Wegagen Bank

ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) POLICY

March 2025

Wegagen Bank S.C.
Board of Directors

DOCUMENT CONTROL

Policy name	Environmental, Social, and Governance Policy
Prepared by	Chief Marketing and Strategy Office
Reviewed by	Core Management
Approved by	Board of Directors
Signature	
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REVISION HISTORY

No	Revision date	Revision number	Change	Reference Section
1	March 2024	01	Whole part	Whole section
2	March 21, 2025	02	Partly	Whole section

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PREAMBLE

WHEREAS, Environmental, Social, and Governance (ESG) concerns have gained significant attention in the global business environment, and banks are expected to implement an ESG/Sustainability framework by international stakeholders interested in collaborating with local banks;

WHEREAS, the National Bank of Ethiopia's directive number SBB 91/2024 requires banks operating in Ethiopia to incorporate sustainability into their business strategies;

WHEREAS, the bank finances various projects across the country, which may have social and environmental impacts on the community and the bank, necessitating effective risk management;

WHEREAS, the Ethiopian Bankers Association (EBA), in collaboration with the International Finance Corporation (IFC), has issued sustainability guidelines for Ethiopian banks, highlighting the need for alignment with industry practices;

WHEREAS, it is essential to establish a sustainability framework to manage and mitigate risks associated with financing high-risk projects;

WHEREAS, to be listed on the forthcoming Ethiopian Securities Exchange, it is mandatory to have a sustainability disclosure framework, creating a need for its establishment;

WHEREAS, it is necessary to review and update the bank's existing ESG policy and incorporate emerging ESG proclamations and guidelines into the ESG framework;

NOW, THEREFORE, this Environmental, Social, and Governance (ESG) policy has been meticulously revised, developed and formally approved to establish a comprehensive framework for the effective implementation of ESG principles at Wegagen Bank. This policy aims to guide the bank in integrating sustainable practices into its operations, ensuring that all business activities align with our commitment to ethical governance, social responsibility, and environmental stewardship.

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1. CORE STRATEGY ELEMENTS

1.1 Vision

To be the champion of excellence in banking business in Ethiopia.

1.2 Mission

Maximize shareholder's value by providing diversified banking service through competent and motivated employees, and up-to-date technology.

1.3 Core Values

1.3.1 Teamwork

i. Collaborate and work collectively to meet our common goals;
ii. Promote and support a diverse, yet unified team.

1.3.2 Integrity

i. Do the right thing, even when no one is watching;
ii. Keep your word and honour your commitment;
iii. Maintain confidentiality and privacy of customers.

1.3.3 Innovation

i. Adapt and respond rapidly to changes;
ii. Encourage creativity and new ideas.

1.3.4 Responsiveness

Provide prompt and convenient customer services.

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2. SHORT TITLE

This Policy may be cited as the ***"Environmental, Social, and Governance (ESG) Policy"***.

3. DEFINITION OF TERMS AND ACRONYMS

3.1 Definition of terms

Unless the meaning is defined differently within the context of the Policy:

i. **Bank** means Wegagen Bank Share Company;

ii. **Board of Directors** means the Board of Directors of Wegagen Bank Share Company;

iii. **Customer** refers to any individual or legal person who received the service and products of Wegagen Bank;

iv. **Environmental** refers to aspects related to climate change, water, air, land, water contamination, biodiversity conservation, and natural resources;

v. **Governance** refers to aspects related to high-level commitment, board diversity, board competency, remuneration, and board and senior management oversight;

vi. **Policy** shall refer to the Environmental, Social, and Governance Policy of Wegagen Bank Share Company.

vii. **Risks** are events or conditions that may occur and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the Bank's business objectives;

viii. **Social** refers to aspects related to human rights, labor conditions, gender, health and safety, vulnerable groups, affected communities, and cultural heritage;

ix. **Sustainable Development** refers to development that meets the needs of the present without compromising the ability of future generations to meet their own needs;

3.2 Acronyms

i. ESG: Environmental, Social and Governance
ii. NBE: National Bank of Ethiopia
iii. ESX: Ethiopian Securities Exchange
iv. IFC: International Finance Corporation
v. EBA: Ethiopian Bankers Association
vi. CEO: Chief Executive Officer
vii. UNEP: United Nations Environmental Program
viii. EHS: Environment, Health & Safety
ix. BoD: Board of Directors

4. PURPOSE OF THE POLICY

This policy aims to:

i. Ensure the environmental and social sustainability of the Bank's financing activities by incorporating environmental and social risks into the existing internal risk management frameworks;
ii. Establish Environmental, Social, and Governance (ESG) assessment criteria and procedures to be followed by the Bank in its lending schemes;
iii. Support clients/borrowers in identifying and managing environmental and social risks and impacts, encouraging them to operate sustainably and fulfill their environmental and social obligations;
iv. Engage and cooperate continually with various stakeholders to raise awareness of ESG issues;
v. Encourage transparency on ESG matters both internally and externally through periodic disclosures;
vi. Identify opportunities for the Bank to promote environmental sustainability and equitable growth through our products and services.

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5. SCOPE OF THE POLICY

The scope of this policy covers all operations of the Bank, including financing and other products and services offered to customers, as well as its resource utilization, working environment, and internal and external relationships.

6. GOVERNING STATUTE

This ESG Policy is developed taking into consideration the relevant internal and external, national and international legal frameworks, standards, and guidelines. This ESG policy will be governed by:

i. The National Bank of Ethiopia's Bank Corporate Governance Directive NO. SBB/91/2024 and any amendment thereafter;

ii. The Environmental Policy of Ethiopia and other applicable national regulations;

iii. The World Bank Environmental and Social Standards (EES1 to ESS10) and any amendment thereafter;

iv. The World Bank Group General Environment, Health & Safety (EHS) Guidelines and Sector Specific Guidelines and any amendment thereafter;

v. The UNEP (United Nations Environmental Program) Financial initiative guide to Banking and Sustainability and any amendment thereafter;

vi. ESIA(Environmental and Social Impact Assessment Proclamation 1371/2025;

vii. Sustainability Guideline for banks in Ethiopia , prepared by IFC in collaboration with Ethiopian Bankers Association ;

viii. Other pertinent national and international legal frameworks; and

ix. Wegagen Bank's Risk Management Policy.

7. GENERAL POLICY STATEMENT

Wegagen Bank is committed to:

i. Protect the environment by aligning operations with global and national climate goals.

ii. Enhance the well-being of the communities it serves.

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iii. Maintain strong governance, transparency, and accountability practices that safeguard the interests of its stakeholders.

iv. Act as a catalyst for responsible economic growth that is sustainable and inclusive.

v. Contribute responsibly to long-term economic prosperity and value creation by acting as a strategic partner among its financing institutions and stakeholders for sustainable development.

vi. Manage environmental and social risks to which it is directly exposed through its activities and indirectly through its stakeholders, including customers, agents, and suppliers.

vii. Integrate ESG risks into the bank's risk management framework.

viii. Adopt and implement human resources policies and procedures appropriate to its size and workforce that outline its approach to managing workers in compliance with national law.

ix. Provide workers with clear and understandable documented information regarding their rights under national labor and employment law and any applicable collective agreements, including rights related to hours of work, wages, overtime, compensation, and benefits upon beginning employment and when any material changes occur.

x. Ensure reasonable working conditions and terms of employment, including wages and benefits, wage deductions, hours of work, and overtime arrangements.

8. SPECIFIC ESG POLICY PROVISIONS

Our Bank recognizes the importance of Environmental, Social, and Governance (ESG) factors in our decision-making processes and acknowledges the impact that our business activities can have on society and the environment. As a financial service provider, the Bank believes that ESG principles are crucial for stakeholder satisfaction and incorporates them into our business strategies and practices, thereby contributing to a more sustainable and equitable world.

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i. Environment

The bank shall comply with environmental regulations and will adhere the following policy points to minimize environmental impact:

a. The Bank shall comply with all the applicable environmental laws and regulations of the country;
b. The Bank shall conduct its business sustainability by reducing the environmental impact of its operations;
c. The Bank shall refrain from lending to activities that adversely affect the environment and shall incorporate environmental impact into its credit appraisal process and credit decisions;
d. The Bank shall develop a comprehensive list of prohibited activities, which are detrimental to environment and society and shall avoid financing projects in the prohibited list;
e. The Bank shall promote the use of renewable Energy and reduce the consumption of electricity;
f. The Bank shall strive to consider ESG and climate-related factors, as applicable, in its risk platform;
g. The Bank shall strive to ensure responsible and safe disposal of waste;
h. The Bank shall strive to reduce the paper usage in its day-to-day operations and business transactions;
i. The Bank shall strive to ensure that its products/ services and operational activities are not detrimental to natural resources and humans and complies with the applicable local/ national/ international laws/ regulations; and
j. The Bank shall deal with sourcing and procuring involving vendors for Sustainable Sourcing & Procurement Practices.

ii. Social

Wegagen bank believes that social matters are an important pillar of the long-term sustainability strategy for the Bank and the community at large. Thus, our Bank is

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The following policy points will be included in our Bank's Social Responsibility:

i. The Bank shall promote easy and equitable access to financial services to the marginalized and excluded sections of the society;
ii. The Bank shall leverage latest technology to provide smooth and uninterrupted services to its customers by enhancing the ease and convenience of services;
iii. The Bank shall continue to provide fair and equal employment and advancement opportunities to all its employees without any discrimination;
iv. The Bank shall continue to promote an environment that is conducive to training and skill development of all its employees;
v. The Bank shall provide a safe and conducive work environment, appropriate healthcare benefits and medical cover to promote the welfare of its employees;
vi. The Bank shall provide training and awareness programs to all its employees on health and safety at the workplace;
vii. The Bank shall strive to ensure that the vendors/ service providers engaged by it also accord due importance to the health and safety of their employees; and
viii. The Bank shall put in place a transparent grievance handling mechanism to hear the concerns of individuals, groups or communities affected by projects financed by the Bank.

iii. Governance

The Bank is determined to adhere to its strong code of conduct for its business to nurture sustainability. The Bank believes that high standards of corporate governance combined with ethical and transparent business process lead to greater effectiveness, efficiency, and superior business outcomes. As an essential part of this commitment, the Bank operates within a well-defined governance structure and embeds governance principles and practices in its operations.

Our Bank's Governance will include the following policy points:

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i. The Bank shall constantly work towards promoting and upholding good governance practices.

ii. The Bank shall insure that, corporate governance framework is compliant with the applicable policy/ regulatory directives of the Government and the concerned regulatory authorities.

iii. The Bank's Board of Directors shall provide effective oversight and maintain an environmentally and socially responsible culture while providing strategic leadership for prudent operational performance.

9. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

The Bank shall consider the followings in managing the environmental and social risks and impacts of the projects it finances;

i. Screening

a. The bank shall screen environmental and social risk of projects against the exclusion list (Annex I) and other screening checklists; and

b. The bank shall be committed to ensure that funds will not be used to finance the prohibited types of activities and/or end use for all project and corporate loans under the scope of the ESG Policy.

ii. Environmental and Social Due Diligence

a. The Bank shall assume the responsibility for conducting environmental and social due diligence for every project to be financed in order to determine whether the project is eligible for finance against its possible environmental and social risks and impacts; and

b. Such due diligence shall be conducted on its customers, products and processes.

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iii. Environmental and Social Categorization - Project Categorization

a. For environmental and social categorization, the Bank adopts Environmental Impact Assessment Procedural Guideline Series 1 issued by FDRE, Environmental Protection Authority in November 2003 and any amendment thereafter; and

b. As per the ESIA Proclamation 1371/2025, the environmental impact assessment (full or preliminary) shall be prepared by an independent body with the required expertise and a license to undertake the task, issued by the relevant government authority.

10. COMMUNICATION AND DISCLOSURE

i. The Bank shall undertake regular internal reviews on the implementation of ESG through periodic reports prepared by pertinent organs of the Bank;

ii. The Bank shall disclose its ESG activities to the public through publishing reports or through website and other social media platforms; and

iii. The ESG report shall be published as part of the Bank' Annual performance report.

11. STAKEHOLDER ENGAGEMENT

The bank shall have a stakeholder engagement session with both internal and external stakeholders including, regulators, shareholders, customers, civil societies and suppliers/other business partners.

12. ROLES AND RESPONSIBILITIES

The role and responsibilities of the Bank's organs with the focus on ESG financing are presented as follows:

12.1 Board of Directors

The Bank's Board of Directors shall:

i. Review and approve the ESG policy; and

ii. Ensure proper implementation of the policy through periodic reports from the CEO.

12.2 Chief Executive Officer

The CEO shall ensure:

i. Implementation of the ESG Policy by translating it into operational guidelines;

ii. The Bank's internal capacity is strengthen on ESG issues; and

iii. Regular reports on the implementation of the ESG Policy are submitted to the BoD.

12.3 Core Management

The Core Management Team shall:

i. Ensure that policies and procedures of credit and other functional units are in line with the ESG Policy; and

ii. Review and endorse regular reports on the implementation of the ESG Policy.

12.4 Deputy CEOs

Deputy CEOs shall:

i. Ensure that the Bank's activities and operation are in line with the ESG policy and operational procedures; and

ii. Prepare regular reports on the implementation of the ESG policy.

12.5 Chief Marketing and Strategy Officer

Chief Marketing and Strategy Officer shall:

i. Develop ESG policy;

ii. Monitor implementation of the ESG policy; and

iii. Coordinate ESG related initiatives.

12.6 Chief Risk and Compliance Officer

The Chief Risk Management and Compliance Officer shall:

i. Incorporate ESG issues in the existing Risk management and compliance procedures;

ii. Periodically review and report the Bank's activities and operations against the ESG policy and operational procedures; and

iii. Conduct and report periodic ESG risk assessments.

12.7 Chief Internal Auditor

The Chief Internal Auditor shall periodically review and report the Bank's activities and operation to provide assurance against the ESG policy and operational procedures.

12.8 Manager, Environmental, Social and Governance Division

The manager of ESG shall:

i. Keep updated with new regulations and industry standards, incorporate emerging issues in to ESG policy and procedure of the bank;

ii. Conduct Environmental and social risk assessment both inside-out and outside-in to identify the impacts of ESG factors on the bank and on stakeholders;

iii. Identify and report ESG related Risks and opportunities within the bank and;

iv. Coordinate the stakeholder engagement session;

v. Prepare periodical reports on ESG implementation; and

vi. Provide ESG training

13. APPROVAL AND EFFECTIVE DATE

This policy shall take effect immediately after its approval by the Board of Directors.

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