

DIAMOND TRUST BANK

**SOCIAL AND ENVIRONMENTAL
MANAGEMENT SYSTEM (SEMS)**

1. INTRODUCTION

This Social and Environmental Management System (“SEMS”) details the policy and procedures that will be followed before lending is made by Diamond Trust Bank (the “Bank”).

The management and administration of the Bank’s SEMS will be undertaken by its designated environmental officer (“the **Environmental Coordinator**”).

2. SOCIAL & ENVIRONMENTAL MANAGEMENT SYSTEM

2.1. POLICY

The Bank will continually endeavor to ensure effective social and environmental management practices in all its activities, products and services with a special focus on the following:

- 2.1.1 Ensuring that all lending activities undertaken by the Bank are consistent with the Applicable Requirements more particularly set out in clause 2.2;
- 2.1.2 Ensuring that credit proposals are reviewed against the Applicable Requirements;
- 2.1.3 Financing projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the Applicable Requirements;
- 2.1.4 Making best efforts to ensure that all projects are operated in compliance with the Applicable Requirements on an ongoing basis, during the currency of the Bank’s financing; and
- 2.1.5 Ensuring that the Bank’s clients understand the policy commitments made by the Bank in this area.

This Policy will be communicated to the relevant staff of the Bank involved in lending activities and in particular with the review of credit applications.

2.2. APPLICABLE REQUIREMENTS

The Bank will ensure that all credit applications by prospective clients (the “**Project(s)**”) are reviewed and evaluated against the following Social and Environmental requirements:

- 2.2.1 The Exclusion List more particularly set out in Annex A;
- 2.2.2 The applicable National laws on environment, health, safety and social issues and any standards established therein; and
- 2.2.3 The IFC Performance Standards for Corporate/Project Finance Projects¹.

2.3. PROCEDURES

- 2.3.1. At the credit application as well as assessment stages, the Bank will apply the Exclusion List to the Project. If the Project involves an excluded activity, the prospective client will be so informed.
- 2.3.2. If the Project does not involve an excluded activity, the Bank will assess the prospective client’s compliance with the applicable requirements by undertaking, where required, a Social and environmental due diligence (the “**Due Diligence**”) as part of the credit appraisal process. However, with respect to lending by Diamond Trust Bank Kenya Limited, the Due Diligence applied will either be in the format in (i) Annex B Part I; or (ii) Annex B Part II,

¹ Corporate Finance Projects are those individual Projects to be financed by Diamond Trust Bank for an amount over US\$ 1 million and have a tenure longer than 12 months.

as applicable. Any proposed Corporate Finance Projects by Diamond Trust Bank Kenya Limited will be subjected to the due diligence form comprised in Annex B Part II whereas all other proposed projects will be subjected to the Due Diligence Form comprised in Annex B Part I.

- 2.3.3. The Due Diligence will be as per the guidelines in Annex B hereof and will be based on a relationship manager's site visit.
- 2.3.4. The prospective client must be able to demonstrate compliance to the applicable requirements to the Bank's satisfaction. Where compliance cannot be demonstrated, a corrective action plan must, if applicable, be agreed to in order for the lending to proceed. The plan must specify all of the necessary actions to bring the project into compliance. A target completion date for each specified action must also be agreed.
- 2.3.5. Prospective clients must provide all requested information, and prior to the Bank's decision to make a loan, the Bank must have concluded that the Project is expected to meet the applicable requirements (with corrective action, if required).
- 2.3.6. Social and environmental performance will be evaluated by the Bank on the renewal of any lending, including, if applicable, status of implementation of any proposed corrective action. The benchmark for performance will be the on- going compliance against the applicable requirements.
- 2.3.7. All lending agreements will contain appropriate environmental representations, warranties, and covenants requiring that Projects are and remain in compliance in all material respects with any applicable requirements.
- 2.3.8 Any environmental and social monitoring by the Bank will be undertaken using the form in Annex C.

2.4. ORGANIZATION AND RESPONSIBILITIES

- 2.4.1. The Environmental Coordinator will have oversight for social and environmental issues.
- 2.4.2. The Bank will ensure that these procedures are implemented for each Project, and that records of environmental reviews, as deemed necessary by the Bank, are maintained.
- 2.4.3. The Bank will ensure that all lending decisions are supported, if applicable, by appropriate due diligence documentation.

2.5. RESOURCES AND CAPABILITIES

- 2.5.1 The Environmental Coordinator will work with the Bank's Credit Risk Management Department to allow for the effective implementation of this Environmental Policy.

2.6. RECORDS TO BE MAINTAINED BY THE ENVIRONMENTAL COORDINATOR

- 2.6.1. Social and Environmental Due Diligence, if applicable.
This is the record of the Bank's Social and Environmental review of a project at the time of considering a Project for lending.
- 2.6.2. Reports to be provided to the Bank's Managing Director or Country Manager, as applicable, by the proposed client's Relationship Manager and the credit Risk Management Department.

ANNEX A

Part I - IFC Exclusion List

- (a) Production or trade in any product or activity deemed illegal under the National laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- (b) Production or trade in weapons and munitions.¹
- (c) Production or trade in alcoholic beverages (excluding beer and wine).¹
- (d) Production or trade in tobacco.¹
- (e) Gambling, casinos and equivalent enterprises.¹
- (f) Production or trade in radioactive materials. This does not apply to purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is considered to be trivial and/or adequately shielded.
- (g) Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of unbonded asbestos cement sheeting where the asbestos content is less than 20%.
- (h) Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- (i) Production or activities involving harmful or exploitative forms of forced labor² / harmful child labor.³
- (j) Commercial logging operations for use in primary tropical moist forest.
- (k) Production or trade in wood or other forestry products other than from sustainably managed forests.

Footnotes

1. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.
2. Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
3. Harmful child labor 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.

Part II - AFD Exclusion List

1. Production or trade in any product or activity deemed illegal under French and host country laws or regulations or international conventions and agreements.
2. Manufacturing and trading of any illegal product or illegal activity under local and French legislations or regulations, and/or international conventions or agreements;
3. Production or activities involving forced labour² or child labour³.
4. Trade in wildlife or wildlife products regulated under CITES⁴.

² *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*

³ *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.*

⁴ *CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. (Washington, 1993).*

5. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
6. Any activity involving or requiring destruction⁵ of Critical Habitat⁶ and any forest project under which no sustainable development and managing plan is carried out.
7. Production or use of or trade in hazardous materials such as asbestos fibers and products containing PCBs⁷.
8. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances⁸ and other hazardous substances subject to international phase-outs or bans.
9. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
10. Production or trade in⁹:
 - weapons and/or munitions;
 - tobacco;
 - hard liquor for human consumption.
11. Gambling, casinos and any equivalent enterprises⁸⁺¹⁰.
12. Any business relating to pornography or prostitution.
13. Any activity involving significant alteration, damage or removal of any Critical Cultural Heritage¹¹.
14. Production and distribution of racist, anti-democratic or with the intent to discriminate part of the population.
15. Exploitation of diamond mines, and commercialization of diamonds, when the host country has not adhered to the Kimberley Process.
16. Any sector or service subject to United Nations, European Union and/or French embargo without any threshold.

⁵ 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 (see footnote under) is lost.

⁶ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

⁷ 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.

⁸ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates.

⁹ Activities excluded when representing more than 10 % of the balance sheet or the financed volume and for Financial Institutions more than 10% of the portfolio volume financing

¹⁰ Any direct financing of these projects or activities including them (hotel together with a casino for example). Urban development plans which could later incorporate such projects are not concerned

¹¹ Is considered as « Critical Cultural Heritage » any part of cultural heritage acknowledged by international or national community for its historical, social or cultural interest.

ANNEX B

CARRYING OUT THE SOCIAL AND ENVIRONMENTAL DUE DILIGENCE

- (a) The Due Diligence shall be the record of the Bank's review of a Project at the time of appraisal that ensures that a Project is meeting and is expected to continue to meet the Applicable Performance Requirements. The Due Diligence will be based, at the Bank's discretion, on all or some of the following:
 - (i) Review of project and social and environmental documents of the Project as required by the National laws;
 - (ii) Discussions with the prospective client; and
 - (iii) Site visit and discussions.
- (b) The Due Diligence will either take the form in (i) Annex B Part I; or (ii) Annex B Part II¹².

¹² Any proposed Corporate Finance Projects, as applicable, will be subjected to the Due Diligence Form comprised in Annex B Part II whereas all other proposed Projects will be subjected to the Due Diligence Form comprised in Annex B Part I.

ANNEX B - PART I

DUE DILIGENCE REPORT
FOR FACILITIES¹³ NOT CATEGORISED AS CORPORATE FINANCE PROJECTS

NAME OF CUSTOMER:	
SIGNATURE OF CORPORATE CUSTOMER'S REPRESENTATIVE:	
NATURE OF BUSINESS ACTIVITY:	
SECTOR:	
REFERENCE:	 E&S Issues in SMEs.docx

(i) Background

Purpose and location

- *What is the purpose (e.g. working capital, construction, property purchase etc.) of the proposed facility?*
- *What is the description (e.g. term loan, overdraft, guarantee or Letter of Credit etc.) of the proposed facility?*
- *Provide brief details of either (i) the location of the business; or (ii) property to be acquired using the facility issued by the Bank.*

(ii) Compliance with Applicable Requirements

National Regulatory requirements

- *Are you required to obtain any regulatory approvals (e.g. planning/building approvals, registrations etc.) in order to undertake the project (e.g. construction etc.) for which financing is being obtained? If yes, provide details.*

(iii) Environment Issues

Air and Water Pollution, Waste Management, Site Health and Safety, Chemical Hazards and Emergency Management

- *Are you required by the National law to undertake an Environmental Impact Assessment prior to undertaking the project to be financed by the Bank? If yes, have you undertaken the same and obtained the requisite licence from National*

¹³ Should be applied to all Industrial / Manufacturing / Construction / Production Related Facilities and Overdraft / Guarantee / LCs / Term Loan Facilities

Environmental Management Authority (NEMA) or an equivalent authority, if applicable?

[Please attach a copy of the certificate to this document].

- *Are you required by the National laws to have procedures in place to monitor environmental compliance by your business? If yes, confirm whether you are compliant.*
- *Is your business required by the National laws to identify the environmental and social impacts and risks of the business? If yes, confirm whether you are compliant.*
- *Please confirm whether the National laws require that you maintain documented procedures for preventing and managing environmental and social issues. If so, please confirm you have the procedures in place.*

[A copy thereof should be sighted by the DTB representative administering this form.]

- *Are you required by the National laws to monitor air and water emissions by your business? If yes, confirm whether you are compliant and, if applicable, provide a copy of the effluent discharge permit issued by the local authorities.*
- *Are your workers required to handle chemicals and fertilizers in connection with your business? If yes, confirm the steps that have been taken to prevent accidents, injury, and disease by minimizing the causes of hazards, if any, arising from your business activities?*
- *Please confirm whether the National laws require that you maintain documented procedures to guide the storage, handling, and disposal of solid wastes emanating from your business? If so, please confirm you have the procedures in place.*

[A copy thereof should be sighted by the DTB representative administering this form.]

(iv) Resource Utilization
Water, Construction material, Other

- *Is your business required by the National laws to apply project-specific pollution prevention and control techniques in connection with its daily operations? If yes, provide brief details.*

(v) Sensitive Receptors
Local Human settlements, Local Ecologically sensitive areas, Sites of cultural importance

- *Are there settlements in close proximity with the location of your business?*
- *Please confirm whether the National laws require that you maintain procedures to minimize community, health and safety issues in relation to your business activities? If so, please confirm you have the procedures in place.*

[A copy thereof should be sighted by the DTB representative administering this form.]

- *Does/will your emergency preparedness and response plan take into account any risks and impacts from your business to any local communities? If yes, provide brief details.*

- *Is the business conducted or going to be conducted in a legally protected area? If yes, confirm the business is being undertaken in compliance with the applicable National laws.*
- *Is the business to be conducted in an area where cultural heritage is expected to be found? If yes, confirm the business is being undertaken in compliance with the applicable National laws.*

(vi) Social Issues

Land Acquisition, Usage of Land, Rehabilitation and Resettlement

- *Is the facility to be used to acquire land?*
- *Is the land to be used for agricultural, industrial, commercial or residential purposes? If yes, please underline the specific usage as per the aforementioned categories.*
- *Is the land to be acquired with/a vacant possession? If not, will there be any displacement of persons as a result of the proposed acquisition? If yes, confirm you complied with the legal procedures for such acquisition.*

(vii) Labor Relations

No Child or forced labor, Compliance with National labor laws

- *How many employees do you have? Please provide information on both permanent and temporary/contract workers, as applicable.*
- *Does your company have Human Resource Procedures? Please confirm these procedures have been communicated to employees.*

[A copy thereof should be sighted by the DTB representative administering this form.]

- *Are you required to be registered under the Occupational Safety and Health Act or other equivalent statute, if applicable?*
- *Please confirm you have measures in place to monitor employee health and safety?*
- *Are you compliant with the National labor and employment laws?*
- *Please confirm you are complying with National legislation to ensure that child or forced labor is not used in your business?*
- *Are you providing your workers with a safe and healthy work environment in compliance with the National legislation?*

EXECUTION BY THE CUSTOMER:

We/I hereby undertake that the information contained herein is true to the best of our/my knowledge, information and belief and that in the event we/I have to change the nature of our/my business, we/I will first disclose such intent to the Bank.

SIGNATURE OF THE CORPORATE CUSTOMER'S REPRESENTATIVE:	
DATE:	

TO BE COMPLETED BY THE BANK**(a) Exclusion List**

- *Does the customer's business fall within the Exclusion List detailed in the Bank's Credit Policy?*

(b) Project specific issues (Please refer to the sector-specific document for guidance)

- *Are there any project specific issues that need to be addressed by the customer pre-/post-disbursement? If yes, please incorporate the same in the corrective action plan.*

(c) Environmental Management /Corrective Action Plan

- *Is there need for a corrective action plan? If yes, provide brief details of the plan and the time frame allowed to the customer to comply. Details of consequences of non-compliance with agreed plan also to be provided.*

(d) Summary and Recommendations

- *What is the project to be financed using the facility's classification as per the table below?*

Category A:	Category B:	Category C:
The project may have adverse environmental impacts. A full environmental impact assessment is recommended.	The project may result in specific environmental impacts, but these impacts are site specific and few if any of them are irreversible. A full environmental impact assessment is recommended.	The project is likely to have minimal or no adverse environmental impacts. No further environmental assessment is required.

EXECUTION BY THE BANK:

Name:	Signature:	Date:
Relationship Manager:		
Unit Head:		
Risk Representative:		
Environmental Co-ordinator (EC)/ MCC Member (In the absence of EC):		

** Attach answers separately if space provided is not adequate.*

ANNEX B - PART II

SELF ASSESSMENT FORM FOR CORPORATE FINANCE / PROJECT FINANCE¹⁴

NAME OF CUSTOMER:	
SIGNATURE OF THE CORPORATE CUSTOMER'S REPRESENTATIVE:	
NATURE OF BUSINESS ACTIVITY:	
SECTOR:	
DESCRIPTION OF NEIGHBOURING COMMUNITIES/ BUSINESS ACTIVITIES:	
REFERENCE:	 E&S Issues in SMEs.docx

¹⁴ This Self- Assessment Form is applicable only to persons seeking facilities of over US\$1 Million with a tenure longer than 12 months.

GENERAL	Purpose, Description, Location, Statutory Requirements	<ul style="list-style-type: none"> • What is the purpose (e.g. working capital, construction, property purchase etc.) of the proposed facility? • What is the description (e.g. term loan, overdraft, guarantee or Letter of Credit etc.) of the proposed facility? • Provide brief details of either (i) the location of the business; or (ii) property to be acquired using the facility issued by the Bank. • Are there any other regulatory approvals necessary in relation to the Project e.g. planning/building approvals, registrations? If yes, provide details. • Is your business required to be registered under the Occupational Safety and Health Act or other equivalent statute, if applicable?
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R E F - E R E N C E	H E A D I N G	R E Q U I R E M E N T	Y E S	N O	N / A	S T A T U S (Please provide additional information to support all responses)
P E R F O R M - A N C E S T A N D - A R D 1.	Assessment and Management of Environmental and Social Risks and Impacts.	<ul style="list-style-type: none"> • Are you required by the National laws to undertake an Environmental Impact Assessment prior to undertaking the project to be financed by the Bank? If yes, have you undertaken the same and obtained the requisite licence from National Environmental Management Authority (NEMA) or equivalent authority, if applicable? <i>[DTB representative to confirm sighting the licence, if applicable.]</i> • Have you identified the Environmental and Social (E&S) Risks of your business/project? • Do you have a Policy (statement) guiding E&S performance of your business? <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Please confirm having a system/ procedure in place to screen, identify, analyze, assess and address the potential risks and impacts related to your business activities/projects. <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Have you designated someone in-house to ensure compliance with and management of your E&S obligations? Please provide the title of the designated employee. • If applicable, please confirm there are procedures in place to engage with local communities and address community grievances where applicable. 				

R E F - E R E N C E	H E A D I N G	R E Q U I R E M E N T	Y E S	N O	N / A	S T A T U S (Please provide additional information to support all responses)
P E R F O R M - A N C E S T A N D - A R D 2.	R e v i e w o f L a b o r a n d W o r k i n g C o n d i t i o n s .	<ul style="list-style-type: none"> • How many employees do you have? • Do you have a Human Resource (HR) Policy that is compliant with the requirements of the National labour laws? <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Please confirm that the HR Policies have been communicated to the employees? • Does your HR Policy include a mechanism to review and address all employee complaints and grievances transparently and expediently? • Do you have a formal recruitment/ hiring process? • Please confirm there are measures in place to monitor employee health and safety? <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Have you obtained the necessary certification in relation to occupational health, safety and fire? Please provide details? <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Are you compliant with the National labor and employment laws? • Do you have a labour union active in your organization? If there is no labour union, are employees allowed to form or join unions? • Please confirm you are complying with National 				

R E F - E R E N C E	H E A D I N G	R E Q U I R E M E N T	Y E S	N O	N / A	S T A T U S (Please provide additional information to support all responses)
3.	Review of Resource Efficiency and Pollution Prevention.	<ul style="list-style-type: none"> • Do you have procedures to guide the storage, handling, and disposal of solid wastes emanating from your business? If yes, provide brief details. <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Does your business generate any air, liquid or solid waste emission? If yes, please provide details. Does your business require a waste management facility? If yes, confirm that the facility is in place. <i>[DTB representative to confirm, if applicable.]</i> • Please confirm there are procedures in place to guide the storage, handling, and disposal of solid wastes emanating from your business? <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Is your business required by the National laws to apply project-specific pollution prevention and control techniques in connection with its daily operations? If yes, provide brief details. • Are you required by the National laws to monitor air and water emissions from your business? If yes, confirm whether you are compliant. • Please confirm there are procedures in place to monitor air and water emissions and, if applicable, provide a copy of any effluent discharge permit issued by the local authorities. <i>[DTB representative to confirm sighting the document, if applicable.]</i> 				

R E F - E R E N C E	H E A D I N G	R E Q U I R E M E N T	Y E S	N O	N / A	S T A T U S (Please provide additional information to support all responses)
P E R F O R M - A N C E S T A N D - A R D 4.	R e v i e w o f C o m m u n i t y H e a l t h , S a f e t y , a n d S e c u r i t y p r a c t i c e s .	<ul style="list-style-type: none"> • Are there settlements in close proximity with the location of your business? • Please confirm, if applicable, that there are measures in place to minimize community, health security and safety issues in relation to your business activities? <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Does/will your emergency preparedness and response plan take into account any risks and impacts from your business to any local communities? If yes, provide brief details. <i>[DTB representative to confirm sighting the document, if applicable.]</i> • Do you have a procedure for avoiding/ minimizing exposure of neighbouring communities from infections that could result from your operations? • Does your emergency response plan provide for protection e.g. through notification of the neighbouring communities of any accidental spillage or effluent emanating from your business/ the project? • Does your company consist of armed security personal? If yes, have they had training on appropriate conduct? 				

R E F - E R E N C E	H E A D I N G	R E Q U I R E M E N T	Y E S	N O	N / A	S T A T U S (Please provide additional information to support all responses)
PERFORMANCE STANDARDS - ARD 5.	Review of Impact on Land Acquisition and Involuntary Resettlement.	<ul style="list-style-type: none"> • Does the proposed project involve the purchase of land? • What is the approved purpose of land usage (commercial, (multi-) residential, industrial, Shops etc.)? • Is the land to be acquired with vacant possession? If not, will there be displacement of persons as a result of the proposed acquisition? If yes, confirm you complied with the legal procedures for such acquisition and confirm there have been no third parties displaced. 				
PERFORMANCE STANDARDS - ARD 6.	Review of impact on Biodiversity Conservation and Sustainable Management of Living Natural Resources.	<ul style="list-style-type: none"> • Have you identified and assessed the impact, if any, of your business on the natural environment? • Does your business operate in a legally protected area? If yes, confirm you have the requisite approvals to operate in such area. • Have you identified any alien (non- indigenous) species which may be intentionally or unintentionally introduced through your activities? If so, are you acting consistently with e.g. government recognized management plans, consulted protected area sponsors, managers, affected communities and other stakeholders (as applicable)? 				

REFERENCE	HEADING	REQUIREMENT	YES	NO	N/A	STATUS (Please provide additional information to support all responses)
PERFORMANCE STANDARD - ARD 7.	Review of Impact on Indigenous Peoples.	<ul style="list-style-type: none"> Is your business likely to affect any Indigenous Peoples (IPs)? Have you identified any adverse impacts that your business may have on IPs? Have you identified appropriate measures to avoid or minimize impacts of your business on IPs as well as opportunities for culturally appropriate and sustainable development benefits for IPs? 				
PERFORMANCE STANDARD - ARD 8.	Review of Impact on Cultural Heritage.	<ul style="list-style-type: none"> Is the business located in an area where cultural heritage is expected to be found? If yes, how have you mitigated the effect of the project to be financed using the facility? Is the business to be conducted in an area where cultural heritage is expected to be found? If yes, confirm the business is being undertaken in compliance with the applicable National laws. 				

EXECUTION BY THE CUSTOMER:

We/I hereby undertake that the information contained herein is true to the best of our/my knowledge, information and belief and that in the event we/I have to change the nature of our/my business, we/I will first disclose such intent to the Bank.

SIGNATURE OF PERSON COMPLETING THE FORM FOR THE CORPORATE CUSTOMER:	
DATE:	

TO BE COMPLETED BY THE BANK

(a) Exclusion List

- *Does the customer's business fall within the Exclusion List detailed in the Bank's Credit Policy?*

(b) Project specific issues

- *Are there any project specific issues that need to be addressed by the customer pre-/ post-disbursement? If yes, please incorporate the same in the corrective action plan.*

(c) Environmental Management /Corrective Action Plan

- *Is there need for a corrective action plan? If yes, provide brief details of the plan and the time frame allowed to the customer to comply. Details of consequences of non-compliance with the agreed plan also to be provided.*

(d) Summary and Recommendations

- *What is the project to be financed using the facility's classification as per the table*



Guidance on
Categorization.docx

below? [See attached guidance note]

Category A:	Category B:	Category C:
The project may have adverse environmental impacts. A full environmental impact assessment is recommended.	The project may result in specific environmental impacts, but these impacts are site specific and few if any of them are irreversible. A full environmental impact assessment is recommended.	The project is likely to have minimal or no adverse environmental impacts. No further environmental assessment is required.

EXECUTION BY THE BANK:

Name:	Signature:	Date:
Relationship Manager:		
Unit Head:		
Risk Representative:		
Environmental Co-ordinator (EC)/ MCC Member (In the absence of EC):		

Figure 1. Sample Checklist for Reviewing E&S Issues in SMEs by Financial Intermediaries^{IN15}

<p>1. Nature of the client's business:</p> <ul style="list-style-type: none">• name, location (region, city/town and type of neighborhood - commercial or residential)• industry sector, product manufactured, capacity, no of employees• main markets (domestic/export (specify countries)) <p>2. Key indicators of problems</p> <p>House keeping in the work areas</p> <ul style="list-style-type: none">• Evidence of liquid and solid wastes in the workplace• High levels of noise (intermittent or continuous)• Strong smell's/irritants• Access, fire risk <p>Handling of wastes</p> <ul style="list-style-type: none">• Whether hazardous or not (check with client)• Disposal mechanism• Waste water and effluents• Treatment• Presence of toxic/hazardous materials• Disposal• Air emissions from stacks (chimneys) <p>Social and labor issues</p> <ul style="list-style-type: none">• Labor and working conditions and ability to have representation• Relations with local communities, disclosure and transparency• Records of problems, complaints and protests from local communities <p>3. Environmental Regulatory Compliance and Liability</p> <p>Is the Company in possession of all required HSE permits and approvals?; Has the Company paid excess charges or fines/penalties for non-compliance with HSE regulations and standards in the last two years? ; Is the Company exposed to potentially significant HSE liabilities, such as those arising from land / groundwater contamination, related to the Company's past or ongoing operations? If yes, specify magnitude?; Has the Company had any significant accidents or incidents in the last two years (e.g., oil spills, fires) involving deaths or multiple serious injuries and/or significant environmental damage? Was the company inspected by relevant government/municipal authorities in last 2 years? If yes, provide results.</p> <p>4. Social issues and community relations</p> <p>5. In the event that the Company is not materially in compliance with HSE regulations and standards, or if there are potentially significant HSE liabilities, please describe further actions required by the authorities and/or planned by the Company to address these issues satisfactorily, and to achieve regulatory compliance.</p>

Guidance on Categorization

Categorization: Definitions and Requirements for Environmental Assessment

Category A: The project is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented. A potential impact is considered “sensitive” if it may be irreversible (e.g., lead to loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites. A full Environmental Impact Assessment (EIA) is required.

Category B: The project may result in specific environmental impacts, but these impacts are site specific and few if any of them are irreversible. In most cases mitigation measures are predetermined Performance Standards, Guidelines, or design criteria. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of Category A projects. Although a full EIA is not required, environmental assessment focusing on the anticipated impacts is required.

Category C: The project is likely to have minimal or no adverse environmental impacts. No further environmental assessment is required.

Category FI: The project involves investment of funds through a financial intermediary in subprojects that may result in adverse environmental impacts, or the FI has operations which may have adverse environmental impacts (e.g. project finance). Verification that the project sponsor is capable of and committed to conducting environmental review of projects and managing relevant operations to ensure that financed projects meet certain environmental requirements is required.

Examples

Several factors influence the categorization of a project, including scale, location, sensitivity and magnitude of impacts. The examples provided below are therefore not categorical - for example, some hotel/tourism developments may be categorized as A, rather than B.

Typical Category A Projects	
Projects affecting indigenous peoples	Construction of dams and reservoirs
Projects involving resettlement of communities/families	Pesticides and herbicides: production or commercial use
All projects which pose serious socioeconomic concerns	Major irrigation projects or other projects affecting water supply in a given region
Projects associated with induced development (e.g. inward migration)	Domestic or hazardous waste disposal operations
Projects which impact on cultural property (e.g. religious and archeological sites)	Hazardous chemicals: manufacture, storage or transportation above a threshold volume
Projects which pose serious occupational or health risks	Oil and gas developments, including pipeline construction
Impacts on protected natural habitats or areas of high biological diversity including wetlands, coral reefs and mangroves	Large infrastructure projects, including development of ports and harbors, airports, road, rail and mass transit systems

Forestry operations	Metal smelting, refining and foundry operations
Mining (opencast and pit)	Large thermal and hydropower developments

Typical Category B Projects	
Breweries	Hotel/tourism developments
Cement manufacture	Mining (small scale)
Dairy operations	Metal plating
Food Processing	Modernization of existing plants
General manufacturing plants	Pulp and paper mills
Hospitals	Textile Plants

Typical Category C Projects	
Software development	Factoring Companies
Consulting firms	Share registries
Service industries	Stockbroking
Technical assistance	Retail banking

Typical Category FI Projects	
Credit lines	Venture capital companies
Agency lines	Leasing companies

ANNEX C

Company	Relationship Manager		
	E&S Manager		
	Date		

ENVIRONMENTAL AND SOCIAL MONITORING REPORT

Project Description and Key E&S Issues

Corrective Action Plan Update					
#	Action	Responsible Person	Target Date	Status	Comments
PS1: Assessment of Environmental and Social Risks and Impacts					
PS2: Labour and Working Conditions					
PS3: Pollution Prevention and Abatement					
PS4: Community Health, Safety and Security					
PS5: Land Acquisition and Involuntary Resettlement					

PS6: Biodiversity					
PS7: Indigenous Peoples					
PS8: Cultural Heritage					

Other E&S Issues Identified					
#	Issue Identified and Action Required	Responsible Person	Target Date	Status	Comments

Summary (Provide a summary of the progress made by the client and highlight issues that need to be flagged to Senior Management)

Status color coding:

Originator: Approver: Date:		Completed
		In progress
		Overdue