



Environmental and Social Management System

THE TRADE AND DEVELOPMENT BANK (TDB) – INTEGRATING AND INVESTING IN THE REGION'S ECONOMIES

**Eastern and Southern African Trade and Development Bank
ESMS Policy Summary
May 2017**

[TDB \(Formerly PTA BANK\)](#)

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1.0 INTRODUCTION

This Environmental and Social Management System (“ESMS”) was developed to outline the requirements and obligations of The Eastern and Southern African Trade and Development Bank (“TDB” or the “Bank”) as they relate to Environmental and Social (“E&S”) performance. The ESMS will be used to evaluate all potential investment opportunities E&S performance, and to monitor the on-going E&S performance of financed operations.

The ESMS will assist TDB to analyze, control and reduce the negative environmental and social impacts and improve on the positive benefits that are realized from financed operations during the financed period. The ESMS addresses the Bank’s current and future operations by providing guidance on E&S requirements during the investment decision-making process and on-going management of clients. Compliance with the ESMS is a condition for all TDB financed activities.

The ESMS describes the whole environmental management system of TDB including the procedures designed to implement the ESMS.

2.0 TDB’S ENVIRONMENTAL AND SOCIAL POLICY AND MANAGEMENT COMMITMENT

2.1 TDB ENVIRONMENTAL AND SOCIAL POLICY

The environmental and social policy seeks to TDB is committed to developing, implementing and continuously improve management of E&S risks and opportunities to contribute to sustainable development.

Sustainable development is core to delivering on the Bank’s growth objectives. Underpinning our corporate philosophy and growth path is an appreciation that our growth objectives cannot be achieved effectively without a committed focus to E&S management and sustainable development. This policy to a large extent incorporates applicable environmental and social requirements and procedures contained within Member States of the Bank.. Additionally, this policy reflects specific policy commitments that have been made by TDB with respect to environmental and social policies and procedures.

The policy describes TDB’s philosophy and approach to managing E&S risks and impacts in its investments.

2.1.1 Principles

TDB commits to the following principles:

- Care for the environment by minimizing harm and encouraging environmentally responsible behavior to conserve biodiversity and maintain the ecosystem in all Bank financed activities;
- Meet the requirements of national legislation in all the countries in which TDB’s resources are to be invested;
- Undertake its activities in line with applicable international standards and industry good practice;

- Foster value-driven ethical behavior and good governance practices informed by respect for human rights;
- Implement all reasonable precautions to protect the health and safety of employees and promote the health and safety of workers within TDB and in all Bank financed activities;
- Mitigate against the project's climate change impacts, as far as reasonably possible;
- Ensure that affected communities are appropriately engaged on issues that could potentially affect them;
- Provide and maintain appropriate environmental and social systems that support E&S best management practice and value addition; and
- Engage with stakeholders and regularly review environmental, social performance and continually evaluate environmental objectives and targets to achieve continuous improvement.

This policy and other elements of the ESMS shall be reviewed and updated periodically in order to ensure its continued applicability to the activities of TDB and its clients.

2.1.2 Application of TDB's Environmental and Social Policies to the Investments

In order to meet the above principles, TDB has set the following E&S operational requirements to its financed operations, within the constraints of the financial targets set:

- Screen all investments financed by TDB against the Exclusion List;
- Screen our investments for E&S impacts and benefits prior to approving any finances through a well-defined due diligence analysis and decision-making process;
- Ensure clients comply with national and international environment, social, health and safety regulations applicable to the financed operations and services;
- Ensure TDB invests mainly in socially and environmentally responsible companies;
- Require the adoption of TDB's E&S Standards as defined in this ESMS by our clients, business partners and supply chain;
- Monitor and enforce compliance of E&S aspects/covenants of the Bank's clients in a legally acceptable manner;
- Ensure that the decision makers of the client companies are more active in taking preventive measures that avoid potential E&S risks that ultimately could result in future liability or insurance claims. This can be achieved through providing guidance to the decision makers as well as creating commitment with them towards putting in place preventive measures;
- Identify projects that provide environmental and social benefits such as in renewable energy, energy efficiency, water sector etc;

- Where applicable, assist client companies with E&S value add propositions as part of the action plan to improve E&S awareness and management;
- Monitor and report on our contribution to the E&S development of our clients in a transparent, credible and timeous manner to relevant stakeholders; and
- Actively support the development of businesses within member states and supply of goods and services that meet E&S international best standards.

2.2 RESOURCES AND CAPACITY

The implementation of the ESMS will be achieved by deploying the following resources:

TITLE	RESPONSIBILITY
President	<ul style="list-style-type: none"> ▪ Overall responsibility for Business Principles and ESMS at the Bank; and ▪ ESMS reporting to the Board of Directors.
Compliance and Risk Management (CRMD)	<ul style="list-style-type: none"> ▪ Responsible for managing and reporting (to Management and the Board) on Bank-wide risk including the E&S Risk; ▪ Assessing E&S risks as part risk management during project appraisal and during the holding period; ▪ Measuring and reporting on aggregated risk exposure across the Bank (including E&S Risks); ▪ Coordinating the design, implementation and monitoring of business continuity and other corporate risk management plans; ▪ Monitoring of compliance with internal controls. (Governance, control and assurance department); ▪ Monitor and report on progress with implementation of Departmental based risk management plans; ▪ Reviews Client submissions to ensure that they comply with the applicable regulations of the host country regulatory regime; and ▪ Review E&S monitoring reports on a periodic basis and recommend enhancements where necessary.
Investment/Trade Finance Officer	<ul style="list-style-type: none"> ▪ Ensure appropriate consideration of E&S aspects at each stage of the investment process, ▪ Ensure that appropriate environmental, social representations, warranties, and covenants are incorporated in each Client agreement; ▪ Liaise with the ESMS Coordinator to ensure the correct E&S requirements are included in the investment documents and adequate resources are committed to allow effective and appropriate implementation of the ESMS policy and procedures; ▪ In consultation with E&S Manager, set appropriate terms of reference and budget for the Social and Environmental Due Diligence (SEDD).

TITLE	RESPONSIBILITY
ESMS Manager	<ul style="list-style-type: none"> ▪ Ensure compliance with the Bank's E&S Policies and overall responsibility for the implementation of the ESMS at the Bank and clients; ▪ Participate in pipeline meetings and other appropriate forums to contribute to the investment process; ▪ Prepare terms of reference for the E&S consultant for completion of the SEDD based on the list of sector specific questions; ▪ Report E&S issues/infringements to the lenders and ensure that risks are appropriately remedied; ▪ Supervising and approving all E&S reports; Provide appropriate responses on queries from lenders of an E&S nature; ▪ Ensure that E&S training needs of staff are met; and ▪ Management of the ESMS document and ensuring that it is reviewed on a periodic basis
ESMS Coordinator	<ul style="list-style-type: none"> ▪ Ensure that resources are committed at the Client Level for E&S and OHS management processes; ▪ Evaluate environmental and social compliance of Clients activities with the applicable ESMS requirements; ▪ Participate and contribute on all SEDDs whether it is being driven by external consultants or in-house resources; ▪ Work with the Client and the Investment Officer to ensure that adequate resources are committed to allow effective and appropriate implementation of the ESMS policy and procedures; ▪ Maintain and update a list of potential E&S and OHS risks inherent in TDB's evolving business portfolio; ▪ Maintain on-going liaison and correspondence with the Client ESMS representative. ▪ Develop a program with the Client for the submission of quarterly or semi-annual E&S reports to TDB; ▪ Prepare bi-annual reports on local E&S issues/infringements and ensure that all serious incidents are appropriately addressed and risks remedied where possible; ▪ Prepare a lessons learned report on each investment on an annual basis; and ▪ Review annual E&S reports on Banks projects
Legal Officer	<ul style="list-style-type: none"> ▪ Prepare loan conditions and covenants; ▪ Ensure appropriate E&S clauses and action plan are included in the legal agreements signed with the Bank's clients; ▪ Review any amendments to the loan conditions and covenants; and ▪ Liaise with the ESMS manager to maintain a current E&S legal register for all the countries within which TDB operates.
Client (Borrower)	<ul style="list-style-type: none"> ▪ Comply with TDB's ESMS; ▪ Provide project information as requested by TDB; ▪ Carry out ESIA along with feasibility studies and public consultations including disclosure of the ESIA findings to the authorities and the public;

TITLE	RESPONSIBILITY
	<ul style="list-style-type: none"> ▪ Securing appropriate E&S permits from the relevant authorities; ▪ Prepare and E&S management plan and compensation schemes; ▪ Prepare appropriate agreements on impacts relating to resettlement, livelihood losses and indigenous people; and ▪ Monitor implementation of E&S management plan and action plan to ensure compliance. ▪ Submit regular monitoring reports to TDB.
Client ESMS representative	<ul style="list-style-type: none"> ▪ Engage with the contractors and communities to ensure that E&S requirements are met; ▪ Facilitate implementation of TDB's E&S policies and ESMS at the Client level; ▪ Documenting and reporting local E&S issues/infringements to the Bank's ESMS coordinator; ▪ Ensure the implementation of remedial actions on serious incidents and appropriately address risks; ▪ Monitor the implementation of Environmental and Social Action Plans at a Client level; and ▪ Train client staff on an on-going basis on E&S issues and impacts related to their activities and on the implementation of the ESMS.
External E&S Expert	<ul style="list-style-type: none"> ▪ Ensure appropriate consideration of E&S as part of the SEDD or investment monitoring process; ▪ Ensure the correct E&S requirements are included in the investment documents and adequate resources are committed to allow effective and appropriate implementation of the ESMS policy and procedures; ▪ Report local E&S issues/infringements/incidents to TDB and ensure that all emergency incidents are appropriately addressed and risks remedied where possible; and ▪ Ensure that the Client is compliant with the Bank's E&S Policy

3.0 DESCRIPTION OF TDB'S OPERATIONS AND –RISK SCREENING

3.1 INSTITUTIONAL OVERVIEW

TDB is currently owned by 24 shareholders comprising 17 COMESA member countries, three non-regional member countries (Tanzania, China and Belarus) and four institutional members (Africa Development Bank, Mauritian Eagle Insurance Co. Ltd, National Pension Fund of Mauritius and Africa Reinsurance Cooperation) , Rwanda Social Security Board and Banco Investimento de Nacional). The regional member's shareholding is 81.3% whereas the non-regional shareholding stands at 6.6% and the Institutional Shareholding at 12.1%.

The Bank's mission is to be at the forefront of extending development capital and services to advance regional growth and integration through customer focused and innovative financing instruments. The Bank's product and service offerings are primarily Trade, Project and Corporate Finance, and to a lesser extent, Equity Finance and Guarantees with tenures ranging from short to long term. The Bank's geographical focus is the COMESA member states in Africa. The Bank's clientele include private and public enterprises, in addition to financial and government institutions.

The Bank has at its disposal Lines of Credit and loan facilities from other international Developmental Finance Institutions (DFI's) and Financial Institutions (FIs). These lines of credit are utilized to finance operations that fulfil the institutional conditions set by the lenders and meet international best practice.

3.2 POTENTIAL E& S RISKS AND IMPACTS

Whilst TDB financed operations are necessary for economic development within the COMESA region, there are a number of potential E&S risks and impacts that are diverse and vary in level and degree of severity.

Some of the potential E&S risks that may arise from funding intervention of the Bank in key sectors such as Agribusiness; Manufacturing and Heavy Industry; Infrastructure (including energy) are as shown in the table below.

SECTOR	LEVEL OF E&S RISK EXPOSURE	LIST OF MOST RELEVANT E&S RISKS/ISSUES
Agribusiness	Medium to high	<ul style="list-style-type: none"> ▪ Deforestation ▪ Water use and pollution ▪ Community relations ▪ Habitat/ecosystem destruction ▪ GHC emissions ▪ Non-compliance with local and international laws ▪ Labour and working conditions ▪ Labour in-migration associated social dynamics
Manufacturing and heavy industry (e.g. cement plant)	Medium to high	<ul style="list-style-type: none"> ▪ Air and noise pollution ▪ Waste water management ▪ Solid pollution for chemical use in production ▪ Heat emission ▪ Dust emission ▪ Depletion of resources ▪ GHC emissions ▪ Heavy metal presence (clinker) ▪ Labour and working conditions (including worker safety) ▪ Structural safety of infrastructure ▪ Non-compliance to local E&S laws
Infrastructure (Renewable Energy hydro plants and wind farms)	High	<ul style="list-style-type: none"> ▪ Dust emission ▪ Noise and vibration issues ▪ Construction site contamination ▪ Soil contamination by petroleum waste oils etc ▪ Involuntary settlement ▪ Occupational health ▪ Loss of grazing land

In the event that the highlighted E&S issues are not identified and mitigated they may impact on the Bank's operations, as the E&S policy is well aligned to it's the overall Enterprise Risk Management Framework. Some of the direct impacts that may affect the Bank from the highlighted E&S issues include:

- **Collateral/Guarantee Risk:** Reduction in the value of the collateral associated with transactions/clients due to E&S problems
- **Legal Risk:** E&S Impacts which result in any legal disputes/actions against the Bank
- **Credit/Financial Risk:** Clients unwilling or unable to fulfill contractual obligations from E&S issues e.g. civil liability, impaired solvency, settlements
- **Funding Risk:** Poor lending practices resulting in the Bank not being eligible for international development financing

- **Liability Risk:** Foreclosure and responsible for E&S liabilities with an asset used as a guarantee, joint liability, internal assets required
- **Reputational Risks:** Risk of negative publicity associated with the Bank's lending and client activity. Reduced brand value and image

TDB's E&S Categorization Guidelines were developed to identify the potential E&S risks associated with potential financed investments based on the sectors and categorize the projects based on the significance of the anticipated impacts.

Investments will fall into the following four categories listed below:

- **Category 1:** A proposed project is classified as Category 1 Project if it is expected to have significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented.
- **Category 2:** Projects in this category are expected to have limited adverse social and/or environmental impacts that can be readily addressed through mitigation measures.
- **Category 3:** Projects expected to have minimal or no adverse impacts, including certain financial intermediary projects.
- **Category 4:** Investments in Financial Intermediaries that themselves have no adverse social and/or environmental impacts but may finance subprojects with potential impacts. This category is further divided into:
 - *FI-1:* when an FI's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
 - *FI-2:* when an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
 - *FI-3:* when an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

4.0 PROPOSED ENVIRONMENTAL AND SOCIAL ASSESSMENT AND RISK MANAGEMENT PROCESS

This section describes the ESMS process flow and procedures which would apply during the investment process, from deal origination through to final loan repayment or exit.

4.1 INITIAL SCRUTINY: E&S FATAL FLAWS ANALYSIS

Upon receipt of an application, the project will be analyzed against the three main elements that form the E&S Fatal Flaws Analysis, which are:

- Exclusion sectors as per the Exclusion List;
- The potential that the project E&S impacts cannot be mitigated or which poses a risk of significant reputational risk in national or local media; and
- The project history of serious negligent and non-conformance with E&S regulatory requirements in the host country.

Trade Finance and Project & Infrastructure Finance departmental officers will provide project baseline information and prepare a project brief. In the case the project has fatal flaws, the Investment Officer shall complete the Template for Initial Evaluation and Screening Paper in which the project rejection shall be recommended.

In the case the project does not have fatal flaws, the initial project categorization shall be done, as detailed below before submitting the project to New Deal Forum (NDF).

4.2 INITIAL PROJECT CATEGORIZATION

The proposed project shall be screened to decide on the nature and extent of the E&S risks and impact for the project. The following steps will apply:

- If no fatal flaws are identified, A Non-Disclosure Agreement (NDA) will be signed between TDB and the client, in order to aid TDB in sourcing additional information required for the development of the Screening Paper. Upon signing of the NDA, E&S related information such as previous ESIA's, licenses, permits and audit reports will be reviewed and E&S risks and impacts highlighted.
- Trade Finance and Project & Infrastructure Finance departmental officers with the assistance of E&S Manager or Coordinator shall identify E&S issues and risks associated with the project on a desktop review basis in order to classify the project into the appropriate initial project categorization (1, 2, 3, or 4). TDB's E&S Categorization Guidelines shall be used to facilitate the initial project categorization. The guidelines are designed to guide departmental officers in the determination of potential E&S impacts associated with the project.

A brief project description, the result of the Fatal Flaws Analysis, the initial project category and the initial E&S risks and mitigation shall be summarized in a Screening Report in line with the Template for Initial Evaluation and Screening.

- The Initial Evaluation and Screening Report signed by the Investment Officer shall be submitted to the E&S Manager or Coordinator for review and sign off before submission to the NDF.
- The NDF will deliberate on the Screening Report and if the project is given the go ahead, a Term Sheet shall be prepared to be proposed to the Client. The Term Sheet will include E&S Covenants and Clauses as recommended during the NDF

4.3 E&S RISK ASSESSMENT (DUE DILIGENCE)

The categorization of the project depends on the type, location, sensitivity and scale of the project, as well as the nature and magnitude of its potential impacts. For this reason the level of effort and resources applied in the E&S risk assessment has to be commensurate to the categorization:

4.3.1 Category 1

For this category the project sponsor is responsible for preparing a full Environmental and Social Impact Assessment (ESIA) report and submits it to TDB for review prior to the launching of the appraisal mission.

The TDB due diligence team will undertake a desktop review of the ESIA in terms of it meeting the minimum requirements of TDB's ESMS requirements. During the due diligence, the team would focus on validating the E&S risks identified and proposed mitigation measures, in addition it would identifying any gaps that may be apparent in line with TDB's ESMS.

For a category 1 project, an enhanced SEDD shall be required and shall consist of:

- Development of SEDD Terms of Reference and share them with the List of E&S specialist to facilitate the hiring of an E&S External Expert to undertake an independent E&S risks review of the project;
- Undertaking a site visit to assess the types of E&S risks likely to be encountered. The site visit will also provide for the assessment of the institutional capacity of the client with regard to the E&S management of the project, particularly during implementation. TDB's due diligence team shall use the SEDD Questionnaire as a guide through the SEDD during a site visit;
- The E&S External Expert shall review and comment on the ESIA report submitted by the client and provide the Bank with an SEDD Report which shall at the minimum cover the aspects as listed in SEDD Report Format;

- All ESIA Reports should at a minimum cover aspect as outlined in the SEDD Questionnaire.

4.3.2 Category 2

For this category the review process shall follow the same steps as category 1, however the assessment requirements are less stringent compared to Category 1 projects. Where there applicable local legislation require an ESIA to be undertaken for the project the client is responsible for preparing the ESIA report. The compiled report will be made available to TDB for review prior to the launching of the appraisal mission. For category 2 projects, with the exception of such projects that are deemed environmentally sensitive, there shall be no specific requirement for an EMP, however an Action Plan shall be required for implementing any planned mitigation measures identified.

An SEDD shall be required and shall consist of:

- Reviewing the ESIA to identify the positive and negative impacts of the project as well as climate change emissions and adaptation measures including considerations of the project longevity and resilience for a variety of climate change scenarios;
- Undertaking a site visit. TDB's due diligence team shall use the SEDD Questionnaire as a guide through the SEDD during a site visit;
- TDB's due diligence team to submit an SEDD Report with recommendations based on the site visit and the ESIA.

4.3.3 Category 3

For this category there is no Environmental and Social Impact Assessment (ESIA) required. The SEDD shall involve the completion of the SEDD Questionnaire with the sponsor.

4.3.4 Category 4

For this category which applies where the Banks invests in other financial institutions through lines of credit and/or equity, all Financial Intermediaries (FI's) shall provide the Bank with a written Environmental and Social Management System (ESMS) that will be used for E&S assessment of their subprojects.

Climate change resilience and GHG aspects of TDB's transaction are also considered during Due Diligence to assess to overall the climate risks and specifically water related risks associated with long term access to and demand for water. The Climate change aspects is integrated into the key sector "Biodiversity conservation and sustainable management of living natural resources.

The findings and recommendations of the SEDD will advise on:

- The Final Project Categorization and E&S Risk Rating Matrix;
- The appropriate E&S Action Plan to be put in place in order to address the E&S impacts identified and to report on the GHG emissions and the adequate measures;
- The E&S covenants to be incorporated in the Facility Agreement.

4.4 COMPONENTS OF E&S RISK RATING MATRIX

For the more significant risks identified during the SEDD and the completion of the E&S Risk Identification Checklist, its Likelihood and its Consequences are assessed and given a rating based on the E&S Risk Rating Matrix. The latest is made up of the following steps:

4.4.1 Likelihood Rating

Determined by the probability of the event to occur and based on past experience at the site with regards to the reported incidents as detailed in Table 1 of TDB's E&S Risk Rating Matrix;

4.4.2 Consequence Rating

Determined by the severity of the likely impact and based on the assessment of residual risks on people, environment and legal compliance as per the rating Table 2 of TDB's E&S Risk Rating Matrix;

4.4.3 Risk Rating Matrix

Determines the significance of the identified risks by combining the Likelihood Rating with the Consequence Rating;

4.4.4 Final Evaluation and Screening Report

The outcome of the SEDD is the Final Evaluation and Screening Report that will contain the Final Project Categorization and the project E&S Risks Rating according to the E&S Risk Rating Matrix.

A Final Evaluation and Screening Report signed by the Investment Officer shall be submitted to the E&S Manager or Coordinator for review and sign off. This document shall serve to compile the project appraisal results to be submitted to Operational and Technical Committee (OTC), the Credit Committee (CC) and the INVESCO for discussions on the findings, conclusions and recommendations of the SEDD especially the sufficiency of the proposed Environmental and Social Action Plan (ESAP).

The different committees shall give an opinion on project appraisal process and the ability of the proposed ESAP to be to bring the E&S risks to a level of risk acceptable to TDB. This is defined as that level of risk which demands mitigation measures that will not materially affect the client's ability to service debt obligations or reputation.

4.5 PROJECT IMPLEMENTATION AND MONITORING

With regards to project monitoring post investment, Trade Finance and Portfolio Management departmental officers with the assistance of Legal officers and/or Compliance Officer shall make sure that:

- Conditions precedent to the first disbursement with respect to E&S covenants are met, in particular the issuance of NEMA certificate;
- E&S requirements are included in all contracts with Client, their developers and third-party contractors;
- Client has appropriate insurance policies in place;
- Client's compliance with the government and local government requirements, as well as the E&S policies;
- Adequate resources are committed to allow effective and appropriate implementation of the ESMS at client level;
- Appropriate action is taken on complaints, orders, directives, claims, citations or notices from any authority under any applicable law or local requirements; and
- On-going stakeholder engagement is performed and that a grievance mechanism for effected communities is maintained and that all grievances are dealt with accordingly.

With regards to reporting, Trade Finance and Portfolio Management departmental officers with the assistance of E&S Coordinator and Manager shall ensure that, the client is adhering to the ESMS in line with covenants in the facility agreement and submits to the Bank a Semi-Annual E&S Monitoring Report.

E&S Coordinator and Manager are responsible for the preparation and completion of an Annual Environmental and Social Performance Report. The outcome including a summary of the impacts shall be incorporated in TDB's Annual Reports, where applicable.

Investment completion reviews the performance of the investment against the loan agreement. The aim is to generate lessons learnt which find their way into a consolidated report on key learning experiences and recommendations for consideration in future interventions. The inclusion of the External E&S Expert in post-project evaluation is recommended for Category 1 and Category 2 projects.

5.0 PROJECT COMPLIANCE MONITORING AND REPORTING

5.1 MONITORING COMPLIANCE

From disbursement and during the operational phase of the investment, TDB's Portfolio Management Department (PMD) and Trade Finance (TF) Department monitors the progress and performance of the investment in line with the loan agreement. Monitoring among other issues, aims to ensure that the client complies with the E&S conditions stipulated in the loan agreement and ensure ongoing compliance with the national and local legal requirements within the host country and where applicable international best practices.

Monitoring also ensures that the action plan and mitigation and management measures identified in the E&S appraisal are implemented and where the recommended management measures are ineffective or adequate, corrective alternatives are implemented. In addition, the PMD and TF team provides assistance in building institutional capacity of the client with regards to E&S performance of the project.

TDB will report on post investment ESMS activities on projects in accordance with internal obligations and the requirements of its stakeholders/lines of credit. The report shall be based on the review of the monitoring reports prepared by the Clients and the internal supervision reports prepared by the Bank's officers. A summary of E&S risk assessment to be conducted and reports to be written and submitted at each stage are as follows:

REPORT	AUTHOR	STAGE	PURPOSE
Reporting on Major Incidence	Client SEMS Officer	Post Investment and in case of Emergency/ Incidents	Report accidents or injuries that have occurred at a project.
Grievance Reporting procedure	Client SEMS Officer	Within 5 days of receipt of the grievance, if it is assessed to be Level 2 or Level 3	Report grievances raised by external stakeholders
Semi-annual Report	Client SEMS Officer	Post Investment	Report on quarterly progress of the project; to provide TDB with synopsis of the project's compliance.
Annual Report	Client SEMS Officer & TDB SEMS coordinator	Post Investment	Evaluate annual performance on E&S compliance, provide ESG evaluation on the project.

5.2 COMPLETION/EXIT

Investment completion reviews the performance of the investment against the loan agreement. The aim is to generate lessons learnt which find their way into a consolidated report on key learning experiences and recommendations for consideration in future interventions. The inclusion of the environmental specialist in post-project evaluation is highly recommended for Category 1 and Category 2 projects.

6.0 AWARENESS AND CAPACITY BUILDING

A comprehensive training for employees of the Bank will be undertaken on the updated ESMS and will involve key departmental employees. Training will cover the ESMS application to particular projects or investment as well as cover the content of any lines of credit investment agreements and side letters.

TDB Staff	Training Type And Frequency	Detailed Training Content
General TDB Bank Staff	Internal training (Bi annual)	<p>The training content should include as a minimum the following:</p> <ul style="list-style-type: none"> ▪ TDB's environmental policy ▪ TDB's SEMS and other E&S guideline documents ▪ Environmental awareness and management ▪ Pollution prevention and management (air, water, soil, waste, noise etc.) ▪ Management of cultural resources ▪ Hazardous materials management ▪ Waste and wastewater ▪ Introduction to environmental legal compliance
E&S DEPARTMENTAL STAFF/ CHAMPIONS	Certificate Training (Annually) E&S	<p>Training should cover the following topics:</p> <ul style="list-style-type: none"> ▪ Introduction to environmental assessment and management ▪ Introduction to environmental law ▪ Sustainable development ▪ Case studies in environmental and social issues such as: <ul style="list-style-type: none"> - Land management - Pollution - Water management - Biodiversity - Coastal and marine management - Human settlements - Environmental health - Energy - E&S technology solutions - Natural disasters and environmental performance - Gender and non-discrimination - Labour practices

TDB Staff	Training Type And Frequency	Detailed Training Content
	E&S and ESMS training (Annually after ESMS review)	<ul style="list-style-type: none"> ▪ Review the ESMS requirements and the tools used to ensure compliance with the ESMS. ▪ Environmental reporting
E&S Manager and Coordinator	E&S Comprehensive training (Every two years)	<ul style="list-style-type: none"> ▪ Introduction to environmental and social management ▪ Environmental and social framework legislation and corporate governance ▪ Environmental management systems and instruments ▪ Pollution prevention, management and resource productivity ▪ Monitoring, auditing and state of the environment reporting ▪ Sustainability ▪ Stakeholder consultation and public participation processes ▪ Environmental impact assessments including: <ul style="list-style-type: none"> - International perspectives on Environmental Assessment (EA) - Legal mandate for EIA - Comparative legal requirements for the region and EIA case law - EIA process, cost and techniques - Quality and effectiveness of EIA reports and processes - EIA and the planning interface - EIA and decision making - Integrated Development Planning - Land Use Management - Project E&S Life Cycle Assessment (LCA) - Strategic Environmental Assessment (SEA) - Social Impact Assessment (SIA) ▪ Geographic information systems ▪ Sector specific impact assessments ▪ Climate change ▪ Development financial institutions environmental management frameworks and standards ▪ Equator Principles
Directors	Internal Training (Once every two years)	<p>The training content should include:</p> <ul style="list-style-type: none"> ▪ TDB's SEMS and other E&S guideline documents ▪ Environmental awareness and management

7.0 STAKEHOLDER ENGAGEMENT & GRIEVANCE PROCEDURES

7.1 STAKEHOLDER ENGAGEMENT

Stakeholder engagement measures will work pro-actively towards developing and fostering positive relationships between the Client and stakeholders, particularly those directly affected by the project activities. Stakeholder engagement will aim to:

- Provide stakeholders with project information at appropriate times and in accessible forms;
- Communicate planned project phases, developments and changes to all stakeholders in good time (e.g. opening of new operations);
- Involve stakeholders in project decision-making that will affect/influence their lives;
- Enhance stakeholders' capacity to identify unanticipated projects impacts, and to be able to communicate these to the Client such that they can be resolved;
- Assist affected people in adapting to the social and economic changes brought about by the Project through information and participation; and
- Ensure that stakeholders can report concerns and grievances easily.

The management of impacts through stakeholder engagement can be divided into two main strategies.

- Proactive engagement where portfolio company goes out to stakeholders to elicit their involvement and to share information in order to address issues that may be of concern prior to their arising. This process is ongoing throughout the project implementation; and
- Reactive engagement i.e. responding to concerns or grievances raised by stakeholders in a coherent and predetermined manner. This approach is facilitated through the establishment of a Grievance Procedure as described below.

7.2 GRIEVANCE PROCEDURE

Stakeholder engagement measures will work pro-actively towards identifying and addressing E&S issues before they become grievances. However, when grievances are reported they need to be addressed in a consistent and verifiable manner as part of the implementation of the ESMS. For this reason a Grievance Procedure needs to be followed to:

- Enable stakeholders to easily identify and report any grievance regarding the project's performance; and
- Ensure that, through a defined process and within a predictable timeframe, stakeholders receive a response and/or resolution to the grievance.

A grievance is when stakeholders report a complaint or what they perceive to be poor performance linked to an operation within a client company, with the expectation of an explanation, or a change to the activity that has caused the grievance, or redress/compensation.

The Grievance Procedure should be followed for all grievances relating to client companies as a whole, as well as any issues related to any potential resettlement and rehabilitation.

8.0 ESMS REVIEW

This ESMS will be reviewed periodically by TDB and will be informed by lessons learned across the portfolio as well as emerging practices. The review will continuously track emerging E&S risks that may affect the Banks activities in the future and ensuring they are incorporated into the ESMS.

A review of the ESMS may also be triggered by any change in the scope of the Shareholders Charter, any change in the operations which introduce or changes any material environmental, social or occupational health and safety risk, any failures of this ESMS to appropriately manage E&S risks to the satisfaction of the Lenders or change in TDB's E&S Policies.

TDB will inform the Lenders and shareholders of significant proposed changes.