



Environmental and Social Risk Management Policy and Procedures of ONE Bank Limited.

May 24, 2018

Environmental & Social Risk Management Policy of ONE Bank Limited.

Introduction

We are aware that our globe has been experiencing manifold environmental crisis such as climate change, degraded air quality, deforestation and decrease of animal population, land pollution, soil erosion, scarcity of fresh water and biodiversity losses. The effects of climate-related natural events have potentially far-reaching consequences for the economy and the financial system. To adapt and mitigate these environmental challenges, many international Agreements, Treaties, Conferences, Summit such as UN Framework Convention on Climate Change (UNFCCC), Various COP(1-24), Earth Summit, Kyoto Protocol, The Equator Principal, Paris Climate Agreement etc. took place from time to time. Bangladesh is the signatory of Paris Climate Agreement to combat climate change.

In line with global development and response to the environmental degradation, financial sector in Bangladesh is also playing important roles as one of the key stake holders. Bangladesh government already introduced National Environmental Policy in 1992, Environmental Conservation Act-1995, formed Department of Environment, introduced Environmental Conservation Rules-1997. Bangladesh Bank has introduced Environmental Risk Management Policy (ERM) Guidelines in 2011 and Banks / Financial Institutions incorporated Environmental Risk into their Credit Risk Management. ONE Bank has also integrated ERM Policy of Bangladesh Bank into CRM Policy Guidelines to assess environmental risks of the clients. Of late, Bangladesh Bank has circulated new Guidelines on 'Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh' incorporating Social risks with more importance and new quantitative risk rating system. Incorporation of Social Risk into ESRM Guidelines due to unresolved social issues in Bangladesh such as labour practices and working conditions of the industry sector, child labour, minimum wage, discrimination and harassment. From January 01, 2018, this ESRM Guideline already become operational under Bank Company Act -1991 and Financial Institutions Act -1993. Against this backdrop, ONE Bank Limited has formulated ESRM policy as per regulatory directives of Bangladesh Bank.

ONE Bank Limited (OBL) recognizes that its own operations and more considerably business activities of its clients can impact the environment and the community in which they operate. The Bank recognizes that the failure to identify and manage environmental & social (E&S) risks can represent a serious threat to OBL's reputation and its business. The Bank is therefore committed to finance clients' activities and projects in a manner that aims to minimise the adverse impacts that they may have on the employees, surrounding communities, environment and consequent risk to the business.

The Bank is aware that environmental and social issues also create opportunities to finance the requirements of the clients for improvements of their Environmental and Social performance, focus on improvements in resource use and energy efficiency.

OBL has already developed and adopted the Green Banking Policy and Environmental Risk Management Guidelines, ESRM Policy to highlight its commitment towards sustainability and set strategic goals in E&S risk management. OBL used these Policies as foundation for development of an Environmental and Social

Management System (ESMS) that offers an appropriate, efficient and easily applied evaluation and monitoring procedure of social and environmental risks associated with activities financed by OBL.

In compliance with the Bangladesh Bank's Environmental and Social Risk Management Guidelines of 2017, and in effort to include key elements of international best practices, the existing OBL's Policy has been reviewed further to enhance the Bank's procedures and practices in identification, assessment, monitoring and management of all issues pertaining to environmental and social risks and opportunities in a systematic way. This Policy including procedures is now being considered as integral part of OBL's existing Credit Risk Management Policy Guidelines.

ESRM Policy Statement:

OBL is committed to:

- Ensure its Environmental and Social Management System (ESMS) be in line with relevant national and international environmental and social legislations;
- Identify the clients whose business activities don't meet the Bank's environmental and social requirements and support them in achieving their compliance;
- Avoid financing of the businesses and activities stipulated in the OBL's Exclusion List;
- Recognise sustainable development as a corporate commitment and sound business management as an integral part of its pursuit of good corporate citizenship;
- Developing appropriate functional framework across the bank activities towards identifying environmental risk issues, measuring risk severity and devising appropriate mitigation in compliance with regulatory directives.
- Allocate resources, assign responsibility, support building of competencies and expertise, conduct evaluation of the Bank's existing practices, procedures and processes related to E&S Risk Management to guarantee continuous improvement of the system;
- Reduce our direct operational impacts through In-House Green Management.
- Increase financing of environmentally & socially sustainable business opportunities across Bangladesh Bank's Green Projects /Initiatives.
- Ensure awareness through campaigns and trainings so that the management, employees and clients can understand the commitments made by the Bank for the improvement of E & S issues of the Bank and clients.

Bank's Environmental and Social Requirements

The Bank will adopt its own Environmental and Social Requirements to be imposed on its own operations as well as on its clients. The Requirements shall include:

- the compliance with national laws and regulations on environment, health and safety and labour issues;
- the environmental & social risk management requirements of Bangladesh Bank;
- the compliance with relevant international standards that include -

(1) the core International Labour Organisation's (ILO) conventions related to child labour and forced labour, and

(2) for large, long term corporate loans and for project finance also the IFC Performance Standards;

the compliance with the Exclusion List (shall follow strictly) and the List of Discouraged/Prohibited Industry and Business Sectors (shall discourage & monitor continuously) consisting of the activities which the Bank agreed not to finance. List of activities excluded from financing by OBL and the List of discouraged industries & lending activities have been provided at OBL Environmental and Social Risk Management Procedure (Annexure-1 of the Procedure).

Roles & Responsibilities

E&S Risk Management is applied with the coordination of Sustainable Finance Unit (SFU) of the Bank with the support of Board/EC/ Risk Management committee, Corporate Asset Marketing Division, Retail & SME Banking Division, Credit Risk Management Division, Central Loan Administration Division (CLAD), Legal Division etc. SFU is headed by Head of CRM Division.

Environmental and Social Risk Management Procedure

An elaborate Environmental and Social Risk Management procedure already been tailored for implementation of this policy. According to procedure, applicable loan categories will be screened, approved and monitored through a set of tools and procedures mentioned below-

- Screening transactions.
- Conducting environmental and social due diligence
- Categorizing transactions based on their environmental and social risk.
- Decision –making process
- Monitoring the client's / investee's environmental and social performance and
- Managing the client's / investee's non-compliance with the environmental and social standards of banks/FIs.

Policy Review

This Environmental & Social Risk Management Policy shall be reviewed periodically by the management at least once in three years, with due approval of the Board of Directors. This Policy may be reviewed in interim period under compulsion of any bilateral contractual agreement / regulatory changes.

Environmental & Social Risk Management Procedures of ONE Bank Limited

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Abbreviations

BDT	Bangladeshi Taka
CITES	Convention on International Trade in Endangered Species
CRM	Credit Risk Management
CRMC	Credit Risk Management Committee
DoE	Department of Environment
E&S	Environmental & Social
EC	Executive Committee
ECR	Environment Conservation Rules
ERM	Environmental Risk Management
ESAP	Environmental and Social Action Plan
ESDD	Environmental & Social Due Diligence
ESIA	Environmental & Social Impact Assessment
ESMS	Environmental & Social Management System
ESRM	Environment and Social Risk Management
ESRR	Environmental and Social Risk Rating
FI	Financial Institution
FMO	Dutch development bank
GHGs	Greenhouse Gases
IFC	International Finance Corporation
IFC PS	IFC Performance Standards
ILO	International Labour Organisation
MD	Managing Director
NGO	Non-Governmental Organization
OBL	ONE Bank Limited
ODS	Ozone Depleting Substances
OeEB	Austrian development bank
PCB	Polychlorinated Biphenyl
RMC	Risk Management Committee
RMG	Ready Made Garment
RM	Relationship Manager
SFC	Sustainable Finance Committee
SFU	Sustainable Finance Unit
SME	Small & Medium Enterprises
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization

Definitions

Applicability means the loan categories for which the ESRM Manual is applicable (i.e., agriculture, retail, trade, microfinance, SME, corporate finance and project finance. All loan proposals (New/Renewal/Rescheduling/Restructuring) for the above applicable sectors will have to be first screened against the exclusion list.

Compliance/E&S Compliance means conformity of all applicable laws, rules and regulations of all the authorities. For OBL these authorities are Bangladesh Bank, Internal Control and Compliance Division and all the external facilitators (e.g., FMO, OeEB and other). OBL will follow all the agreed rules and regulations as per BB Circulars and Guidelines, ESMS Manual and the law of Bangladesh and all/any agreed agreements/Commitment with FMO and OeEB.

Credit Approval Authority means the authorized committee/body/board of the Bank which can approve credit proposal up to a certain/full credit limit.

E&S Due Diligence means a review of any potential E&S risks associated with the business activities of a potential client to ensure that the transaction does not carry E&S risks, which could present a potential liability/risk to the Bank.

IFC performance Standards means an international benchmark for identifying and managing environmental and social risk and has been adopted by many organizations as a key component of their environmental and social risk management. The scope and intent of the IFC Performance Standards is addressed or partially addressed in the country's environmental and social regulatory framework and in the ESRM Guidelines of Bangladesh Bank (2017). The IFC Performance Standards encompass eight topics: Environmental and Social Assessment and Management System, Labor and Working Conditions, Pollution Prevention and Abatement, Community Health, Safety and Security, Land Acquisition and Involuntary Resettlement, Biodiversity Conservation and Sustainable Natural Resource Management, Indigenous Peoples, Cultural Heritage.

Exclusion List¹ means the list of prohibited activities which the Bank shall not finance due to its internal rules specified provided in **Annex 1**.

Environmental Risk means the risk of causing pollution or destruction of the natural environment (land, water, air, natural habitats, animals and plant species), either through accidental or deliberate actions. Typical examples of environmental issues in the Bangladesh's industrial landscape include discharging highly polluted waste water from the washing, dyeing and finishing units of Ready Made Garment (RMG) factories without treatment, sulphur-dioxide air emissions from burning low grade coal in outdated brick kilns; contamination of terrestrial and marine environment from leaching of toxic chemicals from scrapped ships or contaminated effluents and harmful fumes emitting from the steel re-rolling units.

Social Risk is the risk of a customer not meeting acceptable standards for employment and business ethics, within his own business or by his actions. The scope of definition is wide, but we will limit our view to risk issues related labour conditions, the workplace of a client's operations and also impacts of a client's operation on surrounding communities. It covers issues such as labour and working conditions, child and forced labour, occupational health & safety, community health & safety and security, land acquisition and resettlement, protection of biodiversity, cultural heritage and impact on indigenous people.

¹ Applicable to the entire portfolio of OBL

Environmental & Social Risk Rating (ESRR) is rating (high, medium and low) generated automatically by the E&S Risk Assessment Tool. The rating is based on the responses provided to the questions in the ESDD Checklist. ESRR reflects the level of the client's compliance with the E&S requirements.

E&S Categorisation is the determination of the relative level of environmental and social risk based on the nature of the business activity carried out by the borrower. The risk level helps Relationship Managers to determine how much E&S risk appraisal would be appropriate.

ESRM Procedure Online Tool is a basic tool (software) prepared based on the ESRM Guidelines of Bangladesh Bank and best international practices to assess and manage all the transactions exposed to E & S Risks. This software is currently available at OBL's intranet service "OBL Connect". RMs/Credit officers have to mandatorily complete the ESRM Procedure for all applicable transaction(s) through this software and print necessary reports for internal assessment and further documentation / monitoring to be incorporated in the Credit Memorandum, Sanction Advice and other legal documents. There is a user manual available for the ESRM Procedure Online Tool. This software may be modified / updated over time as per new regulation of the regulatory authority.

Environmental and Social Risk Management Manual (Procedure)

Introduction

The Environmental and Social Risk Management(ESRM) Procedure explains the process for identifying, assessing and managing E&S risk of financial transactions, defines the decision-making process, describes the roles, responsibilities and capacity needs of staff in doing so and states the documentation and recordkeeping requirements. This ESRM procedure has been developed in line with Bangladesh Bank's "Guidelines on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh" and best international practices.

Purpose of the ESRM Procedure

The ESRM Procedure enables the OBL's credit staff to ensure that -

- OBL will avoid supporting activities mentioned in OBL Exclusion List and
- OBL will systematically review, assess and manage environmental and social risks of the clients under purview of national E&S laws and regulations. In addition, IFC Performance Standards must also be carried out for Project Finance and Project related Corporate Finance having cost of project USD.10 Million (or equivalent BDT) and above and the tenor of 3 years and above.

The ESRM Procedure also provides guidance on how to screen transactions, categorize transactions based on their E&S risk, conduct E&S due diligence and monitor the client's E&S performance.

Applicability of the ESRM procedure across loan category

This Procedure applies to all Retail, Microfinance, Trade, Agriculture, Small and Medium Enterprise, Corporate lending and Project Financing.

Applicable E&S requirements of OBL

The Bank has adopted its own Environmental and Social Requirements to be imposed on its own operation as well as on its clients. The Requirements includes:

- the compliance with national laws and regulations on environment, health and safety and labour issues;
- the environmental & social risk management requirements of Bangladesh Bank;
- the compliance with relevant international standards that include
 - (1) the core International Labour Organisation's (ILO) conventions related to child labour and forced labour, and
 - (2) for large, long term corporate loans and for project finance also the IFC Performance Standards;
- the compliance with the *Exclusion List* (shall follow strictly) and the *List of Discouraged Activities* (shall discourage & monitor continuously) consisting of the activities which the Bank agreed not to finance (both Lists are in *Annex 1* to this Procedure).

Responsibilities

For an ESMS to function properly, it is essential that roles and responsibilities for carrying out the necessary procedures and making decisions are clearly defined. The following staff of OBL will be involved with implementing different aspects of the ESMS.

Managing Director and the Board: The Managing Director (MD) and the Board represents the senior management. Senior Management establishes the Bank's E&S requirements and conditions for clients. In cases of unresolved E&S issues or non-compliance associated with a transaction that cannot be resolved by the Head of CRM, MD determines the appropriate course of action with a view to reduce the Bank's potential exposure to E&S risk.

Executive Committee of Board of Directors: It is responsible for Policy making, giving instructions, arranging necessary approval, monitoring and evaluation of activities of SFU & SFC. Its responsibilities also include the approval of Annual Green Finance budget, CSR, Climate Risk Fund, Green Marketing etc. It also approves the formation of unit/committee of SFU /SFC.

Sustainable Finance Committee: It is responsible for approval, monitoring & evaluation of activities of the Sustainable Finance Unit at Management Level. The Committee sets targets for the activities of SFU & evaluation. It ensures co-operation of different departments/divisions of the Bank for SFU activities.

Sustainable Finance Unit will be responsible for overseeing the implementation of the E&S Management System and this Manual (Procedure) within the Bank's lending operations and for coordination with different departments, branches of the Bank for ensuring the compliance of ESMS. The Unit is also responsible for updating the Board/MD through Sustainable Finance Committee on the current status of the Bank's portfolio regarding ESRM, facilitating the Board/MD's decision making process where there are unresolved E&S issues or non-compliance. The Unit is also responsible for periodic reporting to Bangladesh Bank on the Bank's action on high risk transactions. Members of the Unit may be called upon by the Board to opine on critical E&S issues of a particular transaction. The Unit is also responsible for tracking latest E&S issues in the media and support transaction teams in identifying and managing E&S risks in lending via different communications and guidance from time to time..

Relationship Managers (RMs) from Branches/ Corporate Asset Marketing & SME Division are responsible for identifying E&S risks in a client's operation by talking to the client/ relevant officials, site visits, collecting documents, permits relevant for the proposed transaction. They are responsible for filling out the ESDD checklist in consultation with the client, collect additional information and respond to credit queries and follow up with client if there are any pre disbursement actions to be completed. They draft and negotiate with the client specific E&S covenants or Action Plans in case of Medium or High E&S Risk Rating. They also negotiate with the client finalising the action plans where necessary. After loan disbursement they monitor the client's compliance as per the covenants/ conditions given while loan sanction. Based on the risk rating Relationship Managers (RMs) escalate the transaction to the line management.

Project Appraisal and Monitoring Department officials are responsible for assisting Relationship Managers in assessment and review of technical aspects of the proposed project financed through project related Corporate banking or Project Financing for transactions with the term 36 months or more and the total project size USD.10Million (or equivalent BDT) and above. They also assist RMs in case any of IFC Performance Standards apply. This Team will work as **Health and Safety/Social Auditor** for the Bank.

Credit Risk Analysts from Credit Risk Management Division: Credit Analysts from CRM Division are responsible for review of the results of ESDD including the compliance check, E&S risk categorisation and E&S risk rating. In case of larger project related Corporate Loans or Project Finance they are responsible for checking the applicability of IFC Performance Standards. They also follow up with the respective RM with the monitoring of the E&S action plan progress and implementation.

Head of CRM: Head of CRM is responsible, as instructed by Bangladesh Bank, for ensuring that in each transaction no critical E&S issues were overlooked, there is adequate documentary evidence to support client's E&S performance and to ensure enough measures have been taken to manage identified risk.

Central Loan Administration Division (CLAD): it ensures that the Bank's E&S requirements are incorporated in legal agreements for each transaction. The Division may advise if a client's non-compliance with E&S clauses constitutes a breach of contract and is considered an Event of Default under the terms of the legal agreement that requires follow up by relevant teams.

Legal Department: Legal Department advises in incorporation of E&S clauses, both generic and case specific, in legal agreements for each loan transaction.

Stages of the E&S risk appraisal of a loan proposal

See the overview schematic of the E&S Risk Appraisal Process at ONE Bank in **Annex 2**.

1. Eligibility Screening (Exclusion List)

- For all loan proposals (new / renewal / rescheduling / restructuring) RM must screen the activity against **the OBL Exclusion List** and **the List of Discouraged Activities** to ensure the client's business activities are not excluded/discouraged from financing by OBL. (see **Annex 1 - the OBL Exclusion List and List of Discouraged Activities**)

2. E&S Categorization

- RM **categorizes the level of E&S risk** by using the **ESRM Procedure Online Tool (OBL Connect)**
- E&S categorization (Red, Orange A, Orange B, Green) is **documented in the Credit Memorandum** (Section D) for portfolio monitoring purposes

E&S Categorization is the determination of the relative level of environmental and social risk based on the sector with the use of the ESRM Procedure Online Tool (OBL Connect). The risk level helps RM to determine how much E&S risk appraisal would be appropriate. The E&S categorisation will provide two parameters:

- **Overall E&S Risk Category** – E&S risk category based on the international best practice (combines both environmental and social risk aspects) - *Green, Orange A& B and Red*.

- **DoE category** – environmental risk category based of the Environmental Conservation Rules of 1997 -- *Green, Orange A& B and Red*.

The ESRM Procedure Online Tool is a basic tool (software) prepared based on the ESRM Guidelines of Bangladesh Bank and best international practices to assess and manage all the transactions exposed to E & S Risks. This software is currently available at the OBL's intranet service "**OBL Connect**". RMs/Credit officers have to mandatorily complete the ESRM Procedure for all applicable transaction(s) through this software and print necessary reports for internal assessment and further documentation / monitoring to be incorporated in the Credit Memorandum, Sanction Advice and other legal documents. There is a user manual available for the ESRM Procedure Online Tool. This software may be modified / updated over time as per new regulation of the regulatory authority.

The overview of E&S categories is in the E&S Categorisation List (**Annex 3**).

3. Actual E&S Due Diligence (ESDD) & ESIA

Applicability of ESRM Procedure by the Transaction Type

Sl. No.	Transaction Type	Exclusion List	Environmental & Social Due Diligence (ESDD) checklist	Third party Environmental and Social Impact Assessment (ESIA)
1	Retail, Trade with regular goods and commodities (non-hazardous) and Microfinance	●		
2	Agriculture activities not involving farming, crop production, poultry and dairy	●		
3	Small enterprise category with non-hazardous activities	●		
4	Agriculture activities involving primary agriculture production - crop production, animal farming, poultry and dairy	●	●	
5	Trading with hazardous chemicals or substances (as specified in section 3.5)	●	●	
6	Small enterprise category involving the high risk activities (as specified in section 3.6)	●	●	
7	Medium enterprise sector	●	●	
8	Corporate Finance	●	●	
9	Project Finance	●	●	●

3.1 Retail, trade with regular goods and commodities (non-hazardous) and Microfinance

- No further E&S due diligence required

As the clients from retail, trade and microfinance financing usually carry out activities with very low potential to cause significant damages to the health of people or the environment, these transactions will not be subject to any further environmental & social due diligence.

3.2 Agriculture activities not involving crop production, animal farming, poultry and dairy

- No further E&S due diligence required

Agribusiness involving sorting, packaging, distribution and sales or other activities that don't involve primary agriculture production will not require any further E&S due diligence.

3.3 Small enterprise category with non-hazardous activities

- No further E&S due diligence required

Small enterprises usually carry out activities with very low potential to cause significant damages to the health of people or the environment. Therefore these transactions will not be subject to any further environmental & social due diligence.

3.4 Agriculture activities involving primary agriculture production - crop production, animal farming, poultry and dairy

- Simple E&S due diligence required (E&S compliance check, site visit, completing the generic ESDD checklist, E&S Risk Rating)

The primary agriculture production may involve environmentally or socially adverse agricultural practices such as use of pesticides, agro-chemicals leading to top soil depletion, ground water contamination; use of nitrogenous fertilizers instead of organic fertilizers leading to nitrous oxide emissions; generation of solid and liquid wastes such as manure. Therefore these transactions (New/ Renewal/ Rescheduling/ Restructuring) will be **subject to a simple E&S due diligence** (see below in section 3.6.).

3.5 Trading with hazardous chemicals or substances

- Simple E&S due diligence required (E&S compliance check, site visit, completing the generic ESDD checklist, E&S Risk Rating)

Trade with hazardous chemicals and substances includes trading and transportation and temporary storage of hazardous substances. Hazardous chemicals are substances, mixtures and articles that can pose a significant risk to health and safety if not managed correctly. They may have health hazards, physical hazards or both. Examples of chemicals that can cause adverse health effects include toxic chemicals, chemicals that cause skin damage, carcinogens or corrosive chemicals. Examples of chemicals that can cause adverse health effects include:

- toxic chemicals
- chemicals that cause skin damage
- carcinogens
- corrosive chemicals

Examples of chemicals that can immediately injure people or damage property include:

- flammable liquids (e.g. petroleum products, lubricants, oils, fuel)
- compressed gasses
- explosives

Traders are often responsible also for transport and temporary storage of such hazardous substances. If these activities are not conducted responsibly they can lead to leaks, spills, explosions, equipment/property damage or land contamination.

Transactions related to trading with hazardous chemicals and substances (New/ Renewal/ Rescheduling/ Restructuring) will be **subject to a simple E&S due diligence** (see below in section 3.6.).

3.6 Small enterprise category involving the high risk activities

- Simple E&S due diligence required (E&S compliance check, site visit, completing the generic ESDD checklist, E&S Risk Rating)

In the Small enterprise category, loan applications (New/Renewal/Rescheduling/Restructuring) worth above BDT 1.00 million (BDT 10.00 Lakh) and involving the activities listed below may involve environmentally or socially adverse practices and therefore will be subject a simple E&S due diligence. These activities are:

- Washing, dyeing and finishing units of RMG sector (water, chemical pollution)
- Small steel re-rolling mills (operational health and safety, thermal, air pollution)
- Brick kilns (air pollution, child labour, burning of fossil fuel)
- Units for tanning, dressing and dyeing of leather and fur (water, chemical, air pollution)
- Pesticides, agrochemical and nitrogen manufacturing units (land contamination, water, air pollution)
- Chemicals and chemical products manufacturing units (safety, pollution)
- Rubber and plastic products manufacturing units (pollution)
- Batteries and accumulators manufacturing units (chemical pollution)

The simple E&S due diligence will include:

- an RM review of a relevant **Sectoral E&S Guideline** to understand typical E&S issues for the sector;
- RM gets familiar with the **questions** in the generic or sector specific **ESDD Checklist (Annex 5)**;
- RM reviews the client's **compliance** with E&S regulations (desktop review)- (for further guidance see **the E&S Regulatory Overview (Annex 4)** and the list of required documents in the **ESRM Tool**;
- **RM visits client's premises** and **discusses** E&S issues with the client (along with CRM);
- **RM completes** the generic or respective sector **ESDD Checklist** (available in the E&S Risk Assessment Tool). See **the ESDD Checklist and E&S Risk Rating Tool (Annex 5)**;
- **Environmental & Social Risk Rating (ESRR)**

ESRR is a rating reflecting the client's E&S compliance status. ESRR results from the outcomes of the E&S Due Diligence and is automatically calculated by the E&S Risk Assessment Tool when RM completes his/her answers to all questions in the respective ESDD Checklist (sector specific, if available, or generic).

- **High ESRR** indicates serious non-compliance or irresponsible behaviour of the client towards managing E&S issues. Therefore for the transaction of ESRR "High", CRM should always draft an E&S Action Plan (ESAP) and additional covenants/conditions to be used to mitigate the identified problems.
- **Medium ESRR** indicates transactions less serious non-compliance or unresolved non-material issues. CRM should propose additional covenants/conditions to mitigate the identified problem or draft an E&S Action Plan.
- **Low ESRR** means that there were minimal/no non-compliance issues identified and no further actions are required.
- **E&S Risk Rating (ESRR)** is automatically computed after completion of the ESDD Checklist in the E&S Risk Rating Tool (ESRR = Low, Medium, High).

For further steps of E&S risk management proceed to Section 4.

3.7 Medium enterprise and Corporate Loans

- Full E&S due diligence required (E&S compliance check, site visit, completing the generic or sector specific ESDD checklist, E&S Risk Rating, drafting Action Plans for Medium and High ESRR clients).

The full E&S Due Diligence includes:

- **Compliance check**

RM conducts a regulatory compliance check to see if the client has all required permissions and licenses (e.g. Environmental/Site Clearance Certificate by DoE, fire license, boiler license, buyer's audit in case of RMG and other export industries) and if he/she operates in fully legal manner (for further guidance see the E&S Regulatory Overview in Annex 4).

- **Actual site visit**

Discuss quickly the clients compliance and check for any indication of serious problems related to environmental, workers' health& safety, labour and community matters and E&S regulatory compliance status (e.g. hazardous workplaces where workers don't use any protective equipment, considerable pollution, child labour, disputes with community).

- **Completing the E&S checklist (generic or sector specific)**

RM completes the E&S Checklist (sector specific, if available, or generic – all in the E&S Risk Rating Tool). **Annex 5** - E&S Risk Rating Tool.

- **Completing the Visit report**

For Corporate finance loan proposals with the E&S Risk Category **Orange A, B or Red**, completes the Visit Report. **Annex 6** – a template for the Visit Report.

3.8 Project Financing and Large Project related Corporate Loans

In addition to the activities required for the Full E&S Due Diligence as specified section 3.7, for project related Corporate banking or Project Financing for transactions with the term 36 months or more and the total project size USD.10 Million (or equivalent BDT) and above, the following activities has to be performed:

- **PAM expert visits** the client along with RM and assists in **E&S Due diligence** and conducts a review against the applicable IFC Performance Standards identified by using and completing the **IFC Performance Standards Screening and Compliance Checklist (Annex 7)**. For details about the Performance Standards requirements they can consult Performance Standards index and full text (**Annex 8**);
- **external E&S expert** may be engaged for further ESDD (see **Annex 9** for the Guidance on the engagement of an external E&S expert and a sample ToR);
- the client must submit a **third party Environmental and Social Impact Assessment**, prepared according to the respective Bangladesh Bank's instructions.

The above listed additional activities are not required in the annual loan review.

In transactions financed from credit facilities of OBL's international financial partners (e.g. IFC) the criteria for the application of IFC PS may differ and relevant credit staff/RM/PAM Team will be notified of such criteria.

In case of the transactions financed by OBL with IFC Funds, follow **Annex 10** (IFC formulated Performance Standard Thresholds for Loans) for screening the applicability of IFC Performance Standards.

For further steps of E&S risk management proceed to section 4.

4. ESDD Results Documentation and Risk Management

- RM prepares a **Summary of E&S Due Diligence** in **Section D** of the *Credit Memorandum*.

The *Summary* includes the listings of 2-3 key E&S risks identified, verbal comments on the client's approach to dealing with those key risks and description of mitigation measures required from the client (if any). If no material E&S risks have been identified in relation to a proposed transaction the reasons for this conclusion should be noted.

For Medium and High Risk transactions - **proposed control measures** incl. case-specific E&S covenants (see Sample Covenants in **Annex 11**) or a time bound **ACTION PLAN (ESAP)** are developed by RM and attached to the *Credit Proposal*. See the further **guidance on preparation of ESAP** in **Annex 12**.

- If needed RM may suggest engagement of an external expert for further E&S investigation

5. Review by Credit Risk Management

Credit Risk Analyst from Credit Risk Management Division:

- visits the client premises with RM and PAM team (for larger loans or new clients)
- reviews the **E&S Categorisation, ESDD Checklist + ESRR** and the **Summary of E&S Due Diligence** + documentation;
- checks the applicability of the **IFC Performance Standards**;
- drafts **E&S covenants** or **E&S Action Plan** (for Medium or High risk transaction) for the **Sanction Advice**
- If needed CRM may suggest engagement of an external expert for further E&S investigation

For the *Credit Proposals* of Medium and High ESRR, the approval process should **be escalated** to the relevant approval credit authority in line with the **escalation matrix (Annex 13)**

6. Credit Risk Management Committee Review and Approval

Credit Risk Management Committee (CRMC) reviews the Summary of E&S Appraisal in Section D and additional covenants or Action Plan (if any). For Red risk - CRMC may advise concerned Division to engage an external expert for further ESDD.

For the Credit Proposals of Medium and High Risk Rating, the approval process should **be escalated** to the relevant approval credit authority in line with the **escalation matrix (Annex 13)** as proposed by Bangladesh Bank.

Transactions with High ESRR have to be escalated to the Board or Executive Committee for its final approval.

RM presents to the client the **Loan Agreement** and **Sanction Advice** including control measures:

- Standard E&S Covenants in Loan Agreement (always)
- Risk Specific E&S Covenants (if needed, case specific)
- Required E&S Action Plans (for Medium and High Risk transactions, for others where needed)

7. Post Disbursement Monitoring

- After disbursement **RM /Central Loan Administration Division** (CLAD) oversee **monitoring** incl. compliance with E&S covenants.
- RM conducts **monitoring visits** to check on E&S performance and prepares **E&S Monitoring Checklist (Annex 14)** on the covenants compliance (if applied).
- RM conducts an **annual review** of the *Credit Proposal* incl. E&S Due Diligence

Environmental and Social Risk Management Procedures (Manual)

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Annex 1

List of activities excluded from financing by OBL

(in line with the exclusion Lists of EDFI – OeEB/FMO and Bangladesh Bank):

The bank will not finance:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or activities involving harmful or exploitative forms of forced labour¹⁾ or child labour^{2) 3)}
- Activities or materials deemed illegal under Bangladeshi laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - ozone depleting substances⁴⁾,]
 - PCB's (Polychlorinated Biphenyls)⁵⁾, and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals⁶⁾.
 - wildlife or wildlife products regulated under the Convention on International trade in Endangered Species of Wild Fauna and Flora (CITES)⁷⁾
 - unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length, deep sea bottom trawling, or fishing with the use of explosives or cyanide)
- Any activity, production, use, distribution, business or trade involving:
 - radioactive materials⁸⁾, including nuclear reactors and components thereof
 - unbonded asbestos fibers⁹⁾.
 - cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations.¹⁰⁾
 - destruction¹¹⁾ of High Conservation value areas¹²⁾ including impacting UNESCO World Heritage Site and/or Ramsar site
 - Racist and/or anti-democratic media
 - pornography (goods, stores, web-based) and/or prostitution.
 - weapons and munition, including paramilitary materials
 - tobacco and tobacco products
 - gambling, casinos and equivalent enterprises and goods for these activities
 - alcoholic beverages excluding beer and wine
- Ship breaking/ trading activities which include:
 1. Ships with prevalent asbestos use (for e.g. passenger cruise);
 2. Ships listed on the Greenpeace blacklist¹³⁾;
 3. Ships not certified "gas free" for hot work
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
- Illegal logging, commercial logging operations or conversion of land for plantation use in primary tropical moist forest.

List of discouraged industries & lending activities

- a. Military Equipment /Weapon Finance
- b. Highly Leveraged Transactions /Financing Speculative Business / Share lending.
- c. Logging, Mineral Extraction /Mining or other activity that is ethically or environmentally sensitive
- d. Lending to borrowers /companies not having good market reputation or black listed borrowers /companies or known defaulters of others Banks /FIs.
- e. Counter parties in countries subject to UN sanctions
- f. Taking an Equity Stake in Borrowers /Lending to Holding Companies
- g. Bridge Loans relying on future equity injection /debt issuance as source of repayment

Foot Notes:

1) Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO Conventions.

2) Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

3) Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.[IFC]

4) Ozone-depleting substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODs and their target reduction and phase-out dates. [EDFI] A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available at http://ozone.unep.org/new_site/en/montreal_protocol.php

5) PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

6) Reference documents are UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard; EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended. United Nations (UN) list of banned chemicals and products: <http://www.un.org/esa/coordination/Consolidated.list-13FinalFinal.pdf>

7) CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from www.cites.org . CITES list of endangered species: <http://www.cites.org/eng/app/E-Apr27.pdf> .

8) This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where the radioactive source is considered to be trivial and/or adequately shielded.

9) This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.[IFC]

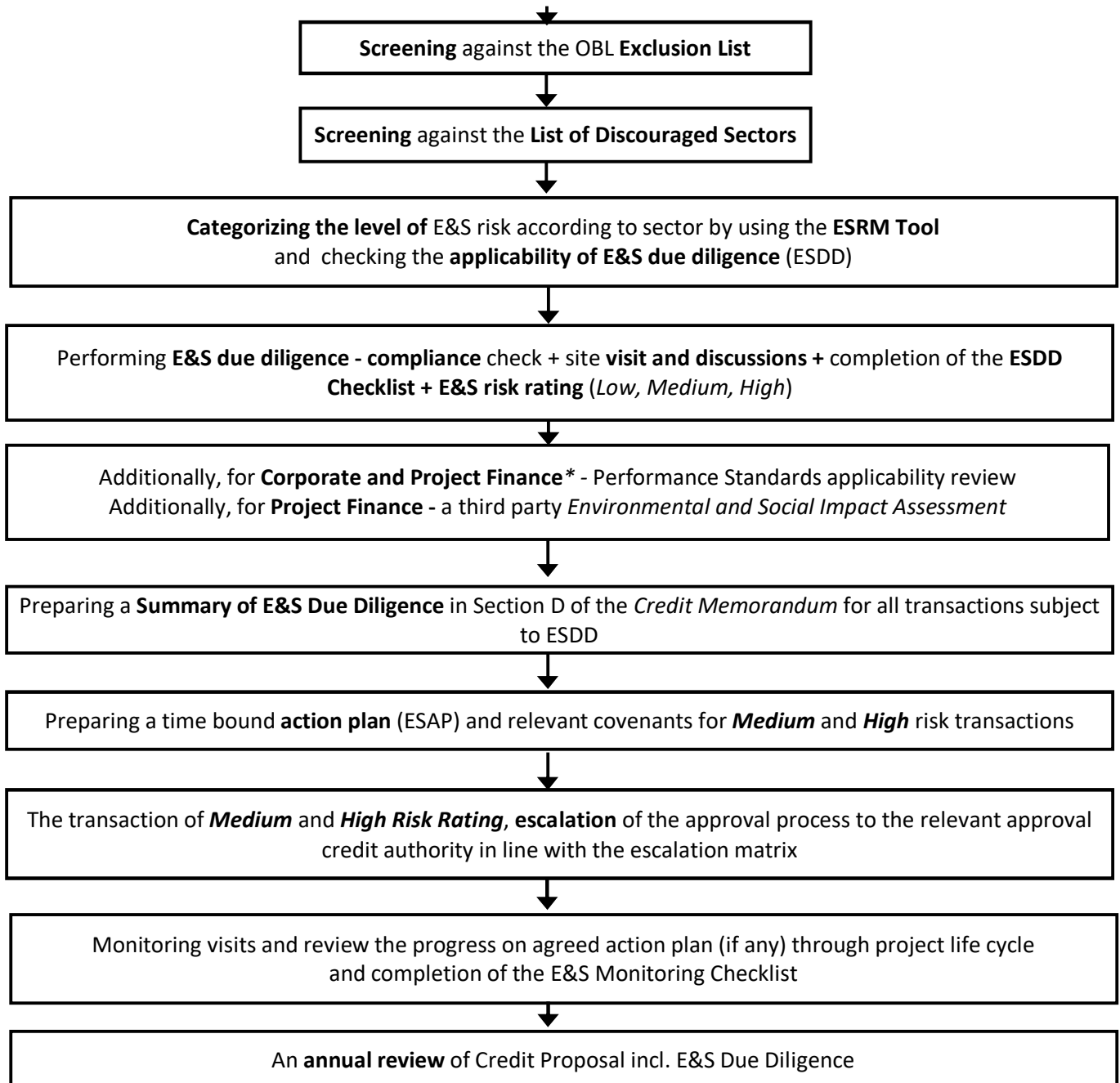
10) Reference documents are: Basel Convention of 22 March 1989 on the control of transboundary movements of hazardous wastes and their disposal (details at <http://www.basel.int/>) ; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations.

11) Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role is lost.

12) High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see www.hcvnetwork.org)

13) <http://www.greenpeace.org/international/en/campaigns/oceans/pirate-fishing/Blacklist1/>

**Annex 2 - Overview of the Environmental & Social (E&S) Risk Management Procedure at OBL
CORPORATE & SME**



Business activity	OVERALL_Categorisation	DoE_categorisation
1) NON-FINANCIAL CORPORATIONS		
A. Agriculture, Fishing & Livestock		
901001 - Agricultural Farms (Nursery, Horticulture, Apiculture etc)	Orange A	Not available
901002 - Fishing Farms (Hatchery, Shrimp Culture etc)	Orange A	Not available
901003 - Dairy Farms	Orange B (for >10 pcs in urban and >25 in rural), otherwise Orange A	Orange B (for >10 pcs in urban and >25 in rural), otherwise Orange A
901004 - Poultry Farms	Orange B (for >250 pcs in urban and >1000 in rural), otherwise Orange A	Orange B (for >250 pcs in urban and >1000 in rural), otherwise Orange A
B. Industries		
I) Manufactures/Manufacturing Companies		
902110 - Jute Mills	Orange B	Orange B
902110 - Jute products Manufacturing Industries - rope, thread, twain, canvass, bag, etc.)	Orange A	Green - Rope and mats (made of cotton, jute and artificial fibers)
902110 - Jute products Manufacturing Industries - Carpets	RED	RED - carpets
902111 - Textile Printing & Dyeing Industries	RED	RED - fabric dyeing and chemical processing
902112 - Spinning Mills	Orange B	Orange B
902113 - Weaving Mills	Orange A	Orange A
902119 - Leather Products (bag, shoe, etc) Manufacturing Industries	Orange A	Green - Production of artificial leather goods. Orange A - Production of shoes and leather goods (capital up to 5 hundred thousand Taka). Orange B - Production of shoes and leather goods (genuine and artificial leather), above 5(five) hundred thousand Taka capital.
902120 - Textile Mills	Orange B	Orange B - power loom
902125 - Readymade Garments Industries	Orange B	Orange B - Garments and sweater production
902126 - Hosiery Factories	Orange B	Orange B - Garments and sweater production
902145 - Leather Processing and Tanning (raw hide)	RED	RED - Tannery
902155 - Garments Accessories manufacturing industries (Zipper, Button etc)	Orange B	Orange B - metal utensils, parts etc., galvanizing
902116 - Cosmetics & Toiletries Industries	Orange B	Orange B - Perfumes, cosmetics
902117 - Rubber And Plastic Industries	Orange A	Orange A - Plastic & rubber goods (excluding PVC). Orange B - plastic products RED - Artificial rubber, PVC items
902127 - Pharmaceutical Industries	RED	RED - Raw materials of medicines and basic drugs, Life saving drugs.
902130 - Chemical and Chemical Products Industries	RED	RED - all chemical and petroleum product processing industries
902136 - Soaps & Detergents Factories	Orange B - soap RED - detergents	Orange B - soap RED - detergents
902141 - Fertilizer Company	RED	RED - production of urea-based and other fertilizers
902156 - Polymer and polythene industries	RED	RED - Production of plastic raw materials (PVC, PP/Iron, Polyesterin etc.)
902131 - Cement Factories	RED	RED
902132 - Ceramic Industries	Orange B	Orange B - tiles, utensils made of clay and china clay/sanitary wares (ceramics)
902133 - Bricks Manufacturers and Sand elevators	Orange B	Orange B - bricks
902134 - Glass and Glassware Products Factories	Orange B	Orange B - glass factory
902137 - Steel Engineering & Metallic Products Industries (Including Rerolling Mills)	RED	RED - Production of iron and steel, Non-iron basic metals Orange B - casting, re-rolling
902121 - Paper and Paper Products Manufacturing Industries	RED - pulp & paper production Orange B - paper products	RED - paper & pulp production, board mills Orange A - Cartoon/box manufacturing/printing packaging and paper products.
902122 - Furniture, Fixture, Particle Boards and Other Wood product manufacturers	Orange B	Orange A - Furniture of wood/iron, aluminum, etc.,(capital < 500.000 Taka). Orange B - Furniture of wood/iron, aluminum, etc.,(capital > 500.000 Taka).
902146 - Packaging Industries including paper boards	Orange A	Orange A - Cartoon/box manufacturing/printing packaging and paper products.

Annex 3

ES Categorisation List

902210 - Cottage Industries	depending on sector and scale	Not available
902215 - Saw Mills	Orange A	Orange A - Saw mill/wood sawing
902220 - Handloom Factories	Orange A	Orange A - Waving and handloom
902230 - Handicrafts Factories	Orange A	Green - bamboo and cane goods Orange A - Production of gold ornaments, production of utensils and souvenirs of brass and bronze, wood crafting
902138 - Assembling Industry	Orange B - Assembling of motor vehicles, assembling batteries, Orange A - others	Green - assembling of various products Orange B - Assembling of motor vehicles, assembling batteries
902147 - Manufacturing of Electrical equipments & spares (cables, bulbs, switches etc)	RED - refrigerators, air-conditioners, coolers Orange - electrical equipment	RED - Refrigerator/air-conditioner/air-cooler manufacturing Orange B - Electric cables Orange A - Industrial machinery and equipment
902148 - Manufacturing of Transport Equipments	Orange B	Orange B - Assembling of motor vehicles
902149 - Manufacturing of agro-equipments	Orange A	Orange A - Agricultural machinery and equipment
902150 - Electronic Goods Manufacturing/Assembling Industries (TV, Computer etc)	Orange A	Green - Assembling and manufacturing of TV, Radio, telephones etc.,
902152 - Ship Building Industries	RED	RED - ship manufacturing
902153 - Ship Breaking Industries	RED	Orange B - ship-breaking
902154 - Battery Manufacturing Industries	RED	RED - battery manufacturing
902142 - Sugar Mills	RED	RED - production of sugar
902143 - Beverage and Soft Drinks manufacturing Companies	Orange B - processing and bottling of drinking water and carbonated drinks	Orange B - processing and bottling of drinking water and carbonated drinks
902144 - Distilleries, Mineral & Drinking Water purifying industries	RED - Distillery Orange B - water purification plant	RED - Distillery Orange B - water purification plant
902115 - Tobacco Processing Industries	RED	RED - Tobacco (processing/cigarette/Biri-making).
902151 - Ice Factory	Orange B - ice-cream	Orange B - ice-cream
902231 - EPZ Industries (Type A)	depending on sector and scale	depending on sector and scale
902232 - EPZ Industries (Type B)	depending on sector and scale	depending on sector and scale
902233 - EPZ Industries (Type C)	depending on sector and scale	depending on sector and scale
902240 - Other Industries not above mentioned	depending on sector and scale	depending on sector and scale
II) Gas/Electricity/Power Generating Companies		
902310 - Production, supply and distribution of power in the private sector	power plant - RED larger scale solar instalations - Orange A small scale solar instalations - Green B	RED - power plant
902311 - LP Gas Companies	RED	RED - Industrial gas
902312 - Oxygen Gas Companies	RED	RED - Industrial gas
902313 - Other Gas Companies	RED	RED - Industrial gas
902319 - Others Electricity/Power Generating Companies	power plant - RED larger scale solar instalations - Orange A small scale solar instalations - Green	RED - power plant
III) Service Industries		
902401 - Road Transport Companies (including Rent - a - car)	Orange A	Not available
902402 - Water Transport	passanger water transport - Orange B inland freight water transport - Orange B sea and coastal freight water transport - RED	Not available
902403 - Air Transport	Orange B	Not available
902408 - Warehouse	Green - general warehousing Orange B - cold storage RED - storage of chemicals in bulk	General warehousing - DoE category not available Cold storage - Orange B
902440 - Courier Services & Express Mail Services	Green	Not available
902453 - Cold-Storages	Orange B	Orange B

Annex 3

ES Categorisation List

902459 - Private Inland Container Depot and Container Freight Station	Green	Not available
902460 - Tank Terminal	RED	Not available
902471 - Shipping Agency	Green	Not available
902472 - Freight Forwarders	Green	Not available
902404 - Construction Companies	ORANGE A - smaller scale buildings and local roads Orange B - roads (feeder road, local road) and bridges (length <100 m), hotels and commercial or apartment buildings RED - roads (regional, national), bridges (length >100 m), industrial estates, water, power and gas distribution lines	Orange B - roads (feeder road, local road) and bridges (length <100 m), hotels and commercial or apartment buildings RED - roads (regional, national), bridges (length >100 m), industrial estates, water, power and gas distribution lines
902407 - Housing Companies or Societies/Land Developers	Orange A	Not available
902409 - Buying House	Green	Not available
902406 - Telecommunication (Mobile/cellular operators and private land phone) Grameen Phone, Banglalink etc)	Orange A	Not available
902430 - IT-based activities (system analysis, design, developing system solutions, Grameen Solution, information service, call centre service, offshore development centre, business process outsourcing, Cyber Cafes, Internet Service etc.)	Green	Not available
902479 - Satellite Cable Operator	Green	Not available
902480 - Satellite Channel Distributor/Cinema Distributors	Green	Not available
902450 - Restaurants /Fast Food	Orange A	Orange A - Restaurant
902452 - Travel Agencies/ Overseas Employment/ Aviation Service/ Immigration consultants/ Ticket sales agent	Green	Not available
902457 - Tourism Industry (List available at page no-115)	Orange B - large scale hotel developments Green - other tourism industry	Not available
902468 - Residential Hotels (Including 3star & Above)	Orange A	Not available
902469 - Caterers /Decorators/Sound & Lighting rental business	Green	Not available
902464 - Modernised Cleaning Service for High-rise Apartments, Commercial Building	Green	Not available
902467 - Outsourcing and Security Service (Private Security forces/manpower supply)	Green	Not available
902473 - Indenting firms	Green	Not available
902474 - Legal advisory Firms	Green	Not available
902476 - Private Survey Institutions	Green	Not available
902481 - Audit and Accounting Firm/CA Firm/ Credit Rating Company	Green	Not available
902486 - Consultancy & Supervisory Farms	Green	Not available
902487 - Interior Design & Decorators and other engineering consultancy farms	Green	Not available
902488 - Contractor and Supplier farms	Green	Not available
902451 - Photo Studios and Color labs	Green - Photography Orange B - processing of films for movie and x-ray	Green - Photography Orange B - processing of films for movie and x-ray
902454 - Beauty Parlours/ Saloons/ Health Club/ Fitness centre	Green	Not available
902463 - Jewellery Services	Green	Not available
902475 - Laundry Services	Green - Laundry (excluding washing) Orange A - washing and dry cleaning	Green - Laundry (excluding washing) Orange A - washing and dry cleaning
902478 - Tailoring Shop and Tailors	Green	Not available
902410 - Entertainment Services (Amusement Park, Theme park, eco park, zoo etc.)	Green	Not available
902466 - Advertising Industry and modeling (print modeling, TV commercials, ramp modeling, catwalk, fashion-show)	Green	Not available
902470 - Community Centers/ Convention centers/Auditorium	Orange	Not available
902477 - Sports and Event management organisation	Green	Not available
902482 - Cinema Studio	Green	Not available
902483 - Cinema Hall/Cineplex	Orange A - cinema halls	Orange A - cinema halls
902484 - Graphic Designers	Green	Not available

Annex 3

ES Categorisation List

902420 - Hospitals, Clinics, Diagnostic Centers and Other Health Services	RED - hospitals Orange B - Clinics and pathological labs Orange A - other health services	RED - hospitals Orange B - Clinics and pathological labs
902461 - Chain Super Market/Shopping Mall	Green	Not available
902405 - Publishing Industries (including printing press)	Orange A - printing Green - publishing (without printing)	Orange A - Printing Press
902456 - Testing Laboratory	Green	Not available
902458 - Filling Stations (Petrol pump, CNG Station)	RED	Not available
902462 - Stone Crashers	Orange B - Stone grinding, cutting, polishing	Orange B - Stone grinding, cutting, polishing
902465 - Auto mobile service including CNG conversion centre.	RED - Repairing of motor vehicles: capital above 10 (ten) hundred thousand Taka. Orange B - Motor vehicles repairing works (up to 10 hundred thousand Taka capital	RED - Repairing of motor vehicles: capital above 10 (ten) hundred thousand Taka. Orange B - Motor vehicles repairing works (up to 10 hundred thousand Taka capital
902485 - Light Engineering and Metal-workshop		Not available
902499 - Other Services/ Production Organisations	depending on the sector	Not available
IV) Agro-based and agro-processing industry		
902501 - Processing of bread and biscuits, vermicelli, laccha, chanachur, noodles etc.	Orange A - Factory for production of biscuit and bread (capital < 5 lakh Taka) Orange B - Biscuit and bread factory (capital > 5 lakh Taka)	Orange A - Factory for production of biscuit and bread (capital < 5 lakh Taka) Orange B - Biscuit and bread factory (capital > 5 lakh Taka)
902502 - Processed fruit products (jam, jelly, juice, pickles, asrbat, syrup, sauce etc.)	Orange B - processing food	Orange B - processing food
902503 - Fruits processing including vegetables (tomato, guava, jackfruit, lichee, pineapple, coconut etc.)	Orange B - processing food	Orange B - processing food
902504 - Manufacturing of flour, sujee (Flour Mills)	Orange B - flour (large)	Orange B - flour (large)
902505 - Processing of mushroom and spirulina	Orange B - processing food	Orange B - processing food
902506 - Starch, glucose and other dextrose product	Orange B - Starch and glucose	Orange B - Starch and glucose
902507 - Processing of potato products (chips, potato, flex, starch etc.)	Orange B - processing food	Orange B - processing food
902508 - Processing of powder spice	Orange A - Grinding/husking of wheat, rice, turmeric, pepper, pulses (up to 20 Horse Power machine) Orange B - Grinding/husking wheat, rice, turmeric, chilly, pulses – machine above 20 Horse Power	Orange A - Grinding/husking of wheat, rice, turmeric, pepper, pulses (up to 20 Horse Power machine) Orange B - Grinding/husking wheat, rice, turmeric, chilly, pulses – machine above 20 Horse Power
902511 - Seed processing and preservation	Orange A	Not available
902512 - Pulse Mills	Orange A - Grinding/husking of wheat, rice, turmeric, pepper, pulses (up to 20 Horse Power machine) Orange B - Grinding/husking wheat, rice, turmeric, chilly, pulses – machine above 20 Horse Power	Orange A - Grinding/husking of wheat, rice, turmeric, pepper, pulses (up to 20 Horse Power machine) Orange B - Grinding/husking wheat, rice, turmeric, chilly, pulses – machine above 20 Horse Power
902515 - Meat processing	Orange B	Orange B - Processing fish, meat, food
902518 - Sweetening products	Orange A	Not available
902519 - Soya food production & processing	Orange B	Orange B - processing food
902520 - Mustard oil producing industry (if local variety is used)	Orange B - processing food, edible oil	Orange B - processing food, edible oil
902521 - Coconut oil production industries	Orange B - processing food, edible oil	Orange B - processing food, edible oil
902522 - Rice mills including puffed rice, chirra , fine rice, flavoured rice etc.	Orange A - Grinding/husking of wheat, rice, turmeric, pepper, pulses (up to 20 Horse Power machine) Orange B - Grinding/husking wheat, rice, turmeric, chilly, pulses – machine above 20 Horse Power	Orange A - Grinding/husking of wheat, rice, turmeric, pepper, pulses (up to 20 Horse Power machine) Orange B - Grinding/husking wheat, rice, turmeric, chilly, pulses – machine above 20 Horse Power

Annex 3

ES Categorisation List

902523 - Milk Processing Industries (Pasteurisation, milk powder, ice-cream, condensed milk, sweet, cheese, butter, ghee, chocolate, curd etc)	Orange	Orange A - Factory for production of chocolate and lozenge (capital < 5 lakh Taka) Orange B - Production of powder milk/condensed milk/dairy, factory for production of chocolate and lozenge (capital > 5 lakh Taka).
902524 - Food Processing Industry (PRAN, AFTAB, BD-Food etc)	Orange B	Orange B - processing food
902525 - Salt Processing Industries	Orange A - Production of salt (capital < 10 lakh Taka) Orange B - Salt production, (capital > 10 lakh Taka)	Orange A - Production of salt (capital < 10 lakh Taka) Orange B - Salt production, (capital > 10 lakh Taka)
902526 - Tea processing industries	Orange B - Tea processing	Orange B - Tea processing
902527 - Refining and hydrogenation of edible oil, vanaspati, Ghee etc	Orange B	Orange B - edible oil
902528 - Processing of Prawn/Shrimp and other fishes and freezing	Orange B	Orange B - Processing of prawns & shrimps
902599 - Other Agro based Industries/ Processing Industries	Orange B	Orange B - processing food
902509 - Manufacturing of Unani and Ayurvedic Medicines/Herbal Cosmetics	Orange B	Orange B - cosmetics
902510 - Fish feed and fish meal processing for poultry and livestock	Orange B	Orange B - Animal feed
902513 - Processing of rubber tape, shellac	Orange A	Orange A - rubber goods
902514 - Production of bamboo and cane furniture (excluding cottage industry)	Orange A - furniture of wood (capital < 5 lakh Taka) Orange B - furniture of wood (capital > 5 lakh Taka)	Orange A - furniture of wood (capital < 5 lakh Taka) Orange B - furniture of wood (capital > 5 lakh Taka)
902516 - Production of bio slurry, mixed manure and urea.	Orange B	Not available
902517 - Production of bio-pesticides, neem pesticides etc.	Orange B	Not available
C. Commerce & Trade (excluding individual businessmen)		
903010 - Importers	Green	Not available
903020 - Exporters	Green	Not available
903030 - Importers and Exporters	Green	Not available
903040 - Whole Sale Traders	Green	Not available
903050 - Retail Traders	Green	Not available
903090 - Other Business Institutions	Green	Not available
D. Non Govt. Publicity & News Media		
907601 - Newspaper	Green	Not available
907602 - Television	Green	Not available
907603 - Radio	Green	Not available
907604 - Online News Media	Green	Not available
E. Private Educational Institutions		
908100 - Private Schools, Colleges, University Colleges & Madrasahs	Green	Not available
908200 - Medical & Dental Colleges	Green	Not available
908300 - Private Universities	Green	Not available
908400 - Private Institute of IT	Green	Not available
908900 - Other Educational /Training institutes /Technical Vocational Institute	Green	Not available
F. Other Private Sector (Official Account n.i.e) (Sundry Deposit, CIB Inquiry Charge, Clearing Adjustment Account, Inoperative Account, Suspense account etc.)		
915051 - Other Private Sector (Official Account n.i.e) (Sundry Deposit, CIB Inquiry Charge, Clearing Adjustment Account, Inoperative Account, Suspense account etc.)		
2) FINANCIAL CORPORATIONS		
A. Non-Bank Depository Corporations - Private		
909200 - Leasing Companies	Green	Not available
909300 - Central Co-operative Bank	Green	Not available

Annex 3

ES Categorisation List

909400 - Land Mortgage Co-operative Bank	Green	Not available
909500 - Other Co-operative Banks/Societies	Green	Not available
909600 - Grameen Bank	Green	Not available
909650 - Bangladesh Samabaya Bank Ltd	Green	Not available
909699 - Other Depository Corporations	Green	Not available
B. Other Financial Intermediaries-- Private (Except DMBs)		
909210 - Investment Companies	Green	Not available
909220 - Leasing Companies (Non-depository)	Green	Not available
909230 - Mutual Funds	Green	Not available
909240 - Merchant Banks	Green	Not available
909250 - NGO/Micro Credit Organizations (BRAC, ASA, PROSHIKA etc.)	Green	Not available
909299 - Other Financial Intermediaries	Green	Not available
C. Insurance Companies and Pension Funds-Private		
909110 - a) Life Insurance Companies	Green	Not available
909120 - b) General Insurance Companies	Green	Not available
909199 - Pension Funds /Provident Funds of private organisations	Green	Not available
D. Financial Auxiliaries		
909700 - Money Changers	Green	Not available
909710 - Stock Exchanges (DSE, CSE, etc)	Green	Not available
909720 - Brokerage Houses/ (Share & Security Trading Houses)	Green	Not available
909730 - Issue manager, Under-writer, Asset Management Company etc.	Green	Not available
909799 - Other Financial Auxiliaries	Green	Not available
3) Foreign Offices/ Embassies/Enterprises/Companies/Liaison Offices/ Farms/NGOs (Excluding Multinational Companies incorporated in Bangladesh)		
912051 - Foreign Offices/ Embassies/Enterprises/Companies/Liaison Offices/ Farms/NGOs (Excl. Multinational Companies incorporated in Bangladesh)	Green	Not available
4) Non-profit institutions serving households (NPISH)		
914051 - Mosques	Green	Not available
914052 - Temples, Churches & the like	Green	Not available
914053 - Sports Clubs	Green	Not available
914054 - Other Clubs	Green	Not available
914055 - Theatre & Cultural Organisations	Green	Not available
914056 - Political Parties	Green	Not available
914057 - Trade Unions	Green	Not available
914058 - District/Upazila Associations	Green	Not available
914059 - Professional Associations (Doctors, Engineers, Statisticians, Economists etc.)	Green	Not available
914060 - Chambers of Industries	Green	Not available
914061 - Other Associations, n.e.s.	Green	Not available
914062 - Trust fund & Other Non-profit Organisations	Green	Not available
914099 - Other Non-profit Organisations	Green	Not available
5) Households (individual customers)		
901009 - Farmer/Fishermen	Green	Not available
903009 - Businessmen/Industrialist	Green	Not available
910500 - Wage Earners (Bangladeshi nationals working abroad)	Green	Not available

Annex 3**ES Categorisation List**

911000 - Wage & Salary Earners (working in the country)	Green	Not available
910000 - Professionals and Self-employed Persons (Such as Doctors, Lawyers, Contractors, Taxi Drivers, Architects, Consultants, etc)	Green	Not available
912050 - Foreign Individuals	Green	Not available
915001 - Housewife	Green	Not available
915002 - Student	Green	Not available
915003 - Minor/Autistics/Disabled and other dependent persons	Green	Not available
915004 - Retired Persons	Green	Not available
915005 - Old/Widowed/Distressed person	Green	Not available
915006 - Land Lord	Green	Not available
915059 - Other Local Individuals not above mentioned	Green	Not available

Annex 4

REGULATORY REQUIREMENTS IN BANGLADESH

When evaluating the client's compliance with the Bangladeshi environmental & social regulations the focus is should be on checking the possession of required certificates and licenses and on meeting the requirements for pollution abatement and monitoring, reducing the health & safety risk to workers and impact to community.

List of key E&S licenses and certificates

Type of license/clearance	Aspect	License/Clearance	Legal Basis	Responsible Authority/entity
Statutory requirement	Environmental	Location Clearance	Environmental Conservation Rules 1997	Department of Environment
		Environmental Clearance		
		Boiler License (as applicable)	Boiler Act 1923	Office of Inspector of Boilers
		Fire Service and Civil Defence Clearance	Civil Defence Act 1952 and Fire Service Act 2003	Fire Service and Civil Defence Department
		Acid License (as applicable)	Acid Control Rule 2004	Deputy Commissioner's Office
		License for Factories and Establishment	Factories Act 1965	Department of Inspection for Factories and Establishment
		License of Laboratory and production and products (as applicable)	Bangladesh standard and Testing Institution Ordinance 1985	Bangladesh Standard and Testing Institute
		Explosive Clearance	Explosive Act 1884	Explosive Department
	Social and health & safety	Clearance about labour	Bangladesh Labour Law 2006 and amendment 2013	Department of Labour
		Land related issue (as applicable)	Acquisition and Requisition of Immovable property Ordinance 1982	Deputy Commissioner's Office

1 Environment

Government of Bangladesh enacted the Environment Conservation Act (ECA) in 1995. The act defines a variety of enforcement objectives governing industry and other projects in the country. Specifically, the Act has established the Department of the Environment (DoE) headed by a Director General (DG). The DG is responsible for environmental conservation activities in the country.

To make ECA 1995 operational and in exercise of the power conferred under it, the Environment Conservation Rules (ECR), 1997 were issued by the government of Bangladesh. Together, ECA 1995 and ECR 1997 provide the framework of environmental regulations relevant to industries. Here are some of the requirements of ECR:

Project Approval – Location Clearance and Environmental Clearance

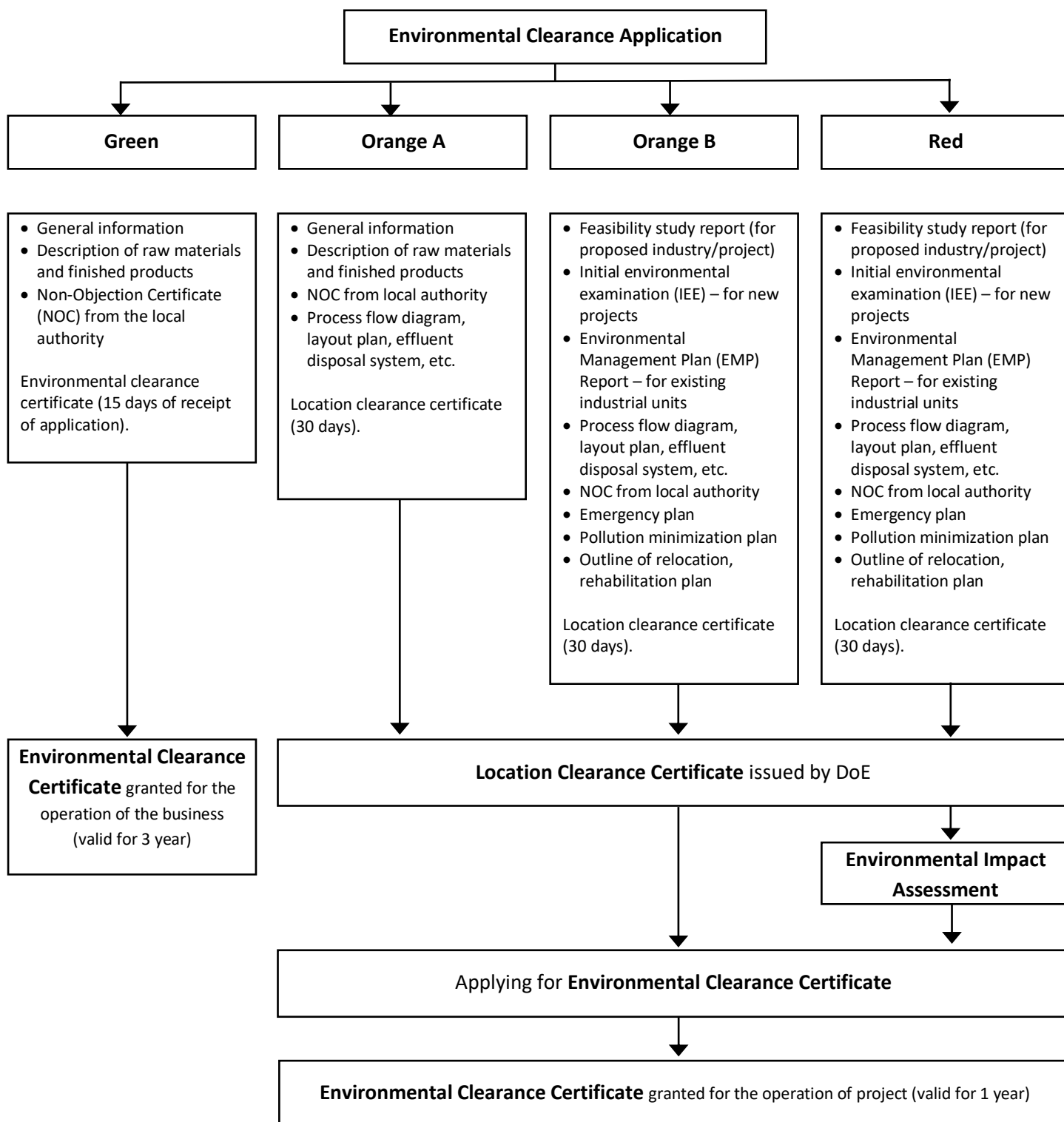
Environmental categorisation (Green, Orange A, Orange B or Red) specified in Schedule 1 of ECR 1997 determines the extent of documents and environmental assessment the industrial units and projects must prepare and submit to the Department of Environment when applying for the **Environmental Clearance Certificate**.

Green category

Businesses only need to submit General description of their operation and no objection certificate (NOC) from the local authority to obtain the Environmental Clearance.

Orange A and B and Red

For investment projects of Orange A and B and Red category the **Location Clearance Certificate (LCC)** is required as a preliminary approval that the Project is in compliance with the prevailing land use and cultural pattern of the project area. When applying for LCC **the Initial Environmental Examination Report (IEE)** must be prepared and presented to DoE by the investor.



The IEE is a report evaluating the environmental regulatory compliance and environmental impacts of the proposed business or project. IEE is prepared by the project sponsor (if he has staff with competent skill) or by engaged environmental expert. IEE is required to obtain LCC or ECC. IEE includes **Environmental Management Plan (EMP)** which specifies the environmental improvement measures to be implemented by the company to reach its full compliance.

For investment projects of **Red** category, an **Environmental Impact Assessment Report (EIA)** is required when submitting an application for the permission to commence construction works. The EIA approval also allows for land development and L/C opening. EIA is a study prepared by a certified expert evaluating and summarizing all potential environmental impacts of the project. It includes an EMP that contains a list of

environmental measures the investor must make during the construction and implementation of the proposed investment project.

After completion of the construction works and the operation test run an **Environmental Management Plan Implementation Report** must be prepared by the project sponsor or a hired expert in order to obtain the **Environmental Clearance Certificate (ECC)** from Department of Environment. ECC is an operational permit valid for one to three years (one year in case of most manufacturing) and allows the commercial operation of the plant.

Waste Water Management

ECR 1997 requires for industrial unit which generate effluents to meet the pollution standards specified in Schedule 10 and 12 of ECR. In most cases industrial units must install an **effluent treatment plant (ETP)** to be able to meet the acceptable limits for major chemical pollutants (**effluent discharge standards**). For most common water **polluting industries** (i.e. fertilizer plants, composite textile plants and large processing units, pulp and paper industry, cement plants, boilers of industrial units, nitric acid plants, distilleries, sugar industry, tannery industry, food processing, fish canning, dairy, starch and jute industries, crude oil refineries) ECR specifies the sector specific effluence discharge standards.

The specific requirements for monitoring and reporting on the quality of effluents are usually specified among the conditions in the **Environmental Clearance Certificate**.

Chemicals Management

In case explosive or hazardous materials purchase and use, the Acid Control Rule, Fire Service Act 2003 and Explosive Act 1884 are to be adopted. For safe use and handling these sensitive chemicals/components, the respective businessman has to follow the Material Safety Data Sheet (MSDS) as has been provided by the respective manufacturers. And it is also the responsibility of Department of Inspection for Factories and Establishment to monitor the compliance of MSDS.

Noise

Noise limits differ based on the type of location (**5 types of locations** - Silent, Residential, Mixed, Commercial and Industrial zone). Mixed Zone area as is mainly residential area, and also simultaneously used for commercial and industrial purposes. The areas up to a radius of 100 meters around hospitals or educational institutions or special institutions/ establishments have been identified as Silent Zones, where use of horns of vehicles or other audio signals, and loudspeakers are prohibited.

The noise limits prevent industrial activities to be carried out in residential areas or near sensitive locations such as hospitals or schools. Requirements for the noise level monitoring are usually specified in the Environmental Management Plan approved by Department of Environment (Schedule 4 of Environment Conservation Rules (ECR) 1997).

For each type of location there are two types of noise limit - day and night limits. The noise limits for night are stricter to prevent disturbing noise at night hours:

Zone	Noise limit in dBA	
	Day time (6 am to 9 pm)	Night time (9 pm to 6 am)
Silent	45	35
Residential	50	40

Mixed	60	50
Commercial	70	60
Industrial	75	70

For Red category project where increased noise level is an issue, usually 24 hours hourly monitoring is required. The monitoring frequency and approach are mentioned in the Environmental Management Plan (EMP) approved by the Department of Environment (DOE) during issuing the EIA¹ approval.

2 Occupational health and safety

The Bangladesh Labour Act, 2006, amended in 2013, is the main legal framework available to deal with the issues of workers pertaining to health, hygiene, safety, fire-fighting, welfare, working hours, leave and holidays with wages, child labour, etc. Under this Act, the Chief Inspector of Factory is authorised to ensure minimum standards, infrastructure, facility, hygienic environment for occupational health and safety of the workers within the industrial premises as per provisions made in Factory Rules, 1979.

Prior permission from the Chief Inspector is required before starting any construction or extension of any factory. Every licence shall remain in force up to 31 December of the year in which the license is granted. The Chief Inspector, on receipt of an application in Form No. 1, may approve or reject the renewal of this license. The licence or a copy of it shall be displayed at a conspicuous place of the factory.

The Bangladesh Labour Law, 2006, amended in 2013, provides further legal support to the workers with respect to recruitment, relationships between employers and employees, fixing minimum wage rate, payment of wages, child labour, compensation of accident, formation of trade unions, industrial disputes and solution, health, security, welfare and constitution of job and environment and probationary period and concerned issues. The responsible authority for implementation of the Labour Law is the Director of Labour or the officer authorised on his behalf.

Building Construction Rules, 1996, stipulate requirements such as the spacing between two buildings, distance from main road from a construction site from the main road, requirements of car parking and open spaces based on the area of construction, laying down of electric cables, digging ponds, height of a building, underground constructions, sun-shade, ventilation, elevators, etc. All these are specified for residential, commercial and industrial areas.

3 Labour issues

The Labour Act released in 2006 outlines detailed requirements on safety for working with machinery, pressure vessels, industrial processes, etc. The Labour Act 2006 was amended in the wake of global attention after the collapse of the Rana Plaza and several other accidents, mostly in the RMG sector. The amendments from 2013 focus on fundamental rights to freedom of association and collective bargaining and addresses steps to improve occupational safety and health.

This Act contains provisions to improve workplace safety, such as establishment of safety committees in factories with 50 workers or more; a greater role for the labor inspectorate to inspect safety and health conditions of workplaces and conduct on-the-spot inspections; personal safety equipment.

Workplace Health Centers must be established in workplaces with over 5000 employees and safety welfare officers must be in place in workplaces with more than 500. Inspection of factories is now mandatory at the

¹ EMP is a part/chapter of EIA Report.

time of giving license or its renewal. No changes can take place regarding factory layout plans without permission of factory inspectors.

The Act consolidated and amended previous laws relating to employment of workers, relationship between workers and employers, determination of minimum wages, payment of wages, compensation for injuries arising out of and in the course of employment, formation of trade unions, raising and resolving industrial dispute, health, safety, welfare and environment of employment of workers and apprentice and related issues.

4 Social, culture and heritage

The **Land Acquisition Act**, 1894, and The Acquisition and Requisition of Immovable Property Ordinance, 1982, and subsequent amendments in 1994, 1995 and 2004 provide the legal **framework for acquisition of land and compensation** to be paid for industrial and commercial activities. Deputy Commissioner of the area has been empowered to acquire the land and to decide on the payment of adequate compensation as per the procedure defined.

Ancient monuments declared to be protected under the **Ancient Monuments Preservation Act**, 1904 (VII of 1904), shall be deemed to be protected antiquities for the purposes of this Act.

5 Ecology

Forest Act, 1927, is an act to consolidate the **law relating to forest**, the transit of forest produce and the duty leviable on timber and other forest produce. Under Bangladesh **Wild Life (Preservation) Order**, 1973, certain national parks, wildlife sanctuaries, etc are declared as protected areas and are also declared reserved forest under the **Forest Act**, 1927. No industrial and commercial activity is allowed within the declared protected areas.

Protected areas include wildlife sanctuaries, national parks and game reserves. Wildlife sanctuary means an area that is closed to hunting, shooting or trapping of wild animals and declared by the government as undisturbed breeding ground primarily for the protection of wildlife inclusive of all natural resources such as vegetation soil and water.

The primary responsibility for ensuring the compliance of Forest Act, 1927 and Bangladesh Wild Life (Preservation) Order, 1973 lies with the **Forest Department**, which has an independent Wildlife Management and Nature Conservation Circle.

In pursuance of Section 5 of the Bangladesh Environment Conservation Act, 1995, the government has declared certain wetlands of the country as ecologically critical areas for the protection of natural environment and sustainable environmental management, for example, St. Martin's Island, Hakaluki Haor, Tanguar Haor, Marjat Baor and Gulshan-Baridhara Lake. All activities that may deteriorate the environment further are prohibited in these areas.

List of Relevant National Regulations and International Treaties

Key E&S Areas	Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
Assessment and management of E&S risks and impacts	<ul style="list-style-type: none"> National Environmental Policy, 1992 Environment Pollution Control Ordinance, 1977 	

Key E&S Areas	Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
	<ul style="list-style-type: none"> • Environmental Quality Standards for Bangladesh, 1991 • National Environment Management Action Plan (NEMAP), 1995 • Environment Conservation Act, 1995 and amended in 2002 • Environment Conservation Rules, 1997 and amended in 2003 • EIA Guidelines For Industry, 1997 	
Management of labour related issues such as recruitment, wages, occupational health and safety and others	<ul style="list-style-type: none"> • Labour Policy 2012 • Bangladesh Labour Act, 2006 • Labour Welfare Foundation law 2006 • Bangladesh Labour (Amended) Law, 2013 • Labour Relations under Labour Laws, 1996 • National Child Labour Elimination Policy, 2010 • Bangladesh Factory Act, 1965 • Bangladesh Factory Rules, 1979 • OSH Policy, 2011 • The Employees State Insurance Act, 1948 • The Employer's Liability Act, 1938 • Maternity Benefit Act, 1950 • Workmen's Compensation Act, 1923 • The Employment of Children Act, 1938 • Bangladesh Industrial Act 1974 	<ul style="list-style-type: none"> • Occupational Hazards Due to Air Pollution, Noise and Vibration (Geneva), 1977 • Prevention and Control of Occupational Hazards (Geneva), 1974 • Occupational Safety and Health in Working Environment (Geneva), 1981 • Occupational Health Services (Geneva), 1985
Resource efficiency and pollution prevention	<ul style="list-style-type: none"> • The Environment Pollution Control Ordinance, 1977 • National 3-R Strategy, 2010 (3R: Reduce, Reuse and Recycle) • Ship-Breaking and Hazardous Waste Management Rules, 2010 • Biomedical Waste Management Rules, 2008 • Draft National Solid Waste Management Rules, 2010 • Draft National River Conservation Act, 2011 	<ul style="list-style-type: none"> • International Convention on Climate Change (Kyoto Protocol), 1997 • UN Framework Convention on Climate Change (New York), 1992 • International Convention on Civil Liability for Oil Pollution Damage (Brussels), 1969 • Convention on Oil Pollution (London), 1990 • UN Convention on the Law of the Sea (Montague Bay), 1982

Key E&S Areas	Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
Community health, safety and security	<ul style="list-style-type: none"> • Disaster Management Act, 2012 • Public Health Emergency Provisions Ordinance, 1994 • Biomedical Waste Management Rules, 2008 • Climate Change Act, 2010 • Draft National Solid Waste Management Rules, 2010 • National Plan for Disaster Management 2010-2015 • Sound Pollution Law, 2006 • Ship Breaking and Hazardous Waste Management Rules, 2010 • Water Supply and Sewerage Authority Ordinance, 1963 • Noise Control Rules • National Health Policy, 2011 	<ul style="list-style-type: none"> • International Convention on Climate Change (Kyoto Protocol), 1997 • UN Framework Convention on Climate Change (New York), 1992 • International Convention on Civil Liability for Oil Pollution Damage (Brussels), 1969 • Civil Liability on Transport of Dangerous Goods (Geneva), 1989
Land acquisition and Involuntary resettlement	<ul style="list-style-type: none"> • National Land Use Policy • The Land Acquisition Act, 1894 • The Acquisition and Requisition of Immovable Property Ordinance, 1982 	
Biodiversity conservation and sustainable management of living natural resources	<ul style="list-style-type: none"> • National Biodiversity Strategy and Action plan (2004) • Bangladesh Wildlife Conservation and Security Act, 2012 • Bangladesh Wild Life (Preservation) Act, 1974 • Bio Safety Rules, 2012 • Forest (Amendment) Act, 2012 • Forest Policy, 1994 • Social Forestry Rules, 2004 • National Forest Policy and Forest Sector Review (1994,2005) • Draft Tree Conservation Act, 2012 • The Private Forests Ordinance Act, 1959 • Forest Transit Rule, 2011 • Climate Change Act, 2010 • Deer Rearing Policy, 2009 • The Protection and Conservation of Fish Act 1950 • Draft Wetland Policy, 1998 • The Protection and Conservation of Fish Rules (1985) 	<ul style="list-style-type: none"> • Protocol on Biological Safety (Cartagena Protocol), 2000 • UN Framework Convention on Climate Change (New York), 1992 • International Plant Protection Convention (Rome), 1951 • International Convention on Climate Change (Kyoto Protocol), 1997 • Convention Relative to the Preservation of Fauna and Flora in Their Natural State (London), 1933 • International Convention for the Protection of Birds (Paris), 1950 • Convention on Wetlands of International Importance Especially as Waterfowl Habitat (Ramsar), 1971 • Convention on The Conservation of Migratory

Key E&S Areas	Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
	<ul style="list-style-type: none"> • The Protection and Conservation of Fish Act, 1950 • National Conservation Strategy, 1992 • Private Fisheries Protection Act 1889 • Marine Fisheries ordinance 1983 • Revised National Conservation Act, 2010 	<ul style="list-style-type: none"> • Species of Wild Animals (Bonn), 1979 • Convention on Biological Diversity (Rio de Janeiro), 1992 • Convention on International Trade in Endangered Species of Wild Fauna and Flora • UN Convention on The Law of The Sea (Montague Bay), 1982
Indigenous peoples	<ul style="list-style-type: none"> • Social Forestry Rules, 2004 • The Acquisition and Requisition of Immovable Property Ordinance 1982 • The Land Acquisition Act, 1894 	
Cultural heritage	<ul style="list-style-type: none"> • The Antiquities Act, 1968 	<ul style="list-style-type: none"> • World Cultural and Natural Heritage (Paris), 1972

Annex 5

Environmental and Social Due Diligence Checklist – Generic

Note: please provide brief explanatory comments in the Comments section to all questions for which you selected the answers (b) or (c).

#	Question	Options for Answer	Answer and Comments
General Risks			
1,1	Are there any legal issues associated with the client's E&S performance?	<p>a) Client has all valid permits AND has not faced any legal claims or any serious environmental/social incident in last three years</p> <p>b) Client does not have all valid permits but has taken definite steps to acquire them in next six months AND/OR client has faced legal claims but has addressed or has definite plan to address all of them</p> <p>c) Client does not have all valid permits and has not taken any definite step to acquire them AND/OR client has faced legal claims and has no definite plan to address them</p> <p>d) Not applicable</p>	
1,2	Have operations ever been affected by local stakeholder grievances, media or non-governmental organization (NGO) campaigns over E&S issues?	<p>a) There is no evidence of stakeholder grievances, negative media or NGO protest</p> <p>b) There is evidence of stakeholder grievances, negative media or NGO protest for a particular operation AND client has taken adequate steps to address the issue</p> <p>c) There is evidence of stakeholder grievances, negative media or NGO protest and client has not taken any step to address the issue</p> <p>d) Not applicable</p>	
1,3	Is project site and/or its routing likely to have impacts on ecological sensitivity present on project site and/or within an area of 5 km radius surrounding project site)?	<p>a) No eco-sensitive areas observed</p> <p>b) There are a few eco-sensitive areas AND the client has taken adequate measures to mitigate the impact of their operation on the eco-sensitive areas as per regulations</p> <p>c) There are eco-sensitive areas observed and mitigation measures are not adequate as per regulations and the client may face legal challenge in future</p> <p>d) Not applicable</p>	
1,4	Does the client have an Environmental and Social Management system (ESMS) or adequate E&S prevention measures in place?	<p>a) Client has an appropriate ESMS, resources both people and budget to implement or has adequate E&S prevention measures in place.</p> <p>b) Client does not have appropriate ESMS or adequate E&S prevention measures in place yet, however definite steps have been taken to ensure one.</p> <p>c) Client does not have any ESMS or adequate E&S prevention measures, neither are there any plans of setting up those. Different ad-hoc activities are carried out to manage E&S issues but insufficiently.</p> <p>d) Not applicable</p>	

Environmental Health and Safety Risks

2,1	Is there any evidence of air and noise pollution due to client's operation?	<p>a) There is no evidence of air /noise pollution and/or all mitigation measures and monitoring systems are in place</p> <p>b) There is evidence of air/ noise emission AND partial mitigation measure, monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</p> <p>c) There is evidence of air emission/noise AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</p> <p>d) Not applicable</p>	
2,2	Is there any evidence of water pollution due to client's operation?	<p>a) There is no evidence of water pollution and /or all mitigation measures and monitoring systems are in place</p> <p>b) There is evidence of water pollution AND partial mitigation measure, monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</p> <p>c) There is evidence of water pollution AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</p> <p>d) Not applicable</p>	
2,3	Is there any evidence of land pollution and lack of waste handling mechanism in the project operation?	<p>a) There is no evidence of land contamination OR all mitigation measures and monitoring systems are in place</p> <p>b) There is evidence of land contamination AND partial mitigation measure, monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</p> <p>c) There is evidence of land contamination AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</p> <p>d) Not applicable</p>	
2,4	Are there any Climate Change related risks (flood, drought, cyclone etc.) and opportunities (GHG emission reduction) associated with the client's operation?	<p>a) Client has a robust disaster management plan to combat climatic risks AND client has procedures in place to measure, disclose, set targets and mitigate its GHG emissions</p> <p>b) Client has a disaster management plan but it is not robust AND there is evidence that client has intention to measure, disclose, set targets and mitigate its GHG emissions in near future</p> <p>c) No disaster management plan AND no definite plan to measure, disclose, set targets and mitigate its GHG emissions in future</p> <p>d) Not applicable</p>	

Social Risks

3,1	Is there any evidence of occupational health & safety (OHS) risk?	<p>a) The client does not have any OHS concern or have mitigated them adequately</p> <p>b) The client has some OHS concern but has taken definite steps to correct them</p>	
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		<p>c) The client has OHS concern in its operation and have no plans of correcting them</p> <p>d) Not Applicable</p>	
3,2	Are the labor and working conditions poor and breaching local regulations / standards?	<p>a) There is proper working condition and labor practice AND there is no evidence of poor working condition or labor practice for which client may face legal challenge or labor unrest or negative media coverage or protest from activist</p> <p>b) There are a few evidences of poor working conditions BUT no significantly poor labor practice such as child/forced labor is present AND the client has a definite plan to improve the working condition to ensure there is no legal challenge or labor unrest or negative media coverage or protest from activist in future</p> <p>c) Working condition is very poor AND/OR there is presence of significantly poor labor practice such as child labor/forced labor AND client is not addressing/has no definite plan to address the issues</p> <p>d) Not applicable</p>	
3,3	Does the project pose a threat to Community Health, Safety and Security?	<p>a) Presence of a robust plan for community health & safety which is developed in consultation with the local community AND there is no evidence of issues that may create nuisance/accidents/injuries to local community in future</p> <p>b) There is a plan for community health & safety but it is not robust or it is not developed in consultation with the community AND/OR there are a few evidences of issues that may create nuisance/accidents/injuries to local community AND the client intends to address the gaps</p> <p>c) Absence of a community health & safety plan AND/OR there is evidence of significant issues that can create nuisance/accidents/injuries to local community AND client has no definite plan to address the gaps</p> <p>d) Not applicable</p>	
3,4	Is there any evidence of community consultation with key stakeholders including indigenous people?	<p>a) There is evidence that the client consults /engages with the stakeholders including local community, indigenous people on all relevant issues (such as rehabilitation, compensation, their expectations as the case may be)</p> <p>b) There is limited /inadequate consultations with the stakeholders</p> <p>c) No consultations with the stakeholders</p> <p>d) Not applicable</p>	

Guidance Notes to each question:

1,1 Are there any legal issues associated with the client's E&S performance?

- Check for all the relevant environmental, health & safety licenses and permits (like land clearance, water discharge, clearance from Department of Environment (DOE), fire license etc.) and their validity. If the permits and licenses are not up to date and it doesn't impact the immediate operations then up to six months' time can be given for their renewal. If even after six months the required licenses and permits are not renewed then the transaction can be escalated further.

- Check if there are any notices/fines/penalties received for exceeding the limits of air, water, noise and waste levels in past three years. These notices/ fines / penalties are issued by factory inspectors or by local communities impacted by the client's business activities.
- In the comments section RMs please provide details of the past fines mainly amount, reason and current status.

1,2 Have operations ever been affected by local stakeholder grievances, media or non-governmental organization (NGO) campaigns over E&S issues?

Media or activist campaigns targeting the company/asset can be indicative of poor E&S performance. Check media or NGO reports for any serious environmental incidents (like major fire, explosion, release of poisonous fumes, discharge of large quantity of wastewater into the open environment etc.) in the last three years. If there was any incident in the past, then the client should have implemented mitigation measures to avoid any similar environmental incident in future. Some of the common reasons which trigger NGO/Media activities are:

- The local community is adversely affected by pollution or loss of livelihood.
- Worker unrest resulting into riots/road blocks
- The operations of the business is harmful for the environment for example discharge of untreated toxic effluent from a textile unit into the only source of water in the local area.
- If the project is resulting in land acquisition and involuntary resettlement without proper compensation and benefits. For e.g. land based compensation not being provided in case of displacement of community whose livelihood is dependent on land.
- If the project is causing restriction on land use and use of other natural resources like freshwater, forest products etc.
- If the project involves activities like converting rice fields into industrial land, filling out water bodies (river, ponds) for business purpose, encroaching into forest lands, use of old buildings or buildings without permit for industrial activities etc.
- If the business operations adversely impact UNESCO World Heritage site (e.g., Historic Mosque City of Bagerhat, Ruins of Buddhist Vihara at Paharpur and the Sunderbans) or critical natural habitat or High Conservation Value Forest (HCVF), for which the Bank prohibits financing.

RMs please specify in the comments section what sort of media report has been published or the extent and details of NGO/ Stakeholder grievances

1,3 Is project site and/or its routing likely to have impacts on ecological sensitivity present on project site and/or within an area of 5 km radius surrounding project site)?

- The project operations may impact the ecological balance of the local environment. It is critical that the site is not situated in the vicinity of eco-sensitive zone. The area may be eco-sensitive because of presence of national park, wildlife sanctuary, reserve forest, water bodies (river, pond etc), wet lands, legally protected area, mangrove, estuarine, special area for protecting biodiversity, Coastal Regulation Zone etc.
- RMs please specify in the comments section what kind of eco-sensitive area is present and at what distance and how they have verified the presence or absence of an eco-sensitive area (e.g. observed from geo-referenced map, google map, interviewing client and local community, visual observation during site visit). Also mention what sort of mitigation action the client has undertaken in case there is any eco-sensitive area in the vicinity

1,4 Does the client have robust/ adequate Environmental and Social Management system (ESMS)?

An Environmental and Social Management System (ESMS) is a set of policies, procedures, tools and internal capacity to identify and manage a business's exposure to the environmental and social risks. An ESMS covers all phases of the client's operations including construction, production and transportation. ISO 14001 is the industry standard for ESMS, OHSAS 18001 for occupation health & safety and SA8000 for social accountability issues.

- Check if there is a policy on
 - Environment Health & Safety
 - Social issues management, CSR, grievance mechanism etc

- Determine client's capacity to implement the ESMS by asking:
 - Is there a clear chain of command in terms of E&S responsibility at operational levels and is ultimate accountability for E&S performance vested with senior management?
 - Do site managers and other staff (including suppliers) receive training in E&S management, and do they get punished/rewarded on the basis of E&S performance?
 - Is there a budget and training program for the ESMS?
- Having an international certification like OHSAS 18001, ISO 14000, SA8000 is not a mandatory requirement, however these certificates (if valid) are an indication of good management practices.
- RMs in the comment section please include if client has valid international certifications, if not whether there is policies processes, resources (people and budget) and commitment in place for identifying and managing E&S risks adequately.

ENVIRONMENTAL HEALTH AND SAFETY RISKS

2,1 Is there any evidence of air and noise pollution due to client's operation?

- The sources of air pollution can be DG sets, boilers, chimneys, burning of waste in open air, vehicular emission etc.
- There can be physical evidence of dust emission (e.g. thick layer of dust on plant machinery, walkways, office areas etc.) due to improper material handling, storage and transport.
- The sources of noise pollution can be heavy machinery, fabrication line, industrial blowers etc. High noise level (eg greater than 70 dB) is an occupational hazard and needs to be minimized or mitigated.
- At the minimum, the project should have
 - Regular monitoring mechanism and records of ambient air quality and noise level. Sufficient ventilation i.e. provisions for cross ventilation (e.g., windows at regular intervals, exhaust fans, dust controller etc.) and noise mitigation equipment (like enclosed equipment, acoustic barriers, etc.).
 - Measures to keep air emissions and noise levels within the prescribed limit
- If the client is in trade or retail and not in manufacturing select not applicable in the drop down menu and provide a justification in the comment section explaining why air/noise pollution issues are not applicable for the client's operation.
- RMs please list in the comments section what sort of air or noise pollution is evident in the client's operation.

2,2 Is there any evidence of water pollution due to client's operation?

- The project may result in water pollution if it is generating hazardous effluent which is discharged into the open environment (within or outside the premises) without any or sufficient treatment.
- Check for:
 - Any evidence which may suggest that effluent is being discharged to a location which is not according to the license and permits such as an agricultural field, a residential area, an enclosed water body which is a source of drinking water or used for domestic purpose etc.
 - Any evidence of wastewater being discharged outside without treatment (e.g., coloured /turbid water)
 - Strong odor of chemicals, dumped waste, blocked sewerage etc. which may be because of untreated effluent
- If the client's manufacturing unit is generating effluent then at the minimum, the operation should have
 - Installed Effluent Treatment Plant (ETP) or Sewage Treatment Plant (STP)
 - Proper monitoring records of treatment of water (such as quantity of water treated, quality of wastewater before and after treatment, running hours of ETP etc.)
 - Measures to keep wastewater discharge (quality and quantity) within the prescribed limit
- In order to get a sense of water pollution issues request for daily ETP data and look for missing or inconsistent data, request client for more detailed information about latest inspection reports (buyer's audit report or factory inspector's report or other third party inspection report)

- If the client is in trade or retail and not in manufacturing select not applicable in the drop down menu and provide a justification in the comment section explaining why water pollution issues are not applicable for the client's operation.
- RMs please list in the comments section what sort of water pollution is evident in the client's operation.

2,3 Is there any evidence of land pollution and lack of waste handling mechanism in the project operation?

- The project operation may cause land contamination because of activities such as leakages, spills, improper storage of waste, toxic effluent discharge etc.
- Check for:
 - Any evidence of leaks and spills. Some of the common areas to look out for include – chemical storage and transfer area, DG sets & transformers (diesel and waste oil), toxic waste storage area, around process equipment using chemicals, etc.
 - Boxes, cartons, plastic packets, rags, unused or left over raw materials dumped indiscriminately.
 - Any media or third party reports on historical land contamination
 - Hazardous waste (i.e., waste of toxic nature e.g., automobile batteries, solvents, dry cleaning chemicals, metal cutting oil, waste oil and pesticides, paint sludge) if not properly handled and disposed can lead to occupational hazards, impact community health & safety, degrade local environment (flora & fauna), etc.
- If the project is generating hazardous waste then, at the minimum, the project should have
 - Waste disposal system in accordance with the permits and licenses
 - Dedicated and marked place for storage of waste. Hazardous and non-hazardous waste should be stored separately. The hazardous waste should not be stored on site for a long time.
 - Well maintained records on quantity and quality of waste generated (including when it was generated) and how it is being handled. The waste disposal options include incineration, through third party waste handlers, landfills etc.
 - Measures to mitigate adverse impacts of the hazardous waste on the employees and local communities.
- If the client is in trade or retail and not in manufacturing select not applicable in the drop down menu and provide a justification in the comment section explaining why waste handling and land pollution issues are not applicable for the client's operation.
- RMs please list in the comments section what sort of land pollution is evident in the client's operation.

2,4 Are there any Climate Change related risks (flood, drought, cyclone etc.) and opportunities (GHG emission reduction) associated with the client's operation?

- If the project site falls in the area (e.g. coastal area) which is prone to natural calamities such as floods, cyclones, etc. then there is a risk of operations getting affected due to a natural disaster. Some common examples where climatic risks can have impact on businesses include : telecom towers hit by cyclone, shrimp farms hit by tidal surge resulting in salt water intrusion in nearby areas, sea level rise impacting hotels and coastal establishments, flood water destroying structures and finished goods, agribusiness impacted by drought etc. Important for RMs to identify these risks and ascertain clients have disaster management system in place to deal with such a situation.
- Check if there are procedures for monitoring, measuring and disclosing GHG (CO₂, CH₄, N₂O, etc) emissions. Tracking GHG emission and working towards reducing it shows forward looking approach and also can be a source of revenue. Clients with active climate change mitigation or adaptation activities are clearly market leaders. However, in the absence of structured methods of identifying and mitigating climatic risks, this will not impact the overall risk rating of the project.

SOCIAL RISKS

3,1 Is there any evidence of occupational health & safety (OHS) risk?

- Client should have
 - System in place to identify and evaluate occupational hazards and risks on a regular basis
 - Records of accidents and incidents, their causes and actions taken. The records should also bring out whether the incident was major or minor.

- If there is a history of accidents and incidents then look for trends (increasing or decreasing no. of incidents). If there have been regular major accidents in the past and the numbers are showing a constant or increasing trend then the issue needs to be escalated.
- The following practices are indicators of good health and safety condition. Absence or lack of any of the following may lead to health & safety incidences such as fire hazard, accident, health outbreak, absenteeism of workers
 - Notice boards in local language with information on Personal Protective Equipment (PPE)s, workplace safety, occupational hazards
 - Workers using PPE at workplace as instructed
 - Regular trainings of employees on occupational health & safety
 - Regular health & safety audits. Check if there are audits carried out by Accord, Alliance, Buyers (for RMG sector only) any other third party and if the no-compliances identified in the audit report are addressed
 - Onsite occupational health & safety treatment center
 - Firefighting equipment is available, accessible, identifiable from a distance, properly maintained and kept unlocked, has valid license
 - Appropriate number of independent emergency exit is available per working area and all emergency exits and access routes are free from obstruction
 - Independent and functioning evacuation alarm is present with continuous sound to notify all workers about an emergency situation and to ensure a fast and safe evacuation.
 - Fire safety plan and onsite emergency & disaster management plan is in place and if the employees are aware of such plans
 - No asbestos (which is harmful) is being used on site
- RMs please list in the comment section any OHS issues identified and client's response in mitigating them.

3.2 Are the labor and working conditions poor and breaching local regulations / standards?

- Good working conditions, facilities, timely payment of wages, non-discrimination, etc. can mitigate the risk of labor unrest, legal challenge, negative media coverage or protests from the activists. Issues like labor unrest otherwise can significantly affect continuous operation and may also lead to complete shutdown. Frequent accidents, absenteeism of workers are indicators of poor housekeeping.
- Absence or lack of any the following indicates poor working conditions and labor practices:
 - ☐ There is optimum noise, temperature, light, air, ventilation in the shop floor Facilities such as clean drinking water, adequately equipped washing and toilet are provided to all workers free of charge. Policies and safeguards are in place for child labor, forced labor, minimum wage, non-discrimination
- Poor labor practices include:
 - ☐ Remuneration and wages- minimum wages not paid
 - ☐ Working hours- excessive overtime, no weekends
 - ☐ Health and safety- dusty, unsafe workplace, exposure to unbonded friable asbestos (e.g. in certain insulators, fire retardants)
 - ☐ Disciplinary procedures- verbal and physical abuse, fines
 - ☐ Discrimination- on gender or religious basis
- Well maintained age of workforce, wages, payment and attendance records
- Presence of a written employment contract signed with each worker before they start work, which specifies terms of employment in a way understood by the worker. Whether the contract includes the name of employer, name of worker, birth date, position, salary, working hours, overtime compensation, benefits and notice period or if there is a Workers Handbook or equivalent with information about working hours, overtime compensation, benefits and notice period.
- Provision for labor unions, representation, collective bargaining and grievance mechanism
- RMs need to request for any auditor's report or labor inspector's report/ factory license to identify labor issues. Speaking to workers and managers can lead to risk identification also. Some companies may have international certification like SA 8000.

- RMs please list in the comment section various labor issues identified and if client has taken any measures to mitigate.
- Transactions should be terminated if instances of child labor or forced labor are found in client's activities or their supply chain, unless immediate remedial actions are taken.

3,3 Does the project pose a threat to Community Health, Safety and Security?

- The project operations can have a significant impact on the health & safety of the surrounding community members especially if it's a densely populated area.
- Check if:
 1. Water quality and availability: The natural resources like water and other raw materials are limited in nature and there are multiple users. So the equitable distribution of natural resources and its judicious use is critical for the sustainability of the business. For e.g., a water intensive industry situated in a water stressed region can create imbalances and lead to social unrest which may impact the operations. This becomes a significant risk in case of a water intensive industry such as power, textile, beverage, cement, ceramic etc. Industries which are using wood as the raw material and are situated in an area where wood is used as the fuel can also lead to conflicts.
 2. There is any physical evidence of foul smell, noise, air pollution etc. due to project operations that may impact the local community
 3. The client has assessed risk posed by security arrangements i.e. if the security personnel are properly trained on usage of force and conduct towards workers, if there are records on background check of security personnel, if there is a grievance mechanism for local community members to express concerns on security arrangements
 4. Structural Safety and project infrastructure: In some large infrastructure projects such as hydro power with dam/reservoir, a chemical plant etc. has the potential to impact a large number of general public in case of an accident, equipment failure or damage to project assets such as dam breakage, chemical leakage etc.
 5. Life and Fire Safety: The client should have made adequate provisions for detection, prevention, control and management of fire incidents. Adequate equipments need to be in place, including an emergency response, and safe evacuation plan. This is more critical in case of public access buildings such as a hospital, hotel, shopping centre/commercial building etc.
 6. Traffic Safety: Transportation of material may create nuisance for the local community in terms of accessibility to local places. There are mitigating measures (like traffic signals, security personnel, no movement of materials on public roads during busy hours, etc.) to avoid incidents and injuries due to material movement on public roads
 7. Transportation of hazardous materials: The client has identified risks arising out of hazardous material management (if any) and if safeguards (like safe and guarded storage of explosives, inflammable materials and information about it displayed on the notice board outside the plant) are in place to minimize or avoid community exposure to potential harmful impacts
 8. Disease prevention: In some cases, the client operations have direct and indirect impacts on natural resources such as water and hence a potential for spreading waterborne diseases or due to improper disposal of solid waste on land. Similarly, in some cases, where labour comes from other parts of the country, the health conditions of the migrant labour may also pose a threat of spreading communicable diseases. The client has a direct responsibility to contain such adverse impacts.
 9. Emergency preparedness and response: Client have an off-site emergency plan. There is any documentary evidence which shows that it has been prepared in consultation with the external stakeholders or local community
- Some common examples in the context of Bangladesh where business activities can adversely impact community health and safety include : Radiation from telecom towers, dumping of ceramic waste on arable land, hot water discharge from steel rerolling mills killing fishes in the nearby water bodies, tannery and other chemical toxic wastes dumped in water bodies, high noise and sound from power plants or generators, foul smell from poultry farms, structural faults in industrial buildings impact adjacent houses, unsafe chemical handling may result into explosion and loss of life in the community, excessive traffic congestion due to heavy vehicles running in residential areas etc.
- RMs please list in the comments section what sort of risks might arise from the client's operation which can impact the community health and safety.

3,4 Is there any evidence of community consultation with key stakeholders including indigenous people?

- Companies need to understand or respond to local concerns (which are often the flash point of tensions) where business operation is likely to have an impact on the community. Different key stakeholders (indigenous people, local leaders, law enforcing agencies, local NGOs, civil society organizations etc.) need to be identified at the very onset. Business operations may displace indigenous or local community, impact their livelihoods, and pollute neighborhoods.
- In case of displacement of local community, indigenous people, it is important to engage with them to discuss the resettlement and compensation plan.
- Seek verbal or documented confirmation from clients that there is consultation. Indicators that there is effective consultation include evidence of regular meetings with stakeholders, the presence of a grievance mechanism and partnerships with civil society organizations and/ or local communities to address E&S issues.
- The project should have a grievance redressal system which gives the affected community and other stakeholders a platform to express their concerns. This will help the project in knowing the stakeholders' concern and taking actions in a timely manner.
- The project activities may also have adverse impacts on the local cultural heritage (if any). The client should look to mitigate or minimize the impacts and in fact should work towards its preservation.
- If the client is in consultancy or service business then elaborate community consultation is not required. However, for many businesses especially in the manufacturing sector, stakeholder and community consultation is necessary for obtaining social license to operate. If community consultation is not required, RM will need to justify in comments section explaining why community consultation is not applicable.

Annex 6

VISIT REPORT

Name of Client	
Office Address	
Factory Address	
Nature of Business	
Nature of Loan	
Date of Visit / Meeting	DD.MM.YYYY
Visiting Official(s)	
Name of client's representative present	
Overall E&S risk category	
Project category as per ECR 1997 (DoE)	

The project (describe the project in few words):

FINDINGS OF THE VISIT:

Regulatory compliance (comments/observations):

Environmental & social management system (relevant for corporate clients):

Air pollution (comments/observations):

Wastewater management (comments/observations):

Water sourcing (comments/observations):

Solid waste management (comments/observations):

Hazardous chemicals management (handling, storage) (comments/observations):

Noise (comments/observations):

Occupational health & safety (comments/observations):

Fire / explosion prevention (comments/observations):

Impact on the surrounding community (nuisance to neighbours, conflict with community - comments/observations):

Impact on the surrounding environment (nature) (comments/observations):

Working conditions and labour standards (comments/observations):

Other issues (if any):

Accord/Alliance audit results (for RMG and textile industry clients):

SUMMARY OF FINDINGS AND UNADDRESSED E&S ISSUES (a brief summary of unaddressed issues):

Annex 7

IFC Performance Standards Screening & Compliance Checklist

Applicability of this Checklist: For project related Corporate banking or Project Financing transactions with the term 36 months or more and the total project size USD.10 Million (or equivalent BDT) and above, use the following **Screening & Compliance Checklist** form. For any loan client eligible for IFC PS Screening , RM will contact with PAM Team for completing this IFC PS Screening Checklist.

Further information: For details on performance standards check the IFC web page on Performance Standards www.ifc.org/performancestandards

Client's name:			
Overall E&S Category:		E&S Risk rating:	
Sector Specific E&S Issues:			

Assessment of Applicable Requirements					
Applicable Requirements	Question	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)
Exclusion List compliance:	Is the client's business on the bank's Exclusion/Discourage Sectors' List?				
National Laws compliance:	Does the activity comply with national regulatory and permitting requirements?				

Performance Standards:
<p>Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts</p> <p>Does the company have a formal, documented Social and Environmental Management System (SEMS), with a designated person or staff, budget, and management program to implement it, and has the company conducted a formal audit or assessment of social and environmental impacts?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", and if the company has more than 10 employees, complete the section below.</p>

Applicable Requirements	Question	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)
Environmental and Social Assessment and Management System	a. Does the company have an E&S Policy/Management System ?				
	b. Please describe the system/procedure in place to identify, assess and manage the potential risks and impacts related to the company's business activities/projects.				
	c. Has the company designated and E&S Officer to manage E&S issues? Please provide the name of the designated employee.				
	d. Please describe the procedures in place to engage with local communities and address community grievances where applicable. (e.g. grievance mechanism, stakeholder engagement plan).				
	e. Does the company have an emergency response plan ?				

Performance Standard 2: Labor and Working Conditions

Does the company have a documented human resources policy--with documented terms and conditions of employment, protection against discrimination, and recognition of employee organizations--which has been communicated to employees?

☐ Yes ☐ No

If the answer is "No", and if the company has more than 10 employees, please complete the section below.

Applicable Requirements	Question	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)
Review of Labor and Working Conditions	a. How many employees does the company have?				
	b. Does the company have a Human Resource (HR) Policy that is consistent with the requirements of the national labor laws? (Please highlight the major policies covered)				
	<i>i. Does the company have policies and procedures for managing and monitoring the performance of third party employee contractors in terms of labor and working conditions?</i> <i>ii. Has the company established a grievance mechanism for workers and third party contract workers?</i>				

	c. Does the company provide its workers with a safe and healthy work environment? i. <i>Where applicable does the company provide workers with and mandating that workers use personal protective equipment (PPE)?</i> ii. <i>Does the company have occupational health and safety procedures?</i> iii. <i>Does the company track and report on rates of injury, occupational diseases, lost days, and number of work-related fatalities? Please provide recent data.</i> iv. <i>Does the company have training programs in place for workers on occupational health and safety?</i>				
	d. Please confirm that the company is not involved in harmful child labor or forced labor (including supply chain for agri-commodity clients)				

Performance Standard 3: Resource Efficiency and Pollution Prevention Does the company produce solid or hazardous waste, air emissions, or liquid waste, or burn fuel, or use pesticides? <input type="checkbox"/> Yes <input type="checkbox"/> No If the answer is “Yes”, complete the detailed section below.					
Applicable Requirements	Question	Yes	No	N/A	ADDITIONAL INFORMATION <i>(Please provide additional information to support all responses)</i>
Resource Efficiency and Pollution Prevention	a. Does the company implement measures for improving efficiency in its consumption of energy, water, raw materials and other resources and inputs ?				
	b. Does the company generate any air, liquid or solid waste emissions during construction and/or operational phases? (If yes, please provide details.)				
	c. Please describe the procedures in place for monitoring air and water emissions . Please provide a copy of any effluent discharge permit issued by the local authorities.				
	d. Does the company have procedures to guide the storage, handling, and disposal of solid wastes (including hazardous waste) emanating from its business? If yes, provide brief details.				

	e. Are the diesel storage tanks fitted with secondary containment bunds ?				
	f. Is there response procedure in place manage spills or accidental discharges?				

Performance Standard 4: Community Health, Safety and Security (*managing the potential health, safety, and security risks that company operations may pose to neighboring communities*)

Are there communities located in the vicinity of the project?

☐ Yes ☐ No

If the answer is “Yes”, please complete the section below.

<i>Applicable Requirements</i>	<i>Question</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>ADDITIONAL INFORMATION (Please provide additional information to support all responses)</i>
Community Health, Safety and Security	a. Are there local communities in close proximity to the company’s facilities? Does the company have procedures to address community health, safety and security issues in the context of its operations?				
	b. Does the company have safety procedures in place to deal with hazardous material release, transport and disposal in order to avoid or to minimize exposure of local communities to those materials?				
	c. Does the company engage armed security personnel to provide security services at their facilities? If so, do the contract provisions include guidelines on how security personnel shall interact with communities in close proximity to the facility?				
	d. Is there a traffic management plan for managing additional traffic associated with the company’s activities?				

Performance Standard 5: Land Acquisition and Involuntary Resettlement (*Responsible management of the involuntary resettlement of people from land it owns or uses*)

Does the company plan to buy, rent, or lease land it doesn't already own?

☐ Yes ☐ No

If the answer is “Yes”, please complete the section below.

<i>Applicable Requirements</i>	<i>Question</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>ADDITIONAL INFORMATION (Please provide additional information to support all responses)</i>
Land Acquisition and Involuntary Resettlement	a. Is there any land acquisition planned/happened for/in the proposed investment?				
	b. Has there been any physical and/or economic displacement as a result of land acquisition for this project?				
	c. Has the company disclosed all relevant information, consulted with affected persons and communities and facilitated their informed participation in the decision making process relating to resettlement?				
	d. Did the company consider alternative designs to avoid or minimize economic and physical displacement ?				

Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management (*managing the company impacts of its operations on biodiversity*)

Are there any areas of biodiversity of natural habitat within the region of influence of the company? For these purposes, consider region-of influence to be a 10 km radius

☐ Yes ☐ No

If the answer is “Yes”, please complete the section below.

<i>Applicable Requirements</i>	<i>Question</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>ADDITIONAL INFORMATION (Please provide additional information to support all responses)</i>
Biodiversity Conservation and Sustainable Natural Resource Management	a. Does the company’s activities impact on biodiversity ? Has the company minimized impacts and implemented Mitigation measures ?				
	b. Does the business operate in a legally protected area ? If yes, confirm that the company has the requisite approvals to operate in such area.				
	c. Has the company identified any alien species which may be intentionally or unintentionally introduced through its activities?				

Performance Standard 7: Indigenous Peoples (*managing the potential impacts of the company's operations on indigenous peoples*)

Are there indigenous peoples located in the vicinity of the company's operations or the project area?

☐ Yes ☐ No

If the answer is "Yes", please complete the section below.

<i>Applicable Requirements</i>	<i>Question</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>ADDITIONAL INFORMATION (Please provide additional information to support all responses)</i>
Indigenous Peoples	a. Is it likely that Indigenous Peoples will be adversely impacted as a result of the company's operations?				
	b. Has the company entered in good faith negotiations with affected communities and documented their informed participation and the successful outcome?				
	c. Has the company compensated in a culturally appropriate manner consistent with the guidance provided in PS 7?				

Performance Standard 8: Cultural Heritage (*managing the potential impacts of the company's operations on archeological, religious, historical, and other cultural heritage sites?*)

Are there archeological, religious, historical, and other cultural heritage sites in the vicinity of the company's operations or the project site?

☐ Yes ☐ No

If the answer is "Yes", please complete the section below.

<i>Applicable Requirements</i>	<i>Question</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>ADDITIONAL INFORMATION (Please provide additional information to support all responses)</i>
Cultural Heritage	a. Is the project located in an area where cultural heritage objects, sites and structures (e.g. artefacts, archeological sites, graves, and sacred forests) can be found?				
	b. If the project or client's operation is located in a legally protected area or a legally defined buffer zone, has the client adopted measures to minimize its impact on the cultural heritage objects, sites and structures and to comply with the relevant regulatory requirements?				

Client Environmental and Social Action Plan (Annexure attached to the offer letter)

ACTION REQUIRED	STATUS (AS PROVIDED BY THE CUSTOMER)	RESPONSIBILITY	TIMELINE
PS1: Social and Environmental Assessment and Management System			
PS 2: Review of Labor and Working Conditions			
PS 3: Resource Efficiency and Pollution Prevention			
PS 4: Community Health, Safety and Security			
PS 5: Land Acquisition and Involuntary Resettlement			
PS 6: Biodiversity Conservation and Sustainable Natural Resource Management			
PS 7: Indigenous Peoples			
PS 8: Cultural Heritage			

Name & Signature of RM:

Name and Signature of PAM Official:

Annex 8

Performance Standards Index

IFC's Performance Standards offer a framework for understanding and managing environmental and social risks for high profile, complex, potentially high impact project. The bank is required to verify as part of its environmental and social due diligence process that the commercial borrowers financed through project related Corporate banking or Project Financing for transactions with the term 36 months or more and the total project size USD.10 Million (or equivalent BDT) and above, comply with the IFC Performance Standards.

Note: *Project finance* is a method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations that might include, for example, power plants, chemical processing plants, mines, transportation infrastructure, environment, and telecommunications infrastructure. Project finance may take the form of financing of the construction of a new capital installation, or refinancing of an existing installation, with or without improvements. In such transactions, the lender is usually paid solely or almost exclusively out of the money generated by the contracts for the facility's output, such as the electricity sold by a power plant. The borrower is usually an SPE (Special Purpose Entity) that is not permitted to perform any function other than developing, owning, and operating the installation. The consequence is that repayment depends primarily on the project's cash flow and on the collateral value of the project's assets.

The IFC Performance Standards help the bank and its clients manage and improve their environmental and social performance through an outcomes-based approach and also provide a solid base from which clients may increase the sustainability of their business operations. The desired outcomes are described in the objectives of each Performance Standard, followed by specific requirements to help clients achieve these outcomes through means that are appropriate to the nature and scale of the project and commensurate with the level of environmental and social risks (likelihood of harm) and impacts.

The IFC Performance Standards encompass eight topics:

- **[PS 1 – Environmental and Social Assessment and Management System](#)**: Commercial clients/investees are required to manage the environmental and social performance of their business activity, which should also involve communication between the client/investee, its workers and the local communities directly affected by the business activity. This requires the development of a good management system, appropriate to the size and nature of the business activity, to promote sound and sustainable environmental and social performance as well as lead to improved financial outcomes.
- **[PS 2 – Labor and Working Conditions](#)**: For any business, its workforce is a valuable asset and a sound worker-management relationship is a key component of the overall success of the enterprise. By protecting the basic rights of workers, treating workers fairly and providing them with safe and healthy working conditions, commercial clients/investees can enhance the efficiency and productivity of their operations and strengthen worker commitment and retention.
- **[PS 3 – Pollution Prevention and Abatement](#)**: Increased industrial activity and urbanization often generate increased levels of pollution to air, water and land that may threaten people and the environment at the local, regional and global level. Commercial clients/investees are required to integrate pollution prevention and control technologies and practices (as technically and financially feasible as well as cost-effective) into their business activities.
- **[PS 4 – Community Health, Safety and Security](#)**: Business activities can increase the potential for community exposure to risks and impacts arising from equipment accidents, structural failures and releases of hazardous materials as well as impacts on a community's natural resources, exposure to

diseases and the use of security personnel. Commercial clients/investees are responsible for avoiding or minimizing the risks and impacts to community health, safety and security that may arise from their business activities.

- **[PS 5 – Land Acquisition and Involuntary Resettlement](#)**: Land acquisition due to the business activities of a commercial client/investees may result in the physical displacement (relocation or loss of shelter) and economic displacement (loss of access to resources necessary for income generation or as means of livelihood) of individuals or communities. Involuntary resettlement occurs when affected individuals or communities do not have the right to refuse land acquisition and are displaced, which may result to long-term hardship and impoverishment as well as environmental damage and social stress. Commercial clients/investees are required to avoid physical or economic displacement or minimize impacts on displaced individuals or communities through appropriate measures such as fair compensation and improving livelihoods and living conditions.
- **[PS 6 – Biodiversity Conservation and Sustainable Natural Resource Management](#)**: Protecting and conserving biodiversity (including genetic, species and ecosystem diversity) and its ability to change and evolve, is fundamental to sustainable development. Commercial clients/investees are required to avoid or mitigate threats to biodiversity arising from their business activities and to promote the use of renewable natural resources in their operations.
- **[PS 7 – Indigenous Peoples](#)**: Indigenous Peoples are recognized as social groups with identities that are distinct from other groups in national societies and are often among the marginalized and vulnerable. Their economic, social and legal status may limit their capacity to defend their interests and rights to lands and natural and cultural resources. Commercial clients/investees are required to ensure that their business activities respect the identity, culture and natural resource-based livelihoods of Indigenous Peoples and reduce exposure to impoverishment and disease.
- **[PS 8 – Cultural Heritage](#)**: Cultural heritage encompasses properties and sites of archaeological, historical, cultural, artistic and religious significance as well as unique environmental features and cultural knowledge, innovations and practices of communities embodying traditional lifestyles, which are protected for current and future generations. Commercial clients/investees are required to avoid significant damage to cultural heritage due to their business activities.

Annex 9

CONSULTANT TERMS OF REFERENCE – ENVIRONMENTAL AND SOCIAL DUE DILIGENCE FOR A HIGH RISK CLIENT

[This template can be used as a guide for developing a Terms of Reference (ToR) for a Consultant to perform certain aspects of the E&S appraisal of a Client's operation.]

“Introduction

The purpose of this Terms of Reference is to ensure that the Consultant performs the environmental and social review of a Client's operation.

It is the bank's policy that *[provide a summary statement of the E&S Policy, including a reference to that all commercial lending which the bank provides, will comply with all applicable E&S laws and regulations of the country. In addition, it should explicitly indicate that it will seek to ensure that these same projects are operated in a manner consistent with IFC's Performance Standards on Environmental and Social Sustainability (if applicable). These eight standards establish clear requirements for the Client's performance.*

[The bank's review of a prospective Client in relation to the IFC Performance Standards shall determine the scope of the E&S conditions of the bank's financing.]

Consultant Qualifications

The Consultant must have substantial experience in the E&S review of projects located in [country], with particular focus on the support of project finance activities. He/she must be thoroughly knowledgeable of the bank's environmental and social management policies and procedures, including the IFC Performance Standards.

Scope of Work

The Consultant will conduct the E&S appraisal of the activities of a prospective Client consistent with the bank's policies and procedures. For **new Client appraisals**, the four tasks include:

1. Preliminary Review. Review all available information and documentation related to project environmental and social impacts and risks. Prepare a list of additional information and/or questions that will be needed to continue the appraisal.
2. Site Visit and Further Review. Conduct site inspections, review facility-based records, and interview key staff, including both sponsor personnel and relevant stakeholders (regulatory officials, community leaders, suppliers, and customers).
3. E&S Performance Gaps and Necessary Corrective Actions Analyses. Analyze project environmental and social performance in relation to the Company's Environmental and Social policy, including IFC Performance Standards (if and where they apply).

Identify these gaps and any corresponding corrective actions that will be necessary. Prioritize these and recommend acceptable and justified implementation schedules.

4. Due Diligence Documentation. Prepare a report (see Appendix) summarizing the results of the E&S due diligence (ESDD). The ESDD report shall include a summary of the impacts and risks associated with the Client's activities, including the related performance gaps and corresponding correction actions that will be necessary in order for the bank to provide funds to the Client.

Schedule

The Consultant shall submit a draft *Due Diligence* Report by *[insert date]*. The final Report shall be submitted within 2 weeks after receiving comments from the bank on the draft report. All reports should be written and prepared in [language] and delivered in electronic and hard copy."

Annex-10

IFC Performance Standard Threshold Matrix

Loan Type	Amount	Tenor	E&S Category	Performance Standards
Corporate loan not associated with project finance e.g. regular term loan	\$5m and above	36 months and above	Any - A,B,C, FI	1,2 only
Corporate loan not associated with project finance e.g. working capital if structured as a revolving facility	Single facility amounting to \$5m and above over a three year period	36 months and above	Any - A,B,C, FI	IFC PS screening for such short term transaction not required. IFC Exclusion List and additional list of eligibility criteria should follow.
Corporate loan not associated with project finance e.g. working capital/overdraft	Any amount	Less than 36 months	Any - A,B,C, FI	Not applicable; only Exclusion List and national laws screening required.
Corporate loan associated with a project	Any amount as long as the total capital cost of the project is \$10m and above	36 months and above	Any - A,B,C, FI	All
Project finance	Any amount as long as the total capital cost of the project is \$10m and above*	36 months and above	Any - A,B,C, FI	All
Corporate loan associated with a project	Any amount if total capital cost of the project is less than \$10m	Any tenor	Any - A,B,C, FI	Not applicable; only Exclusion List and national laws screening required.
Project finance	Any amount if total capital cost of the project is less than \$10m	Any tenor	Any - A,B,C, FI	Not applicable; only Exclusion List and national laws screening required.

*For Project finance if there is syndication and the bank's share is less than 25% then leverage will be limited and best effort will have to be made by the client to ensure that the project operates in the spirit of IFC PS. The project will have to be in compliance with home country laws and due diligence will have to follow Central Bank requirements.

E&S covenants – guidance and examples

Guidance

E&S clauses can be incorporated into legal agreements with borrowers. This helps reduce a Bank's exposure to potential E&S risks associated with a borrower's operations.

Bank staff can incorporate E&S clauses into legal agreements with borrowers to require borrowers to comply with the Bank's E&S requirements. Doing so helps a Bank reduce its exposure to the E&S risks associated with a borrower's operations throughout the lifetime of a transaction and gives the Bank legal recourse in the case of non-compliance.

A Bank's E&S Management System should state the circumstances under which specific E&S conditions such as the need for a corrective action plan should be inserted into the legal agreement for a proposed transaction. The Legal Department should be involved in developing and inserting the necessary clauses on E&S matters into legal agreements. The specific language will depend on the type of transaction and potential E&S risks identified during the due diligence process but generally addresses the following areas:

- **Positive Covenants:** Measures or actions to be taken by the borrower. These may include the requirement for compliance with national E&S regulations and international standards, and periodic reporting on E&S performance. In the event of significant accidents and incidents, with potentially adverse E&S effects such as spills or workplace accidents resulting in death, serious or multiple injuries or major pollution, the borrower is required to notify the Bank in a timely manner, such as within 3 days.
- **Negative Covenants:** Actions that the borrower should refrain from undertaking. These include the Bank's E&S requirements.
- **Conditions Precedent:** Conditions and requirements that the borrower has to fulfil prior to disbursement of funds by the Bank. These may include proof of valid permits and licenses, preparation of government-requested reports and delivery of completion of mitigation actions stipulated in the corrective action plan.
- **Event of Default:** An event that entitles the Bank to cancel a transaction and declare all amounts owed by the borrower to become immediately due and payable. For transactions that involve complex E&S issues, this may include specifying a time period such as 30 days during which the borrower can resolve the issue after notification by the Bank.
- **Corrective Action Plan:** The Plan is typically included as an annex to the legal agreement, outlining the specific mitigation actions to be taken by the borrower according to an agreed timeframe for implementation.

To assess compliance with the E&S clauses stipulated in the legal agreement, Bank staff should periodically monitor borrowers and, as necessary, require the preparation of a periodic E&S performance report for review by the Bank. The Bank should consider material non-compliances with the E&S clauses as a breach of contract, which constitutes an Event of Default under the terms of the legal agreement.

In case of such an event, Bank staff needs to work with borrowers to resolve non-compliance issues in order to ensure that any potential exposure of the Bank to the borrower's E&S risks is mitigated. Where resolving

the non-compliance issue is not possible, the Bank may be required to take legal action against the borrower to reduce its exposure to the E&S risks associated with the transaction.

Examples of specific environmental and social covenants

According to the Bangladesh Bank guidelines for Environmental and Social Risk Management, wherever the ESRR is “High” or “Medium”, the credit risk management function will ensure that additional conditions / covenants are included.

Examples of Environmental and Social risk-related financing conditions / covenants are as follows:

- The borrower will conduct business and maintain property in compliance with all environmental laws
- The borrower will ensure that adequate measures are in place in his/her business operation to prevent pollution of the environment (water, air, soil), injuries/health hazards to workers and negative impact on the local community and violation the labour rights of its employees.
- The borrower will provide environmental clearance certificates as and when obtained or renewed
- The borrower will have emergency response procedures in place
- The borrower will not undertake any activities that cause damage or environmental pollution to the [name of the protected site/eco-sensitive area] or disturb wildlife in the [name of the protected site/eco-sensitive area].
- The borrower will take immediate and necessary remedial action in the event of a hazardous spill or release.
- The borrower will not use the property for disposing of, producing, treating, storing or using contaminants, pollutants, toxic substances or hazardous materials or wastes.
- The borrower will ensure safe working conditions for its own or contracted workers. Where safe working conditions cannot be arranged by technical means, workers should be provided with and use appropriate personal protective equipment such as helmets, gloves, goggles, breathing masks, ear plugs or headphones, protective clothes and shoes.
- The borrower will employ a separate environmental manager with required background and skills to address environmental problems.
- The borrower will ensure to implement the necessary measures to prevent negative impact of its operation on the local community and local environment.
- The borrower will ensure adequate preparedness to climate change induced extreme events such as floods and cyclones.
- The borrower will ensure the proper consultation will be conducted with the local community representatives in relation to the project and the borrower’s business operations.

In addition, when considering use of specific covenants the bank staff may consider using any of the following examples for specific covenants. These covenants are only intended to provide an indication of the types of clauses that can be used in legal agreements. Legal advice should be taken before adapting these covenants or elements of them for use in shareholder or subscription agreements.

Preparing the Borrower’s response to environmental and social risks identified during environmental and social appraisal of the Project, and ensuring its implementation

1. The borrower shall have prepared an environmental and social action plan, (*), [and an environmental and social monitoring/worker training plan/on site emergency response plan] for the facility operations, which shall, in particular:
 - [state how the project will comply with the relevant environmental/sanitary/health and safety /labour regulations and standards/Bank requirements regarding _____ (specify)]
 - [determine the Project activities and environmental and social components to be monitored, the location of monitoring sites, and the frequency, standards, criteria, and techniques for carrying out the monitoring activities]
 - [identify the person in the company with overall responsibility for environmental, health & safety, and human resources matters]

(*) Examples of other environmental and social action programmes which may be required: environmental management plan; environmental monitoring plan; occupational health and safety management system; worker training programme, emergency response plan, human resources policy on ...
2. The borrower shall ensure that appropriate budgetary allocations are made to meet capital and operating expenses, including skilled manpower resources, relating to the environmental and workplace protection measures referred to in _____ [the Environmental and Social Assessment/the conditions stated in the permit _____ issued by _____ (specify)/the environmental and social action plan]. Such allocations will include, at a minimum, _____ (provide details of the resources to be allocated to specific environmental and social measures required in other provisions).
3. The Company shall implement the environmental and social monitoring/ [pollution control/worker training] provisions outlined in the environmental and social action plan [as referred to in Section ____/ as agreed with the Bank pursuant to Section ____ (see (1)) and furnish a summary report on those activities to the Bank within [30 days of the end of each financial year].
4. Responding to changes or unforeseen circumstances:

If (i) there is any adverse environmental or social impact or issue that was not foreseen by or contemplated in the environmental and social action plan, or if (ii) any mitigation measure set out in the environmental and social action plan is not sufficient to eliminate or reduce the environmental or social impacts and meet the applicable regulations [/Bank requirements] within the time frame set out in the environmental and social action plan, the Company shall, as soon as reasonably practicable and subject to the consent of the Bank, incorporate into the environmental and social action plan additional or revised mitigation measures to achieve compliance with applicable regulations [/Bank requirements], in a manner satisfactory to the Bank.
5. *For privatising/privatised companies:* the Borrower shall:
 - have negotiated with [state agency responsible for privatisation; former owner/operator of the facility] an indemnification [or: an agreement defining the responsibilities of each party] for past environmental contamination and/or the cost of clean-up or any other costs related to such contamination.
 - Develop and implement a plan to mitigate the adverse impacts of collective dismissals, in line with national law and good industry practice and based on the principles of (i) non-discrimination and (ii) consultation with workers and their representatives and, where appropriate, relevant public authorities.
6. Clarifying liabilities for ongoing/future pollution e.g. between neighbouring companies or in the case

of shared facilities: The borrower and _____ (name of neighbouring company) have entered into an agreement, satisfactory to the Bank, defining the responsibilities of each party with respect to the clean-up of potential soil and groundwater contamination on the site [or off-site], and the payment of damages, fines or other costs related to [ongoing/historical] air pollution and soil or surface/groundwater contamination resulting from the operation of the facilities by each party.

Environmental and social considerations relating to project execution and the Borrower's operations

7. The Borrower shall conduct its business and operations [including the operations of any subsidiaries] with due regard to environmental and social factors
 - including compliance with environmental, health, safety and labour laws and regulations applicable in _____ (country)]. See also section (10) below
 - [in accordance with internationally recognised/ occupational health and safety practices]
 - [in accordance with principles and standards included in the International Labour Organisation's fundamental conventions concerning abolition of child labour, elimination of discrimination at the workplace and elimination of forced and compulsory labour]
 - [and in accordance with good international industry practices]
 - Without limiting the generality of the foregoing, the Borrower shall
 - ensure that potentially adverse environmental effects, such as _____ (describe possible problems – e.g., erosion, drainage, groundwater depletion, etc.) and other damage to the natural environment [or to important cultural and historic sites] receive due consideration in the design, construction, operation, and maintenance of project facilities.
 - ensure that appropriate health and safety protection measures are being used in connection with the implementation and operation of the Project.
 - take all action necessary to ensure that the following pollution control standards are monitored and enforced with compliance procedures acceptable to the Bank: _____ (specify).
 - Adopt and implement human resources policies and management practices to ensure compliance with labour laws and regulations in [country x] including without limitation, requirements on [non-discrimination and equal opportunity]

Monitoring and reporting on environmental and social performance

8. The Borrower shall submit to the Bank, as soon as available, but in any event within (...) days after the end of the (financial) year, an annual report on environmental and social matters relating to the project, in a form satisfactory to the Bank, including copies of any information on environmental and social matters the Company may have to make available to the authorities and, in any event,
 - the current status of environmental, health, safety and labour permits, licences or other approvals required for the projects and the Borrower's operations [including copies of renewals or modifications of any such approvals]
 - summary of incidents of non-compliance with the applicable environmental, health, safety and labour law, [including findings of inspection reports, penalties or increased charges imposed on the Borrower, and legal or administrative action or proceedings involving the Borrower or fines]
 - progress made on the implementation of the environmental and social action plan
 - worker health protection/safety initiatives [including training programmes] taken by the Borrower
 - public complaints/representations, if any

The report shall state the steps taken or proposed by the Borrower to address any problems in the above areas, and shall identify the person at the company with overall responsibility for environmental, health, safety and human resources matters.

9. The Borrower shall furnish to the Bank immediate notice of any incident or accident relating to the Project and likely to have a highly adverse effect on the environment or public or occupational health and safety. In particular, such adverse effect is deemed to have occurred: (i) where the applicable law requires notification of the accident/incident to the authorities, (ii) where the accident/incident involves fatality of any person or more than one person has received serious injury requiring hospitalisation, (iii) where it has become public knowledge inter alia through coverage in the media.

Environmental and social laws and regulations applicable to the Project

10. The Borrower shall ensure that the Project is designed and implemented, and the Project facilities are designed, installed, operated, and maintained, in conformity with all applicable national, provincial, and local environmental, sanitary, health and safety and labour laws and other regulatory requirements. Without limiting the generality of the foregoing, the Borrower shall ensure compliance with:
 - the _____ (title of the applicable environmental/health and safety/labour legislation) of _____ (date), as amended, or any successor legislation;
 - all applicable regulations and standards concerning _____ (indicate the relevant subject-matter) issued by (name of the relevant environmental /sanitary/labour/health and safety authority); and
 - all terms and conditions of the _____ (identify the applicable environmental clearance or permit) of _____ (date), issued by the _____ (name of the relevant environmental agency).

Annex 12

Corrective Action Plan - Guidance

Bank staff may develop a corrective action plan with a timeframe for the client to implement appropriate mitigation measures to comply with the Bank's E&S requirements.

Depending on the nature of E&S risks associated with a client's operations, Bank staff may develop a corrective action plan with a timeframe for the client to implement appropriate mitigation measures to comply with its E&S requirements. The purpose of a corrective action plan is to mitigate potential E&S risks in the context of a transaction to an acceptable level for the Bank.

Bank staff should tailor the scope of a corrective action plan to each client according to the specific risks identified during the E&S due diligence process or during subsequent transaction monitoring. Corrective action plans range from simple mitigation measures to detailed management plans with actions that can be measured quantitatively or qualitatively. The corrective action plan should include a description of the specific mitigation actions to be taken by the client, a timeframe for implementation and a reporting requirement to inform the Bank on the status of completion.

Bank staff will need to discuss the corrective action plan with the client and agree on its scope and timeframe for completion. If the corrective action plan is developed as part of the transaction appraisal process, it should be included in the legal agreement. The timeframe for implementation of specific mitigation measures will vary according to the E&S risk and may range from being a condition of transaction approval to a reasonable timeframe from disbursement or when E&S issues were identified during transaction monitoring.

Corrective Action Plan template

The following template can be used for documenting the corrective action plan agreed with the client.

Area of E&S concern as identified through ESDD	Corrective Actions required	Timeframe	Action completion indicator	Responsibility (Client staff, management or board)	Cost involved
<i>[specify the E&S area of concern, e.g. non-existence of effluent treatment or no valid Environmental Clearance Certificate]</i>	<i>[specify the corrective action(s), e.g. installation of ETP, application for renewal of Envi. Clearance Certificate]</i>	<i>[specify timeframe or deadline]</i>	<i>[specify the indicators, e.g. installed ETP ready for the bank's official inspection; results of testing of the qualitative parameters of treated effluent from the third party available]</i>	<i>[specify the responsibility for execution of the action and the confirmation of the completion of the]</i>	

				<i>action, e.g. borrower's management; RM]</i>	

Corrective Action Plan examples

A few examples of actions in the Action Plan for guidance.

Area of E&S concern as identified through ESDD	Corrective Actions required	Timeframe	Action completion indicator	Responsibility (Client staff, management or board)	Cost involved
Evidence of land pollution due to discharge of untreated effluent	Action plan may include: <ul style="list-style-type: none"> Removal and treatment of contaminated ground soil Construction of sewage system for industrial wastewater Construction of wastewater treatment facility and discharge system for treated water 	6 months	<ul style="list-style-type: none"> Installation of Effluent Treatment Plant (ETP). The ETP should be operational and the qualitative parameters of treated effluent should be within limits The discharge of treated effluent should be through the constructed discharge system and no other modes of discharge and leakages Qualitative parameters of treated contaminated ground soil should be within limits 	Board	
Absence of grievance redressal mechanism	Establish a grievance redressal mechanism	3 months	Well established grievance redressal mechanism which is appropriately communicated to the external stakeholders	Board	
Displacement of community structure	Restoration of community structure for common benefits	3 months		Management	
Loss of trees, crops, perennials	Compensating for standing crops and trees	1 year	Plantation of trees	Management	

Annex 13

A. Escalation Matrix for Corporate, Project Finance and Medium Enterprise lending

Risk rating	Proposing Stage	Approval Stage	Disbursement Stage
Low	<ul style="list-style-type: none"> ESDD Checklist is to be completed by RM, approved by Credit Analyst from CRM Division and processed as per normal credit process for both existing and new clients If all (d)-Not Applicable are checked, state reasons why 		
Medium	RM & Unit Head to sign off jointly for new or existing clients with proposals to: <ul style="list-style-type: none"> PROCEED with ESDD submission (despite (b) being checked) but proper justification is to be provided 	Escalation Process if Credit Analyst from CRM Division feels the transaction needs to be escalated: <ol style="list-style-type: none"> CRM will be the first point of review If identified risk(s) is unresolved, proceed for review by Sustainable Department and approval by Head of Credit Credit approval can only be granted subsequent to resolution via above steps Time-bound action plan to mitigate risks may form part of approval conditions 	If there are any conditions to be fulfilled as part of approval, Credit Risk Management Committee (CRMC) will check for the same before disbursing
High	RM & Unit Head to sign off jointly for new or existing clients with proposals to: <ul style="list-style-type: none"> REJECT (with reasons documented for record); or PROCEED with ESDD submission (despite (c) being checked) but proper justification is to be provided 	Escalation Process: <ol style="list-style-type: none"> Credit Analyst from CRM Division will be the first point of review If identified risk(s) is unresolved, proceed for review by Head of Credit and Head of Sustainable Department All high risk projects are to be escalated to Board/ EC with a recommendation from Head of Credit. Credit approval can only be granted subsequent to resolution via above steps Time-bound action plan to mitigate risks may form part of approval conditions 	If there are any conditions to be fulfilled as part of approval, CRMC will check for the same before disbursing

Annex 14

Monitoring Checklist

Sl. No.	Question /Issues to check	Response
<i>Project Summary Information</i>		
1	Reporting period covered by this monitoring report	
2	Specification of project stage (design, construction, operation or closure stage)	
3	Key developments and any major changes in project location and design, if any from the time of loan disbursement or from the last supervision period.	
<i>General Information</i>		
4	<p>Status of implementation of covenants/corrective action plan. Is it in line with the agreed timeframe? (i.e., if all covenants are implemented or partially implemented or not implemented or delayed implementation). <i>If partially implemented or not implemented or delayed implementation, RM to please mention the reason in the response column along with a timeline for completion of implementation as committed by the client during supervision.</i></p>	
<i>EHS Management</i>		
5	<p>Were there any accidents, spills, leakages, explosion etc. during the reporting period? <i>If yes, what was the scale of damage (e.g. if there was any fatality, monetary loss etc.)? What was the action taken in response to the incident?</i></p>	

Sl. No.	Question /Issues to check	Response
6	<p>Have the company received recently any fines or penalties issued by the regulatory body on EHS issues?</p> <p><i>If yes, RM to please mention the nature of violation, amount of fine/penalty paid, action taken by the client to address the issue to avoid any such fine/penalty in future.</i></p>	
7	<p>Were there any health & safety incident in the company?</p> <p><i>If yes, what was the extent of injury – minor, major or fatal? What was the action taken in response to the incident?</i></p>	
8	<p>Are there any new E&S risks or adverse impacts observed due to client's operation?</p> <p><i>RM to please mention the types of new E&S risks, the reason for such new E&S risks, mitigation measures undertaken by the client to address the E&S risks.</i></p>	
Permits and Compliance Certificates		
9	<p>Are all the required permits, licenses and clearances in place?</p> <p><i>RM to please mention the issuance dates and duration of validity of all such permits, licenses and clearances.</i></p>	
10	<p>Other international management systems (for e.g. ISO 14000, OHSAS 18001, SA8000) followed by the client and if they have valid certifications for those management systems?</p>	
Grievance Redressal		

Sl. No.	Question /Issues to check	Response
11	<p>Have there been any recent complaints, grievance or protest received from local communities?</p> <p><i>If yes, RM to please specify the nature of grievances; actions taken by the client to resolve grievances and if there any outstanding issues and measures proposed by the client to resolve them.</i></p>	
12	<p>Were there concerns raised during the stakeholder consultations carried out by the client during the reporting period?</p> <p><i>If yes, what was the approach undertaken by the client to address those concerns?</i></p>	
Other Information		
13	<p>Any other information pertaining to environmental matters, management approach, community, media or NGO coverage that need to be mentioned?</p> <p><i>If there are any environment friendly initiatives, energy saving equipment etc. that might be relevant for the Bank.</i></p>	