Focus</b>	<b>Potential Impact on Financial Performance</b>
<b>Governance</b>	<b>Activity</b> <ul style="list-style-type: none"> <li>- Executive compensation</li> <li>- Board accountability</li> <li>- Shareholder rights</li> <li>- Reporting and disclosure</li> </ul>	<ul style="list-style-type: none"> <li>- Align interests of shareowners and management.</li> <li>- Avoid negative financial surprises or “blow-ups.”</li> <li>- Reduce reputational risk</li> </ul>

## P8 Scope

This policy applies to LAPO MfB'S Business activities and operations. Our creative and innovative approaches will enable us to minimize negative environmental impacts, improve economic bottom lines and integrate the social elements. Environmental and social degradation is generated not primarily by the bank's activities but by the clients' activities through their various sub (sector) businesses supported by the bank. These businesses generate differing impact(s) of which risk comes into play. Local circumstances, size, and operations of the specific company influence the risk of negative impacts socially and environmentally.

## P 9 LAPO Microfinance Bank Approach to Sustainability (Integration Approach: Social and Financial Structure)

The need to effectively measure and monitor our social and economic activities necessitated adopting the standardized Social Performance Management System (SPMS). Our structured process ensures that social and economic goals are continuously balanced. Our social performance activities are carried out using two approaches: Integration into the operations of LAPO Microfinance Bank and linkage approach by which social services are provided by LAPO NGO which LAPO Microfinance Bank pays for. Social empowerment programs implemented by LAPO NGO include HIV/AIDS prevention, care, and support programs, legal aid, gender equity programs, maternal and child health activities, environmental, integration of social education, insurance, and leadership training, etc.

## **P10 LAPO's ESG (Sustainability) Objectives**

Meeting Customer satisfaction and supplying products that are essential to our clients has been the key to the success of our business. The inception of ESG into our framework has opened the doorway to innovation and opportunities in our environment, which is core to our policy. LAPO MfB operates for the benefit of its members, and the ability to do this depends on our financial success and stability.

The main objective of this policy is to ensure that environmental, social, and governance is established in the bank to preserve and contribute to the development of the quality of the environment, protect human health and safety, ensure prudent and rational utilization of natural resources and conserve nature but above all to promote measures that deal with regional, social and global environmental problems such as climate change, access to water and to promote the use of clean energy. Other specific objectives are as follows:

- Engaging our customers in ways that are empathetic to their enquiries or complaints and improving our understanding of their needs and their expectations of us.
- To address sustainability issues like population growth, poverty, health, deforestation, access to education, corruption, financial inclusion, human rights, and conflicts.
- To minimize the risks involving delays in operations, financial costs, litigation costs, cleanup costs, association with any form of negative controversy, reputational damage, loss of operating license.
- To undertake and ensure the safety of our operational environment and premises in which we operate.
- To promote the safety and transparency of our financial system.
- To improve financial relations with correspondent banks globally by being more E & S viable.
- To improve the ratings of our credit portfolios through an improved E & S framework.
- LAPO MfB endeavors to ensure that the issues mentioned above of sustainability are met in full by creating and adopting this policy. This policy document is the property of LAPO Microfinance Bank and is meant for use by its employees as reference material to comply with Environment, Social and Governance as decreed by the Nigeria Sustainable Banking Principles (NSBP).



## Section 1: Environment Dimension

Financial crises usually call for major policy responses and frameworks to contain the damage done to the economy and society to safeguard financial stability in the future. To manage the risk of continuous distress in the Nigerian banking sector, the CBN in 2012 integrated sustainable business practices into the sector with the prioritisation of Sustainable Banking and Environmental & Social Risk Management.

### 1.1 About LAPO MfB & the Environment

Banking activities span all sectors of the economy, including those that are carbon-intensive, making the banking industry uniquely susceptible to climate change-related risks. To maintain their financial health and that of the broader economy and protect their shareholders' interests, banks must assess their exposure to climate-change-related risks, implement comprehensive risk management strategies, explore new opportunities for revenue growth and provide proper climate change-related disclosure.

LAPO MfB recognises the importance of protecting the environment and will minimise the environmental impact of work practices carried out by the organisation as well as mitigate as much as possible the effect of the funds it lends to its clients to run their business in the various environs in which they operate. As LAPO endeavors to focus on **"going green,"** as an organization, it imbibes innovation as a tool to enhance **sustainability** in the organization. This will reduce energy use, costs, waste, and other environmental factors not just for the organization but for its clients where it can be made applicable.

### 1.2 Environmental Sustainability

Environmental Sustainability refers to a state in which the demands placed on the **environment** can be met without reducing its capacity to allow all people to live well, now and in the future. For LAPO MfB to effectively implement the principles in its operations, there is a need to advance a management approach through policy that drives the processes and procedures while balancing the impacts of the environments and social (E&S) risks within our operations and also uses these opportunities to produce and implement green business activities. This is made possible by our adoption and implementation of the Environment & Social Management System.

LAPO Microfinance Bank is committed to continuous monitoring, measuring performance, and reporting progress to its relevant stakeholders. All activities in this regard are detailed in LAPO Microfinance Bank Financial and Sustainability reports which are produced annually.

The Microfinance Bank sustainability activities are reported under three broad headings: Environment, Social, and Governance, while trying to imbibe the Global Reporting Initiative (GRI) for reporting where applicable.

### 1.3 Managing LAPO MfB'S Environmental Footprint(s) and social impact

LAPO intends to avoid, minimize, and/or offset the negative impacts of our business operations on the environment and local communities in which we operate and promote positive impacts.

Initiating social and health empowerment programs. Among these programs are self-esteem enhancing programs, promotion of gender equity, and promoting healthy living through access to health services, tips and facilities.



## 1.4 Developing LAPO Footprint Policy

LAPO is a service industry whose prime offerings are finance and banking services and products. LAPO as an organization has minimal impact on the environment as an organization, but the clients that use our services are the people who use their funds in the environment, for example, a charcoal seller, local eateries, etc.

*LAPO will continually strive to seek effective measures and monitor its environmental footprint; and Implement measures to increase resources and energy efficiencies through the development of products and services that enable increased financial inclusion, reduce emissions and resource usage in targeted areas, increase cost-effectiveness and enable the organization to imbibe a viable, sustainable footprint consciously.*

## 1.5 Environment Footprint

The simplest way to define ecological footprint would be to call it the impact of human activities measured in terms of biologically productive land and water required to produce the goods consumed and assimilate the wastes generated.

## 1.6 Carbon footprint

A **carbon footprint** is historically defined as the total emissions caused by an individual, event, organisation, or product, expressed as carbon dioxide equivalent. LAPO Microfinance Bank has been proactively developing products and services that will help our clients respond to the environmental issues facing their businesses.

This is necessary to minimize or offset the negative impacts of business activities on the environment. This has been made possible by implementing various initiatives and collaborative partnerships towards protecting and preserving our environment. Environmental preservation is not limited to clients but extended to staff; steps have been taken to reduce carbon emission within the workplace. LAPO has adopted and embraced technology and has developed products and services that reduce the organization's carbon footprint.

## 1.7 Energy Consciousness and Paperless Banking

At LAPO, awareness of energy consciousness is being created among staff and clients, effective time management, and automated solutions have been adopted to conserve energy consumption and reduce carbon emission. Some of the steps taken are listed as follows:

- i. Printers and use of cards to monitor paper use.
- ii. Communicate electronically by encouraging the use of intranet and internet across all LAPO branches.
- iii. When necessary to print, use both sides of a sheet.
- iv. Create an internal portal for communication.
- v. E-mail signature to include a clause that discourages excessive printing.

The listed steps were achieved through the following innovation:

### 1.7.1 LAPO Green Technology Initiative

This initiative is targeted towards:

- Minimising the negative impact of Information Technology use on the environment (carbon footprint);

- Using Information Technology to help solve environmental issues; and
- Cost reduction.
- LAPO has put video *conferencing* facilities at the Head Office in Benin City, Edo State and Annexe Office in Lagos. This has helped reduced costs.
- We have also implemented the use of webmail for all Staff and created awareness of its usage.
- The Bank has equally set up the use of *Email Signature*, which promotes green technology.

LAPO deems it integral to have strategic emergency plans to cushion the effects of disasters on its clients, families, businesses, and assets to mitigate human suffering and preserve the said environment. A coordinated hands-on response may well be launched as effectively and efficiently as possible when disasters or other crises strike. The aim is to save lives and reduce suffering.

## **1.8 LAPO Intervention into Green technology**

The ultimate purpose of LAPO disaster prevention and control in emergency management is to save lives, preserve the environment and protect property and the economy.

- i. Ensures that loans given to customers in high-risk environmental areas are determined by their risk level.
- ii. LAPO provides insurance for all clients in case of disaster or conflict.
- iii. LAPO conducts health training for its staff regularly.
- iv. LAPO conducts National Audit Occupational Health & Safety checks.
- v. LAPO Equips all its branches with fire extinguishers.
- vi. LAPO equips all its branches with First aid boxes.
- vii. LAPO has emergency exits in all its buildings.
- viii. LAPO branches are all equipped with the State fire service contact numbers.

## **1.9 Ecosystem Management**

LAPO identifies ecosystem management as a process that integrates ecological, socioeconomic, and institutional factors into comprehensive analysis and action to sustain and enhance the quality of the ecosystems to meet current and future needs.

### **1.9.1 The importance of Ecosystems to LAPO**

LAPO understands that maintaining a healthy natural resource base is critical for the benefit of all people, especially the rural poor. Millions of people in Africa live on less than \$2 per day, many of whom depend on natural resources for livelihoods and general wellbeing. LAPO understands that conserving natural resources can have significant positive impacts on the welfare of those living in poverty. For example, those who fish or farm for subsistence need natural assets to survive. Sustainable production practices and harvesting of natural products can help ensure longer-term access to ecosystem services and products.

The most vulnerable in society have the least ability to change when their way of life is threatened – i.e., the least ability to relocate, change land use, alter income source, etc. Conservation or sustainable use of natural ecosystems can help buffer potential climate impacts through helping ensure the provision of key services such as water purification or soil stabilization, making relocation or forced migration of people less likely.

### 1.9.2 LAPO Potential Intervention

LAPO understands that there is a crying need to work towards the legislation and institutional reforms in this area. While existing laws may contain fragments of ecosystem management concepts, there are still significant challenges to be confronted. One such challenge involves educating the governments to employ ecosystems management, staff, and the general citizenry of the country, as the most desirous approach.

- i. Institutional innovations that require merging ecosystems management with economic management at relatively larger spatial and temporal scales are needed for the country. Notwithstanding, greater commitment to effective management of ecosystems on the part of countries and creating an institutional mechanism for managing ecosystems across political and jurisdictional boundaries are essential co-requisites.
- ii. Growth accounting without explicit valuation of ecosystem services is an incomplete analytical framework: Embracing and capturing economic values of ecosystem services in mainstream decision-making tools and indicators, such as a national income and growth matrix, can help design effective policies for sustainable growth societal wellbeing.
- iii. Investing in a new development model using a small-scale fiscal stimulus that mobilizes local people's untapped potential is imperative for unleashing a low carbon and Green Economy.
- iv. An analysis of LAPO's role as a financial institution in promoting the adoption of ecosystems management on both public and private domains is needed.
- v. Ultimately, there is a need to clarify the relationship between LAPO's economic growth and ecosystems sustainability in our operating environment.

### 1.9.3 Environmental Governance

Environmental Governance is the means by which society and organizations like LAPO determine and act on goals and priorities related to the management of natural resources. This includes the rules, both formal and informal, that govern human behaviour in decision-making processes as well as the decisions themselves.

#### LAPO's Intervention

LAPO's intervention in environmental governance is among the following:

- ✓ A Full Board of Directors
- ✓ Have set up an Environment, Social and Governance Board for the Bank
- ✓ Implementing the Environment & Social Management System (ESMS) in line with risk levels of the client's business
- ✓ LAPO Executive Management Committee
- ✓ LAPO Management Committee
- ✓ Occupational Health & Safety training for staff
- ✓ LAPO offers and caters for the pension scheme of staff as well as your normal pension scheme.

### 1.9.4 Chemicals and waste

LAPO understands that chemicals are critical to the manufacture of many products and the protection of human health and an essential contributor to the Gross Domestic Product (GDP) and employment of any and every nation across the globe. However, without good management practices, chemicals and hazardous waste can pose significant risks to human health and the environment, especially the global community's poorest members.

In urban areas, low-income or minority populations are often exposed to hazardous chemicals and associated wastes in their jobs or because they reside in polluted areas. In rural areas, most chemical exposure and environmental pollution are linked to the misuse of agricultural chemicals and pollution brought by waterways, impacting the natural resources upon which these communities depend.

LAPO MfB, as a service-focused bank, does not produce chemical waste but does emit emissions through its operations in the form of electronic items used like laptops, printers, and the like. LAPO is also very meticulous about what businesses the clients undertake with the funds given to them, and to this effect, LAPO does the following:

- I. Uses the global International Finance Corporation's (IFC) Exclusion list.
- II. Determines the risk level of businesses clients conduct.
- III. Measures the use of paper in cost and sheets not used.
- IV. Ensures that waste is not kept for more than necessary in the branches of operations.
- V. Ensures that clients are taught during council and branch council meetings.
- VI. Staff are sensitized on health and safety as a lifestyle, not just at work.

### **1.9.5 Resource efficiency**

Resource efficiency maximizes the supply of money, materials, staff, and other assets that a person or organization can draw on to function effectively, with minimum wasted (natural) resource expenses.

LAPO understands that growth is one of the major driving forces of our world's development. But to improve the wellbeing of our citizens in an environmentally friendly manner, we need a greener and more inclusive model of growth. Prosperity and wellbeing need not be achieved by increasing the "weight of nations" in terms of the resources they consume.

The problem is not growth per se but the composition of that growth. By improving resource efficiency, we can decrease the number of virgin materials that are extracted and used, as well as the associated environmental impacts. The challenge before us is to move towards a society where we create more value with less natural resource input and do not compromise future generations' needs.

To this effect, LAPO is and will continually strive to do the following:

1. Continually strive to measure resources used; like paper.
2. To identify 'hot spots' where the most resources are used or where there are best opportunities to reduce this resource use.
3. Resource productivity is the quantity of good or service (outcome) that is obtained through the expenditure of unit resource.
4. LAPO will endeavour where possible to measure and mitigate the following:
  - a) Waste assessment
  - b) Improve purchasing.
  - c) Improve storage.
  - d) Conserve energy
  - e) Conserve water
  - f) Preserve waterways.
  - g) Reduce waste.

- h) Reduce risk.
- i) Improve information.
- j) Improve systems.
- k) Reduce odour and air emissions.

## 2.0 What is an Environment & Social Management System (ESMS)

An Environment and Social Management System (ESMS) is a set of processes, procedures, and practices that enable an organization to reduce its environmental impacts and increase its operating efficiency. Effective implementation of an Environmental Management System will reduce pollution, minimize waste, and efficient use of raw materials and energy. Importantly, you guard against legislative liability by ensuring better regulation.

Benefits of ESMS implementation include but are not limited to reduction in the impact of environmental incidents, improved environmental focus, cost savings through a reduction in overheads such as waste, energy, and water consumption, win new business, increase favorable reputation for the organization and most importantly attract global investment.

### 2.1 Managing LAPO MfB'S Environmental and Social Risk Management System (ESMS)

Environment and Social management system (ESMS) refers to managing an organization's environmental programs in a comprehensive, systematic, planned, and documented manner. It includes the organizational structure, planning, and resources for developing, implementing, and maintaining policy for environmental protection. It also has international best practices that are critical to the success of the overall implementation and success of the system for the long-term benefit of the organization.

Environmental and social considerations are being integrated into decision-making processes relating to our business activities and our product offerings to our clients to reduce, minimize, or offset negative impacts. They are integral to credit extensions for our clients and equally important in consideration and evaluation for new loan creations.

The significance of measuring and addressing the environmental impact of an organization's activities and establishing goals and procedures that will improve the impact it has on the **environment** and human health is imperative in sustainable development for the bank.

### 2.2 Environment & Social Management Systems (ESMS)

Compliance with environmental and social requirements and imbibing Social Performance Management Systems (SPMS) tools are core to LAPO's doctrine as a sustainable financial institution. On issues of observed non-compliance, should LAPO MfB become aware of such occurrence(s), LAPO MfB will work with the customer/client to support, determine and agree upon corrective action(s) or measure(s) to ensure conformity. To this effect, LAPO MfB will follow through with specific means of screening, monitoring, mitigation, and sanctions depending on how severe the weight of non – compliance is; LAPO MfB **may** choose to sanction erring clients as well as erring staff.

The integrity of the ESMSF relies on the E & S Management process and the knowledge and involvement of LAPO MfB'S Sustainability Unit. In addition to this core element, other parts of ESMS describe the maintenance (tasks

and responsibilities), training and awareness, monitoring, impact assessment, evaluation, and reporting of the said framework in our client's operations.

The ESMSF integrates social and environmental risk management into the Bank's business processes. The ESMSF should:

- Provide a systematic way of managing LAPO MfB'S environmental affairs.
- Ensuring the LAPO MfB'S overall management structure addresses immediate and long-term impacts of its products, services, and processes on the environment.
- ESMSF will assist with planning, controlling, and monitoring policies in LAPO MfB.
- ESMSF will enable the introduction and implementation of instructions that will be initiated to run concurrently with the Bank's existing credit and risk management procedures.
- The ESMSF will enable LAPO MfB to avoid and manage loans with potential environmental and social risks by conducting social and environmental assessments prior to financial engagement.
- The ESMSF will give consistency for LAPO MfB to address environmental concerns through the allocation of resources, assignment of responsibility, and ongoing evaluation of practices, procedures, and processes.
- It will create environmental awareness from management and employees and make them more accountable to their environment.
- Enables a better understanding of legal requirements in order to determine more innovative products and services, including their potential impact, significance, priorities, and objectives.
- Focuses on continual improvement of the system and implementing policies and objectives to meet the desired result.
- The ESMSF will support and assist with reviewing and auditing the LAPO MfB'S future opportunities.
- The ESMSF will encourage contractors and suppliers who deal with LAPO MfB to eventually establish their ESMFS.

## 2.3 Classification of LAPO Microfinance Bank clients' business activities

S/N	Business Classification	Activities
1.	Trading	Perishables: Foodstuffs, meat, vegetables, Agric products, Drinks & fruits, etc.
		Non-Perishables: Electronics, Fabrics, Kitchen utensils, etc.
2.	Service	Cobblers, Vulcanizers, Electricians, etc.
3.	Manufacturing	Cobblers, Block making, etc.
4.	Processing	Soap Making, oil mills, etc.
5.	Others	Painters, cosmetics, weavers & call centers etc.

### Further Guidance

- Carry out regulatory compliance check(s) to confirm that the beneficiary meets relevant laws, regulations, and standards, including environmental and health and safety regulations, planning permissions, operating licenses, and permits.

- For micro-lending, the bank can use any one or more of these methods to confirm a beneficiary's compliance with E&S laws and regulations.
- Obtain written representation from the beneficiary stating full compliance with laws and regulations, e.g., in the loan agreement. Require the beneficiary to inform the bank of any regulatory breaches.
- Search online media for the beneficiary's history of fines or legal action taken against it.
- Check publicly available databases (e.g., through regulators) for any criminal or civil action in recent years (e.g., past three years) and for any liabilities (current or potential) that may affect the beneficiary's business in the future.
- In low E&S risk transactions, it is sufficient to confirm compliance through warranties and covenants.

No further E&S risk assessment activities are required for microloans.

Long	Medium	High	High
Medium	Low	Medium	High
Short	Low	Medium	Medium
	Low	Medium	Medium

*Diagram1: **Determining the overall E&S risk rating for Small and ...Microloans. Further Guidance (Small and Medium Loans)***

## 2.4. LAPO MfB'S E&S Risk Categorization List

The E&S Risk Categorization List is used to understand the level of E&S risk associated with a beneficiary in each business sector and used to screen said and potential clients about their eligibility in complying with LAPO MfB E & S framework.

**C - High Risk** – Projects with potential and significant adverse environmental or social risks that are divergent, irreversible, pollutant, or directly or indirectly disturb the balance of the environment or changes for the worst socio-cultural patterns of people and their communities or vulnerable Units in society or changes water quality. In such cases, an environmental and social risk assessment should be carried out, and operating without formal legal approval is a direct liability risk to the organization.

**B - Medium Risk Impacts** – Projects or businesses with the potential of limited adverse environment or social effect. Usually, they are largely site-specific, reversible, and readily addressed through mitigation and monitoring. Projects can be improved upon using internationally recognized standards and criteria. An environmental impact assessment (E.I.A) will be required.

**A - Low Risk** – Projects that are likely to have minimal or no adverse environmental or social impact on people or communities. These projects require no further social or environmental assessment action, but due diligence is required on a case-by-case basis.

#### 2.4.1 What if the overall E&S rating is different from the separate environmental and social risk ratings?

- When assessing a transaction, the bank will consider both environmental and social risks. In some cases, one type of risk may be more material (e.g., in some manufacturing sectors, social issues are more significant than environmental issues) than the other. In such cases, the most detrimental will be used to determine the overall level of risk.
- The bank would consider any such differences when carrying out E&S risk assessment activities and prioritizing the areas for further investigation with the beneficiary.

The table below summarizes the E&S risk assessment activities for low, medium, and high E&S risk levels:

E&S risk assessment activity.	E&S risk level of loan		
	Low	Medium	High
Regulatory compliance check	Confirm compliance from the beneficiary through warranties and covenants	<ul style="list-style-type: none"> <li>• Confirm compliance from the beneficiary through warranties.</li> <li>• If concerned, check compliance, e.g., review permits/licenses, speak to the regulator, etc.</li> </ul>	Confirm compliance from the beneficiary through warrantee AND check compliance, e.g., review permits/licenses, speak to the regulator, etc.
Evaluate beneficiary's management of E&S risk	-	<ul style="list-style-type: none"> <li>• Engage beneficiary to assess commitment, capacity, and track record in managing E&amp;S risk though</li> </ul>	Engage beneficiary to assess commitment, capacity, and track record in managing E&S risk
Conduct an operational site visit	-	-	Conduct an operational site visit to check areas of concern.

*If the bank is not satisfied with the findings or is concerned about E&S risks, it may choose to carry out additional E&S risk assessment activities beyond the required actions outlined above. Additional E&S risks assessment activities should include environmental impact analysis which will determine the appropriate action to be taken to ensure compliance.*

- All conformity forms must be completed at the end and conclusion of inspection of site visit.

#### **Document the results from the Environment & Social Risk Assessment:**

The bank should document findings and recommendations in the E&S due diligence report to help make an informed decision about the acceptability of the E&S risks associated with a proposed transaction.

## **2.5 The significance and Impact of Environmental & Social Risk Mitigation for LAPO MfB**

There are several types of risk related to financial institutions which have been pertinent in evaluating the risks of lending and loaning. Sustainability has endeavored to take into consideration the environment & Social risks of not just financial lending organizations but also the borrower through the interpretation of environmental and social risks related to the wellbeing of clients as well as ensuring that the organization that lend are sustainable into the future. The following are specific risks related to this effect:



A	Strategic & business risks	The risk to earnings and capital that may arise as a result of strategic/management decisions or business choices or lack of responsiveness to changes in the business environment
B	Reputation risk	The risk associated with an issue which could in some way be damaging to the brand of the organization among all or any stakeholders
C	Regulatory risk	The risk of fines, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with national requirements
D	Insurance risk	The inherent uncertainties as to the occurrence, amount, and timing of insurance liabilities
E	Market Risk	The risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers e.g., interest rates, market prices of assets and liabilities
F	Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events
G	Credit risk	The risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations

#### **A) Strategic and business risks**

Strategic and business risks to earnings and capital arise as a result of strategic/management decisions or business choices or lack of responsiveness to changes in the business environment. Specific strategic and business risks and management actions are regularly reported and reviewed by the LAPO Risk department and Board.

#### **B) Reputational Risk**

Reputation risk is defined as the risk associated with an issue that could in some way be damaging to the brand of LAPO. LAPO's objective is to maintain a strong reputation in line with our core values and principles through robust operational standards, continual monitoring of our corporate reputation and brand, commitment to our Social Goals Strategy, and proactive public relations. As part of the assessment and control of this risk, our corporate communications department shall closely monitor and review all LAPO communicate by actively monitoring and managing media, public, and customer opinion while working closely with external rating agencies to ensure fair and balanced representation. This approach helps maintain members, customer, and market confidence.

#### **C) Regulatory Risk**

Regulatory risk is the risk of fines, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with Nigeria regulatory Risk requirements. LAPO's objective is to maintain a robust process to ensure that all regulatory expectations and requirements are met within agreed or mandated timeframes, by promoting and embedding a compliance culture and developing positive regulatory relationships. Regulatory risks are reported through management structures and regularly monitored and reported to the Risk Committee and the Board.

#### **D) Insurance Risk**

Insurance risk comprises risks that arise regarding claims that have already occurred and for which reserves are already held (reserving risk) and of claims that are yet to occur (underwriting risk). Underwriting risk includes risks from claims arising from natural or man-made catastrophe events.

### **E) Market Risk**

Market risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and volatility of market risk drivers such as interest rates and market prices of assets and liabilities. The value of, or income from, assets held is subject to volatility from changes in both market interest rates and additional spreads related to the issuer's specific creditworthiness. Proceeds from maturing investments are also subject to risk over the future return on reinvestment.

### **F) Operational Risk**

Operational risk includes internal and external fraud, loss or theft of confidential customer information, loss of key personnel, system capacity issues or program failure, and external events over which LAPO MfB has limited controls, such as terrorist attacks. LAPO's objective is to minimize operational risk by implementing a robust MIS system and a controlled environment that minimizes the potential for loss due to the failure of processes, people, and technology due to external events.

LAPO MfB has defined the following sub-categories within operational risk, which represent the major areas of operational risk exposure:

- Financial Reporting Risk.
- Model Risk.
- Technology Risk.
- Physical Assets and Security.
- Third-Party Supplier Risk.
- Change Risk.
- Product Approval Risk.
- Information Risk.
- Financial Crime Risk.
- People Risk.
- Legal Risk.
- Business Continuity Planning; and
- Anti-Money Laundering and Counterterrorist Financing.

Operational risks are identified, managed, and mitigated through ongoing risk management practices, including risk assessments, formal control procedures, and contingency planning. The Risk Department Committee regularly reviews operational risks and key controls. Significant operational risks are reported to the Board.

### **G) Credit Risk**

Credit risk is the risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations. LAPO does not aim to earn a return from credit risk; hence its appetite for credit risk is exceptionally low. Potential losses arising from credit risk are minimized using high-quality reinsurers and highly rated investments.

- Provide all disclosure of environmental, social, and governance (ESG) goals—as well as a company's progress towards them.
- Provide disclosure and updates of all social activities undertaken, including stakeholder engagements, all social activities undertaken, and their impacts.
- Provide a biannual Social Audit report.
- Report on energy, greenhouse Gases (GHG) and carbon foot print of the organization where measurable ( paperless banking report).

## Section 2: Social Dimension

### About LAPO and commitment to the social wellbeing of communities

LAPO Microfinance Bank MfB was born out of LAPO Non – Governmental Organization (NGO), whose foundation lies in striving to better the socially vulnerable citizens of the country who are, in most cases, the poor.

In its broadest sense, social vulnerability is the inability of peoples, societies, and organizations to withstand adversity to overcome multiple stressors and shocks, including abuse, social exclusion, natural hazards, lack of education, and inaccessibility to basic health care. These impacts are partly due to characteristics inherent in social interactions, institutions, and systems of cultural values.

Social vulnerability is partially the product of social inequalities (the disparity between the rich and the poor)—those social factors that influence or shape the susceptibility of various Units to harm and that also govern their ability to respond (Cutter et al., 2003). It is, however, important to note that social vulnerability is not registered by exposure to hazards alone but also resides in the sensitivity and resilience of the system to prepare, cope and recover from such hazards (Turner et al., 2003). However, it is also important to note that a focus limited to the stresses associated with a particular vulnerability analysis is also insufficient for understanding the impact on and responses of the affected system or its components (Mileti, 1999; Kaperson et al., 2003; White & Haas, 1974).

LAPO Microfinance Bank, in partnership with LAPO NGO and other organizations, seeks to assist clients in addressing these challenges suffered by clients through the introduction and development of new products, initiatives, and schemes using Corporate Social Responsibility (CSR) as a guiding tool in restoring dignity and enabling a better way of life for her clients. The organization uses Universal Standards for Social Performance Management to structure, maintain, recognize, and address its business relationship with clients.

### 2.0 LAPO MfB & Corporate Social Responsibility (CSR)

LAPO Microfinance Bank's (MfB) commitment to managing the environment, social and economic effects of its operations responsibly in line with public expectations has been at the heart of the bank's existence since its inception. **Corporate Social Responsibility** is an approach to sustainable development by delivering economic, social, and environmental benefits in a lot of cases. At LAPO MfB, CSR encapsulates the initiatives by which the bank takes responsibility for **the** wellbeing of its operating environment and makes itself responsible for its citizenry's wellbeing-the clients.

The **purpose of LAPO MfB'S Corporate Social Responsibility** is to give back to the community, take part in philanthropic causes, and provide positive social values and social responsibility. LAPO MfB holds itself responsible and accountable as an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that contributes to sustainable development, including the health, education, and the welfare of not just its clients but of society at large.

## 2.0 LAPO MFB CSR Scope

LAPO Microfinance Bank MFB is committed to contributing to the development of its operating communities through responsible community investment, collaboration, and partnerships with activities that will enhance the socio-economic development of the people. To ensure our CSR & Sustainability activities are carried out in a manner that is ethical and in line with global standards. The following shall be imperatives for the implementation of the Bank's initiatives.

1. The Bank shall adhere to the provisions of this Policy in achieving its economic, social, and environmental goals for the long-term success of the Bank.
2. This Policy shall be endorsed and imbibed by all employees of the Bank while the tone shall be set by the Bank's Board and Executive Management.
3. The Board of Directors shall have the ultimate responsibility for the Bank's CSR activities.
4. All employees are expected to act ethically, in a manner consistent with the Bank's code of conduct. In conformity with this Policy and all applicable laws and the best interest of the Bank.
5. The Bank shall combat corruption and bribery in all areas of its operations and Business locations. The Bank shall thoroughly investigate an alleged breach of the Policy and periodically provide training on ethics and compliance for all staff.
6. The Bank shall not deal with any company or business contained in the Exclusion list. (See Annex 1)
7. The Bank shall be a leader and an advocate for ethical business engagement. This shall be achieved through various means, including building regulatory capacity and anti-money laundering alliances with regulatory authorities, amongst others.

### 2.1. LAPO CSR Experience

Over the years, LAPO's social activities were directed at LAPO clients and their immediate environment. These activities were not well measured and captured through a standard reporting format. This was evident from the 2010 *social rating*. The need to effectively measure and monitor numerous social and economic activities (services) that LAPO offers to its clients led to adopting a universal social performance management system. The rationale for adopting a standard social performance management system is to ensure that social goals are effectively monitored and measured. The contributions of various departments or units' activities towards achieving LAPO's social goals are also quantified.

### 2.2 Objectives of LAPO Corporate Social Responsibility

The main objectives of the Bank's CSR include the following:

- To contribute to the capacity development and skill training for youths, especially clients' children.
- Positively contribute to the economic development of its operating communities, with social development initiatives to make the society a better place.
- 3.To empower the vulnerable in society to become future employees of labor, impacting on the economy and improving lives

- To give back to the society that has been integral to the growth of LAPO MfB.

## 2.3 LAPO CSR Guiding Principles

The following outline will be the guiding principles for LAPO MfB'S decisions to guide the way the Bank shall manage, identify and implement its CSR activities:

- **Impact:** The MfB shall make worthwhile investments that will significantly and measurably address critical stakeholder needs in society by focusing on areas that yield the most impact for available resources.
- **Reach:** The Bank shall consider the reach of the CSR & Sustainability initiative - the number of beneficiaries, location, and impact. Priority shall be given to initiatives with more impact and within the stipulated areas of focus.
- **Transparency:** The Bank shall objectively engage in CSR & Sustainability activities, utilizing transparent processes to select intervention areas that will benefit stakeholders.
- **Accountability:** The Bank shall be accountable for its resource allocation to CSR activities and shall publish annual CSR & Sustainability reports for circulation to relevant stakeholders.
- **Collaborative Partnership:** The Bank shall seek to establish viable alliances and collaborations with local, national, and International global qualified partners to facilitate adherence to best practice in the identification, implementation, execution, evaluation, and reporting of CSR & Sustainability activities.
- **Mutual Benefit:** Every CSR & Sustainability project shall be mutually beneficial to benefiting communities and the Bank.
- **Measurability:** The Bank shall evaluate the degree of impact of its CSR & Sustainability activities in a yearly reporting and document.
- **Responsible Banking –** The Bank's practices, processes, and products & services shall be conducted responsibly.

## 2.4 LAPO's Means of Supporting CSR Projects.

LAPO Microfinance Bank is committed to contributing to the development of its operating environment through responsible investment activities that will enhance the socio-economic development of the people; and shall, through the following avenues, partner, sponsor, develop and contribute to projects in society.

- a. **Direct funding from the Management of The Bank:** The Management team directly supporting a cause or vulnerable project in society, including staff who have medical ailments, injuries and supporting their spouses and children under the LAPO Staff Social

Support Scheme. LAPO Management team shall be in the form of giving financial support to a worthy, identified, and agreed cause.

- b. **Voluntarism:** LAPO has amongst other drives set up a committee called the LAPO staff Social Support Fund (LSSSF) to encourage volunteering and assist employees and the general public through donations by staff and also to the general public through donations, charity giving. Volunteering their time, funding, and provision of material items for a purpose, direct support, and alleviation of specified situation.
- c. **Competitions:** LAPO MfB will strive to garner internal support by supporting well-meaning causes through in-house competitions, quizzes, games, and social gatherings to assist the vulnerable in society and any just causes.
- d. **Partnerships & collaborations:** LAPO has always understood and used the tool of partnership & collaboration in order to create synergy in promoting projects and products that deepen its reach in enabling consumers like and demand.; in the same sphere LAPO.
- e. has partnered with 2.5.0 LAPO MfB core areas of CSR Focus

LAPO MfB since inception has tremendous focus on the development of both its staff as well as its clients and recognizes education as one of the most significant indicators of social progress in improving lives. Our key focus areas are but are not limited to;

- Education
- Health
- Women and youth empowerment
- Human rights and employee relations

## 2.5. Education

### 2.5.1 Objective

The Bank shall contribute to the educational development and empowerment of communities through its clients at all levels with the goal of developing a generation of an educated populace and technically adept society by supporting their growth for the overall benefit of the society. enabling them to become future employers of labor and reducing social ills, most especially at the grassroots, who are the foundation of our tomorrow.

#### LAPO Education Strategy

- The Bank's intervention may be in the form of support for education in any of the following areas:
- Sponsorships and Events
- Capacity Building
- Provision of research grants at all levels of educational institutions with a view to enhancing knowledge
- Training grants for teachers' development (through partnership with technical training institutions)
- Endowment and Funds
- Endowment fund in all terrestrial and technical establishments
- Grants

- Educational fund for local community indigenes
- Enhance Financial Literacy and Education for clients.
- Continuous Learning and Development for staff and clients

## 2.6 Health

### 2.6.1 Objective

LAPO MfB recognizes the role of good health in ensuring a functional society; consequently, the Bank places a premium on the well-being of its people particularly in its operating communities. LAPO supports the facilitation of quality health services in the communities where the Bank is located and contributes to the global fight on major health issues particularly those common to the areas where it has its business operations.

To achieve this objective the LAPO MfB partners with both local and global organizations and agencies in the fight against various health scourges.

- To support the development of basic health projects and schemes aimed at ensuring the well-being and treatment of the people in our operative local communities.
- To support and contribute to the fight against the major diseases ravaging the world especially in Nigeria, for instance the Bank may adopt a disease like Covid 19, malaria or cancer based on the approval of the ESG Board.
- Provide community-based health projects/programmes that will better the lives of the people in our communities.

## 2.7 LAPO Health strategy

### 2.7.1: Objective

LAPO MfB will and shall endeavor where possible to may support health projects that will positively impact the communities in the following ways:

#### **1. Contribution of Health Facilities**

- health equipment and facilities
- Provision of health centers at branch council meetings

#### **2. Fostering awareness on Health issues and Sensitization**

- Raise public awareness and education on health issues.
- Encourage healthy life habits and physical activity.
- Provision of free health care/check-up in collaboration with relevant partners

#### **3. Community Health and Social Services Project**

- Drugs provision for disease treatment and management
- Supporting the development of community health and social services.

#### **4. Support Local and Global Efforts on Diseases Scourge**

Undertake projects with respect to prevalent health issues (whether jointly or in partnership with another body):

- Cervical Cancer
- HIV/AIDS
- Covid 19
- Diabetes
- Malaria
- Tuberculosis
- Hypertension
- Ebola Virus Disease
- Any other diseases

## **2.8 Women and youth empowerment**

### **2.8.1 Women and Youth Empowerment Objective**

Women are the most deprived gender in the world. Apart from constituting the majority of the unbanked, they are also deprived on cultural grounds in developing economies. LAPO MfB shall support the economic and financial growth of women and contribute to building an enabling environment for youths in line with the ethos of CSR which the Bank has committed itself;

- To provide a platform for gender empowerment and youth development
- To contribute to capacity development and skill training for youths and the female gender
- To promote gender diversity and equal opportunities in the workplace
- To create a veritable platform for the Bank, by projecting the Bank as a gender balanced organization.

### **2.8.2 Women & youth Empowerment Strategy**

This strategy aligns with the financial inclusion strategy of the Bank in giving financial access to the unbanked female and youths in the local communities. This will be achieved through the following:

#### **Financial Inclusion and Education:**

- Engage women and youths in activities that will help them develop basic skills for managing and keeping their money.
- Educate women on financial management and literacy.

#### **Gender Focused Capacity Development**

- Collaborate with NGOs to expose rural women to diverse opportunities and enhance their capacity development and business empowerment through initiatives.
- Introduce local women to adult education and train them in basic communication.
- Help re-orientate and teach the untrained on basic skills such as hygiene, home keeping, balanced diet, and trading amongst others.

#### **Skills development and business Empowerment**



- Empower women and youth in communities with basic skills acquisition for them to make ends meet and provide beneficiaries with soft micro-finance to start up their businesses under a collaborative arrangement.

## 2.9 Human Rights and Employee Relations

LAPO MfB supports the rights of the individual as expressed in the International Bill for Human Rights (comprising the *1948 Universal Declaration of Human Rights (UDHR)* and the *two International Covenants on Human Rights of 1966*) as well as the International Labour Organisations standards which aimed at promoting rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues.

The imperatives are as follows:

- ✓ The Bank has a responsibility to ensure that employee and other stakeholders' human rights are upheld in all its decisions, interaction with staff and those of the suppliers and contractors through procurement and supply chain management.
- ✓ LAPO MfB is firmly committed to the dignity, rights and aspirations of all its employees. The Bank recognises its responsibilities to include but not limited to ensuring employee representation, employability and capacity development, diversity and equality, fair remuneration, work-life balance, health, safety and wellbeing and responsible employee practices.
- ✓ The Bank shall at all times provide a safe and habitable work environment that is free from discrimination and harassment and shall abide by the provision of the constitution of Nigeria.
- ✓ The Bank shall not discriminate anyone based on race, ancestry, color, creed, ethnic or national origin, place of origin, citizenship, political convictions, gender, sexual orientation, civil status, veteran status, marital status, religion, age, language, social condition, record of offences, health status and physical or mental disability, including psychological harassment.
- ✓ The Bank shall abide by the UDHR internationally accepted standards for human rights as it applies to governments and businesses. It shall also strictly comply with the relevant labour laws and always ensure a smooth employee-management relationship.

### 2.9.1 LAPO Strategy on Human Rights & employee relations

The following basic principles in line with the UDHR will guide human rights practices across the Unit:

- Compliance with existing labour laws and regulations
- Prohibition of sexual or other form of harassment
- Right to fair hearing
- Right to fair and competitive remuneration for employees
- Prohibition of discrimination against persons or Unit
- Right to occupational health and safety
- Prohibition of forced labour

- Freedom of association and guarantee of right to organise.
- Prohibition of child labour within the Bank or any of its suppliers

Employees of the Bank have the main responsibility for maintaining and promoting acceptable standards of behavior within the ambits of this Policy and acceptable norms of the Bank. LAPO Microfinance Bank is committed to creating an endearing work environment where people can make a difference both as individuals and as part of a team.

### **2.9.2 LAPO MfB adherence to Global practices in carrying out CSR.**

The Bank shall create and deliver Corporate Social Responsibility for our clients that instills reliability, peace of mind, and excitement in them always. To achieve this, LAPO MfB has signed up and imbibes the Universal Standards for Social Performance Management and the Client protection principles as stated below in relating with our clients and with society as a whole, ensuring that stakeholder engagement, empowerment, and ethical behavior our drivers for sustainable Corporate Responsibility for the organization.

- All employees are expected to act ethically, in a manner consistent with the Bank's code of conduct. In conformity with this Policy and all applicable laws and the best interest of the Bank.
- The Bank shall combat corruption and bribery in all areas of its operations and Business locations. The Bank shall thoroughly investigate an alleged breach of the Policy and periodically provide training on ethics and compliance for all staff.
- The Bank shall not deal with any company or business contained in the Exclusion list. (See Annex 1)
- The Bank shall be a leader and an advocate for ethical business engagement. This shall be achieved through various means, including building regulatory capacity and anti-money laundering alliances with regulatory authorities, amongst others.

### **3.0 Universal Standards for Social Performance Management**

The Universal Standards for Social Performance Management ("the Universal Standards") is a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial service providers achieve their social goals.

Social performance is the effective translation of an institution's social mission into practice. The social value of microfinance relates to how financial services improve the lives of the poor, excluded clients, and their families, but more importantly, the ability of the bank to widen the range of opportunities open for them and their communities. Social performance monitoring and management encompass the entire set of processes implemented by a Microfinance Institution (MFI) to generate positive outcomes for its clients and for the communities it serves. They include analysis of the developmental goals of institutions, the systems and procedures MFIs have in place, and the effectiveness of these procedures at monitoring progress towards organizational objectives. To create this value, the social objectives of an MFI may include the following:

- Serving increasing numbers of poor and excluded people in an ongoing, sustainable way both by broadening and deepening outreach.

- Improving the quality and appropriateness of the financial services available to target clients through the systematic assessment of their specific needs.
- Create benefits for microfinance clients, their families, and communities that are related to social capital and social links, assets, reduced vulnerability, income, access to services, and the fulfillment of basic needs.
- Improve the social responsibility of the MFI towards its employees, clients, and the community it serves; and
- Enabling the clients to avoid over-indebtedness.

The Universal Standards for Social Performance Management (USSPM) have been developed by Social Performance Task Force (SPTF) members to establish a common global understanding of what “good Social Performance Management (SPM)” means for double/triple bottom line MFIs. The SPTF, an international Unit, consists of investors, donors, MFIs, microfinance networks, research agencies, and other stakeholders united to define, measure, and enhance the social performance of MFIs. The SPTF has created both a framework of analysis and a set of standardized indicators to assess MFIs’ social performance.

MFIs can use them to self-regulate their SPM practice, as well as strengthen it over time. The Standards are organized into the following six categories:

- Define and Monitor Target Clients and Social Goals.
- Ensure Board, Management, and Employee Commitment to Social Performance
- Protect Clients’ Rights.
- Design products, services, delivery models, and channels that respond to Clients’ Needs and Preferences.
- Treat Employees Responsibly.
- Balance Social and Financial Returns.

The Standards apply to both MFIs and stakeholders in the microfinance industry. MFIs should use the standards in two keyways:

- To guide their SPM strategies.
- To self-regulate their social performance.

The stakeholders will also find the Standards useful as follows:

- Investors and donors can use the Standards to understand an MFI’s SPM practices and help them direct their funds toward MFIs with strong SPM and identify SPM capacity-building needs among investees.
- Social raters and social auditors already use many individual standards in their assessments but may realize the need to assess compliance with the entire set of standards as part of the rating and auditing processes.
- Networks and associations can use the Standards as a tool to assess the social performance of partner MFIs and make critical decisions about capacity building, partnership agreements, and funding.

### **3.0.1 Treat Employees Responsibly**

LAPO Microfinance Bank realizes that organizational goals are achieved through its people who share a common identity and a strong desire to excel. Alignment of organizational goals and desires of staff is a strategy that

ensures teamwork, mutual satisfaction, and excellent performance. Staff satisfaction is better ensured through continuous review and modification of policies and procedures. The Bank conducts **Staff Satisfaction Survey** on an annual basis. The information generated from the process is analysed and imputed into existing processes to ensure an efficient operational policy that meets the needs and welfare of staff.

The provision of an enabling environment for the practice of a good staff welfare system was demonstrated in renaming **Human Resources** to **People Management** in referring to the workforce as people rather than tools or factors of production. The Bank ensures regular payment and upward review of salary. In addition to salary, staff also benefit from the payment of performance bonuses which are extraordinarily strong motivating factors to increase staff morale and commitment. The Bank has commenced the implementation of contributory pension since 2007 in line with the Pension Reform Act, every staff is registered, and the contribution is managed by licensed Pension Fund Administrators. The Bank insures all staff under the Combined Employers Liability, Group Personal Accident, and Group Life Insurance. The combined effect of this is that each staff is covered for twenty-four hours for bodily injury and or death arising out of and or in the course of employment.

### 3.2 Balancing Social and Financial Returns

LAPO social performance management is a structured process that ensures that LAPO's social and economic goals are continuously balanced. The Bank's social performance activities are carried out using two approaches: Integration into the processes of LAPO Microfinance Bank and linkage approach by which LAPO NGO provides social services. Social empowerment programs implemented by LAPO NGO include HIV/AIDS prevention, care, and support programs, legal aid, gender equity programs, maternal and child health activities, environmental and leadership training.

In 2012, a five-year growth strategic plan was formulated articulating our aspirations to expand outreach, increase performance leadership through the revision of our operating and service delivery model and institutionalize a people management strategy that will not only promote customer-centeredness but also build strong teams within the staff. The focus of the strategy objectives includes reaching 5 million clients by 2017, diversify clients' segments to expand outreach; diversify existing products and services; leverage technology for efficient-based processes and operations; increase savings mobilization; develop staff capacity to be better positioned to satisfy client needs and create a good working environment.

### 3.3 LAPO Client Protection Principles

The Smart Campaign is a global campaign to embed client protection into the DNA of the microfinance industry. The Smart Campaign works with microfinance leaders worldwide on a common goal: to keep clients as the driving force of the industry by providing microfinance institutions with the tools and resources they need to deliver transparent, respectful, and prudent financial services to all clients. The Smart Campaign believes that protecting clients is not only the *right* thing to do; it's the *smart* thing to do.

LAPO microfinance bank has since inception endeavored to keep its clients as key to the development of its institution. Affiliating and endorsing the SMART campaign have led to LAPO signing up, endorsing, and utilizing the seven client protection principles which make up the SMART campaign; and are embedded into our core values and day-to-day activities. The seven client protection principles and the steps LAPO have and will continue to take are as follows:

## **Appropriate Product Design & Delivery**

### **Steps by LAPO**

- LAPO adopts a conventional approach to product development.
- Repayments are scheduled weekly or monthly to suit clients' economic activities.
- Reduction of micro-insurance premium rate and extension of benefit to clients to accommodate disability compensation.

## **Prevention of Over Indebtedness**

### **Steps by LAPO**

- Small loans are disbursed to new clients.
- Repayment amounts are scheduled weekly and monthly to meet the client's cash flow.
- Clients cannot operate more than two loans at the same time.
- Small sizes of loans disbursed to first borrowers and gradual increase in the subsequent cycle.
- Reflecting the growing absorptive capacity of their businesses.
- Adequate assessment of credit need.
- 

## **Effective Complaint Resolution**

### **Steps by LAPO**

- Clients are encouraged to forward their grievances and complaints to the client relation/marketing unit through mobile telephone numbers printed on the membership cards.
- Clients are encouraged to present their complaints at branch council meetings.
- Clients are encouraged to forward their grievances/complaints to the client relations unit through customer care lines.
- Clients have access to the branch manager, area manager, zonal manager, head office monitoring team, and head of operations direct lines to state grievances if they are not satisfied with it.
- Banners with contact information (phone numbers) of management staff are displayed at branches.
- Clients' satisfaction surveys are conducted annually to monitor client's satisfaction and recommendations forwarded to the board for consideration; and
- One of the key functions of Clients' Relations Managers is to respond quickly to clients' grievances and complaints.

## **Transparency**

### **Steps by LAPO**

- All rates and charges are clearly explained to the client before disbursement.
- All repayments/deposits are properly recorded in the client's passbook (weekly/monthly) not to overburden the clients.
- All rates and charges are clearly displayed in all our branches. Pricing information is explained in local languages and in manner clients are familiar with.

- Prices are outlined in the passbook.
- All repayments/deposits are properly recorded in the client's passbook.
- The Schedule of loan repayment is made known to clients during pre-loan training and before disbursement of funds.
- Loan repayment schedules are printed for clients.

#### **Steps by LAPO**

- LAPO rates and charges are currently one of the cheapest in the local market.
- Rates and charges are fixed throughout the duration of the loan period as agreed upon before loan disbursement to avoid multiple charges.
- Only 2 items are charged, that is, interest and administration fee.
- Display of charges in all branches.
- There are no hidden charges.
- 

### **Fair & Respectful Treatment of Clients**

#### **Steps by LAPO**

- Staff are trained to see clients and treat them as the reason LAPO exists.
- Staff treat clients with respect and dignity.
- The rights of clients are taught during pre-loan training; and
- Appropriate grievance procedures to sanction staff that perpetuate unethical behaviour exist.

### **Privacy of Client Data**

#### **Steps by LAPO**

- Client records are not disclosed to a third party except for official purposes.
- Information such as photographs can only be used after due authorization by the client. That is, a client must sign the Consent and Release Form before such information can be used.

## **3.4 LAPO MfB 's CSR Monitoring & Evaluation**

Monitoring and evaluation (M&E) of CSR activities will provide LAPO MfB with a better means of learning from past experiences, improving the service delivery system, systematic planning and optimizing resource allocation and demonstration of results as part of accountability to the key stakeholders.

The Bank shall put in place modalities for the implementation, performance measurement and monitoring of the Bank's CSR initiatives. This will be conducted to ascertain the progress of the project in line with the stated agreement and it will be done on an annual basis. The monitoring will focus on progress made towards achieving project objectives and the adherence and compliance with requirements for effective project implementation.

The Bank shall accurately report on the performance of the CSR activities to internal and external stakeholders, as well as the beneficiaries of the initiative to enable the Bank measure how its investments translate to economic benefits for the beneficiaries and the overall social impact for the communities.

The Bank holds the right to terminate any project or initiatives that does not comply with its standards or is against its policy or procedures after an initial warning has been issued to the implementation partner or where it will constitute a risk to the Bank.

### **3.1 LAPO Microfinance Banks Commitment to enhancing the social wellbeing of the Nigerian Society.**

Lift Above Poverty Organization (LAPO) is a Non-Government Organization (NGO) whose mission is to promote health, rural development, and social justice for equity and sustainable livelihood among target groups and is also committed to

- **Social Responsibility:** LAPO Microfinance Bank believes its duty is to contribute to the development of Nigeria in the interest of its people. The Bank considers the sustainable impacts of its actions and actively seeks opportunities to foster social improvement through one of our many channels, such as Corporate Social Responsibility (CSR).
- We pay critical attention to our clients' needs, especially in health and education; we aim to improve the welfare of communities and society at large positively. These services are meant to complement the financial services provided by the bank, as LAPO believes that poverty is not just a lack of funds but more fundamentally a function of exclusion from life-transforming opportunities like Education, Skills Acquisition, and Decision Making.
- LAPO MfB is committed to always ensuring stakeholder engagement.
- LAPO is committed to participating in community developments and enhancing unity through our branch locations across the country as and when feasible.

## Section 3: Governance Dimension

### 3.0 Governance

Governance refers to structures and processes that are designed to ensure accountability, transparency, responsiveness, rule of law, stability, equity and inclusiveness, empowerment, and broad-based participation. Governance also represents the norms, values, and rules of the organization through which public affairs are managed in a manner that is transparent, participatory, inclusive, and responsive. Governance, therefore, can be subtle and may not be easily observable. In a broad sense, governance is about the culture and institutional environment in which staff, the general public, and stakeholders interact among themselves and participate in public affairs.

#### 3.1 The Importance of Good Governance to LAPO MFB

Good Governance is frequently used, particularly with donors promoting the notion of 'good governance as a necessary pre-condition for creating an enabling environment for poverty reduction and sustainable human development. Good governance has also been accepted as one of the Sustainable Development Goals (SDGs) targets.

Good governance is good for businesses like LAPO, which is core to our foundation and success. Good governance is about having policies and procedures to ensure accuracy, consistency, and responsiveness to key stakeholders, including customers, shareholders, and regulators. The good governance agenda stems from the donor concern with the effectiveness of the development efforts. As with LAPO MfB, good governance is participatory, transparent, accountable, effective, and equitable and promotes the rule of law through the following:

- Norms, strategic vision and direction, and formulating high-level goals, policies, and procedures.
- Oversee the management and organizational performance to ensure that the organization is working in the best interests of the public, and more specifically, the stakeholders who are served by the organization's mission.
- Direct and oversee the management to ensure that the organization achieves the desired outcomes in line with the organization's mission, vision, and values; while acting prudently, ethically, and legally within the law.

#### 3.2 The Board of Directors

LAPO's governance philosophy is hinged on its internal governance framework, which is executed through the three primary organs: The Board of Directors, Board Committees, and Management Committees. The Board drives the Microfinance Bank business through the activities of its committees. The Board consists of **7 members**, with the composition of **2 Executive Directors and 5 Non-Executive Directors**. One of the Non-Executive Directors is the Chairman of the Board. The Board composition is presented as follows:

LAPO Microfinance Bank's board of directors is committed to achieving and maintaining best practices in corporate governance by ensuring accountability through mechanisms that promote transparency and risk management. This led to the constitution of the **ESG Board Committee** on the 16th of November 2012 with the responsibility of reviewing the Bank's Environment, Social and Governance practices, monitor performance against agreed targets, and make recommendations to the Board on Environment, Social, and Governance Strategies. As a



purpose-led business, our clients, colleagues, and stakeholders are central to everything we do and key to our success. We aim to deliver value to stakeholders in a socially and environmentally sustainable manner. Members of the Board are:

Mr. Ede Osayande	-	Chairman (M)
Cynthia Ikponmwosa	-	Managing Director/CEO (F)
Rene Azokly	-	Non-Executive Director
Osaretin Demuren	-	Non-Executive Director (F)
Faith Osazuwa-Ojo	-	Executive Director (F)
Hannatu Ahmed Yaro	-	Independent Non-Executive Director (F)
Aigbe Olotu	-	Independent Non-Executive Director (M)

As of December 2020, the Board consisted of seven members. Four females and three males which bring the ratio to 4: 3. The Board drives the business of the Microfinance Bank through the activities of its committees namely:

- Credit Committee
- Risk Management Committee
- Audit Committee
- Finance and General-Purpose Committee
- Environment, Social and Governance Committee
- Nomination and Remuneration Committee
- Information Technology Committee

### 3.3 ESG Board Committee

LAPO MfB believes that businesses craving to stake a claim to leadership on sustainability issues must demonstrate that their public affairs activities are aligned with their explicitly stated sustainability claims and objectives. As a leading advocate of responsible business, we are actively engaged in social and environmental matters. We are committed to being open about our activities and their outcomes. LAPO will make a full annual disclosure through our sustainability reporting relating to our stakeholders and financial support network of national and international partners and the global financial community at large. To this effect, LAPO shall put in place a process to assign responsibility for maintenance and implementation of ESG by:

1) Mrs. Osaretin Demuren	Chair ESG Board
2) Mrs. Cynthia Ikponmwosa	MD/CEO
3) Mrs. Hannatu Ahmed Yaro	Non-Executive Member

### 3.4 LAPO's ESG (Sustainability) Objectives

Meeting Customer satisfaction and supplying products that are essential to our clients has been the key to the success of our business. The inception of ESG into our framework has opened the doorway to innovation and opportunities in our environment, which is core to our policy. LAPO MfB operates for the benefit of its members, and the ability to do this depends on our financial success and stability.

The main objective of this policy is to ensure that environmental, social, and governance is established in the bank to preserve and contribute to the development of the quality of the environment, protect human health and safety, ensure prudent and rational utilization of natural resources and conserve nature but above all to promote measures that deal with regional, social and global environmental problems such as climate change, access to water and to promote the use of clean energy. Other specific objectives are as follows:

- Engaging our customers in ways that are empathetic to their enquiries or complaints and improving our understanding of their needs and their expectations of us.
- To address sustainability issues like population growth, poverty, health, deforestation, access to education, corruption, financial inclusion, human rights, and conflicts.
- To minimize the risks involving delays in operations, financial costs, litigation costs, cleanup costs, association with any form of negative controversy, reputational damage, loss of operating license.
- To undertake and ensure the safety of our operational environment and premises in which we operate.
- To promote the safety and transparency of our financial system.
- To improve financial relations with correspondent banks globally by being more E & S viable.
- To improve the ratings of our credit portfolios through an improved E & S framework.

LAPO MfB endeavors to ensure that the issues mentioned above of sustainability are met in full by creating and adopting this policy. This policy document is the property of LAPO Microfinance Bank and is meant for use by its employees as reference material in order to comply with Environment, Social and Governance as decreed by the Nigeria Sustainable Banking Principles (NSBP).

### **3.5 Role of the Environment, Social & Governance (ESG) Committee**

- LAPO ESG Board Committee is responsible for driving the process for equitable and inclusive overall sustainability for the MfB.
- Ensure that policies and procedures are in conformity and compliance with the national regulatory frameworks.
- The board members and executive management will have overall oversight of the ESG initiative.
- Ensure that ESG is integrated into the bank's standard operating procedures.
- Submit annual reports on the environmental, social, and governance performance of the bank's portfolio to all stakeholders.
- LAPO ESG Board Committee will take responsibility for employee health, safety, and wellbeing and seek to minimize the impacts of negative health impacts on and in the organization.

### **3.6 LAPO Executive Committee**

This Committee comprises the Managing Director and Senior Management staff of the Bank. The Committee meets monthly or as required to consider the following key objectives:

- Ensure effective implementation of policies and decisions of the Board of Directors.
- Implement financial and operational plans of the Bank towards the realization of institutional goals and objectives.
- Ensure safety and proper utilization of the assets of the Bank.
- Receive and review operational and financial reports of the Bank.
- Review the business plan and ensure that same is in line with the objectives.
- Review decisions that affect the Management of the Bank and its staff.

### 3.7 LAPO Management Team

LAPO Management Team consists of twenty-three (23) key individuals responsible for the company's day-to-day management and range from strategic members of the bank, which consist of senior and executive management members. It is under the leadership of the Managing Director and the supervision of the Board. Each member is responsible for their department or Unit and produces a weekly report stating the challenges, opportunities, and threats related to their tasks which may or may not underline the risk level and credibility of the organization.

The Committee meets weekly and is charged with the following key responsibilities amongst others:

- Oversee and direct the day-to-day operation of the Bank to ensure accountability.
- Direct and implement strategic decisions of the Bank.
- Ensure the effective management of the Bank and its activities.
- Monitor the activities of the Bank to ensure they are within the set vision, objectives, and values.

### 3.8 Head Sustainability Unit

The Head Sustainability Unit shall manage and implement the Sustainability (Environment, Social Performance, and Governance)) Initiative for the Bank with support from the Head, Environment Social and Governance Unit and work directly with the Board in creating timely reports, conducting recommendations, and sustainability reporting.

### 3.9 Role of the Environment, Social & Governance (ESG) Officer

The Environment, Social and Governance Office role is crucial to the smooth running and interpretation of the Unit's Environment & Social Management System (ESMS). The ESG Officer acts as the ESMS coordinator and reports directly to the Head Sustainability and has the following tasks although not limited and include:

### 3.10 Role of Corporate Social Responsibility Officer

The role of the CSR office within the Sustainability sphere is to ensure accountability of all social undertakings by the organization; this will include document management and initiate, develop, and manage the delivery of LAPO Sustainability Corporate Social Responsibility (CSR) in accordance with LAPO MfB'S overall strategy in adherence to CBN's requirements under the NSBP under the sustainability Unit.

- Create, Liaise, enhance and maintain relationships with stakeholders internally and externally, as well as identify and encourage new partnerships for collaboration of LAPO MfB'S Social development goals, *improving lives*
- To lead Corporate Social Responsibility (CSR) in line with the United Nations Global Compact (UNGC) in cohesion with the LAPO Sustainability Policy
- Support the annual departmental CSR planning/budgeting cycle and ensure departmental resources are aligned with organizational priorities and plans.
- Contribute to the development, communication and review of CSR policy and program activities in line with the sustainability policy.

- Shall take ownership of the LAPO MfB Scholarship Board Committee reporting and collating (Scholarship Board Committee) and implement all recommendation and will support the ESG Board Committee in Collation of social activities for the MfB under Sustainability.
- Shall be responsible for monitoring, evaluation and reporting of all social development activities of the bank (Scholarship, skills acquisition, LAPO Staff Social Support) and any other social activity requested by Unit Head
- To drive voluntary activities; partnerships and sponsorships that support innovative activities internally and externally.
- Shall work with communications in creating awareness of social as well as environment products for clients and staff using the Zonal Client Relations
- Support in deepening the scope of the Corporate Social Responsibility of the organization's reach in society.
- Aiding and assisting in creating annual & biannual social reports for the organization

#### 4.0 ESMS complimentary organizational workflow with roles and responsibilities

The established links between Sustainability and increasing financial returns have resulted in a growing number of investors now considering environmental, social, and governance (ESG) factors in their investment decisions.

Due to the drive for sustainability and its benefits throughout the organization, every Unit/Department/Division must nominate a contact person who will relate and be accountable for reports and expectations expected from their domains. Below is a complimentary Environment and Social Management System workflow that will enable reporting and performance to be tracked bank wide. Sustainability is not just about the ESMS but also takes into cognizance the Corporate Social Responsibility of the bank and governance. To enable the sustainability Unit to provide a more conclusive and detailed report, the following Division/Departments/Units shall work with Sustainability. Their roles are outlined below.



#### 4.1 Legal Unit

##### The Head legal shall

- notify and endeavor to revise any organizational funding regarding Sustainability(ESG) in all contracts and funding agreements that have clauses for the same as mentioned above.

- Liaise with Head Sustainability on Board members training and so that they are aware of industry changes and updates.
- Ensure that necessary legal documentation and agreements contain appropriate conditions related to SEMSF compliance in LAPO MfB'S policy and applicable environmental and social legislation herein.
- Tracking changes in the Nigeria Sustainable Banking Principles (NSBP) and imbibing and updating the relevant departments (E.S.G & Risk)
- Provide information on all legal cases under review for the yearly.

## **4.2 Communications Unit**

### **Head Communications Unit**

- Shall disclose the organizational performance on environmental or social issues through all electronic media in a positive light.
- Shall work with Sustainability in creating internal documentation for organizational culture awareness of Sustainability and the importance of safeguarding the environment as well as giving back to the society in which we operate.
- To act as a mechanism to showcase and market to customers, investors, and other stakeholders that the company genuinely cares about the environment or other social causes.
- Shall act as the internal communicator in driving sustainability as a lifestyle change (energy saving bulbs, switching off appliances when leaving the office)
- Shall work with Head Sustainability in promoting Corporate Social responsibilities for the organization.
- Use creativity and design to make sustainability information more interesting and exciting.
- Communicate in a fun and entertaining way to engage people and encourage the spread of sustainability messages.

## **4.3 Operations Department**

### **Head Field Operations shall**

- Ensure that all product manuals, loan forms are updated with the IFC Exclusion List
- Ensure that all legal E & S covenants are included in all loan, credit, disbursement forms.
- Work with Sustainability to ensure conformity of the system and, where necessary, carry out sanctions.
- Make ESMS performance part of the monthly and quarterly review of the bank.

## 4.4 Strategy Department

### Head Strategy Department

- Shall work with Sustainability in defining and optimizing sustainability in the annals of the overall strategy forecast for the Bank.
- Shall work with Sustainability to create and define reporting criteria for sustainability in line with best global practices.
- Sustainability strategy evaluation will be in line with the approved sustainability consultant by Head Sustainability.
- Reports, research, policy formation as spin-offs from sustainability shall be agreed upon by both relevant parties, namely Head Sustainability & Head Strategy.
- Engage consumers involved in coming up with solutions through stakeholder engagement using a quantitative and qualitative tool.
- Aim to change the frequent, habitual behaviors, change to sustainable alternatives.
- Understand the social context and what social norms influence behaviors.

## 4.5 Treasury Relationship Management

### Head Treasury and Creditors Relationship shall

- provide funding contracts information before the end of the 1<sup>st</sup> quarter of the preceding year.
- The Head, Sustainability, should directly oversee all Sustainability or ESG related parts in all funding contracts.
- provide information on the MfB's entire portfolio based on industry sectors using the format required by the Central Bank or Regulatory Authority (Annex 1)
- Provide the E & S risk profile of the bank's portfolio

Provide Business Lines and portfolio distribution as stated below:

Loan Portfolio	Description	Total exposure outstanding for most recent FY year-end (in US\$)	Percentage of entire portfolio (%)	Average loan or transaction size (in US\$)	Smallest and Largest loan or transaction size (in US\$)

## 4.6 Internal Control Department

### Head Internal control shall

- Ensure all environmental permits are in place as needed.
- Check conformity with environmental requirements.
- Work with sustainability to ensure that the ESMS complies and conforms with all rules and regulations that apply to our business or procedures.
- Verify all federal, state, and local environmental laws.

- Detect violations of environmental regulations.
- Recommend steps for improvement.

## **4.7 General Services Department**

### **Head General services shall**

- Will encourage contractors and suppliers who deal with LAPO MfB in establishing their ESMS by insisting on certain National environmental permits (e.g., NAFDAC)
- Shall provide yearly updates on the number of extinguishers supplied or serviced by the bank.
- Shall work with Head Sustainability to conduct a biannual Occupational Health & Safety Audit for the bank.
- Shall provide quarterly updates on first aid box supplies, refurbishment, and costing.
- Will work with Head sustainability to include Supply chain assessment based on environment and social requirements.

## **4.8 Human Resources Department**

Head HR

- Shall Appraise & monitor designated staff on their specific roles, duties, and responsibilities in the ESMS.
- Shall provide a yearly update on labor-related issues for the year under review upon request.
- Shall provide a yearly report on sexual harassment, if any.
- Shall provide a yearly report on retrenchment of staff.
- Shall work with Head General services to provide yearly Fire safety permits.

## **4.9 Business Support**

Business Support Division shall

- be responsible for the maintenance of the technical environment of the LAPO ESMS platform.
- be responsible for timely digital reporting.
- Liaise with Head sustainability in any non-conformities to the operations of the ESMS.
- Track and update as and when needed any changes within the ESMS reporting environment with Head Sustainability.
- Provide on-demand full access to the ESMS portal to Head Sustainability & the team

## **4.10 Human Capital and Development Unit**

An induction on the ESMS framework and policy is imperative and should be part of the general induction training of every new member of staff. Ensuring effective communication of ESMS policy and implementation of the framework; all staff under SEMSF and a dedicated training package and schedule will be included in the training induction. The Head ESG shall appoint a line manager who will work in close collaboration with the SEMS appointee to assess individual training needs based on performance evaluations.

The Head Human Capital and Development Unit shall

- ESMS roll out training on initial LAPO training employment Manual.
- Informing and familiarizing Head Sustainability & implementing the bank's policy and procedures to quarterly manage environmental and social training.
- Further ESMS training will be based on actual needs and planned accordingly.
- ESMS shall be part of the annual training package and schedule of the overall training program of LAPO MfB. The training shall be conducted in direct collaboration with the Sustainability Unit responsible for training and managing ESMS for the organization.

## **4.11 Client relationship Managers (CRM)**

The head Client Relationship Shall

- Consistently liaise with the CIM in collating reports for ESMS in their various zones
- Undertake any other environmental & Social activities required by the sustainability Unit.
- Liaise as and when due with Sustainability in relation to the Environment, Social & Governance implementation and reporting for the organization.

## **4.12 Corporate Planning Department**

The Head Corporate Planning Shall

- Conduct & collate quarterly and half yearly reports for Bank wide review.
- Work with sustainability and Head field operations to ensure data integrity of ESMS data.
- Ensure Sustainability is integrated into the bank's organizational framework.

The implementation of this policy will result in an improved brand image, increased brand loyalty and third-party endorsements for the Bank. It will lead to improved goodwill for the Bank and proud employees, with a positive attitude towards the Bank, leading to the Bank becoming an employer of choice as people will want to work with it due to its good ethical standards.



This policy will also help create a platform for long-term results and business continuity for the Bank. The implementation of the CSR & Sustainability Policy will also result in improved business relationships, increased profit and increased employee satisfaction.

It should be noted that CSR & Sustainability has left the realm of corporate philanthropy to corporate strategy being applied by leading global corporations for the growth of their businesses. It is believed that this Policy will serve the same purpose for the Bank by guiding its non-financial and profitable obligations to its local communities, environment and people.

This policy has been drafted based on best practices and subject to biennial review. To achieve the goals of this policy the Bank shall ensure complete adherence to its provisions.

## SECTION 4: ANNEXES

### Annex 1 – LAPO – IFC Exclusion List

The main social issues faced by MFIs are sanitation and living conditions, child labor, safety in the workplace, education, illegal activities –for instance, illegal CD/DVD copying-, illegal sales of alcohol, infrastructure.

The main environmental issues faced are pollution (waste, water, air), use of chemicals and pesticides, use of energy, destruction of forests (brick-burning, charcoal production and wood logging). The Exclusion list supports the proper execution of the assessment of the Social and Environmental framework for LAPO MfB

LAPO & the IFC Exclusion List: Defines the types of projects that IFC does not finance.

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, PCB's, wildlife, or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.<sup>1</sup>
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples

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<sup>1</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>2</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>3</sup> Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.