

Guidelines
on
Environmental and Social Risk Management (ESRM)
for
Lankan Alliance Finance Limited



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Introduction

Sustainability has been increasingly recognized as a central tenant to the growth of emerging market economies, including Bangladesh. New standards and codes of conduct have been developed by the Central Bank towards Environment and Social Risk Management (ESRM) within the financial sector to promote corporate accountability and transparency on the impacts of businesses on the environment and society. From the perspective of the financial sector, the role of Environmental and Social Risk Management (ESRM) is aimed at reducing the Probability of Default (PD) in credit/investment stemming from environmental and social risk factors as well as ingraining sustainability in the core business model. With a view to integrate sustainability into overall credit management, LAFL's Environmental and Social Risk Management (ESRM) has been prepared. LAFL has a dedicated team to streamline its business activities and overall operations as per the Bangladesh Bank ESRM Guideline. ESRM Guideline is applicable for all business departments/divisions and across the organization as well. The main objective is to establish a minimum standard to incorporate the active evaluation of environmental and social issues in assessing credit/investment proposals to promote sustainable business practices.

List of Abbreviations

BDT	Bangladeshi Taka
CAMELS	Capital Adequacy Assets Management Capability Earnings Liquidity Sensitivity
CITES	Convention on International Trade in Endangered Species
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
ESA	Environmental and Social Assessment
ESCP	Environmental and Social Commitment Plan
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESS	Environmental and Social Standard
ESMS	Environmental & Social Management System
ESRM	Environment and Social Risk Management
ESRR	Environmental and Social Risk Rating
ETP	Effluent Treatment Plant
FI	Financial Institution
GDP	Gross Domestic Product
GHGs	Greenhouse Gases
HoC	Head of Credit
IFC	International Finance Corporation
IMF	International Monetary Fund
IP	Indigenous People
LAFL	Lankan Alliance Finance Limited
MD	Managing Director
NGO	Non-Governmental Organization
ODS	Ozone Depleting Substances
PAH	Polycyclic Aromatic Hydrocarbons
PCB	Polychlorinated Biphenyl
PM	Particulate Matter
RMC	Risk Management Committee
RMG	Ready Made Garment
RO	Relationship Officials

SBN	Sustainable Banking Network
SFU	Sustainable Finance Unit
SME	Small & Medium Enterprises
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
VOC	Volatile Organic Compound

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1 Overview of the Guidelines

The core objective of the Environmental and Social Risk Management (ESRM) Guideline of Lankan Alliance Finance Limited (LAFL) is to integrate both Environmental & Social (E&S) Risks and incorporate appropriate risk mitigation measures in overall credit management. ESRM guideline can help business to expand the investment portfolio rather than to avoid investing in high E&S risks. The dedicated team along with the Sustainable Finance Unit, is responsible for coordinating E&S implementation across the departments and across the organization. The overall purpose of Environmental & Social Risk Management is to understand and fortify risks associated with environmental & social concerns of any financial footprint and incorporate those risks in the overall credit management process. The specific purposes are to:

- Provide a robust, auto generated, quantitative risk rating system.
- To assist the Relationship Managers (RMs) in carrying out the due diligence process.
- Define applicability based upon sector specific E&S impacts.
- Building the organizational roles and responsibilities upon the principles of integration of E&S risks into LAFL's overall credit policy.
- Delineate the responsibility of different functions of LAFL in terms of E&S risk assessment and the decision-making process based upon E&S risk rating.
- Examine the environmental and social issues and concerns associated with potential business activities proposed for financing.
- Enhance the credit risk appraisal process to facilitate sustainable business practices.

2 Typical E&S Risks for Lankan Alliance

Potential E&S risks may not seem significant or relevant at the time of approval of a financial transaction, but may become so during execution, for instance because of higher regulatory standards and increased levels of enforcement. In other cases, E&S risks such as spills or explosions may seem unlikely to occur, but when they do, the E&S impact can be significantly high. Please refer to E&S risks in detail for explanation on some of the common E&S risks.

To reduce exposure to risk arising from the E&S risks of the clients, Lankan Alliance Finance Limited (LAFL) needs to ensure that the clients' financial and operational sustainability is not undermined by adverse impacts on the environment and surrounding communities. To have a clear understanding of potential E&S risks and implications for a client's operations prior to being linked to the client in the context of a transaction.

This requires proactive identification, assessment, and management of E&S risks before they become significant or result in an adverse outcome on the client. LAFL can best achieve this by developing and implementing an Environmental and Social Management System (ESMS), to systematically assess the E&S risks and opportunities arising from the clients' operations and manage its exposure to such risks.

3 Environmental & Social Regulations:

All national regulations pertaining to E&S governance will be applicable while carrying out E&S due diligence of a particular transaction. Adherence to IFC Performance Standards will be considered in case of large project financing.

4 LAFL's Responsibilities:

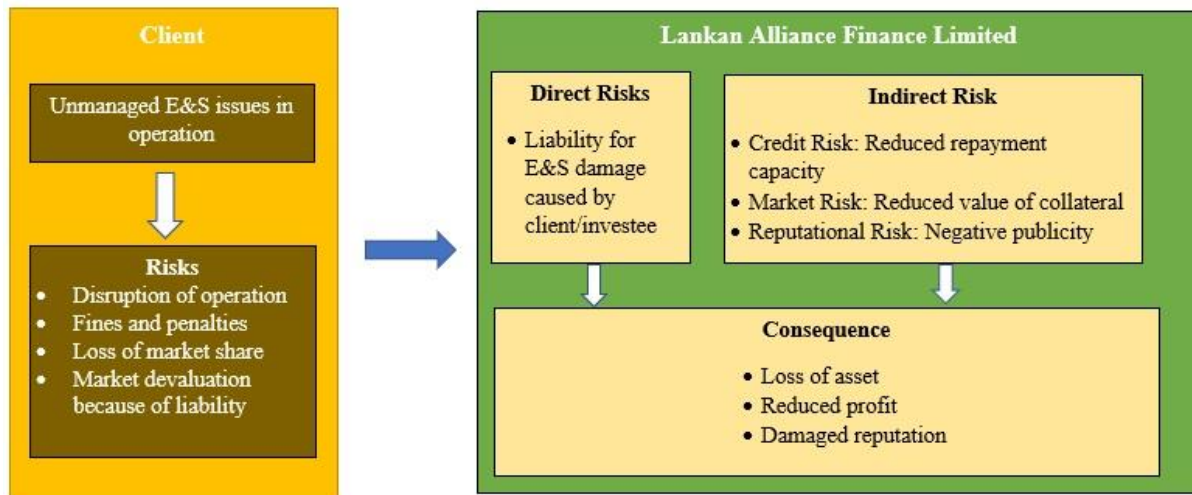
To carry out this Policy, LAFL will:

- a) Undertake its own due diligence of proposed projects, proportionate to the nature and potential significance of the environmental and social risks and impacts related to the project.
- b) As and where required, support the borrower to carry out early and continuing engagement and meaningful consultation with stakeholders¹, affected communities, and in providing project-based grievance mechanisms.
- c) Assist the Borrower in identifying appropriate methods and tools to assess and manage the potential environmental and social risks and impacts of the project.
- d) Agree with the borrower on the conditions under which the Bank/NBFI is prepared to provide support to a project, as set out in the Environmental and Social Commitment Plan (ESCP) of World Bank guideline in Section E and
- e) Monitor the environmental and social performance of a project in accordance with the ESCP and the ESSs (World Bank Environmental-and-Social-Framework)

5 Risks Associated with E&S Risk in Credit Management

All banks and FIs are exposed to some level of E&S risk through their clients. If left unmanaged, these risks can lead to a decline in reputational image, costly litigation, or loss of revenue. The type, quantity and severity of E&S issues that present a risk to LAFL for any given transaction depend on a variety of factors, including geographic context, industry sector, and the type of transaction.

¹ Further requirements for Borrowers on stakeholder engagement are set out in ESS10 of World Bank.



- **Credit Risk:** LAFL will be exposed to credit risk if a client is unwilling and/or unable to fulfil the contractual obligations associated with a transaction because of E&S issues. For example, if a client faces increased capital or operating costs of complying with E&S standards or if operating and emission/discharge permits are absent or expired resulting in regulatory fines or penalties, there is a risk that the client cannot meet its financial obligation.

Again, LAFL is exposed to credit risk stemming from a reduction in the value of collateral associated with a transaction due to E&S problems. For example, if a production site becomes contaminated, the market value of the underlying collateral will fall.

- **Legal Risk:** By virtue of taking possession of collateral assets, LAFL will be exposed to liability risk stemming from a client's legal obligations. This includes fines, penalties, and costs for addressing third-party claims for damages due to negligence in managing E&S risks in a client's operation and clean-up of contamination. If LAFL is a principal shareholder of a client's operations, it may also be directly liable for all E&S risks associated with such operations.
- **Operational Risk:** LAFL will be exposed to financial risk stemming from potential disruption of client's operations because of E&S problems. If not managed properly, these problems can affect a client's stability to meet its financial obligations to LAFL and/ or can drive down the value of a client's collateral in the context of a transaction. A client's failure to effectively address E&S considerations can jeopardize LAFL's business operations as well as the company.
- **Liquidity Risk:** LAFL may also face liquidity risks from E&S problems associated with collateral. For example, LAFL will have to use up internal resources to meet government clean-up requirements or to clean the site up before it can be sold if collateral is contaminated.

- **Reputational Risk:** LAFL can be exposed to reputational risk due to potentially negative publicity associated with a client's poor E&S practices. This can harm LAFL's brand value and image in the media, with the public, with the business and financial community, and even with its own staff. For example, if a client faces strong public opposition against its operations, LAFL's reputation may be tarnished through its association with this client.

6 Applicability of the Guidelines

The loan categories for which the ESRM Guideline is applicable are Agriculture, Retail, Trade, 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 ([Annex-1](#)).

Agriculture: In the agriculture sector if a loan application (new/renewal/rescheduling/restructuring) involves farming/crop production activities, poultry and dairy, then in addition to exclusion list, it is to be checked using the generic ESDD checklist ([Annex-2](#)), determine if there is any environmentally or socially adverse agricultural practices involved 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 etc. Agribusiness involving sorting, packaging, distribution, and sales will not require completing ESDD checklist.

SME: In the small enterprise category sector, if the following activities are involved, then a loan application (New/Renewal/Rescheduling/Restructuring) worth above BDT 1.00 million (BDT 10.00 Lakh) will be subject to due diligence using generic ESDD checklist ([Annex-2](#)), in addition to exclusion list, even if the loan amount is less:

- 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 labor, 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)

All loan applications (New/Renewal/Rescheduling/Restructuring) in the medium enterprise sector will have to undergo E&S due diligence as per the generic or sector specific ESDD checklist.

Corporate Finance: All loan applications (New/Renewal/Rescheduling/Restructuring) for corporate finance will have to undergo E&S due diligence process using the generic ESDD checklist and where applicable, the sector-specific ESDD checklist ([Annex-2](#)).

Trade, Retail and Microfinance: For all trade, retail, and microfinance only the exclusion list will have to be consulted. Any transaction in the Exclusion List will have to be terminated.

Project Finance: For all Project Finance transactions, apart from Exclusion List and Generic or sector specific checklist a third party Environmental and Social Impact Assessment (ESIA) will have to be conducted. ESIA will generally be arranged by the client at his/her/its own cost and submitted along with loan application. LAFL will ensure that the third party will be qualified by the criteria set by Bangladesh Bank in this purpose.

Table 1: Applicability of the Guideline by the Transaction Type

Sl. No.	Transaction Type	Exclusion List	ESDD checklist	Third party ESIA
1	Agriculture activities involving farming, crop production	✓	✓	
2	Other agricultural activities	✓		
3	Retail, Trade, Microfinance	✓		
4	Small sector falling in one of the categories listed above in SME Section	✓	✓	
5	Small sector NOT falling in one of the categories listed above from SME sector	✓		
6	Medium sector	✓	✓	
7	Corporate Finance	✓	✓	
8	Project Finance	✓	✓	✓

7 Applicable Standards

All national regulations pertaining to E&S governance will be applicable while carrying out E&S due diligence of a particular transaction. This means all relevant E&S permits, consents, licenses, and monitoring of E&S parameters as per the national regulations are to be considered as mandatory compliance requirements for evaluation of a loan application. A list of applicable national regulations and international treaties where Bangladesh is a signatory is provided as [Annex 10](#) for reference.

If clients have management systems in place as per international frameworks such as ISO 14001 for environmental management, OHSAS 18001 for occupational health and safety, SA8000 for socially acceptable practices in the workplace then it will be considered as a good practice.

Adherence to IFC Performance Standards will be considered in case of large project financing as a good practice and is an optional requirement.

8 The Environmental and Social Risks and Impacts to Consider:

The environmental and social risks and impacts which LAFL will consider in its due diligence will include the following:

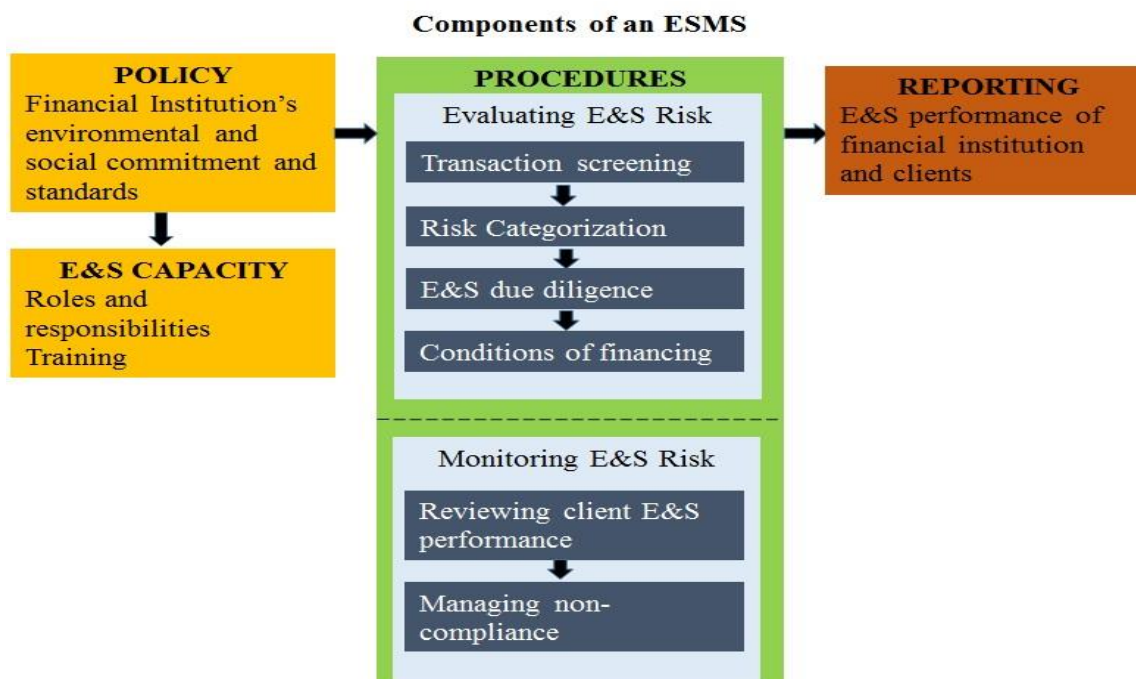
- Those identified in the World Bank Group Environmental, Health, and Safety Guidelines (EHSGS), DOE guidelines and Bangladesh Bank Guidelines.
- Those related to community safety (including dam safety and safe use of pesticides).
- Those related to climate change and other transboundary or global risks and impacts.
- Any material threat to the protection, conservation, maintenance and restoration of natural habitats and biodiversity.
- Those related to ecosystem services and the use of living natural resources, such as fisheries and forests.
- Threats to human security through the escalation of personal, communal, or interstate conflict, crime, or violence.
- Risks that project impacts fall disproportionately on individuals or groups who, because of their circumstances, may be disadvantaged or vulnerable.²
- Any prejudice or discrimination towards individuals or groups in providing access to development resources and project benefits, particularly in the case of those who may be disadvantaged or vulnerable.
- Negative economic and social impacts relating to the involuntary taking of land or restrictions on land use.
- Risks or impacts associated with land and natural resource tenure and use, including (as relevant) potential project impacts on local land use patterns and tenurial arrangements, land access and availability, food security and land values, and any corresponding risks related to conflict or contestation over land and natural resources.
- Impacts on the health, safety and well-being of workers and project-affected communities; and
- Risks to cultural heritage.

² Disadvantaged or vulnerable refers to those who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project's benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the mainstream consultation process and as such may require specific measures and/ or assistance to do so. This will consider considerations relating to age, including the elderly and minors, and including in circumstances where they may be separated from their family, the community, or other individuals upon whom they depend.

9 Environmental and Social Management System (ESMS)

An E&S Management System is a set of policies, procedures, tools, and internal capacity to identify, monitor and manage LAFL's exposure to the E&S risks of its clients. An E&S Management System states LAFL's commitment to E&S management, explains its procedures 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. It also provides guidance on how to screen transactions, categorize transactions based on the E&S risk, conduct E&S due diligence, and monitor the client's E&S performance. The ESMS includes LAFL's environmental and social policy and designated roles and responsibilities of its staff. It is implemented through a set of procedures for:

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



The procedures outlined in the ESMS need to be applied to each transaction as part of overall risk management framework of LAFL. For each transaction, this also requires to formally document its environmental and social review as part of its record-keeping process, consider environmental and

social findings during the decision-making process, and incorporate environmental and social requirements such as a corrective action plan as clauses in legal agreements with clients/investee.

To ensure the effective implementation of the ESMS across operations, LAFL will allocate the necessary resources for internal communication and training. As part of its commitment to good corporate practices, LAFL will periodically report on the environmental and social performance of transactions and measures taken to reduce overall exposure to environmental and social risk.

An ESMS helps LAFL to:

- Identify environmental and social risk associated with clients/investees and understand the potential impact on its portfolio.
- Systematically assess and manage environmental and social risks.
- Implement the necessary steps within its risk management system including documentation and recordkeeping.
- Monitor client compliance with national environmental and social regulations and international best practices and standards.
- Require clients to implement mitigation measures for identified environmental and social risk.
- Identify social and environmental business opportunities; and
- Develop a good reputation among clients, investors, and other relevant parties in the financial market.

Key components of an ESMS are described below.

9.1 E&S Policy

An E&S policy states LAFL's vision and mission with respect to the environment, society, and contributions to sustainable development. It is a short, written statement that articulates LAFL's commitment to integrating E&S considerations into its business activities as well as contributions to sustainable development. It serves as foundation within which the objectives and procedures of the ESMS are anchored. The E&S policy includes the following statements and commitments:

- Incorporating E&S risk considerations into all financing activities.
- Setting strategic E&S objectives, such as offering new products that address E&S sustainability.
- Excluding financing clients whose business activities do not meet the LAFL's principles.
- Establishing E&S requirements for clients such as complying with national E&S regulations and international standards.
- Communicating E&S expectations to all staff, clients, and other external stakeholders.

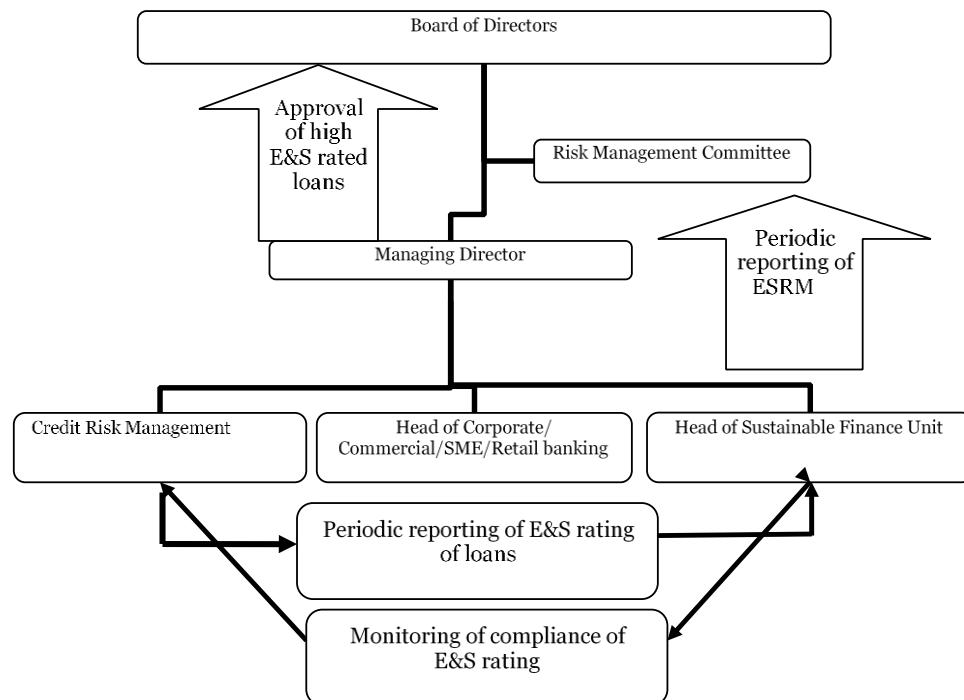
- Committing to improving the overall E&S performance of its portfolio through enhanced risk management.
- Committing to continually building capacity of its staff to identify E&S risks, including E&S and investment officers/analysts.

9.2 Organization Structure

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 LAFL will be involved with implementing different aspects of the ESMS:

- **Relationship Officials/Relationship Manager:** RO/RMs 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. ROs are responsible for filling out the ESDD checklist in consultation with the client at approval stage, collect additional information and respond to credit queries if necessary, and also follow up with the client if there are any pre disbursement actions to be completed. ROs also negotiate with the client in finalizing action plans and timelines where necessary.
- **Official in CRM Division:** Official in Credit Risk Management (CRM) is the first point of contact for any transaction once the ESDD has been conducted by the ROs. Based upon the risk rating, the official escalates the transaction to CRM. CRM is responsible 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.
- **Senior Management / Board of Directors:** The Senior Management should be responsible for the overall commitment to E&S objectives. In cases of unresolved E&S issues or non-compliance associated with a transaction that cannot be resolved by the CRM, Senior Management determines the appropriate course of action to follow to reduce the potential exposure to E&S risk, which may include taking legal action against the client. Board/EC (Executive Committee) is responsible for deciding if E&S risks in high risk projects are acceptable to overall exposure to risk before proceeding with a transaction. The Board in certain cases may decide to terminate a transaction based upon the level of risk of the project. Risk Management Committee (RMC) of Board will review, monitor, and supervise the overall ESRM activities.
- **Sustainable Finance Unit (SFU):** SFU (reference: SFU Circular No. 02/2016 issued by BB on December 01, 2016) is responsible for coordination with different departments, of LAFL for ensuring the compliance of ESRM and proper implementation of ESMS. This unit is responsible for updating the Board/Risk Management Committee (RMC) through Sustainable Finance Committee on the status of the portfolio regarding ESRM, facilitating the Board/RMC'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 and as/when required. Head of the SFU may be called upon by the Board to opine on critical E&S issues of a particular transaction. The SFU 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.



9.3 Screening Transaction

At the initial stage of evaluating a potential financial transaction, RO should screen the activities of the potential client to determine if it is an excluded activity. If the activity falls on list of excluded activities, the financial transaction should not be considered. During the initial screening, the RO should consider the Department of Environment (DoE) and World Bank categorization as it gives a sense whether the transaction is in a high-risk sector. DoE categorization and World Bank categorization is important to understand sectoral risk, but LAFL will be required to complete the ESDD to identify transaction specific risks.

9.4 Categorizing Transaction

To determine the extent of E&S due diligence which will be required for a particular transaction, an E&S risk category should be assigned to each transaction. The level of E&S risk will vary greatly for different types of financial transactions and by industry sectors. To help to determine the extent of E&S due diligence that will be required for a particular transaction, related staff should be assigned an E&S risk category to each transaction. This provides an initial assessment of the E&S risks associated with the transaction. Together with the findings of the E&S due diligence, this E&S risk category can be incorporated into the overall risk assessment of a transaction and factored into the decision-making process. This initial categorization can be done by considering DoE categories of Green, Orange A, Orange B and Red and World Bank categories High Risk, Substantial Risk,

Moderate Risk or Low Risk. A list of business categories is available in the Environment Conservation Rules (ECR), 1997. By assigning the financial intermediary category, the environmental and social risks related to these types of transactions can be managed accordingly. An environmental and social risk categorization system enables to monitor and evaluate its exposure to environmental and social risk aggregated at the portfolio level. In determining the appropriate risk classification, LAFL will take into account relevant issues, such as the type, location, sensitivity, and scale of the project; the nature and magnitude of the potential environmental and social risks and impacts; and the capacity and commitment of the Borrower (including any other entity responsible for the implementation of the project) to manage the environmental and social risks and impacts in a manner consistent with the ESSs of World Bank, Environment Conservation Rules (ECR), 1997 and DoE standard. LAFL will disclose the project's classification and the basis for that classification in Investment Documents. This information can also be used to report internally to Senior Management and externally to stakeholders on overall environmental and social performance.

LAFL will review the risk classification assigned to the project on a regular basis, including during implementation, and will change the classification where necessary, to ensure that it continues to be appropriate. Any change to the classification will be disclosed on the investment documents.

9.5 Conducting ESDD

Conducting Environmental and Social Due Diligence (ESDD) on transactions is a critical component of ESMS and its outcome should be factored into the decision-making process for proceeding with a transaction. The purpose of the E&S due diligence is to review 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, deciding whether to provide support for the proposed project and, if so, the way in which environmental and social risks and impacts will be addressed in the assessment, development and implementation of the project. Which could present a potential liability/risk to LAFL. The purpose of the E&S appraisal is to:

- Identify and assess potential E&S impacts and issues, both adverse and beneficial, associated with a proposed investment project.
- Conduct a gap analysis to define areas of project noncompliance with the requirements of the national laws
- LAFL's environmental and social due diligence will be appropriate to the nature and scale of the project and proportionate to the level of environmental and social risks and impacts, with due regard to the mitigation hierarchy.
- The due diligence will assess whether the project is capable of being developed and implemented in accordance with the ESSs.
- Assess the commitment and capacity of the client to manage identified impacts and define remedial measures as needed.
- Assess the quality and adequacy of the client's E&S management systems and practices to avoid, minimize, or mitigate adverse impacts, and define remedial measures as needed.
- Identify measures to avoid, minimize, mitigate, or offset/compensate for adverse impacts on workers, affected communities, and the environment.

- Design an Environmental and Social Action Plan (ESAP or Action Plan) addressing all deficiencies and non-compliances discerned during the appraisal containing specific tasks designed to close all significant gaps.
- Ensure that the investment contracts (e.g. loan documentation) include appropriate definitions, covenants, clauses and associated elements to obligate the client to comply with all E&S laws and regulations, the ESAP, and applicable sections of general and sector specific checklists; and stipulate progress and performance reporting obligations;
- Identify opportunities (e.g., clean production and energy efficiency) to improve E&S performance and
- Conceptualize specific reporting needs for the supervision phase to ensure clear understanding of client performance, behavior, and achievement of sustainability in operations.
- Borrowers may have different levels of information regarding the environmental and social risks and impacts available at the time LAFL carries out its due diligence. In such circumstances, LAFL will assess the risks and impacts of the proposed project based on the information that is available, together with an assessment of:
 - a) the risks and impacts inherent to the type of project and the specific context in which the proposed project will be developed and implemented; and
 - b) the capacity and commitment of the Borrower to develop and implement the project in accordance with the ESSs. LAFL will assess the significance of the gaps in information, and the potential risk this may present to achieving the objectives of the ESSs. LAFL will reflect this assessment in the relevant project documents at the time the proposed financing is submitted for Board approval.
- Where LAFL is approached to provide support for a project that is under construction, or where the project has already received national permits, LAFL's due diligence to meet the World Bank Guideline will include a gap analysis against the Environmental and Social Standards (ESS) to identify whether any additional studies and/or mitigation measures are required to meet any other requirements. Depending on the potential significance of environmental and social risks and impacts, LAFL will determine whether the Borrower will be required to retain independent third-party specialists to assist in the assessment of environmental and social impacts.

E&S due diligence involves the systematic identification, quantification and assessment/evaluation of E&S risks associated with a proposed transaction. This process also helps identify the mitigation measures that are necessary to reduce any E&S risks that are identified. The extent of the E&S due diligence and level of detail is based on the transaction's E&S risk category and will vary by transaction type.

LAFL needs to refer to the generic ESDD checklist for sectors where a sector specific ESDD checklist is not available. For sectors where a sector specific ESDD checklist is available, LAFL needs to refer to the respective sector ESDD checklist only for carrying out the ESDD. The ESDD checklists (both generic and sector specific) will auto generate the E&S risk ratings – high, medium, and low based on the responses provided to the questions in the checklist.

The process of E&S due diligence, filling in the ESDD checklists can involve a simple desktop review or may require a site visit with the use of technical experts, if necessary, to understand

potential E&S risks associated with business activities and review a client's compliance with the LAFL's E&S requirements. Relevant documents will have to be collected to support E&S findings. The ESDD checklist has relevant guidance for bankers to assist in collecting proof points. Below are typical steps for conducting ESDD.

- **Step 1:**

Exclusion List: Screening of the project against a list of excluded activities adopted by the financial institution.

- **Step 2:**

DoE Categorization: Review of industry sector and environmental and social issues that are typically associated with this type of operation.

- **Step 3:**

ESDD:

- Review the project's compliance with applicable national environmental and social regulations.
- Review the project sponsors' track record on environmental and social issues, in terms of potential non-compliance with national regulations or negative publicity.
- Review the project's compliance against international standards or industry best practice regarding environmental and social issues; and
- Documenting all required information. Every loan file should have a fully completed E&S checklist, copies of all permits, clearances (DoE clearance certificate, fire license, buyer's audit report), ESAP, E&S Covenants in loan agreement and after disbursement subsequent supervision reports.

- **Step 4:**

Generate Risk Rating: Upon completion of the relevant checklist a risk rating (High, Medium, or Low) will be generated automatically.

- **Step 5:**

ESAP: For High and Medium Risk transaction, a time bound action plan and relevant covenants will have to be included in the loan documentation.

- **Step 6:**

Escalation: Depending upon the risk rating, the transaction will have to be escalated to the relevant authority. Please refer to the escalation matrix ([Annex-3](#)) for the process to be followed.

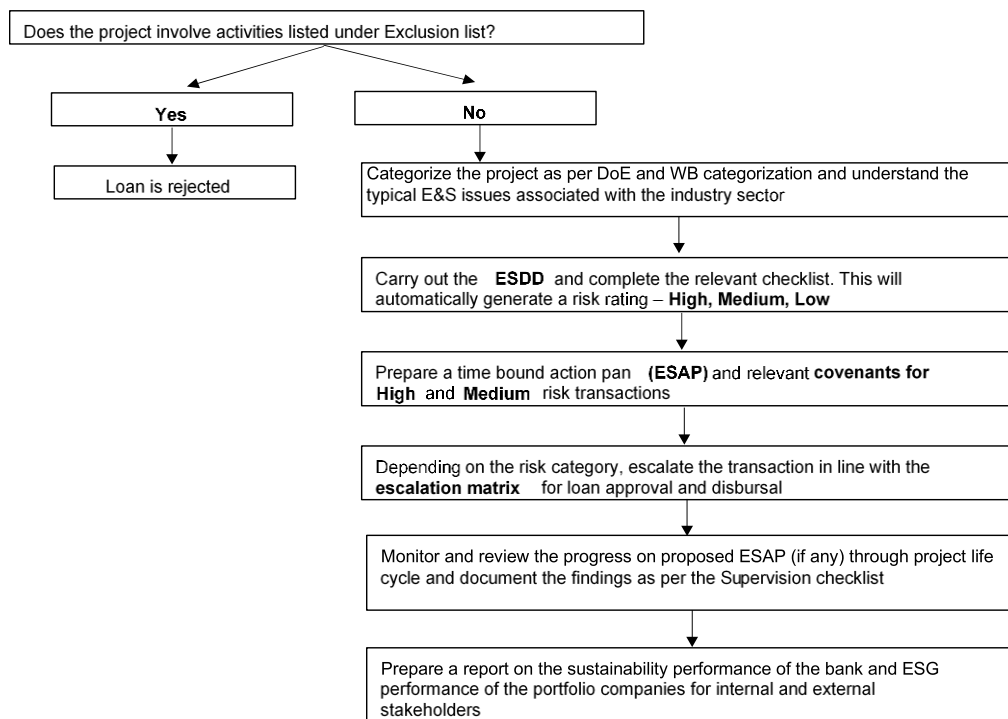
• **Step 7:**

Monitoring: Review of the proposed actions (if any) to mitigate potential environmental and social issues associated with the project throughout all phases of the project life cycle.

• **Step 8:**

Reporting: LAFL will have to report both internally to senior management and externally to Bangladesh Bank as well as its shareholders on the sustainability performance.

LAFL should document all findings from the due diligence, which will be considered during the decision-making process before proceeding with a transaction. For transactions that have been categorized as high-risk project finance, the financial institution may require the services of an external expert/consultant to conduct the environmental and social due diligence. To do so effectively, it is critical that the financial institution communicates to the external expert/consultant the environmental and social requirements that clients are required to comply with. The financial institution also needs to ensure that the findings are reviewed and factored into the decision-making process. The following flow chart summarizes the steps to be followed while conducting ESDD.



9.6 Borrower Requirements

This guidance is to set out the Borrower's responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a project supported by LAFL through Investment Financing, in order to achieve environmental and social outcomes consistent with the Environmental and Social Standards (ESSs).

As per requirement, the borrower will assess, manage and monitor the environmental and social risks and impacts of the project throughout the project life cycle so as to meet the requirements of the ESSs in a manner and within a timeframe acceptable to the Bank. The Borrower will:

- a) Conduct an environmental and social assessment of the proposed project, including stakeholder engagement.
- b) Undertake stakeholder engagement and disclose appropriate information in accordance with applicable standard.
- c) Develop an Environment and Social Commitment Plan (ESCP), and implement all measures and actions set out in the legal agreement including the ESCP; and
- d) Conduct monitoring and reporting on the environmental and social performance of the project against the ESSs.

Where the ESCP requires the Borrower to plan or take specific measures and actions over a specified timeframe to avoid, minimize, reduce or mitigate specific risks and impacts of the project, the Borrower will not carry out any activities in relation to the project that may cause material adverse environmental or social risks or impacts until the relevant plans, measures or actions have been completed in accordance with the ESCP. If the project comprises or includes existing facilities or existing activities that do not meet the requirements of the ESSs at the time of Board approval, the Borrower will adopt and implement measures satisfactory to the Bank so that specific aspects of such facilities and activities meet the requirements of the ESSs in accordance with the ESCP.

Besides, as LAFL recognizes the importance of better working conditions, employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. LAFL will check whether borrowers have promoted sound worker-management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions. In this regard LAFL will follow the Environment and Social Framework by The World Bank.

Also, LAFL recognizes that economic activity and urbanization often generates pollution in the air, water, and land, and consumes finite resources that may threaten people, ecosystem services and the environment at the local, regional, and global levels. The current and projected atmospheric concentration of greenhouse gases (GHG) threatens the welfare of current and future generations. At the same time, more efficient and effective resource use, pollution prevention and GHG emission avoidance, and mitigation technologies and practices have become more accessible and achievable. LAFL will follow the Environment and Social Framework by The World Bank. LAFL will promote investment in the sustainable use of resources, including energy, water, and raw materials. The investment will focus on minimizing adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities, minimizing project-

related emissions of short and long-lived climate pollutants, minimizing generation of hazardous and non-hazardous waste, managing the risks and impacts associated with pesticide use.

Borrower is required to submit assessment on biodiversity conservation and sustainable management of living natural resources as per the guideline of DoE and World Bank.

Borrowers must recognize that cultural heritage provides continuity in tangible and intangible forms between the past, present and future. People identify with cultural heritage as a reflection and expression of their constantly evolving values, beliefs, knowledge, and traditions. Cultural heritage, in its many manifestations, is important as a source of valuable scientific and historical information, as an economic and social asset for development, and as an integral part of people's cultural identity and practice. The requirements of this will apply to all projects that are likely to have risks or impacts on cultural heritage. This will include a project which:

- a) Involves excavations, demolition, movement of earth, flooding, or other changes in the physical environment.
- b) Is located within a legally protected area or a legally defined buffer zone.
- c) Is located in, or in the vicinity of, a recognized cultural heritage site.

Once the ESDD is completed, the checklist will auto generate a risk rating- High, Medium, or Low.

- **High Risk:** Transactions typically involve clients with business activities with significant adverse E&S impacts that are sensitive, diverse, or unprecedented. A potential impact is considered sensitive if it may be irreversible (such as loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites.
- **Medium Risk:** Transactions typically involve clients with business activities with specific E&S impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures and international best practice. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of high-risk transactions.
- **Low Risk:** Transactions typically involve clients with business activities with minimal or no adverse E&S impacts.

All the low risk transactions can be approved by the Credit Officer. All the medium risk transaction will be escalated to the Head of Corporate/SME/Retail for approval. All the high-risk transactions will be escalated to the Board, after review by the Chief Executive Officer, for approval. In absence of the Board, the high-risk transactions can be approved by the Executive Committee.

9.7 Corrective Action Plan and Covenants:

For Medium and High-Risk projects there will be identified risks which will have to be mitigated. A corrective action plan can be developed identifying the risk, mitigation measure, timeline for implementation and who should be responsible for implementation. Transaction specific corrective action plan and covenants can be part of the legal loan documents. A template of the corrective action plan is provided in [Annex-7](#) and different types of covenants are outlined in [Annex 6](#).

9.8 Monitoring:

The purpose of monitoring a client's E&S performance is to assess existing and emerging E&S risks associated with a client's operations during the transaction. Once a transaction has been approved, LAFL needs to monitor the client's ongoing compliance with the E&S clauses stipulated in the legal agreement. E&S risks or compliance status may change from the time of transaction approval.

From the time of transaction approval, E&S regulations may become more stringent, the client may modify its operations or production processes in a way that exacerbates previously identified risks or present new E&S risks. Managing emerging E&S risks at the transaction level ensures effective E&S risk management at the portfolio level.

LAFL should explain the process for systematic monitoring on a periodic basis, such as by implementing procedures for verifying compliance with E&S requirements including implementation of any corrective action plans to resolve non-compliances. The frequency and extent of monitoring will depend on the complexity of E&S issues associated with a client's operations.

The monitoring process generally involves a review of periodic E&S performance reports submitted by the client and regular site visits of the client's operations. Special attention should be paid to:

- Assessing implementation of any mitigation measures specified in the corrective action plan
- Monitoring for valid E&S permits or licenses
- Any fines and penalties for non-compliance with E&S regulations
- Recent reports from the relevant regulator or inspection authority confirming compliance with specified laws, including any emissions, measurements, proving that emissions are below the permitted limits
- E&S occurrences including major accidents or incidents associated with a client's operations such as worker injuries and spills
- Media attention to E&S issues related to the client
- Any complaints submitted by stakeholders about a client

If any staff identifies E&S issues, such as a client's non-compliance with the E&S clauses stipulated in the legal agreement, they should follow up with the client to resolve these in a reasonable timeframe. Depending upon the complexity of the E&S issues associated with a client's operations, staff should require a new corrective action plan and/or periodic reports on E&S performance throughout the duration of the transaction. The reporting frequency should be tailored to each individual transaction and should be based on self-monitoring by the client or monitoring by independent third parties and/or regulatory authorities.

LAFL needs to refer to the monitoring checklist ([Annex 8](#)) for documenting the findings during the monitoring process.

9.9 Managing Eventualities in Investment Projects:

Non-routine events do occur in conjunction with business development, with consideration of new clients and investments, during appraisal, and in the post-commitment supervision cycle. Some common eventualities may include:

- Direct complaints made to LALF for investing in environmentally or socially harmful projects.
- Negative media report/Non-Governmental Organization (NGO) campaign about a particular transaction which LAFL has financed serious accidents, incidents including fatalities
- Worker unrest, riots, demonstration on the roads

As soon as the RO knows about any such occurrence, the RO will immediately inform Head of Corporate/SME/Retail, collect factual information about the event, conduct a site visit and develop an action plan to mitigate the occurrence of such event in the future and communicate to the client what implication there might be due to the event. There might also be requirement of revisiting the risk rating considering the recent event.

9.10 Internal/External Communication:

LAFL's ESMS should include periodic reporting on the E&S performance of transactions and measures taken to reduce its overall exposure to E&S risk.

LAFL staffs should compile all E&S findings from monitoring clients and aggregate findings at the portfolio level. By analyzing this information, LAFL can have a better understanding of its overall exposure to E&S risk through its portfolio.

E&S performance reports typically include information on:

- Portfolio breakdown by business line, industry sector and E&S risk category
- Overall exposure to E&S risk and performance
- High-risk transactions and E&S due diligence process prior to transaction approval

- Major E&S risks of individual transactions, including cases of non-compliance
- Significant E&S accidents or incidents related to a transaction
- Implementation and changes in LAFL's ESMS

10 Implementing ESMS

Once the ESMS has been formally approved by Senior Management/Board, it can be institutionalized and rolled out across LAFL.

To implement the ESMS, LAFL should develop an implementation plan, including an ESMS testing phase, with a time schedule for completing each task and the designated staff responsible for doing so. Tasks should include a review of the E&S regulations of the country in which LAFL operates, testing phase, communications and training plan for staff, assigning responsibilities to applicable staff, review of international best practice that apply to clients and review of the ESMS on a periodic basis for continuous improvement.

When properly designed and implemented, the additional workload for staff and transaction costs associated with the ESMS are limited, especially when E&S risk management procedures are fully integrated into the LAFL's existing risk management framework.

Senior Management should be kept informed of challenges, successes and other important issues associated with the implementation of E&S Management System. The SFU in consultation with relevant business teams and credit related departments can take a lead on implementation.

11 Provision of Incentives and Disincentives

Based on the performance of the borrower(s) and LAFL's dealing with transactions with high ESRR, incentives and disincentives need to be considered for the following.

11.1 High ESRR at Transaction/Application/Proposal level

The board of LAFL is authorized to consider the provision of incentives and disincentives for projects that have high pre-disbursal ESRR. During post-disbursal monitoring of the performance of the project, if change in ESRR is observed, the following options may be considered, provided any change to the interest rate and repayment term has to be incorporated as part of the loan agreement linked with changes in ESRR.

Table 2: Options for Incentives and Disincentives

Sl. No.	Particulars	Probable option(s)
1	Incentive(s) if change in ESRR is positive	<ul style="list-style-type: none"> • Issuance of appreciation letter and upload the name of project on LAFL’s website • Reduction in interest rate • Higher debt-equity ratio for borrowers • Flexibility in loan conditions • Favorable loan to value ratio for borrowers
2	Disincentive(s) if change in ESRR is negative	<ul style="list-style-type: none"> • Increase in interest rate • Lower debt-equity ratio for borrowers • Tougher loan covenants/conditions • Tougher loan to value ratio for borrowers

11.2 High ESRR at Portfolio Level

The purpose of these Guidelines is to encourage to better understand E&S risks and incorporate appropriate risk mitigation measures to be able to expand the lending portfolio rather than avoid investing in high E&S risks.

As per Bangladesh Bank guideline Bangladesh Bank will monitor the share of high ESRR transactions of individual banks or FIs in total loan profile and actions taken by the boards for high ESRR transactions. Bangladesh Bank will consider the following options with respect to the performance of banks and FIs towards meeting the sanction target for high ESRR projects:

- Impact in CAMELS rating.
- Impact on liquidity and capital requirements.
- Impact on credit growth.
- Impact on profit distribution.

12 Annex-1: LAFL Exclusion List

Sl. No.	Sector / Activities
1	<p>Production or trade in any product or activity deemed illegal under 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 the Convention on International Trade in Endangered Species (CITES).</p> <p>Links: United Nations (UN) list of banned chemicals and products: https://www.un.org/esa/coordination/Consolidated.list-13FinalFinal.pdf</p> <p>CITES list of endangered species: https://www.cites.org/eng/app/E-Apr27.pdf.</p>
2	<p>Ship breaking/ trading activities which include:</p> <ul style="list-style-type: none"> a) Ships with prevalent asbestos use (for e.g. passenger cruise). b) Ships listed on the Greenpeace blacklist³. c) https://wayback.archive-it.org/9650/20200406220213/http://p3-raw.greenpeace.org/international/en/campaigns/oceans/pirate-fishing/Blacklist1/ d) Ships not certified “gas free” for hot work
5	Drift net fishing, deep sea bottom trawling, or fishing with the use of explosives or cyanide
6	Operations impacting UNESCO World Heritage Site and/or Ramsar site
8	Illegal logging, and logging operations or conversion of land for plantation use in primary tropical moist forests
10	Production or activities involving forced labor/ child labor
11	<p>Production or trade in:</p> <ul style="list-style-type: none"> a) Weapons and munitions b) Tobacco c) Gambling, casinos d) Pornography (goods/stores/web-based)
12	Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples

³ <http://www.greenpeace.org/international/en/campaigns/oceans/pirate-fishing/Blacklist1/>

13 Annex-2: ESDD Checklist

Environmental and Social Due Diligence (ESDD) Risk Assessment Tool

User Guide for Environmental and Social Due Diligence (ESDD)

This E&S risk assessment tool contains 13 tabs - user guide; one Generic and 10 sector specific Environment and Social Due Diligence (ESDD) checklists; and glossary of terms.

The user guide provides guidance to Risk Managers (RMs) on how to use this auto generating risk assessment tool. The generic and sector specific checklists contain questions under three categories - General; Environment, Health & Safety; and Social. Based on the responses provided to these questions, the tool will generate a quantitative risk rating. A guidance note is provided for each of the questions to help the RMs in providing their responses. The technical terms used in the checklist (including guidance notes) are further defined and explained in the tab called "glossary of terms". For ease of reference, these terms are shown in italics. For further detailed explanation on all types of E&S risks please refer to Annexure 10.D of the Environmental and Social Risk Management (ESRM) Guidelines. The RMs are also advised to use the comments section in the checklist to provide their comments in accordance with the guidance notes instructions and wherever necessary.

Step 1 Exclusion List: Please consult the Exclusion list provided below for activities and services that the Bank/FI will not finance. If your client's business is not in the Exclusion list, please proceed to fill in the generic ESDD checklist OR wherever applicable sector specific ESDD checklist.

Step 2 ESDD: Please note that the RO needs to fill in ESDD for transactions defined under section 4 "Applicability of the guideline" in the ESRM guideline. Choose responses from the drop-down list. Based on the responses provided, the tool will generate a risk rating (High, Medium & Low Risk) to determine the overall escalation category. Please refer to the chart below for the escalation matrix. Please use the correct ESDD in accordance with the industry your client is in. Please use an Industry-specific ESDD

Step 3 ESDD: Please choose an answer for each question from the drop-down list. The ESDD checklist will then automatically generate the transaction's overall risk rating.

Answer Interpretation

- (a) would normally mean that every criterion is met
- (b) would mean that criteria have been mostly met and further action underway for rest
- (c) would mean that some of the criteria has not been met and no concrete action identified
- (d) would mean "not applicable"

Environmental and Social Risk Assessment - Generic Checklist

Basic Information	
Date	
Name of Client/Account	
Transaction ID	
Location	
Industry / Sector	
Product Manufactured / Traded	
Core Market	
Name of Relationship Official	
Business line (Sub-sector)	
DOE Categorization (Red, Orange A, Orange B, Green)	
World Bank (High Risk, Medium Risk, Low Risk)	
Transaction Type as Table 1 of Guidelines	

Please ensure that there is a record of relevant documents and references to support all responses. In the absence of documentary evidence, the RM needs to obtain verbal confirmation from the customer and insert information to the best of his knowledge.

General Risks			
Sl. No.	Question	Answer	Comments
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>	Option (b)
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 issued)</p> <p>d) Not applicable</p>	Option (a)

General Risks			
Sl. No.	Question	Answer	Comments
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>	Option (a)
1.4	Does the client have robust/ adequate Environmental and Social Management system (ESMS)?	<p>a) Client has robust ESMS, resources both people and budget to implement.</p> <p>b) Client does not have robust ESMS yet, however definite steps have been taken to ensure one.</p> <p>c) Client does not have any ESMS, neither are there any plans of setting up one. Different ad-hoc activities are carried out to manage E&S issues.</p> <p>d) Not applicable</p>	Option (a)

<i>Environmental Health and Safety Risks</i>			
Sl. No.	Question	Answer	Comments
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>	Option (a)
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>	Option (a)

Environmental Health and Safety Risks			
Sl. No.	Question	Answer	Comments
		d) Not applicable	
2.3	Is there any evidence of land pollution and lack of <i>waste</i> 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>	Option (c)
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</p>	Option (c)

<i>Environmental Health and Safety Risks</i>			
Sl. No.	Question	Answer	Comments
		to measure, disclose, set targets and mitigate its GHG emissions in future d) Not applicable	

<i>Social Risks</i>			
Sl. No.	Question	Answer	Comments
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> <p>c) The client has OHS concern in its operation and have no plans of correcting them</p> <p>d) Not Applicable</p>	Option (a)
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</p>	Option (a)

<i>Social Risks</i>			
Sl. No.	Question	Answer	Comments
		<p>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</p>	Option (b)

<i>Social Risks</i>			
Sl. No.	Question	Answer	Comments
		to address the gaps d) Not applicable	
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>	Option (d)

Risk Rating of the Project	High Risk
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Glossary

Below are the definitions provided by the *International Labor Organization (ILO)* for some of the key terms regarding labor practices, used in this check list:

Child labor	Minimum Age Convention, 1973 sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed.
Forced labor	Forced labor is defined as "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily."
Minimum Wage	Bangladesh has national minimum wage and industry specific minimum wages. Minimum wage rates are declared by the Government on an industry basis following recommendations by the Wages Board. The national minimum wage is 1500 Bangladeshi Taka (BDT) per month. Ready Made Garment industry, for example, has a minimum wage of 5300 BDT per month.
Discrimination	Discrimination can be defined as any distinction, exclusion or preference made based on race, color, sex, religion, political opinion, national extraction, or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.

Brief definition of few other terms is given below:

GHG	As per IPCC, Greenhouse Gases (GHGs) are those gaseous constituents of the atmosphere that absorb and emit radiation at specific wavelengths within the spectrum of infrared radiation. This process is the fundamental cause of the greenhouse effect. There are six principal GHGs (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride)
CITES	CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival.
Unbonded asbestos	Unbonded asbestos is where the raw mineral is used as lagging or insulation – in this form it is friable and easily gives off dust. Friable describe any asbestos-containing material that when dry, can be easily crumbled or pulverized to powder by hand.
Grievance mechanism	A grievance mechanism is a formal complaint process that can be used by individuals, workers, communities and/or civil society organizations that are being negatively affected by certain business activities and operations.

ISO 14001	The ISO 14001 Environment Management System (EMS) standard is an internationally recognized environmental management standard. It is a systematic framework to manage the immediate and long-term environmental impacts of an organization’s products, services, and processes.
SA 8000	SA8000 is an auditable social certification standard for decent workplaces that encourages organizations to develop, maintain, and apply socially acceptable practices in the workplace.
OHSAS	Occupational Health and Safety Management Systems (OHSAS 18001) is an internationally applied British Standard for occupational health and safety management systems. It provides a framework for organizations to instigate proper and effective management of health & safety in the workplace.
ILO	The International Labor Organization (ILO) is a United Nations agency dealing with labor issues, particularly international labor standards, social protection, and work opportunities for all. It sets labor standards, develops policies and devises programs promoting decent work for all women and men.
UNESCO World Heritage site	A World Heritage Site is a place (such as a building, city, complex, desert, forest, island, lake, monument, or mountain) that is listed by the United Nations Educational, Scientific and Cultural Organization (UNESCO) as being of special cultural or physical significance.

14 Annex-3: Escalation Matrix

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

Risk rating	Proposing Stage	Approval Stage	Disbursement Stage
		action plan to mitigate risks may form part of approval conditions	

15 Annex-4: E&S Risks in Detail

a) **Air emissions and Air Quality** - Emissions of air pollutants can occur from a wide variety of activities during construction, operation, and decommissioning of a client's operations. Air emissions are typically associated with processes such as combustion, storage of materials or other industry-sector specific processes and can be:

- **Point sources:** These are discrete, stationary, identifiable sources of emissions (such as a specific stack, vent, or other discrete point of emission) that release pollutants to the atmosphere. They are typically located in manufacturing or production plants. Point sources are characterized by the release of air pollutants typically associated with the combustion of fossil fuels, such as nitrogen oxides (NO_x), sulfur dioxide (SO₂), carbon monoxide (CO), and particulate matter (PM), as well as other air pollutants including certain volatile organic compounds (VOCs) and metals that may also be associated with a wide range of industrial activities.
- **Fugitive sources:** These are emissions that are distributed spatially over a wide area and originate in operations where exhausts are not captured and released through a stack. Fugitive emissions have the potential for much greater ground-level impacts than stationary source emissions since they are discharged and dispersed close to the ground. The two main types of fugitive emissions are Volatile Organic Compounds (VOCs) and Particulate Matter (PM). Other contaminants (NO_x, SO₂ and CO) are mainly associated with combustion processes designed to deliver electrical or mechanical power, steam, and heat.
- **Mobile sources:** These are emissions associated with vehicle use and include CO, NO_x, SO₂, PM and VOCs. Emissions can be reduced by implementing a regular vehicle maintenance and repair program, instructing drivers on better driving practices that reduce both the risk of accidents and fuel consumption, replacing older vehicles with newer, more fuel efficient alternatives, converting to cleaner fuels and installing emissions control devices such as catalytic converters.

A client should estimate, and monitor air emissions associated with operations through qualitative or quantitative assessments and atmospheric dispersion models to assess potential ground level concentrations and environmental impacts. At a facility level, air emissions should not result in pollutant concentrations that exceed the ambient air quality standards set by national authorities, which would result in fines and/or penalties if concentrations are in violation of national legislation. Pollutant concentrations can also be compared to international

best practice and standards to identify any deviations, which would indicate poor performance of an operation. Air emissions of concern typically include:

- **VOCs:** Emissions of VOCs are associated with industrial activities that produce, store, and use VOC-containing liquids or gases where the material is under pressure. Typical sources include equipment leaks (from valves, fittings, and elbows), open vats and mixing tanks, storage tanks, unit operations in wastewater treatment systems and accidental releases. Emissions can be reduced by modifying equipment, regularly monitoring equipment to detect and repair leaks, using fewer volatile substances such as aqueous solvents and collecting vapors through air extractors.
- **PM:** Dust or PM is released during certain operations such as the combustion of fossil fuels, open storage of solid materials, and from exposed soil surfaces, including unpaved roads. Emissions can be reduced through dust control methods such as covers, water suppression, or increased moisture content for open materials storage piles, or controls (such as a baghouse or cyclone).
- **Ozone Depleting Substances (ODS):** Ozone depleting substances (ODSs) include chemicals, which have been scheduled for phase-out under the Montreal Protocol on Substances that Deplete the Ozone Layer. Systems or processes using chlorofluorocarbons (CFCs), halons, 1,1,1-trichloroethane (methyl chloroform), carbon tetrachloride, hydrochlorofluorocarbons (HCFCs), hydrobromofluorocarbons (HBFCs), and methyl bromide should be gradually phased out or not used at all as determined by national regulations. These chemicals are typically used in a variety of applications including refrigeration, air conditioning, manufacturing foam products, solvent cleaning, aerosol propellants, fire protection systems and as crop fumigants.
- **Greenhouse Gases (GHGs):** GHGs, as defined under the Kyoto Protocol to the United Nations Framework Convention on Climate Change, include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). GHGs can be generated by a facility's production processes as well as from the production of power (on-site or off-site) for use by the facility. Emissions can be reduced through mechanisms such as carbon financing, energy efficiency, sustainable forms of agriculture and forestry, use of renewable forms of energy, carbon capture and storage technologies, recovery and use of methane in waste management and energy distribution.
- **Sulfur dioxide (SO₂):** Sulfur dioxide (SO₂) is mainly produced by the combustion of fuels such as oil and coal and as a by-product from some chemical production or wastewater treatment processes. Emissions can be reduced by alternate fuels such as low sulfur coal, light diesel or natural gas, emissions control technologies.
- **Toxics (mercury):** Mercury exists as elemental mercury, inorganic mercury compounds (primarily mercuric chloride), and organic mercury compounds (primarily methyl mercury). All forms of mercury are toxic, and each form exhibits different health effects.

A major source of exposure to elemental mercury is through inhalation in the workplace. Sources of inorganic mercury compounds are generally low as their use has mostly been banned but limited exposure can occur by old cans of latex paint. Sources of methyl mercury include fungicide-treated grains and meat from animals fed with treated grain.

Where possible, a client's operations should avoid, minimize, and control adverse impacts to human health, safety, and the environment from emissions to air. The generation and release of air emissions can be managed through a combination of energy use efficiency, process modification, selection of fuels or other materials and application of emissions control techniques. LAFL can help a client to identify areas for reductions in air emissions and to identify environmental business opportunities.

Water use and conservation - A client's operations use water in various production processes, which vary by industry sector. Typically, water use at the facility level is associated with processes such as described here.

- **Process water:** Processes that typically use large quantities of water include washing machines, rinsing, water jets or sprays to keep conveyors clean or to cool product, and the use of tanks, which are refilled to control losses. Opportunities for reducing water use exist through water reuse, improved equipment maintenance and better process design.
- **Building facility operations:** Consumption of building and sanitary water is typically less than that of industrial processes. Areas for reducing water use include repairing leakages and installing water-saving devices.
- **Cooling systems:** Once-through cooling systems with cooling towers use large quantities of water and can be replaced by closed circuit cooling systems. Fresh water use can also be reduced by replacing it with treated water.
- **Heating systems:** Closed heating systems based on the circulation of low or medium pressure hot water may consume large quantities of water if they leak and are poorly maintained. In some cases, large quantities of water may be used by steam systems, but water use can be reduced through steam recovery systems and improved systems operations.

Where possible, a client's operations should reduce overall water use at the facility level by managing the water consumption associated with specific production processes to avoid excess costs. LAFL can help a client to identify areas for reductions in water use and new environmental business opportunities.

Wastewater and water quality: A client's operations generate wastewater, which is treated on site and/or discharged either to the municipal sewage system for treatment or directly to the environment (surface water) without prior treatment.

Wastewater includes process wastewater, wastewater from utility operations, storm water and sanitary wastewater. Wastewater will vary in quality and quantity by industry sector and typically includes:

- **Process wastewater:** Pollutants may include acids, bases, and many others. These include soluble organic chemicals, suspended solids, nutrients (phosphorus and nitrogen), heavy metals (such as cadmium, chromium, copper, lead, mercury, nickel and zinc), cyanide, toxic organic chemicals, oily materials and volatile materials. The costs of treating process wastewater can be significant.
- **Wastewater from utilities operations:** Utility operations such as cooling towers and demineralization systems may result in high rates of water consumption, as well as the potential release of high temperature water containing high dissolved solids, residues of biocides and residues of other cooling system anti-fouling agents.
- **Storm water:** Storm water includes any surface runoff and flows from process and materials staging areas resulting from precipitation or drainage. Typically storm water runoff contains suspended sediments, metals, petroleum hydrocarbons, Polycyclic Aromatic Hydrocarbons (PAHs) and coliform. Rapid runoff, even of uncontaminated storm water, also degrades the quality of the receiving water by eroding stream beds and riverbanks.
- **Sanitary wastewater:** This may include effluents from domestic sewage, food service and laundry facilities serving site employees and can also include other sources such as from laboratories, medical infirmaries, equipment maintenance shops and water softening. A client should monitor the quality, quantity, sources, and discharge points of liquid effluents by type (process, utilities operations, storm water and sanitary). At a facility level, discharges of wastewater should not result in contaminant concentrations more than the effluent discharge quality standards of national regulations to avoid liability for fines and/or penalties. Discharge quality can also be compared to international best practice and standards to identify any deviations, which would indicate poor performance of an operation. The generation and discharge of wastewater should be managed to reduce the volume of water requiring specialized treatment by improving water use efficiency, modifying production processes (including the use of hazardous materials that contaminate water), and treating wastewater on-site prior to discharge in order to reduce the load of contaminants.

Where possible, a client's operations should avoid, minimize, and control adverse impacts to human health, safety, and the environment from wastewater generation through wastewater management, water conservation and reuse. LAFL can help a client to identify opportunities for preventing or reducing wastewater generation through water conservation and recycling/reusing within operations and to identify environmental business opportunities.

Wastes- A client's operations may generate, store, or handle any quantity of hazardous or nonhazardous waste across a range of industry sectors.

Waste can be solid, liquid, or contain gaseous material that is discarded by disposal, recycling, burning or incineration. It can be a by-product of a manufacturing process or an obsolete

commercial product that can no longer be used for its intended purpose and requires disposal. Inappropriate waste disposal practices can lead to contamination of ground water or potential fines and/or penalties as stipulated in national regulations.

Solid (non-hazardous) waste generally includes domestic trash, inert construction/demolition materials, metal scrap and empty containers (except those previously used to contain hazardous materials, which should be managed as a hazardous waste), and residual waste from industrial operations.

Hazardous waste shares the properties of a hazardous material (such as ignitability, corrosiveness, reactivity, or toxicity), or other physical, chemical, or biological characteristics that may pose a potential risk to human health or the environment if improperly managed. When a hazardous material is no longer usable for its original purpose and is intended for disposal, but still has hazardous properties, it is considered a hazardous waste. Typically, hazardous wastes include solvents, fuels, and asbestos in building materials, PCB oils in electrical equipment, most pesticides, and ozone depleting substances in refrigeration systems. Wastes may also be defined as “hazardous” by local regulations or international conventions, based on the origin of the waste and its inclusion on hazardous waste lists or based on its characteristics. Hazardous wastes should always be segregated from non-hazardous wastes.

Facilities that generate and store wastes need to consider issues linked to waste minimization, generation, transport, and disposal. Typically, approaches to waste management include:

- **Waste Management Planning.** Facilities that generate waste should characterize their waste according to composition, source, types of wastes produced, generation rates, or according to local regulatory requirements. This information can be used to identify opportunities for pollution prevention, such as source reduction, reuse, and recycling.
- **Waste Prevention.** Processes can be designed and operated to prevent, or minimize, the quantities of wastes generated, and hazards associated with the wastes generated. This can be accomplished by substituting raw materials or inputs with less hazardous or toxic materials, or with those where processing generates lower waste volumes, and improving manufacturing processes to convert materials more efficiently.
- **Recycling and Reuse.** The total amount of waste can be significantly reduced through the implementation of recycling and reuse plans. This entails identifying and recycling products that can be reintroduced into the manufacturing process or industry activity at a site or in industrial processing operations located at other facilities. It also includes identifying materials that can be reused, saving both costs and disposal needs.
- **Treatment and Disposal** If waste materials are still generated after the implementation of feasible waste prevention, reduction, reuse, recovery and recycling measures, waste materials should be treated and disposed of while considering all measures to avoid potential impacts to human health and the environment. Typical treatment and disposal methods include on-site or off-site biological, chemical, or physical treatment of the waste

material to render it nonhazardous prior to final disposal; and treatment or disposal at permitted facilities specially designed to receive the waste.

- **Hazardous Waste Storage.** Hazardous waste should be stored to prevent or control accidental releases to air, soil, and water resources. This requires the need for storage in closed containers away from direct sunlight, wind, and rain; secondary containments; and the provision of adequate ventilation where volatile wastes are stored.
- **Hazardous Waste Transportation.** On-site and off-site transportation of waste should be conducted using appropriate protocols to prevent or minimize spills, releases, and exposures to employees and the public. All waste containers designated for off-site shipment should be secured and labelled with the contents and associated hazards and be properly loaded on the transport vehicles before leaving the site.
- **Hazardous Treatment and Disposal.** In the absence of qualified commercial or government owned waste vendors, facilities generating waste should have the technical capability to manage the hazardous waste or install on-site waste treatment or recycling processes in a manner that reduces immediate and future impacts to the environment. This may also require the need for applicable permits, certifications, and approvals.
- **Small Quantities of Hazardous Waste.** Hazardous waste materials are frequently generated in small quantities by many projects through a variety of activities such as equipment and building maintenance activities. Waste storage collection and storage areas should be visually inspected on a regular basis for evidence of accidental releases and to verify that wastes are properly labelled and stored. These types of wastes include spent solvents and oily rags, empty paint cans, chemical containers; used lubricating oil; used batteries (such as nickel-cadmium or lead acid); and lighting equipment, such as lamps or lamp ballasts.

Where possible, a client's operations should implement sound waste management practices at the facility. LAFL can help a client to identify environmental business opportunities.

Land Contamination- Land can become contaminated due to releases of hazardous materials, wastes, or oil, including naturally occurring substances.

Releases of these materials may be the result of historic or current site activities, including accidents during their handling and storage, or due to poor management or disposal. Land is considered contaminated when it contains hazardous materials concentrations, including oil, above baseline and/or naturally occurring levels.

Contaminated lands may involve topsoil or subsurface soil that, through leaching and transport, may affect groundwater, surface water, and adjacent sites. Where subsurface contaminant sources include volatile substances, soil vapor may also create potential for contamination through infiltration of indoor air spaces of buildings.

Land contamination is a concern when hazardous materials, waste, or oil are present in any environment at potentially hazardous concentrations and the potential for contact with humans,

wildlife, plants, and other living organisms exists. This may occur when a contaminant migrates from its point of release (e.g., leaching into potable groundwater) and humans or other living organisms are exposed to it (e.g., through ingestion or skin absorption). This has potential risks to human health (e.g., risk of cancer) and ecology and represents a liability to the polluter/business owners (e.g., cost of remediation, damage of business reputation and/or business-community relations) or affected parties (e.g., workers at the site and nearby property owners).

Land contamination should be avoided by preventing or controlling the release of hazardous materials, hazardous wastes, or oil to the environment. When contamination of land is suspected or confirmed during any project phase, the cause of the uncontrolled release should be identified and corrected to avoid further releases and associated adverse impacts. Contaminated lands should be managed to avoid the risk to human health and ecological receptors. This requires clean up reducing the level of contamination at the site while preventing human exposure.

In cases of land contamination representing an immediate risk to human health and the environment, appropriate risk reduction should be implemented as soon as practicable to remove the imminent hazard. Risk mitigation strategies should be developed based on site-specific conditions and target contaminant source reduction, taking into consideration technical and financial feasibility. To protect human health, access to a contaminated site should be limited or prevented, for example through signage, fencing, or site security. This may also require capping contaminated soil with clean soil to prevent human contact, introducing certain plants into contaminated soils or paving them over as a temporary measure to prevent direct contact.

A client's operations should implement the necessary measures to prevent releases of hazardous materials, waste, or oil to the ground. LAFL can help a client to identify environmental business opportunities.

Labor and Working Conditions- The pursuit of economic growth through employment creation and income generation should be balanced with protection for basic rights of workers. For any business, the workforce is an asset, and a sound worker-management relationship is a key ingredient to the long-term sustainability of the enterprise. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention, result in labor strikes, and can jeopardize a client's operations. Conversely, through a constructive worker management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of the operations.

A client's commitment to establishing a sound worker-management relationship encompasses the following aspects:

- ***Human Resources Policy.*** A client should adopt a policy appropriate to its size and workforce, which sets out its approach to managing employees. The policy provides information regarding the rights under national labor and employment law, including the rights related to wages and benefits.

- ***Working Conditions and Terms of Employment.*** A client should document and communicate to all employees and workers (including contract workers) the working conditions and terms of employment. These include the entitlement to wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation, or holiday, that at a minimum comply with national law. This includes respecting a collective bargaining agreement with a workers' organization if there is such an agreement.
- ***Workers' Organizations.*** Where permitted by law, employees should be granted the right to associate freely and to bargain collectively, by forming and joining workers' organizations or through alternative means. A client should not discourage workers from forming or joining workers' organizations and should not discriminate or retaliate against workers who participate in such organizations and bargain collectively.
- ***Non-Discrimination and Equal Opportunity.*** A client should not make employment decisions based on personal characteristics unrelated to inherent job requirements but rather on the principle of equal opportunity and fair treatment.
- ***Retrenchment.*** If a client anticipates the elimination of a significant number of jobs or a layoff of a significant number of employees, it should develop a plan for managing the adverse impacts on employees.
- ***Grievance Mechanism.*** A client should provide all employees with a mechanism to raise reasonable workplace concerns, confidentially or anonymously if needed, so that concerns can be addressed promptly at the management-level without any retribution.
- ***Child Labor and Forced Labor.*** A client cannot employ children in a manner that is economically exploitative or is likely to be harmful to the child or to interfere with the child's education. A client cannot employ forced labor, which consists of any work or service not voluntarily performed by an individual but executed under threat of force or penalty.
- ***Supply Chain.*** A client should pay attention to unfair labor practices of its suppliers, especially in instances where low labor cost is a factor in the competitiveness of supplies and ensure that this is not due to harmful labor practices.

Respecting international standards with regard to labor and working conditions benefits a client's operations by encouraging positive worker-management relationships that lead to more productive and stable operations, including a reduced likelihood of strikes, and provides a reputational advantage that comes from enhanced public recognition that good international standards are being followed.

Community Health, Safety and Security- A client's operations can increase the potential for community exposure to risks and impacts arising from accidents, structural failures, and releases of hazardous materials. A client's operations often bring benefits to communities including

employment, services, and opportunities for economic development. However, these operations can also increase the potential for community exposure to risks and impacts arising from accidents, structural failures, and releases of hazardous materials. Communities may also be affected by impacts on their natural resources, exposure to diseases, and the use of security personnel.

While acknowledging the public authorities' role in promoting the health, safety, and security of the public, it is also the client's responsibility to avoid or minimize these risks and impacts that may arise from operations. This includes implementing the following actions:

- ***Consultation and Grievance Channels.*** Where appropriate, the client should conduct consultations and establish a line of communication with the impacted community to understand and monitor potential impacts. An appropriate consultation and grievance mechanism can help manage and minimize potential risks, avoid reputational issues, and reduce the risk of conflicts with the community.
- ***Infrastructure and Equipment Safety.*** The client needs to ensure that operations are conducted to prevent potential injury to the surrounding community, especially if aspects of the operations are accessible to the community. If the client's operations involve operation of moving equipment on public roads, the client needs to ensure that the necessary safety measures are in place to prevent the occurrence of any incidents and accidents.
- ***Hazardous Materials Safety.*** The client needs to prevent or minimize the potential for community exposure to hazardous materials that may be released during operations. If there is a potential for life-threatening hazards, the client needs to modify operations or substitute or eliminate substances causing the hazard. The client also needs to control the safety of deliveries of raw materials and of transportation and disposal of wastes.
- ***Environmental and Natural Resource Issues.*** The client needs to avoid or minimize the exacerbation of impacts caused by natural hazards, such as landslides or floods that could arise from land use changes due to operations. This also includes avoiding or minimizing adverse impacts due to operations on soil, water, and other natural resources used by the affected communities.
- ***Community Exposure to Disease.*** The client needs to prevent or minimize the potential for community exposure to water-borne or vector-borne disease, and other communicable diseases that could result from operations. This also includes preventing or minimizing the transmission of communicable diseases that may be associated with the influx of temporary or permanent labor associated with the client's operations.
- ***Increase in Traffic.*** Traffic, especially movement of heavy vehicles increases especially during construction phase. This can lead to possible accidents/incidents which need to be minimized. There is a need for traffic management plan and training of staff to manage and minimize accidents/incidents.

- ***Emergency Preparedness and Response.*** The client needs to inform surrounding communities of potential hazards associated with operations and collaborate with the community and local government agencies in preparing to respond effectively to emergency situations.
- ***Use of Security Personnel.*** A client may retain security personnel to safeguard its operations, which may pose risks to the surrounding community if not managed properly. This includes ensuring that security personnel have not been implicated in past abuses, have been adequately trained in the use of force (including firearms, if necessary) as well as in the conduct toward workers and the local community. The client will also provide a mechanism to allow the surrounding community to express concerns about security personnel and will investigate any allegations of unlawful or abusive acts of security personnel to take the necessary action to prevent recurrence.

If the impacts of a client's operations on the surrounding community are not appropriately managed, this can create conflict and objections to the client's presence in the community. This represents a reputational risk to the client at the local level, and if not addressed, may escalate to reputational risk at the regional and even international level.

Land Acquisition and Resettlement- Involuntary resettlement refers both to physical displacement and to economic displacement due to land acquisition associated with a client's operations. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (access to resources for income generation or means of livelihood) due to land acquisition (including rights-of-way) associated with a client's operations. Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse displacement. This occurs in cases of:

- I. lawful expropriation or restrictions on land use based on eminent domain; and
- II. negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail. Displaced persons may be classified as persons who:
 - have formal legal rights to the land they occupy.
 - do not have formal legal rights to land, but have a claim to land that is recognized or recognizable under the national laws; or
 - have no recognizable legal right or claim to the land they occupy.

Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons and communities, as well as environmental damage and social stress in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided or at least minimized. However, where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities should be carefully planned and implemented with appropriate disclosure of information, consultation, and the informed participation of affected persons. This includes implementing the following actions:

- **Compensation and Benefits for Displaced Persons.** When displacement cannot be avoided, the client will offer displaced persons and communities’ compensation for loss of assets at full replacement cost and other assistance to help them improve or at least restore their standards of living or livelihoods.
- **Grievance Mechanism.** The client needs to ensure that a grievance mechanism is in place to receive and address specific concerns about compensation and relocation that are raised by displaced persons or members of host communities.
- **Social Impact Assessment, Resettlement Planning and Implementation.** Where involuntary resettlement is unavoidable, the client will conduct a census to identify the persons who will be displaced by the project, understand the likely impacts on the affected persons and community, develop entitlement framework and determine who will be eligible for compensation.
- **Physical Displacement.** If people living on the site of a client’s operations must move to another location, the client will:
 - I. offer displaced persons choices among feasible resettlement options, including adequate replacement housing or cash compensation; and
 - II. provide relocation assistance suited to the needs of each group of displaced persons, with attention paid to the needs of the poor and the vulnerable. New resettlement sites built for displaced persons will offer improved living conditions.
- **Economic Displacement.** If land acquisition for the client’s operations causes loss of income or livelihood, the client will promptly compensate these persons, for example by compensating affected business owners for the cost of re-establishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of their business operations.
- **Government-Managed Resettlement.** Where land acquisition and resettlement are the responsibility of the government, the client needs to collaborate with the responsible government agency to the extent permitted by the agency to achieve outcomes that are consistent with best international practice.

If a client’s operations involve land acquisition and resettlement, this should be carefully managed to prevent the likelihood of hardship and impoverishment for affected persons and communities. Given that a displaced community will not be entirely satisfied with its new situation unless there is noticeable improvement in standards of living or livelihoods, this will remain a reputational risk for the client.

Indigenous Peoples- Indigenous Peoples (IPs) are recognized as social groups with identities that are distinct from dominant groups in national societies and are often among vulnerable segments of the population. Indigenous Peoples may be referred to in different countries by such terms as “Indigenous ethnic minorities”, “aboriginals”, “hill tribes”, “minority nationalities”, “scheduled tribes”, “first nations”, or “tribal groups”.

IPs typically self-identify as members of a distinct indigenous cultural group and are recognized as such by others; have a collective attachment to geographically distinct habitats or ancestral territories, making use of natural resources in these habitats and territories; have customary cultural, economic, social, or political institutions that are separate from those of the dominant society or culture; and communicate in an indigenous language, often different from the official language of the country or region.

Indigenous Peoples are often closely tied to their traditional or customary lands and the natural resources on these lands. While these lands may not be under their legal ownership as defined under national law, the use of these lands by communities of IPs for their livelihoods or for cultural purposes is often recognized under customary law. However, the economic, social, and legal status of Indigenous Peoples often limits their capacity to defend their interests and rights to lands and natural and cultural resources. Indigenous Peoples are particularly vulnerable if their lands and resources are transformed, encroached upon by outsiders, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also be under threat. These characteristics expose Indigenous Peoples to different types of risks and severity of impacts, including loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and disease.

A client should ensure that during operations, the identity, culture, and natural resource-based livelihoods of Indigenous Peoples are respected and exposure to impoverishment and disease is prevented. This includes implementing the following actions:

- ***Avoid or Minimize Adverse Impacts.*** When a client cannot completely avoid impacts on Indigenous Peoples, the client needs to mitigate or compensate for these impacts in a culturally appropriate manner and with the informed participation of affected Indigenous Peoples.
- ***Consultation.*** The client needs to establish an ongoing relationship with the affected communities of Indigenous Peoples, which should be culturally appropriate. If there are adverse impacts, the consultation process needs to ensure the free, prior, and informed consultation of the Indigenous Peoples and facilitate their informed participation with respect to proposed mitigation measures and sharing development benefits.
- ***Sharing Development Benefits.*** The client needs to identify opportunities for development benefits for affected Indigenous Peoples. This should aim at improving their standard of living and livelihoods in a culturally appropriate manner, including the long-term sustainability of the natural resource on which they depend.
- ***Impacts on Traditional or Customary Lands.*** If a client's operations are located within traditional or customary lands or involve the commercial use of natural resources located on these lands, this will generate adverse impacts on the livelihoods or cultural identity of the community of Indigenous Peoples. The client needs to inform affected communities of their rights under national laws, including the recognition of customary rights; make efforts to avoid or at least minimize the size of the impacted land; and offer land-based

compensation as well as culturally appropriate development opportunities to affected communities.

- **Relocation of Indigenous Peoples.** The client should avoid the relocation of Indigenous Peoples from their traditional lands. If relocation is unavoidable, the client needs to enter a good faith negotiation with the affected communities and ensure that any relocation complies with best international standards.

If a client's operations are initiated and conducted without the involvement of Indigenous Peoples, this can lead to misunderstanding and conflict. Given worldwide concern for the well-being of Indigenous Peoples, there are significant reputational risks for a client if Indigenous Peoples issues are not managed appropriately.

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, and practices of communities protected for future generations. 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. Consistent with the requirements of the Convention Concerning the Protection of the World Cultural and Natural Heritage, a client is required to avoid significant damage to cultural heritage due to their business activities.

Impacts on cultural heritage typical involve the following:

- **Chance Finds.** During the construction of a client's facility(s), there may be physical impacts on previously unknown or undocumented resources that were fully or partially buried prior to the start of construction.
- **Community Input.** Where a project may affect cultural heritage, the client will consult with affected communities who use, or have used, the cultural heritage for longstanding cultural purposes to identify cultural heritage of importance. A client should incorporate the views of the affected communities on cultural heritage into the decision-making process.
- **Removal of Cultural Heritage.** Most cultural heritage is best protected by preserving it in its place, since removal is likely to result in irreparable damage or destruction of the cultural heritage. Cultural heritage should only be removed if the client can demonstrate that the overall benefits of operations at a site outweigh the anticipated loss of cultural heritage.
- **Legally Protected Cultural Heritage Areas.** When a client's proposed operations are located within a legally protected area or a legally defined buffer zone, the client is required to take additional measures to promote and enhance the conservation of the area.
- **Use of Cultural Heritage.** If a client makes commercial use of a community's cultural heritage, such as embodiment of traditional lifestyles, the client is required to enter into a

good faith negotiation with the affected local communities and to provide fair and equitable sharing of benefits from the commercialization of their cultural heritage.

If a client's operations are initiated and conducted without consideration for cultural heritage, there are significant legal and reputational risks. A systematic approach concerned for cultural heritage issues throughout a client's operations, including additional investments in the enhancement of cultural heritage, can bring significant reputational advantage to a client at both the local and international level.

16 Annex-5: Credit Type Wise E&S Risks

Risk in Trade- The E&S risks of trade finance are associated with the production of those goods being traded and vary by industry sector and location. Companies selling to foreign markets are required to comply with local and international social and environmental regulations and in many cases also face public scrutiny. Importing and exporting companies are therefore exposed to some level of reputational risk.

Given the short-term nature of trade finance, LAFL will have limited leverage to manage E&S risks once it has approved a transaction. However, LAFL can have simple transaction screening procedures to avoid supporting the trade of products and substances that are subject to bans and international phase-outs.

Risk in SME- Investments in small and medium enterprises focus on a set of clients, usually defined by annual sales but also by loan amount. Small and medium enterprises have specific funding needs in terms of the business growth. The monetary cut-off for classifying a company as a small and medium enterprise generally varies greatly by country, by market, and by LAFL.

Although less complex than for large corporate and project investments, the E&S issues associated with small and medium enterprises can be quite significant and are primarily related to worker health and safety and pollution. These E&S issues may not be closely monitored, and the risks will vary depending on company size and its capacity to manage E&S risks, as well as by industry sector, and location.

Investment in small and medium enterprises generally is done for the purpose of trying to develop long-term relationships, which may further expose lenders/investors to E&S issues associated with the enterprise, posing financial and liability risks. Due to the visibility of small and medium enterprises in a community, reputational risk is also a factor.

Risk in Retail- E&S issues associated with retail transactions that target individuals are generally non-existent, although there may be concerns associated with mortgage finance and potentially certain investment options that may involve controversial or high-risk projects/companies.

There is usually no credit, liability, or reputational risks due to E&S issues for LAFL involved in retail banking. However, in some cases, there may be concerns with corporate accounts that are linked to companies or individuals whose activities are viewed as harmful, such as arms manufacturing, money laundering, and terrorism, which may represent a legal and reputational risk to LAFL.

Risk in Microfinance - These transactions are typically of smaller amounts and shorter tenure than corporate loans and target small business owners or commercial clients whose operations are generally small.

The E&S risks associated with microfinance are typically low partly due to the small size of the operation and the industry sector. However, in some cases clients may be involved with handling dangerous substances such as pesticides that can pose health or environmental risks, but frequently they lack the necessary E&S management capacity to do so safely.

Although at the individual transaction level the E&S risks associated with microfinance are low, given the smaller size and shorter tenure of transactions, there are credit or liability risks for the microfinance institution in cases where E&S issues, such as an accident, affect a microentrepreneur's ability to repay a loan. Microfinance institutions often consider the E&S impacts associated with their transactions in the context of the developmental role they play in their communities and are therefore concerned with reputational risks. In addition, many see the promotion of good E&S practices as part of their role in the community.

Risk in Corporate Finance- Loans (debt) can be used by the commercial operation to finance a specific aspect of the operation, such as the purchase of equipment, or for renovation/expansion of the operation. Equity investments in a commercial operation provide operating capital for an operation in exchange for shares (equity) in the company/project.

The E&S risks associated with a corporate transaction will vary greatly and can be significant as a function of the operation's industry sector, size, location, and company commitment and capacity to managing E&S risks. E&S risks will be more significant for medium and high-risk industry sectors and large-scale operations such as mining, oil and gas, and heavy manufacturing, which may result in loss of life, health impacts, and water contamination, among others, if not managed properly. For low-risk industry sectors such as retail operations and other services, the E&S risks will usually be low and mainly related to labor standards and life and fire safety, which can readily be addressed. Regardless of the industry sector, there may also be E&S risks, especially related to labor and working conditions, in the supply chain of raw materials and goods.

E&S issues may threaten the financial and operational viability of a commercial operation. For a commercial operation, the source of repayment of a loan or payment of dividends on an investment is from the operation itself, backed by its entire balance sheet, rather than a specific asset. A corporate transaction exposes LAFL to the entire commercial operation of the client's company, which presents a liability, reputational, and credit risk. When a loan is backed by a specific asset as collateral, the liability risk for LAFL may be increased if there are associated E&S issues.

Risk in Project Finance- The financing is usually secured by the project assets such that LAFL providing the funds will assume control of the project if the sponsor has difficulties complying with the terms of the transaction.

Project finance is generally used for large, complex, and sizable operations, such as roads, oil and gas explorations, dams, and power plants. Due to their complexity, size, and location, these projects often have challenging E&S issues, which may include involuntary resettlement, loss of

biodiversity, impacts on indigenous and/or local communities, and worker safety, pollution, contamination, and others. Because these projects generally face high scrutiny from regulators, civil society, and financiers, the project's sponsoring companies allocate more resources to managing E&S risks.

If not managed properly, the E&S risks can result in disrupting or halting project operations and lead to legal complications and reputational impacts that threaten the overall success of the project. Because anticipated project cash flows typically generate the necessary resources to repay the loan, any disruption to the project itself, regardless of the financial standing of the sponsoring companies involved, poses a direct financial risk to LAFL.

17 Annex-6: Covenants

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

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

LAFL'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 client. 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 client is required to notify LAFL in a timely manner, such as within 3 days.

- **Negative Covenants:** Actions that the client should refrain from undertaking. These include LAFL's E&S requirements.
- **Conditions Precedent:** Conditions and requirements that the client must fulfil prior to disbursement of funds by LAFL. 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 LAFL to cancel a transaction and declare all amounts owed by the client to become immediately due and payable. For transactions that involve complex E&S issues, this may include specifying a period such as 30 days during which the client can resolve the issue after notification by LAFL.
- **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 client according to an agreed timeframe for implementation.

To assess compliance with the E&S clauses stipulated in the legal agreement, LAFL staff should periodically monitor clients and, as necessary, require the preparation of a periodic E&S performance report for review by LAFL. LAFL should consider material noncompliance 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, LAFL staff needs to work with clients to resolve non-compliance issues to ensure that any potential exposure of the LAFL to the client's E&S risks is mitigated. Where resolving the non-compliance issue is not possible, the LAFL may be required to take legal action against the client to reduce its exposure to the E&S risks associated with the transaction.

18 Annex-7: Corrective Action Plan

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

Depending on the nature of E&S risks associated with a client's operations, LAFL 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 LAFL.

LAFL 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 LAFL on the status of completion. LAFL 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.

The following template can be used for documenting the corrective action plan agreed with the client. The template also contains few examples for guidance.

18.1 Table-I: Corrective Action Plan template with examples

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	

19 Annex-8: Monitoring Checklist

Sl. No.	Question /Issues to check	Response
<i>Project Summary Information</i>		
1	Reporting period covered by this supervision 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).</p> <p>If partially implemented or not implemented or delayed implementation, RO to please mention the reason in the response column along with a timeline for completion of implementation as committed by the client during supervision.</p>	
<i>EHS Management</i>		
5	<p>If there was any incidence of accidents, spills, leakages, explosion. during the reporting period.</p> <p>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?</p>	
6	<p>If there were any recent fines or penalties issued by the regulatory body.</p> <p>If yes, RO 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.</p>	
7	<p>If there was any health & safety incident.</p> <p>If yes, what was the extent of injury – minor, major, or fatal? What was the action taken in response to the incident?</p>	

Sl. No.	Question /Issues to check	Response
8	<p>If there are any new E&S risks or adverse impacts observed due to client's operation.</p> <p>RO 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.</p>	
<i>Permits and Compliance Certificates</i>		
9	<p>All the required permits, licenses, and clearances in place.</p> <p>RO to please mention the issuance dates and duration of validity of all such permits, licenses, and clearances.</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>	
<i>Grievance Redressal</i>		
11	<p>If there have been any recent complaints, grievance or protest received from local communities.</p> <p>If yes, RO 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.</p>	
12	<p>If there were concerns raised during the stakeholder consultations carried out by the client during the reporting period.</p> <p>If yes, what was the approach undertaken by the client to address those concerns?</p>	
<i>Other Information</i>		
13	<p>Any other information pertaining to environmental matters, management approach, community, media, or NGO coverage that need to be mentioned.</p> <p>If there are any environment friendly initiatives, energy saving equipment etc. that might be relevant for LAFL.</p>	

20 Annex-9: Developing an ESMS

Developing an ESMS requires senior management support and needs to be integrated with the existing risk management framework. Developing an ESMS is most effective and efficient if it is supported by senior management and integrated with the existing risk management framework.

An ESMS includes a policy, a set of procedures to identify, access and manage E&S risks in financial transactions and internal capacity of staff responsible for E&S management and investments.

It should be designed to manage the level of E&S risk that LAFL is exposed to through its portfolio, both in terms of the industry sector of its clients and the type of financial transactions.

20.1 ESMS Template

An ESMS is anchored in LAFL's environmental and social policy and depends on the environmental and social management capacity of its staff and, as applicable, external experts. The ESMS includes environmental and social policy and designated roles and responsibilities of its staff. It is implemented through a set of procedures for:

- Screening transactions,
- Categorizing transactions based on the environmental and social risk,
- Conducting environmental and social due diligence,
- Decision-making process,
- Monitoring the client's environmental and social performance, and
- Managing a client's non-compliance with LAFL environmental and social standards.

The procedures outlined in the [ESMS](#) should be applied to each transaction as part of a LAFL's overall risk management framework.

21 Annex-10: 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	<ol style="list-style-type: none"> 1. National Environmental Policy, 1992 2. Environment Pollution Control Ordinance, 1977 3. Environmental Quality Standards for Bangladesh, 1991 4. National Environment Management Action Plan (NEMAP), 1995 5. Environment Conservation Act, 1995 and amended in 2002 6. Environment Conservation Rules, 1997 and amended in 2003 7. EIA Guidelines for Industry, 1997 	
Management of labor related issues such as recruitment, wages, occupational health and safety and others	<ol style="list-style-type: none"> 1. Labor Policy 2012 2. Bangladesh Labor Act, 2006 3. Labor Welfare Foundation law 2006 4. Bangladesh Labor (Amended) Law, 2013 5. Labor Relations under Labor Laws, 1996 6. National Child Labor Elimination Policy, 2010 7. Bangladesh Factory Act, 1965 8. Bangladesh Factory Rules, 1979 9. OSH Policy, 2011 10. The Employees State Insurance Act, 1948 11. The Employer's Liability Act, 1938 12. Maternity Benefit Act, 1950 	<ol style="list-style-type: none"> 1. Occupational Hazards Due to Air Pollution, Noise and Vibration (Geneva), 1977 2. Prevention and Control of Occupational Hazards (Geneva), 1974 3. Occupational Safety and Health in Working Environment (Geneva), 1981 4. Occupational Health Services (Geneva), 1985

Key E&S Areas	Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
	13. Workmen's Compensation Act, 1923 14. The Employment of Children Act, 1938 15. Bangladesh Industrial Act, 1974	
Resource efficiency and pollution prevention	1. The Environment Pollution Control Ordinance, 1977 2. National 3-R Strategy, 2010 (3R: Reduce, Reuse and Recycle) Ship-Breaking and Hazardous Waste Management Rules, 2010 3. Biomedical Waste Management Rules, 2008 4. Draft National Solid Waste Management Rules, 2010 5. Draft National River Conservation Act, 2011	1. International Convention on Climate Change (Kyoto Protocol), 1997 2. UN Framework Convention on Climate Change (New York), 1992 3. International Convention on Civil Liability for Oil Pollution Damage (Brussels), 1969 4. Convention on Oil Pollution (London), 1990 5. UN Convention on the Law of the Sea (Montague Bay), 1982
Community health, safety and security	1. Disaster Management Act, 2012 2. Public Health Emergency Provisions Ordinance, 1994 3. Biomedical Waste Management Rules, 2008 4. Climate Change Act, 2010 5. Draft National Solid Waste Management Rules, 2010 6. National Plan for Disaster Management 2010-2015 7. Sound Pollution Law, 2006 8. Ship Breaking and Hazardous Waste Management Rules, 2010	1. International Convention on Climate Change (Kyoto Protocol), 1997 2. UN Framework Convention on Climate Change (New York), 1992 3. International Convention on Civil Liability for Oil Pollution Damage (Brussels), 1969 4. Civil Liability on Transport of Dangerous Goods (Geneva), 1989

Key E&S Areas	Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
	9. Water Supply and Sewerage Authority Ordinance, 1963 10. Noise Control Rules 11. National Health Policy, 2011	
Land acquisition and Involuntary resettlement	1. National Land Use Policy 2. The Land Acquisition Act, 1894 3. The Acquisition and Requisition of Immovable Property Ordinance, 1982	
Biodiversity conservation and Sustainable management of living natural resources	1. National Biodiversity Strategy and Action plan (2004) 2. Bangladesh Wildlife Conservation and Security Act, 2012 3. Bangladesh Wildlife (Preservation) Act, 1974 4. Bio Safety Rules, 2012 5. Forest (Amendment) Act, 2012 6. Forest Policy, 1994 7. Social Forestry Rules, 2004 8. National Forest Policy and Forest Sector Review (1994,2005) 9. Draft Tree Conservation Act, 2012 10. The Private Forests Ordinance Act, 1959 11. Forest Transit Rule, 2011 12. Climate Change Act, 2010 Deer Rearing Policy, 2009 13. The Protection and Conservation of Fish Act 1950 14. Draft Wetland Policy, 1998 The Protection and	1. Protocol on Biological Safety (Cartagena Protocol), 2000 2. UN Framework Convention on Climate Change (New York), 1992 3. International Plant Protection Convention (Rome), 1951 4. International Convention on Climate Change (Kyoto Protocol), 1997 5. Convention Relative to the Preservation of Fauna and Flora in Their Natural State (London), 1933 6. International Convention for the Protection of Birds (Paris), 1950 7. Convention on Wetlands of International Importance Especially as Waterfowl Habitat (Ramsar), 1971 8. Convention on The Conservation of Migratory Species of Wild Animals (Bonn), 1979 9. Convention on Biological Diversity (Rio de Janeiro), 1992

Key E&S Areas	Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
	Conservation of Fish Rules (1985) 15. The Protection and Conservation of Fish Act, 1950 16. National Conservation Strategy, 1992 17. Private Fisheries Protection Act 1889 18. Marine Fisheries ordinance 1983 19. Revised National Conservation Act, 2010	10. 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	11. Social Forestry Rules, 2004 12. The Acquisition and Requisition of Immovable Property Ordinance 1982 13. The Land Acquisition Act, 1894	
Cultural heritage	The Antiquities Act, 1968	World Cultural and Natural Heritage (Paris), 1972

DOCUMENT AUTHORIZATION

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