



BANK OF INDUSTRY

...transforming Nigeria's industrial sector

UNITED NATIONS GLOBAL COMPACT

BANK OF INDUSTRY PROGRESS REPORT 2020

December 28th, 2020

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.

Over the year 2019, we continued our support for the Sustainable Development Goals and 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.

Our Communication on Progress report below highlights how the bank is empowered to contribute its time, skills, passions and expertise to improve the community and society, in line with UNGC principles from the period of January 1, 2019 to December 31, 2019.

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

Yours faithfully,

For: **BANK OF INDUSTRY**



Mr. Olukayode Pitan

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. Emphasis is on prudent project selection and management.
3. Development and promotion of **women** and **youth empowerment programmes**.
4. Supports of quality projects with high developmental impact such as **job creation** and **poverty alleviation** to enhance the **socio-economic standard of Nigerians**.
5. Strategic positioning to manage **foreign grants and aids** that are given to facilitate attainment of the **nation's developmental aspirations**.
6. The bank commitment to having its impact felt in all parts of the country, it operates an office in each of Nigeria's geo-political zones and FCT Abuja.
7. Support for **environmentally friendly** and **sustainable projects**.
8. Projects that can create both **forward and backwards linkages**, thereby facilitating robust and **integrated economic growth**

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 recognizes that human rights are an integral part of corporate citizenship and we support the United Nations declaration of Human Rights and the guiding principles. The Bank conducts business in an ethical manner, committed to respecting and protecting human rights within the bank and also through the work of our customers and clients. Our partnership both directly and indirectly with development and impact institutions further support our efforts to facilitate Human Rights. To date, we have collaborated with the African Development Bank (AfDB), Ford Foundation, Women's World Banking 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 development institution, there is a standing policy for the Bank to abstain from 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 efforts on Human Rights, the Bank launched the North East Rehabilitation Fund to support the reintegration of indigenes of the North East region of Nigeria to stimulate economic development following the impact of

internal displacement due to insurgency in the region. The bank, through the fund, committed ₦2.4 billion (\$7.3 million) to this initiative.

In addition, 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.

Measurement of Outcomes

BOI has never been the subject of investigations, legal cases, rulings, fines, or other incidents related to human rights violations.

As regards progress with the North East Rehabilitation Fund, the bank in 2019, provided support amounting to the tune of ₦689 million (\$2.1 million) to micro-entrepreneurs in the region..

Lastly, 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.

Our people want to work for an organization that encourages and respects individuals, and this is one of our Core Values in BOI. Our drive to create a culture of diversity and inclusion is fundamental to who we are, and critical to retaining our best people.

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 pertains 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

We believe governments are responsible for defining and enforcing a legal human rights framework that accords with international laws and agreements, such as the Universal Declaration of Human Rights. However, as a development institution, we recognise that we have a role to play in upholding human rights and in addressing adverse human rights impacts where we are in a position to influence.

BOI strongly leverages its most valuable assets – our staff towards achieving its Strategic Vision. As a result, we make it a priority to create a comfortable working environment for all our employees. Our staff attrition rate over the past 10 years has been significantly low, less than 3%.

Our employees are offered above minimum wage remuneration and various opportunities to advance and grow within the company, as we constantly provide them with performance reviews and guidance to ensure they can competently fulfil their roles. We are proud to offer additional benefits such as training sessions and educational events where we increase awareness about environmental issues, social concerns, labour rights, and working policies.

BOI believes that for its employees to be productive, they have to be free of worries associated with health concerns for either 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 2019, BOI had 452 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.

Diversity & Inclusion: The Bank supports various gender inclusive programmes and organization. Over the years, BOI has organized International Women's Day events celebration for both its female employees and customer. In addition, the Bank is an active member of Women's World Banking and participates in the UN Commission on the Status of Women programs, annually.

Engagement profile: The Bank supports its employees with various programmes including Health Awareness week, Customer Service Week, Local & International Training session and performance appraisals and rewards to further engage the staff. In addition, BOI organizes bi-annual employee surveys and looks 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	270	60%
Female	182	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.

A major driver of BOIs development strategy is to support environmentally friendly and sustainable projects. Our customers and client 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

Establishment of ESG risk unit: The bank, in 2019, established a new environmental, social and governance (ESG) unit under the risk management division to assess and track how ESG issues (e.g. climate change and human rights) can affect its loan portfolio and reputation.

Establishment of a bank-wide sustainability framework: Following the recognition of the importance of the UN's sustainable development goals (SDG's) to the bank's success, a consultant was engaged to create a sustainability framework to guide the bank's foray into being a more socially and environmentally responsible institution.

The creation of the sustainability framework has provided the bank with a sustainability mission, objective, dimensions and materiality issues that serve as a basis for its actions around improving environmental conditions.

Measurement of Outcomes

In 2019, BOI focused on actively improving its efforts to enable its ESG risk and sustainability function. To that end, it established a new ESG risk unit and created a sustainability framework with specific tasks, allocated roles and responsibilities, and measurable targets. It intends to commence implementation of activities to achieve its goals by 2020.

4. Anti-Corruption

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

We have a zero tolerance towards all forms of corruption. Corruption includes, but is not limited to:

- Bribery – As a strict police guiding the Bank, we do not directly or through a third party, promise, offer, make, authorise, solicit or accept any financial or other advantage, to or from anyone to obtain or retain business, or secure an improper advantage in the conduct of business. We prohibit all facilitation payments, as they are bribes.
- Money laundering - We do not conduct transactions that involve any benefit a third party, from crime including bribery, fraud and tax avoidance or us. Conducting those transactions are against our regulation as a financial institution and seen as a breach of anti-money laundering laws.

- Tax evasion – As a government owned and regulated agency, we have strict ruled that govern the tax requirements of the institution and customers.
- Fraud – We do not take part in any fraudulent activities and perform strict due diligence checks to confirm integrity of our customers.

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

The Bank is heavily regulated by the governing bodies including the Ministry of Finance and Central Bank of Nigeria who closely monitor the activities of the Bank, double-checking the Bank adheres to all rules and regulations.

BOI has robust internal controls & risk management framework to determine the company's exposure to errors, bribery and corruption risk. We regularly review and update the risk assessment to reflect changes in our risk profile.

We perform periodic internal audit checks for independent business monitoring and independent assurance as part of our Internal Controls & Compliance.

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.

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.

Approval & Authorisation limits: There are segregation of duties as no officer can start and conclude any transaction. Limits exist for credit and expense approvals. Transactions are approved at appropriate levels.

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

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.