

TUNDRA CASE



ACCESS BANK PLC NIGERIA

TABLE OF CONTENTS

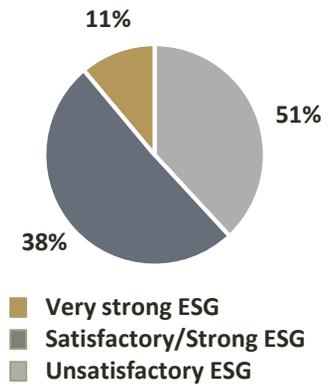
INTRODUCTION	02
THE AFRICAN CONTEXT	02
RATIONALE FOR TUNDRA'S INVESTMENT	03
COMPANY FACTS AND ENGAGEMENT	04
REFERENCES	05
DISCLAIMER	06

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INTRODUCTION

Access Bank PLC is one of a few companies to achieve a high score on the Tundra ESG Rating System, with a rating indicative of very strong ESG practices. Tundra currently invests in Access Bank through two of its funds: **Tundra Sustainable Frontier** and **Tundra Frontier Africa**. The bank offers an interesting perspective on a successful and sustainable banking system in the African context. The graph to the right shows the distribution of companies in the **Tundra Sustainable Frontier Fund** under the 2017 ESG rating.



Nearly 1.7bn adults (56% women) in the world lack a bank account. This is largely due to low income levels. Unsurprisingly, most unbanked people are found in developing economies. Financial inclusion – the access to financial services for the most disadvantaged and vulnerable in any society – is an important tool which can be used to empower communities and help propel economic growth. According to the UN, 8 of the 17 Sustainable Development Goals (SDGs) can be achieved through financial inclusion. Gender disparity is an important consideration in access to financial services e.g. 72% of men and only 65% of women have bank accounts. Progress in financial inclusion, therefore, is hampered in certain countries where significant gender gaps exist. In Algeria, for example, the overall rate of account ownership is low (43%) and the gender disparity is even greater: 56% men have accounts as opposed to 26% of women.

THE AFRICAN CONTEXT

In Sub-Saharan Africa, 25% of the adult population have bank accounts, and only 3% of them have credit cards. However, according to a report released by McKinsey, Africa is the “second-fastest-growing” region in the global banking industry today. This is because challenges such as low banking penetration rates and low income are being met with exciting initiatives through mobile banking. In 2017, nearly 420m (44%) of the Sub-Saharan Africa population, were mobile users; half of those consumed mobile internet. Given the scope and opportunity in financial inclusion in Africa, governments and the private sector are trying to play a supportive role. In Nigeria, the Central Bank has implemented a national financial inclusion strategy to embrace 20% more unbanked adults by 2020. In Kenya, 2% (194,000 households) were lifted out of poverty by using M-PESA, a mobile payment system that evolved out of a pilot scheme by



the country's largest mobile operator Safaricom in 2005. During the 2014 Ebola virus outbreak in Sierra Leone, emergency response workers went on strike because their wages were repeatedly misappropriated by impostors or corrupt officials. By deploying mobile banking, financial malfeasance and obstructions in salary disbursement and collection were largely reduced and the strikes ended.

Online payments through social media have become possible via a Nigerian-based fintech start-up called Paystack. The South African First National Bank has also been looking outside the box through its GeoPayments application, which allows payments between any users within 500 meters of each other. Since its launch in 2012, the service has gained 1.5m active users.

RATIONALE FOR TUNDRA'S INVESTMENT

Nigeria's banking system may share similar social and economic characteristics as its neighboring countries, yet its unique demographics boast more than 186m individuals – representing more than 15% of Africa's population – 44% of whom are under the age of 15. Low banking penetration along with high mobile coverage creates an opportunity for banks to offer products through low-cost innovative distribution models. Nigeria's low GDP per capita base, a little over USD2,200, also offers significant room for saving and credit in the economy.

Tundra initially invested in Access Bank in 2015. Currently, we hold shares of the company through the Tundra Sustainable Frontier Fund and the Tundra Africa Frontier Fund. The bank has a strong track record of growth, where its total assets grew at CAGR (FY05-16) of 43% against the industry's 19%. This rapid growth enabled Access Bank to secure third position, by total assets, among the top banks in Nigeria. To counter traditional challenges to the banking sector in the country, such as high usage of cash and low levels of banking outlets, Access Bank focused on ATMs, POS' and branch expansion. These efforts led to Access Bank controlling the largest ATM network in Nigeria. Further, the company has the third largest POS by value transacted and the fifth largest branch network in Nigeria, consisting of 397 branches as of December 2017. The bank has reiterated its focus on retail banking, in its latest five-year growth plan, by deepening its retail offerings through strong digital and payment solutions. Access Bank is among our preferred companies in Nigeria that generates an ROE of 15% and trades at an attractive multiple of P/B of 0.6x.

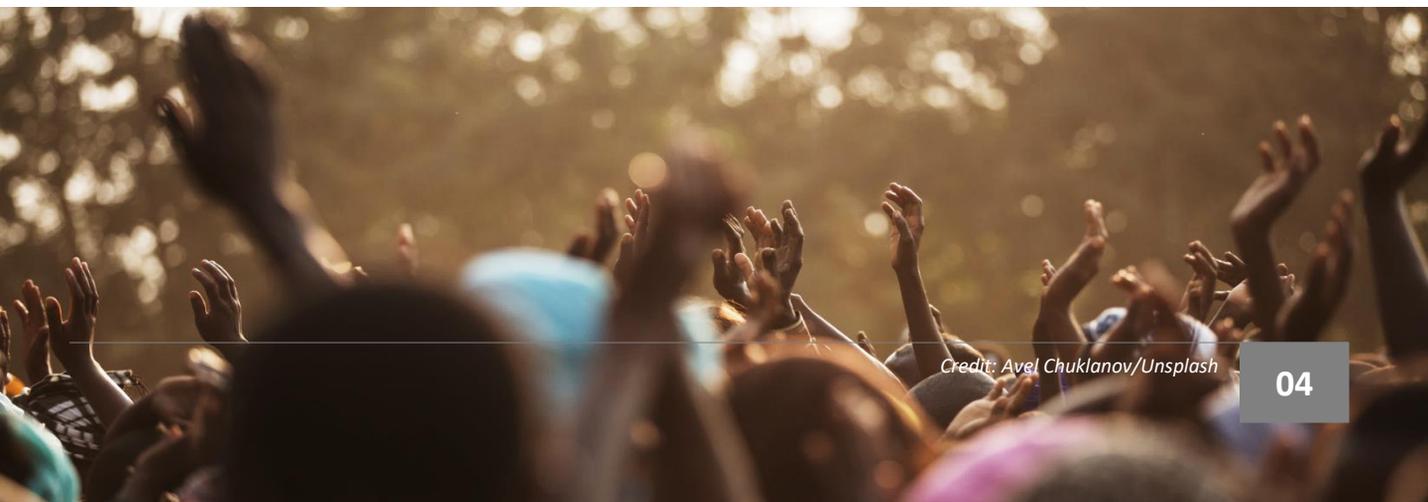
COMPANY FACTS AND ENGAGEMENT

Incorporated in 1989, Access Bank PLC has close to 400 branches and service outlets in Nigeria, Sub-Saharan Africa and the United Kingdom. The company offers several financial products in the personal, business, commercial and corporate and investment banking segments. It was listed on the Nigerian Stock Exchange in 1998 and reportedly embeds sustainability in all its processes and work culture. Through Tundra's dialogue with Access Bank along with publicly-available materials, the following is a sustainability profile of the company.

The Bank reportedly makes conscious efforts to help achieve the SDGs. It has a branch in Lagos that is completely powered by solar energy, without any dependence on the national grid; further, 98% of its branches are powered by a hybrid of alternative energy resources and public power supply. Its environmental initiatives have led to an overall reduction of 63.4% in electricity usage, over 16% reduction in petrol usage and 28.8% reduction in diesel usage. Cost reduction strategy involves utilising waste reduction measures. The use of printing paper was reduced by almost 40% through its 'No Paper' initiative. The bank also has a waste recycling programme said to achieve a 92.6% reduction in waste-to-landfill at implemented locations. In its lending activities, Access Bank operates

under an environment and social risk manual which screens and evaluates potential issues. It strives for gender balance through the adoption of various measures including a support network for women which ensures gender-equal policies are embedded within the organisation. As a result, 35% of its board members and 32% of senior management are women. More than 55,000 women have benefited from capacity building and networking programmes aimed at empowerment and education.

To help achieve the SDGs, the bank has also created partnerships with sustainable stakeholders. These include Financial Sector Development Africa, a financial sector development programme, and Climate Bonds Initiative, an international organisation mobilising the market for climate change solutions. The latter partnership aims to transform the Nigerian debt capital markets by supporting the development of a Nigerian Green Bond issuance through a cooperative agreement. This initiative can help reduce greenhouse emissions and mitigate climate change by presenting profitable investment opportunities to stakeholders. Access Bank is also committed to the UN Global Compact and the Women Empowerment Principles. It has adapted its reporting in line with the guidelines of the Global Reporting Initiative.



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