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Second Party Opinion

Access Bank PLC's Sustainability Bond/Sustainable Finance Framework

Nov. 16, 2023

[Editor's Note: This report, finalized Nov. 16, 2023, was published on April 22, 2024, at the issuer's request.]

Access Bank PLC, together with its subsidiaries, provides various banking products and services in Nigeria, the rest of Africa, and Europe. It operates through four segments: corporate and Investment banking, commercial banking, retail banking, and business banking. Access Bank was incorporated in 1989 and is headquartered in Lagos, Nigeria. Since 1998, the bank's shares have traded on the Nigerian Stock Exchange.

Access Bank is now regarded as one of Africa's largest retail banks following its acquisition of Diamond Bank in March 2019. As a result, its retail customer base has expanded significantly.

In our view, Access Bank's Sustainability Bond/Sustainable Finance Framework, published on Nov. 16, 2023, is aligned with:

- ✓ Social Bond Principles, ICMA, 2023
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Sustainability Bond Guidelines ICMA, 2021

Issuer's Sustainability Objectives

Access Bank aspires, through the incorporation of sustainability into its strategy, to have a positive effect on the larger communities in which it operates, in addition to its clients and shareholders. Furthermore, the bank has subscribed to the U.N. Principles for Responsible Investment and adopted the Equator Principles since 2009 in its effort to incorporate environmental, social, and governance (ESG) considerations in investment decisions.

According to Access Bank, incorporating ESG criteria into investment and financing will aid the transition to a low-carbon economy, have a positive effect on climate change, and help communities in the long run. As a result, Access Bank established the sustainability bond/sustainable finance framework with the intention of advancing the shift to a low-carbon economy and drive socioeconomic development. This comes as an evolution of, and will supersede, the previously published green bond/green finance framework.

Primary Analyst

Salaheddine Soumir
Paris
+336-0374-8108
Salaheddine.soumir
@spglobal.com

Secondary Analyst

Irina Velieva
Dubai
+971-143-727100
Irina.velieva
@spglobal.com

Second Party Opinion Summary

Use of proceeds

Alignment Access Bank’s Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Score Not aligned Aligned **Strong** Advanced

Access Bank commits to use an amount equivalent to the net proceeds from any sustainable bonds or loans issued under this framework to exclusively finance or refinance eligible green and social projects that fit categories in line with the green and social bond and green and social loan principles. In addition, we view positively the link that the bank has established between each environmental and social project category and ICMA-defined objectives.

Process for project evaluation and selection

Alignment Access Bank’s Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Score Not aligned **Aligned** Strong Advanced

Access Bank clearly defines the process and criteria by which it selects eligible sustainable projects. The bank’s sustainable finance committee (SFC) will be responsible for ratifying eligible projects, ensuring all projects have been assessed under the environmental and social risk management (ESRM) policy, regularly monitoring the asset pool, ensuring eligibility with the defined criteria, and managing future updates of the framework. In addition, Access Bank’s SFC comprises members from the sustainability and ESRM teams.

Management of proceeds

Alignment Access Bank’s Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Access Bank commits to tracking funds allocated to eligible sustainable projects until the proceeds have been fully allocated. The bank will track the eligible green and social projects using its sustainable finance register (SFR). Any projects deemed no longer eligible will be removed from the SFR and replaced by eligible ones. In addition, proceeds temporarily unallocated will be invested following the bank’s standard liquidity policy in cash or cash equivalents.

Reporting

Alignment Access Bank’s Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Score Not aligned **Aligned** Strong Advanced

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Access Bank commits to annually disclosing the allocation and impact reports of its eligible green and social projects. In addition, the bank commits to disclose the impact metrics of the projects and the underlying methodology. The allocation and impact reports will be subject to external verification. However, our assessment is constrained by the fact that the impact metrics disclosed for social projects will be output-based rather than outcome-based.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

✓ Access Bank's Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Access Bank's overall use-of-proceeds commitments to be strong.

Access Bank has committed to allocating an amount equivalent to the net proceeds of any sustainable financing issued under the framework exclusively to fund projects supporting the environmental objectives of a low-carbon economy and climate resilient growth, as well as driving socioeconomic development and empowerment. The framework defines eligible project categories in line with the GBP, SBP, GLP, and SLP as well as a well-defined list of eligible projects:

- Regarding green projects, the framework includes eligible categories in line with the GBP and the GLP. Environmental project categories include renewable energy, energy efficiency, pollution prevention and control, management of living natural resources and land use, clean transportation, sustainable water and wastewater management, climate change adaptation, and green buildings. These projects are consistent with the previous green bond/green finance framework published by Access Bank.
- For social projects, Access Bank has laid-out eligible categories such as affordable basic infrastructure, access to essential services (health care and education), affordable housing, employment generation, and food security and sustainable food systems. The eligibility criteria include examples of projects that meet socioeconomic needs in Africa and are expected to benefit a specific target population that is based on local or governmental definitions from the country or area where the projects are located. The issuer gives the example of local definitions of most target populations in Nigeria.

We view positively that the bank mapped each project category to ICMA-defined objectives. In addition, the issuer specifies that proceeds can be allocated to nonpublicly listed companies with at least 90% of the obligor's revenue stemming from activities under the eligible categories.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

✓ Access Bank's Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

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We consider Access Bank's overall process for project selection and evaluation commitments to be aligned with the principles.

The framework outlines clear criteria and processes to select eligible green and social projects and contains a list of exclusions (such as projects involving forced and child labor, trade in waste and waste products, drift net fishing, production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans, and conversion or degradation of critical habitats) which we see as relevant for the issuer's context. Moreover, some project categories incorporate eligibility criteria based on market-based taxonomies or certifications (for example, only financing buildings that achieved an excellent or outstanding green building certification ratings such as Edge, LEED, and BREEAM). However, not all categories incorporate relevant taxonomies and certifications in their eligibility criteria, which constrained our score.

Access Bank's SFC includes members from the sustainability and ESRM teams and will be responsible for approving eligible projects selected by the ESRM team. Although details on the management of environmental and social risks of projects are lacking, the SFC will ensure that all projects have been assessed under the bank's ESRM policy and those eligible meet the criteria set in the framework. In addition, the SFC is responsible for managing future updates to the framework and ensuring that periodic reports on sustainable issuances follow the bank's reporting commitments.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✓ Access Bank's Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Access Bank commits to using a dedicated SFR to manage proceeds. The register will contain the sustainable financing instrument's details, allocation of proceeds, and the amount of unallocated proceeds. In addition, the bank specifies that the SFC will monitor the eligible portfolio throughout the life of the instrument and if any projects deemed no longer eligible will be replaced in the SFR. Furthermore, Access Bank commits to fully allocate issuances under this framework within a two-year period starting the issuance date, which we view as in line with the market's best practice. In addition, temporarily unallocated proceeds will be invested in cash or cash equivalents, according to the bank's standard liquidity policy.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✓ Access Bank's Sustainability Bond/Sustainable Finance Framework is aligned with this component of the Principles.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Access Bank's overall reporting practices to be aligned with the principles.

Access Bank has committed to publishing an annual allocation and impact report until full allocation of the proceeds.

The allocation report will include the list of eligible sustainable projects, the amount of proceeds allocated to each project, descriptions of project details--such as location and amount allocated--examples of projects financed, and the amount of unallocated proceeds. The impact reporting,

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it is set to comprise several actual and expected metrics linked to each project category as well as the underlying methodology. However, when social impact is focused on output-based metrics --such as the number of loans to small and midsize enterprises or people benefiting from agricultural projects, like in this case--we generally assess reporting as aligned rather than strong because we believe these measurements are relatively weaker than those looking at improvements in social outcomes. We note that this is a challenge faced by many social bond frameworks and not specific to Access Bank. On the other hand, we see positively that the bank aims to have both the allocation and impact report verified by a third party. The verification report will be published annually.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Access Bank's sustainability bond/sustainable finance framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Renewable Energy			
	7. Affordable and clean energy*	13. Climate action	
Energy Efficiency			
	7. Affordable and clean energy*	13. Climate action	
Pollution Prevention & Control			
	11. Sustainable cities and communities*		
Environmentally sustainable management of living natural resources and land use			
	12. Responsible consumption and production*	13. Climate action	15. Life on land*
Clean Transportation			
		13. Climate action	

**9. Industry,
innovation and
infrastructure**

**11. Sustainable
cities and
communities***

Sustainable water and wastewater
management



**3. Good health
and well-being**

**6. Clean water
and sanitation***

Climate change adaptation



**11. Sustainable
cities and
communities**

Green buildings



**7. Affordable and
clean energy**

**11. Sustainable
cities and
communities***

13. Climate action

Affordable Basic Infrastructure



**6. Clean water
and sanitation***

**9. Industry,
innovation and
infrastructure***

Access to essential services
(Healthcare)



**3. Good health
and well-being***

Access to Essential
Services (Education)



**4. Quality
education***

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Affordable housing



11. Sustainable cities and communities*

Employment generation



8. Decent work and economic growth*

Food security and sustainable food systems



2. Zero hunger*

*The eligible project categories link to these SDGs in the ICMA mapping.

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