



BANK OF INDUSTRY

...transforming Nigeria's industrial sector

UNITED NATIONS GLOBAL COMPACT

BANK OF INDUSTRY PROGRESS REPORT 2019

FEBRUARY, 2019

February 19, 2019

H.E. Antonio Guterres

Secretary General

United Nations

New York, New York 10017

Dear Secretary General,

I am pleased to confirm that the Bank of Industry (BOI) supports the Ten Principles of the Global Compact with respect to Human Rights, Labour, Environment and Anti-Corruption.

With this communication, we express our firm commitment to continue to implement these principles in the day-to-day operations of our business.

We recognise that a key requirement for participating in this important initiative is the annual submission of a Communication on Progress (COP) report that describe our efforts and plans to continue to implement these principles.

As an organisation, the Bank of Industry will continue to value a principle-based approach to conducting its business by providing adequate disclosures.

Please find hereunder our latest Communication on Progress (COP) report. I hereby commit to ensuring that we provide such report on an annual basis.

Yours faithfully,

For: **BANK OF INDUSTRY**



Olukayode Pitán

Managing Director/Chief Executive Officer

INTRODUCTION

The Bank of Industry Limited is Nigeria's foremost Development Financial Institution (DFI). It was incorporated in 1959 as the Investment Company of Nigeria (ICON) Limited and reconstructed into the Nigerian Industrial Development Bank (NIDB) in 1964. The Bank transformed into the Bank of Industry in 2001, following the merger of the mandates of Nigerian Industrial Development Bank (NIDB), Nigerian Bank of Commerce and Industry (NBCI) and The National Economic Reconstruction Fund (NERFUND).

BOI has a mandate to transform Nigeria's industrial sector by providing financial assistance for the establishment of large, medium and small projects; as well as expansion, diversification and modernisation of existing enterprises; and rehabilitation of existing ones. This mandate is geared towards supporting projects with potential Developmental Impact, and the capability to generate considerable multiplier effects such as industrialization, job creation, and poverty alleviation, which would have significant positive effects on the socio-economic condition of Nigerians.

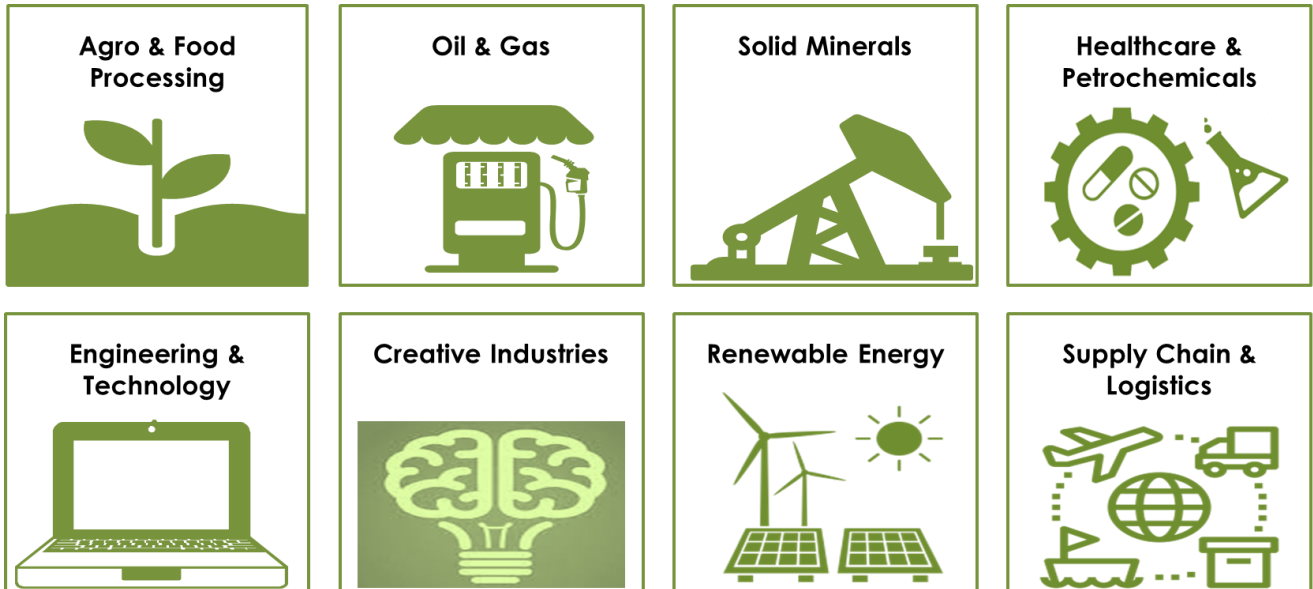
PRIMARY DRIVERS OF BOI'S DEVELOPMENTAL STRATEGY

Achieving developmental impact in core sectors of the Nigerian economy towards realising sustainable industrialisation is the primary driver of the business strategy adopted by the Bank of Industry. The key issues considered are:

1. Provision of **relatively lower interest rate** and **innovative financing solutions** as incentives towards stimulating interest and growth of entrepreneurship.
2. Significant attention towards **Micro, Small and Medium Enterprises** thereby enhancing their **sustainability** and **societal impact**.
3. Support projects with potentials to create **significant job** and **value creation opportunities**.
4. Development and promotion of **women** and **youth empowerment programmes**.
5. Projects that have the inherent capability to stimulate **export earnings** through the production of **high quality products** that are **attractive to the international markets**.
6. Projects that can create both **forward and backwards linkages**, thereby facilitating robust and **integrated economic growth**.
7. Businesses that largely source for **raw materials domestically**, thereby supporting **local content development**.
8. Support for **environmentally-friendly** and **sustainable projects**.

KEY FOCUS SECTORS

BOI is a key implementing agency of the Federal Government's economic and industrial growth plans, such as the Nigeria Industrial Revolution Plan (NIRP) and the Economic Recovery and Growth (ERGP) Plans. The bank therefore focuses on key growth sectors of the Nigerian economy. As a result, the bank places priority on financing industrial projects in 8 key sectors:



BUSINESS MODEL

The Bank's business model reflects its goal to drive development through business loans, advisory support and capacity building intervention to all customer types; with dedicated teams for youth and women-led enterprises. Consequently, it is structured to support 3 business directorates:

1. **Micro Enterprise Directorate:** The directorate is focused on deepening BOI's engagement among Nigeria's micro enterprises through innovative financial and non-financial products. The Directorate leverages technology, strategic partnerships and intermediary channels to deliver tailored loan products to its target markets.
2. **Small and Medium Enterprise Directorate:** The directorate drives and catalyses the development and growth of small & medium enterprises by providing bespoke and flexible financial and non-financial products and services that cater to the peculiar needs of customers in this category. The bank offers term loans, working capital, capacity building trainings and workshops.
3. **Large Enterprise Directorate:** Is focused on providing low cost, long-term funding and financial advice to critical sectors of the Nigerian economy, in accordance with the policies of the Federal Government of Nigeria.

BOI PROGRESS ON IMPLEMENTATION OF UNGC PRINCIPLES

With a vision to be Africa's leading DFI operating under global best practices, we have in recent years been deliberate with adhering to international standards. These standards we believe, position us as an institution that meets up with business, environmental and ethical requirements towards initiating strategic partnerships.

Adherence to these principles we believe, is a step through which the Bank of Industry can help drive Nigeria to meeting up with its United Nations Global Compact Ten Principles. These principles include: Human Rights, Labour, Environment and Anti-Corruption.

1. Human Rights

Principle 1. Support and respect the protection of internationally proclaimed human rights

Principle 2. Ensure that they are not complicit in human rights abuses

BOI is committed to conducting business in an ethical and responsible manner. We are not only committed to respecting and protecting human rights within our own operations, but also through the work of our clients. We condemn human right violations and will not be complicit in human rights abuses of any kind by knowingly providing assistance or support to any actions that perpetuate abuse.

Our partnerships with certain organisations and government agencies operating in the social and economic development field allows us to partake, albeit indirectly in human rights efforts. To date, we have partnered with the African Development Bank (AfDB) and the International Finance Corporation (IFC).

We also take steps to ensure that the operations of our customers do not violate any human rights. As a standing policy, BOI does not do business with companies that are accused of human rights violations.

Implementation of Human Rights Principles

While we are not significantly exposed to human rights risks in our own operation, we do address human rights issues in various ways (especially through our clients).

As part of our processes, we work with our clients to help them to develop policies and guidelines that address human right risks. By helping our clients to develop effective policies and guidelines on human rights issues, we not only help to promote respect for human rights beyond ourselves, but also through our clients' business relationships and partnerships.

We also take note to condemn human rights violations and are willing to either terminate our engagement or initiate punitive proceedings if our clients are found to have been responsible for human rights violations. Overall, we use our influence on clients to promote human rights by sharing our experience and good practice.

Measurement of Outcomes

BOI has never been the subject of investigations, legal cases, rulings, fines, or other incidents related to human rights violations. Also, no incidents of human rights violations by our clients have been reported to any of our offices.

2. Labour

Principle 3. Uphold freedom of association and effective recognition of the right to collective bargaining.

Principle 4. Eliminate all forms of forced and compulsory labour.

Principle 5. Uphold the effective abolition of child labour.

Principle 6. Eliminate discrimination in respect of employment and occupation.

At BOI, the relevance of labour principles extends far beyond our own operations. Labour rights are relevant in BOI – not only in our relations with our employees, but also in terms of our business relationships with our clients. If our clients do not comply with ethical labour principles and practices in their day-to-day businesses, they may face significant reputational risks which may subsequently affect us.

BOI does not discriminate in any aspect of human resources functions including hiring, remuneration, etc. We are an equal opportunity employer that seeks diversity in our workforce and make employment decisions on the basis of merit. Applicants are not discriminated against either directly or indirectly on the grounds of race, nationality, ethnic origin, gender, marital status, cultural or religious beliefs, disability and age.

We have a Human Resource Policy & Employee Manual that guides activities as it pertain to employees. The manual clearly sets out employee rights in terms of conditions of employment, performance management, leave entitlements, recruitment and employment termination procedures.

We also have a Whistle Blowing Policy that provides an avenue for staff and in fact the public, to report any incident of unethical behaviour, actual or suspected fraud or violation of BOI's code of conduct.

Implementation of Labour Principles

BOI strongly leverages its most valuable assets — our staff towards achieving its Strategic Vision. This manifests through ensuring that we hire the best, implement all required training to ensure staff retention. Our staff attrition rate over the past 10 years has been significantly low.

Experience has shown that employees are more productive if they are treated with respect, adequately trained and are fairly remunerated for their work. As a result, we make it a priority to create a comfortable working environment for all our employees.

We use a pay scale to determine salaries/wages and thus provide equal pay for our employees. We also regularly conduct market compensation reviews to ensure that our salary structure is competitive in the market place.

BOI believes that for its employees to be productive, they have to be free of worries associated with health concerns either for themselves or their families. To that end, we ensure that all our employees and their dependents are protected by comprehensive health insurance.

Measurement of Outcomes

Workplace profile: At the end of December 2018, BOI had 432 permanent employees. The bank's staff attrition rate currently stands at 2% which is seen as good; considering the dynamic and mobile nature of the industry that we operate in.

Engagement profile: By engaging with our employees on a regular basis, we are able to evaluate our performance in terms of labour principles. We organize bi-annual employee surveys and look to implement recommendations, measures and actions that are identified after completion of the survey.

Diversity metrics: BOI's gender diversity profile is seen in the table below:

Sex	Number	Percentage
Male	259	60%
Female	173	40%

3. Environmental

Principle 7. Support a precautionary approach to environmental challenges.

Principle 8. Undertake a variety of initiatives to promote greater environmental responsibility.

Principle 9. Encourage the development and diffusion of environmentally friendly technologies.

BOI is committed to upholding the principles of environmental conservation. We also recognise that our attempts to promote industrial activity should not come at the detriment of the environment.

One of the primary drivers of our developmental strategy is to support environmentally-friendly and sustainable projects. Therefore the projects that we provide financing for, are required to declare the environmental impact of their business activities, which then feeds into the decision-making process whether or not to support such projects.

As a Development Finance Institution, we are also committed to operating within the guidelines of the Sustainable Banking Principles of the Central Bank of Nigeria.

We also ensure the responsible disposal of obsolete assets of the bank in an environmentally safe manner.

Implementation of Environmental Principles

Resource reduction: Currently, we conserve energy by ensuring that we buy energy-efficient products within our offices and also ensures that machines/equipment are completely turned off when not in use, usually overnight and during weekends.

Loan Process & Technology: BOI is committed to promoting greater environmental responsibility through our business activities. We strongly encourage our clients to adopt policies, guidelines and strategies that include a clear commitment to environmental conservation and sustainable development. In addition to this, we are strong advocates for leveraging technology in our business operations. A key part of our loan process transformation centres around having all our processes transitioning from paper to full automation.

Sustainable Banking Principles: Bank of Industry is committed and in full support of the Nigerian Sustainable Banking Principles and Practices.

Measurement of Outcomes

In 2018, BOI completely automated all its loan processes, thereby reducing the amount of paper used for loan applications, appraisals, approvals and disbursements. Not only does this reduce our use of paper, it also helps in reducing our operating expenses.

Additionally, we recently adopted the use of the Electronic Data Management System (EDMS) to electronically archive all our old documents. This also allows us to effectively manage resources.

Our Risk Acceptance Criteria requires that the business activities of our existing or prospective clients must not adversely affect the environment where such businesses exist.

4. Anti-Corruption

Principle 10. Work against all forms of corruption, including extortion and bribery.

BOI adheres strictly to the policy and framework on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) as well as the prevention of the financing of illegal activities & proliferation of weapons of mass destruction. The policy and framework ensures our full compliance with all the Nigerian legislation & regulations on AML/CFT and the recommendations of the Financial Action Task Force (FATF).

We also have a Whistle Blowing Policy designed to provide an opportunity to employees and the public to report to management any incident of unethical behaviour, actual or suspected, fraud or violation of BOI's code of conduct.

Implementation of Anti-Corruption Principles

BOI has robust internal controls & risk management systems that are designed to ensure timely identification and correction of material errors or inconsistencies in its system. This promotes reliability of reports and compliance with all relevant policies and regulatory requirements.

We submit periodic internal audit reports identifying weaknesses and providing recommendation to improve and strengthen control points & processes to the bank's management.

Compliance with limits: We have set internal limits which guides financial authorisations, credit administration, loan obligor limits, fixed asset coverage for credit exposures, etc. The limits are monitored & compliance are enforced on a daily basis by an independent unit outside the business areas.

Verifications & Reconciliations: All internal ledgers are regularly proof-read & reconciled.

BOI undergoes periodic compliance and financial audits by external auditors. The external auditors provide external oversight for BOI and has an obligation to report any cases of fraud or presumptive fraud or improper expenditure of BOI's. Being a financial institution, the activities of the bank is regulated by the Central Bank of Nigeria, which is also a shareholder in the bank.

Measurement of Outcomes

BOI has always complied with the various policies and directives of regulatory and oversight institutions such as the Central Bank, Financial Reporting Council etc. The bank has not been found wanting in legal cases, rulings or other incidents related to corruption or bribery.