

**Sustainable Finance
Framework**

January 2022



UBA Headquarters |
57 Marina, Lagos Nigeria

1. Introduction

United Bank for Africa Group (“UBA”, the “Group”) is a pan-African financial services group headquartered in Lagos, Nigeria. UBA has subsidiaries in 20 African countries (Nigeria, Benin, Burkina Faso, Cameroon, Chad, Republic of the Congo, Democratic Republic of the Congo, Cote d’Ivoire, Gabon, Ghana, Republic of Guinea, Kenya, Liberia, Mali, Mozambique, Senegal, Sierra Leone, Tanzania, Uganda and Zambia) as well as the United States of America, the United Kingdom and France.

UBA traces its roots back to 1948 when the British and French Bank (“BFB”) commenced business in Nigeria. Following Nigeria’s independence from Britain, UBA was incorporated on 23 February 1961 to take over the business of BFB. Today, UBA is one of the largest financial services groups on the African continent. The Group provides corporate, commercial, SME, consumer and personal (retail) banking services to more than 18 million customers, served through diverse channels: over 1,000 business offices and customer touch points (2,539 ATMs, 24,168 PoS, robust online banking and mobile banking, social media etc). Additionally, UBA offers pension custody and related services. The Bank has proven expertise and capacity in key sectors of economies and its Africa footprint positions us as a preferred partner for structured solutions to key governments and corporates operating in and into Africa.

1.1 UBA’s Sustainability Commitment

In our drive to becoming a truly sustainable bank, UBA understands its responsibilities are not only towards its customers and shareholders, but more importantly, to the communities in which we operate. This means continuously delivering value, managing our impact on society and providing innovative solutions in these communities.

At UBA, we ensure ethical and environmental criteria in all our business processes. This is to ensure that the financial services which the Bank provides to its customers in support of economic development do not result in unacceptable impacts on people or the environment. To demonstrate our commitment to environmental considerations in project finance, UBA Group deployed a customized Sustainable Finance toolkit in order to screen projects and identify potential environmental consequences. We have also made efforts to expand our Environmental and Social Risk Management (ESRM) system.

Having demonstrated our commitment through the ESG criteria included in our investment and financing activities, the Bank recognises and supports the move to a low-carbon economy, which will help reduce climate change and benefit communities in the long term. UBA has displayed a growing and evolving approach to energy saving and conservation aimed at securing a future of sustainable banking which is both energy efficient and reliable.

Our sustainability strategy ties closely with our corporate vision, which is to be the undisputed leading and dominant financial services institution in Africa.

This corporate vision is the backdrop for our sustainability vision which focuses on promoting excellence by building a sustainable financial institution that supports the execution of environmentally and socially responsible endeavours. The Bank’s sustainability vision is wrapped tightly around UBA group’s commitment to put the customer first - we see the customer as our most revered stakeholder and our employer. Therefore, our responsibility is not merely to provide financial intermediation but to empower communities, connect diverse ethnicities, and to create intergenerational wealth.

Sustainability is a key component of UBA’s management processes, it underpins our corporate values of Enterprise, Excellence and Execution. Our sustainability targets are clearly captured in the group’s sustainability policy and framework. Our policies and frameworks are based on local and international principles and guidelines such as the Nigerian Sustainable Banking Principles (NSBP), Nigerian Stock Exchange Sustainability Disclosure Guidelines, Equator Principles, and others. These guidelines enable the Bank’s processes and serve as the compass that guides us in identifying and addressing issues critical to our stakeholders.

UBA is supporting the transition to low carbon economy by pursuing its own net-zero targets. The board has approved the process and ready to put its full weight behind the endeavour. The ambition is to become a net-zero financial institution by 2060.

1.2 Approach to Governance

UBA recognises that corporate governance is fundamental to earning and retaining the confidence and trust of stakeholders. This philosophy is further emphasised by the deliberate adoption of the best practice Corporate Governance principles to also ensure effective internal controls, adequate risk management practices and full compliance with CBN’s regulatory directive. The Bank in collaboration with its external auditors, Ernst & Young – a multinational professional services network with headquarters in London, reviewed its Risk Management and whistle blowing assessment exercise in 2020. This provided an opportunity to gain an independent opinion on the Bank’s risk management and internal control practices. The Bank also complies with the requirements of its Governance charters.

UBA holds good corporate governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. The Board of Directors of UBA Plc endorses the principles of best practice Corporate Governance as stated in the Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014 issued by the Central Bank of Nigeria(CBN), the Securities and Exchange Commission’s (SEC) Code of Corporate Governance, and the Nigerian Code of Corporate Governance 2018 issued by the Financial Reporting Council (FRC), effective January 1, 2020.

The Board of Directors of UBA has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of the UBA Group, the following structures have been put in place for the execution of UBA's Corporate Governance strategy:

1. Board of Directors
2. Board Committees
3. Executive Management Committees
4. Governance Charters

The Board

The Board is adequately comprised with the appropriate mix of knowledge, skills, experience, and expertise. As at June 30, 2021, the Board consisted of seventeen (17) members which include a Non-Executive Chairman, a Non-Executive Vice Chairman, eight (8) other Non-Executive Directors (which include three (3) Independent Non-Executive Directors), and seven (7) Executive Directors (which include the Group Managing Director/Chief Executive Officer).

Diversity

The Board promotes diversity in its membership for better decision-making, independent judgment and effective governance. There is an appropriate balance of skills and diversity (age, culture and gender) without compromising competence, independence, and integrity. There are currently five (5) female Directors on the Board, constituting 30% of the Board. This demonstrates commitment by the Board towards gender diversity.

Responsibility

The Board of Directors carries out its responsibility through its standing Committees. These are the Board Audit Committee, the Board Credit Committee, the Board Governance Committee, the Board Risk Management Committee, and the Finance and General Purpose Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper oversight and direction of the Bank. The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for coordinating the affairs of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises all Executive Directors and other critical functional heads.

The Board's primary responsibility is to increase shareholder wealth. The Board is accountable to shareholders and is responsible for the management of the relationships with its various stakeholders. Executive Management is accountable to the Board for the development and implementation of strategy and policies.

1.3 Approach to Environmental and Social Risk Management ("ESRM")

UBA recognises that our financing activity has potential impact on communities, economies, and the environment within which we operate. With a significant African focus, we understand that the economies we operate in depend on a strong financial system to ensure sustainable growth. We also understand that identifying and managing sustainability considerations in lending ensures a sustainable growth.

Our ethos and presence across diverse operating environments challenge us to always ensure international best practice standards within our financing practice. This includes adherence to socially responsible and sound environmental management practices that help protect the environment and contribute to social development.

We have a responsibility to ensure that environmental protection and social impacts are fully integrated into our business decisions. We are also obligated to adhere to the "Equator Principles Policies and Procedures" to better determine, assess and manage environmental and social risks in Project Finance transactions.

Environmental and social risk in project finance is managed through below procedures:

- Initial Environmental & Social ("E&S") risk Screening
- E&S Risk Assessment
- Decision and Documentation
- Monitoring and
- Reporting

Environmental and Social Screening

This is the first approach on due diligence for project finance activities, the account officers perform the first level screening for all qualifying clients and transactions against UBA's Exclusion list and identifies if there are any potential E&S risks.

Environmental and Social Risk Assessment

The E&S risks are categorized into low and high risk and a further due diligence is usually conducted through site visitation and corrective agreed action plan.

Decision and Documentation

The E&S unit reviews and documents the potential risk, the E&S risk mitigation measures and makes appropriate recommendations.

Decisions are formalized and incorporated as covenants in loan documentation where appropriate.

Monitoring

This involves the review of all project finance to ensure compliance with the agreed E&S action plan and timelines.

Reporting

The sustainability team renders Internal and external reports to regulatory bodies and stakeholders.

2. Sustainability Finance Framework

UBA intends to use this Framework to issue green, social or sustainability bonds, loans or other debt instruments ("Sustainable Finance Instruments"), to finance and refinance Eligible Green and/or Social Projects that conform to the sustainable finance principles below:

- International Capital Market Association ("ICMA") Green Bond Principles ("GBP") 2021, Sustainability Bond Guidelines ("SBG") 2021 and Social Bond Principles ("SBP") 2021; and/or
- Loan Market Association ("LMA") Green Loan Principles ("GLP") 2021 and Social Loan Principles ("SLP") 2021

In aligning with the above principles and guidelines, UBA's Sustainable Finance Framework is presented through the GBP's/SBP's/SBG's/GLP's/SLP's four core components as well as their recommendation for external review:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

Bonds issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

2.1 Use of Proceeds

UBA will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part, green and/or social projects which meet the eligibility criteria of the following Eligible Green and/or Social Project categories, as defined as below.

A maximum 3-year look-back period would apply for refinanced projects, to allow for infrastructure financing projects with long lead times, and UBA expects each issuance under this framework to be fully allocated within 2 years from the date of issuance.

1 In alignment with ICMA Green Bond Principles, June 2021, <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>


2 In alignment with ICMA Sustainability Bond Guidelines, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

3 In alignment with ICMA Social Bond Principles, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

4 In alignment with LMA Green Loan Principles, February 2021, <https://www.lsta.org/content/green-loan-principles/>




5 In alignment with LMA Social Loan Principles, April 2021, <https://www.lsta.org/content/social-loan-principles-slp/>

2.1.1 Eligible Green Projects

Category of GBP	Eligible Activities
Renewable Energy 	Development, construction, installation and maintenance of renewable energy projects, from the following sources: <ul style="list-style-type: none"> • Wind (onshore and offshore) • Solar (including floating) • Hydropower under 25 MW or if above 25MW, only projects which have either a lifecycle carbon intensity of less than 100gCO₂/kWh or power density above 5W/m² • Geothermal projects with a direct emissions intensity threshold below 100g CO₂/kWh • Biofuels where the feedstock is from sustainable sources of local raw material that is sourced from agricultural residues or forestry residue and does not deplete existing terrestrial carbon pools or compete with food production
Green Buildings 	Construction, acquisition and renovation of new or existing, commercial or residential buildings that meet either of the following criteria <ul style="list-style-type: none"> • Buildings certified to an acceptable level under an internationally recognized green building certification scheme, such as: EDGE (Certified), LEED (Gold or above), or equivalent schemes Solar (including floating) • Buildings that achieve a minimum 30% improvement in energy efficiency or carbon emissions against the local building code For avoidance of doubt, activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuels are excluded
Sustainable Water and Wastewater Management 	Projects dedicated to protecting water resources, water stress mitigation, water drainage capacity, efficiency in water distribution (such as irrigation systems or promoting water saving and recovery)
Clean Transportation 	Low-carbon passenger or freight vehicles, public transportation, and related infrastructure that meet any of the following criteria: <ul style="list-style-type: none"> • Low-carbon passenger vehicles with direct emissions below 50gCO₂e/p-km • Low-carbon non-electrified public transportation with direct emissions below 75gCO₂e/p-km until 2030 and 56gCO₂e/p-km from 2030 onwards • Low-carbon freight vehicles with direct emissions below 25gCO₂e/t-km • Electrified rail transportation for passenger and freight • Electric transportation infrastructure (e.g. electrified railway and charging stations) For avoidance of doubt, systems and infrastructure dedicated to fossil fuel transportation are excluded, as well as efficiency improvements involving conventional fossil-fuel combustion engines (hybrid engines and technologies are eligible)
Climate Change Adaptation 	<ul style="list-style-type: none"> • Projects designed to minimise the risks of flooding such as improved water drainage systems, flood defences

All hydropower projects will be assessed as per UBA's ESRM Policy to ensure no significant risk or expected negative impact
 In line with the International Energy Agency's 2 Degrees Scenario pathway


2.1.2 Eligible Social Categories

Category of SBP	Eligible Activities	Target Populations
Renewable Energy	Financing and/or re-financing of loans to micro, small and medium-sized enterprises (MSMEs), micro-finance institutions, and women-owned businesses, in view of promoting job creation, return to employment and labour market entry opportunities	<ul style="list-style-type: none"> MSMEs Individuals and small businesses, particularly those that lack access to essential financial services Women-owned and women-focused businesses
Green Buildings  	<ul style="list-style-type: none"> Projects to increase the capacity for the production and/or storage of drinking water in view of providing access to an improved water source to additional population, through the construction of new facilities or the rehabilitation and/or extension of existing facilities. 	<ul style="list-style-type: none"> General public, particularly those that lack access to basic infrastructure including water and basic sanitation
	<ul style="list-style-type: none"> Projects to increase (i) wastewater treatment capacity, (ii) access to standalone sanitation through the construction of new facilities or the rehabilitation and/or extension of existing facilities 	
	<ul style="list-style-type: none"> Projects to develop, extend or improve network (fixed or broadband) connectivity in rural, unconnected or underserved areas at risk of digital exclusion 	<ul style="list-style-type: none"> Populations in rural, unconnected or underserved areas with limited or low-quality access to network connectivity
	<ul style="list-style-type: none"> Projects to provide access to electricity to ensure access for those areas without electricity access or with limited connections 	<ul style="list-style-type: none"> Rural, semi-urban and urban areas not served or underserved
	<ul style="list-style-type: none"> Construction and development of rural / feeder roads (including road infrastructure such as bridges and tunnels) in areas that lack connectivity or lack access to key social infrastructure (e.g. healthcare, schools) 	<ul style="list-style-type: none"> Rural areas that lack connectivity or access to key social infrastructure (e.g. healthcare/ schools)
	<ul style="list-style-type: none"> Financing of mass public transportation such as buses designed to improve connectivity and ensure a modal shift from private vehicles 	<ul style="list-style-type: none"> Rural, semi-urban and urban areas not served or underserved
Access to Essential Services 	<ul style="list-style-type: none"> Construction, development or improvement and operation of healthcare infrastructure and services including: <ul style="list-style-type: none"> hospitals, clinics and health care centres for the provision of public/free/subsidized health services infrastructure for the provision of emergency medical response and disease control services (e.g. ambulances) R&D and manufacturing of equipment for the provision of emergency medical response and disease control services Programs fighting against disease and epidemics (Covid, Ebola, malaria, tuberculosis, infectious and tropical diseases) Construction, maintenance or improvement of public schools, universities, technical or vocational training centers and related facilities 	<ul style="list-style-type: none"> General public including underserved populations, people with disabilities, migrants or displaced persons

The target populations below are a subset of the target populations detailed in the SBPs/SLPs

UBA defines MSMEs in terms of monthly turnover between NGN 0-208 million and annual turnover between NGN 25 million – 2.5 billion

Limited connection defined as areas where the share of population without access to electricity is more than 50%

<p>Access to Essential Services</p> 	<ul style="list-style-type: none"> • Financing and/or re-financing of social housing mortgages under relevant national schemes or the construction of social housing accredited in line with relevant national guidelines in which they operate • Populations living in poverty
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Businesses and projects that are involved in the following operations will not be Eligible Projects (Overall Exclusions List):

Loans to businesses involved in:

- Payday loans
- Adult Entertainment
- Manufacture and production of finished alcoholic beverages
- Fossil Fuel exploration and distribution
- Lethal defence goods including small arms
- Gambling
- Military Contracting
- Nuclear power generation
- Non-Roundtable on Sustainable Palm Oil-certified palm oil
- Predatory Lending
- Manufacture and production of finished Tobacco Products
- Conflict Minerals
- Child labour
- Forced labour

2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any UBA Sustainable Financing Instrument are allocated to finance or refinance Eligible Green and/or Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

UBA's Sustainable Finance Working Group (the "SFWG") will be responsible for governing and implementing the initiatives set out in the Framework, including the criteria for and the selection of Eligible Projects, the management of proceeds, reporting and external review.

The SFWG is chaired by senior management from Risk and comprised of certain management personnel, including but not limited to representatives from Strategic Business Units for the selection and evaluation of the Eligible Green and/or Social Projects.

The SFWG will:

- Meet at least quarterly each year
- Ratify Eligible Green and/or Social Projects, which are initially proposed by the constituent team members
- Undertake regular monitoring of the asset pool to ensure the eligibility of Sustainable Projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible Green and/or Social Projects with new eligible Green and/or Social Projects. Should a project be considered by SFWG to be no longer meeting the criteria detailed above or is subject to postponement, cancellation or divestment, UBA is committed to reallocate proceeds on a best efforts basis to ensure the full amount of proceeds are allocated to eligible projects. Such monitoring will be done throughout the life of the sustainable instruments.
- Verify compliance of the green/social projects with UBA's ESRM Policy
- Assess eligible green/social projects in line with UBA's wider sustainability commitments to ensure alignment with its overarching ambitions
- Assess eligible green/social projects in line with any relevant thresholds as required by the eligibility criteria
- Facilitate regular reporting on any Sustainable issuance in alignment with our Reporting commitments
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Green and/or Social Projects will follow UBA's existing credit/loan/investment approval processes

2.3 Management of Proceeds

The proceeds of each of UBA's Sustainable Financing Instrument will be deposited in UBA's general funding accounts and earmarked for allocation towards the Eligible Green and/or Social Projects using the Sustainable Finance Register. As long as the Sustainable Financing Instruments are outstanding, the balance of the Sustainable Financing Register will be reduced by amounts corresponding to the financing or refinancing of eligible projects.

The Sustainable Finance Register will contain the following information:

- I. Sustainable Financing Instrument (Bond/Loan etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- II. Allocation of Proceeds:
 - a. The Eligible Green and/or Social Projects List, including for each Eligible Project, the Eligible Project category, project description, project location, UBA's ownership percentage, total project cost, amount allocated, settled currency, etc
 - b. Amount of unallocated Proceeds
 - c. Any proceeds temporarily unallocated will be invested according to the Group's standard liquidity policy.

2.4 Reporting

On an annual basis, UBA will publish an allocation report and an impact report on its Eligible Green and/or Social Projects, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Sustainable Financing Instrument issued, or until the Sustainable Financing Instrument is no longer outstanding.

2.4.1 Allocation Reporting

- a. List of eligible Sustainable projects
- b. The amount of Proceeds allocated to each Eligible Green and/or Social Project category
- c. When possible, descriptions of the Eligible Green and/or Social Projects financed, such as project locations, amount allocated, etc.
- d. Selected examples of projects financed
- e. Amount of unallocated Proceeds

2.4.2 Impact Reporting

UBA will provide reporting on the benefits of the Eligible Green and/or Social Projects potentially with the following impact indicators. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Green and/or Social Project Categories	Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent (where possible)
Green Buildings	<ul style="list-style-type: none"> • Type of scheme, certification level • Energy efficiency gains in MWh or % versus baseline/building code
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual reduction in water use in % • Annual amount of wastewater treated, reused or avoided before and after the project in m³/a
Clean Transportation	<ul style="list-style-type: none"> • Number of trains/vehicles financed • CO₂ equivalent saved
Employment Generation	<ul style="list-style-type: none"> • Number of loans to MSMEs • Number of loans to microfinance entities • Number of microfinance loans

Minerals (specifically tantalum, tin, tungsten and gold, often referred to as "3TG") extracted from areas of armed conflict in the DRC

Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of water facilities (supply or treatment) built or upgraded • Households connected to water infrastructure • Households connected to electricity infrastructure
Access to Healthcare	<ul style="list-style-type: none"> • Number of public hospitals, clinics and health care centres financed
Access to Education	<ul style="list-style-type: none"> • Number of schools financed • Number of universities financed
Affordable Housing	<ul style="list-style-type: none"> • Number of dwellings • Number of individuals/ families benefiting from subsidized housing

3. External Review

3.1 Second Party Opinion (SPO)

UBA has appointed DNV to assess this Sustainable Finance Framework and its alignment with the GBPs/SBPs/SBGs/GLPs/SLPs and issue a Second Party Opinion accordingly.

3.2 Post issuance external verification

In order to provide timely and transparent information about the reporting of the funds from Sustainable Financing Instruments issued under this Framework, the Group intends to engage a third party reviewer to provide an annual assessment on the alignment of the allocation and impact of funds with the Framework's criteria.

4. Amendments to this Framework

The SFWG will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Group and DNV. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.



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