



**GUIDANCE NOTE FOR MANAGEMENT  
OF E&S RISKS ASSOCIATED  
WITH TDB'S FINANCIAL INTERMEDIARIES'  
ACTIVITIES AND OPERATIONS**

*Integrating & Advancing the Region*

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## ACRONYMS

CSR	Corporate Social Responsibility
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESF	Environmental and Social Framework
ESG	Environmental Social and Governance
ESHS	Environmental, Social, Health and Safety
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESS	Environmental and Social Standard
FI	Financial Intermediary
GBV	Gender-based Violence
GCLS	Grievance Complaint Logging System
GPN	Good Practice Note
GRM	Grievance Redress Mechanism
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IPF	Investment Project Financing
ISR	Implementation Status Report
IVA	Independent Verification Agent
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
PFI	Partner Financial Intermediaries
SEP	Stakeholder Engagement Plan
SPD	Standard Procurement Document
TDB	Eastern and Southern African Trade Development Bank
ToR	Terms of Reference
UN	United Nations
UNGC	Guiding Principles for Business and Human Rights
WHO	World Health Organization

## 1. INTRODUCTION

TDB has long considered financial, social, and environmental sustainability in its decision-making. Then, in 2016, it formally committed to aligning its investment strategy with the United Nations Sustainable Development Goals, the Paris Climate Summit Agreement and the African Union's Agenda 2063 and measuring the impact of its contribution to these agreements. To this end, TDB is committed to Sustainable Financing and a triple-bottom-line approach through all its interventions in a manner that pro-actively supports sustainable, inclusive and resilient development, including investing in clean energy, green growth and a just transition.

TDB's commitment to sustainable development is underpinned by a range of internal policies and processes that help it identify and address risks and capitalize on opportunities. These include the credit risk management, asset management and financial oversight functions, and the policies on the environmental and social management system (ESMS) and corporate social responsibility (CSR). These policies have been codified, documented, and integrated into TDB's operations. The ESMS policy framework assists TDB in analysing, controlling and reducing any negative environmental and social (E&S) impacts and in optimizing the benefits of its financing operations. The CSR policy guides TDB in undertaking non-commercial operations to enhance development and prosperity in the region.

TDB recognizes that Financial Intermediaries (FIs) are a key instrument for promoting sustainable financial markets and provide a vehicle to channel funding to the micro, small and medium sized enterprise within the region. In this regard, TDB's regional and local partners FIs may include a variety of financial service providers including, inter alia, private equity funds, banks, leasing companies, insurance companies and pension funds.

Nevertheless, given its role on sustainable financial inclusion, TDB's investments in FIs may at times be associated with adverse ESG impacts. In recognition of potential adverse E&S risk in FI investing, the Bank has developed the present Guidance Note for assessing and managing the E&S Risks associated with the subprojects financed through its partner FI.

## 2. RATIONALE

Lending through FIs strengthens domestic capital and financial markets and provides access to finance in the region. Such lending can have a positive multiplier effect: Through a single transaction, TDB can reach a much larger number of clients and support a whole sector and have a far greater development impact than through individual projects. TDB seeks to promote sustainability in the financial sector by focusing its FI portfolio in areas of green finance, micro, small and medium-sized enterprises; housing; services; and trade.

Lending to, or investing in, FIs has become an increasingly important aspect of development finance institution (DFI) activity in recent years. Therefore, a DFI like TDB invest in FI for a number of reasons:

- First, FIs have several characteristics – such as in-country knowledge and staff – which enable them to make smaller investments than those that are feasible as direct investments by DFI.
- Lack of available, affordable finance is a persistent problem in developing economies such the ones TDB operates.
- Many developing countries are affected by an “equity financing gap” in which there is a lack of investors to make equity investments which form an important part of the growth strategies of many companies. In this context, the emergence of private equity funds focused on developing economies, and the central role that DFIs like TDB have in financing them, is an important development.

The Bank also recognizes that if E&S issues related to FI are not identified and mitigated, they may impact the Bank’s operations. E&S risks related to the financial engagement of a FI can include:

- **Collateral/Guarantee Risk:** Reduction in the value of the collateral associated with transactions/clients due to FI E&S problems.
- **Legal Risk:** E&S Impacts which result in any legal disputes/actions against the FI.
- **Credit/Financial Risk:** Clients unwilling or unable to fulfil 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 FI lending and client activity. Reduced brand value and image.

### 3. SCOPE AND APPLICATION OF THIS GUIDANCE NOTE

This Guidance Note (to be annexed to the TDB’s ESMS) builds on TDB’s ESMS to provide specific guidance that actively supports risk analysis, avoidance and mitigation measures related to potential and actual adverse E&S risks related to financial products provided by TDB through FIs. TDB FIs include public and private financial services providers, including national and regional development banks, private equity funds, leasing companies, insurance companies, Saving and Credit Cooperative Organizations, Microfinance Institutions, and pension funds.

The Guidance Note shall apply to all transactions between TDB and TDB FIs that exceed a duration of three (3) years. Transactions with a duration of less than three (3) years shall at a minimum meet the requirements of the national law of the jurisdiction in which the project is situated. In any case, all transactions shall adhere to the Exclusion List in Appendix 4.

TDB will also use this Note for conducting Environmental and Social Due Diligence (ESDD) and for overseeing all its financing activities to Financial Institutions (FIs), including the onward lending of funds within World Bank<sup>1</sup> projects.

#### 4. OBJECTIVES OF THIS GUIDANCE NOTE

Through its relationship with the FI, TDB seeks to ensure that its FIs take on the responsibility, and have:

- The capacity to apply the principles and requirements of the Sustainability Framework, including E&S risk management, in its operations.
- The capacity and detailed process to identify and manage E&S Risks associated with their operations.
- The capacity to monitor E&S risks of their portfolio and subprojects, and require their clients to apply relevant aspects of the IFC Performance Standards (IFC PS) and World Bank Group EHS (WBG EHS) Guidelines, where applicable

#### 5. CURRENT TDB E&S CAPACITY

TDB has developed and is implementing its ESMS<sup>2</sup> to evaluate and monitor E&S performance of all Bank financed operations, and new investment opportunities before any decision is taken to finance them. The ESMS assists the Bank to analyse, control and reduce the negative E&S impacts and further improve the positive benefits that are realised from financed operations. TDB's ESMS is benchmarked against global best practice and is reviewed regularly by third party auditors commissioned by senior management to recommend further enhancement of the Bank's ESMS policies and procedures.

TDB's ESMS is based on the IFC (and other DFIs) Performance Standards and the existing ESMS has all elements of an ESMS such as E&S policy, procedures for categorization, E&S screening, E&S due diligence, monitoring requirements and external communication mechanism. The Bank developed its first Environmental Policy 18 years ago, supported by the Netherlands Development Finance Company FMO, which indicates a relatively long-standing commitment to sustainability at the early era of sustainable finance (for comparison, the Equator Principles originated in 2004 when global banks like Citi commenced doing the same). In 2010, TDB undertook an exercise to harmonize all its

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<sup>1</sup> GRIHD and ASCENT

<sup>2</sup> [TDB-Environmental-and-Social-Management-System.pdf \(tdbgroup.org\)](https://tdbgroup.org/TDB-Environmental-and-Social-Management-System.pdf)

policies, and all ESMS related procedures were formally approved by the Board of Directors in September 2010. These policies provided the basis for E&S risk assessment carried out by TDB. In 2015, the policies and procedures underwent a comprehensive review with Technical Assistance (TA) support from the African Development Bank (AfDB). In addition, since 2020 TDB's ESMS has been benefiting from World Bank TA as part of the implementation of the Regional Infrastructure Finance Facility Line of Credit

In addition, TDB's ESMS is well entrenched in the transaction cycle as part of its Enterprise Risk Management Framework (ERM), and is complemented with the following additional TDB's E&S Risk Management Guidelines:

- i. Guidance Note for protection of Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH) aimed at providing specific guidance that supports risk analysis, control and mitigation SEA/SH in TDB's financed projects (v1, 2020).
- ii. Guidance Note for Management of E&S risks associated with off-grid solar energy projects to ensure that the risks arising from lending to this sub-sector are managed in compliance with global standards and best practices (v1, 2020).
- iii. Guidance Note for Information Disclosure and Stakeholder Engagement to ensure that Project Affected Persons (PAP) participate effectively in the stakeholder engagement and consultation process related with TDB's Financed transactions (v1, 2020).
- iv. Guidance Note for Protection of Human Rights in TDB's financed projects in alignment with the United Nations Guiding Principles on Business and Human Right 2011) (v1, 2022).

## 6. CURRENT TDB's E&S STAFF

Currently, TDB has staff members directly involved in ESMS activities. And, the Bank aims onboard one dedicated staff to oversee the management of E&S risks associated with lending through FI

### 6.1 Organization Responsibility, Resources and Capacity for The Implementation of This Guidance Note

TDB will leverage from the existing well-structured roles and responsibilities of the personnel involved in the ESMS implementation, for the implementation of this guidance note:

TITLE	RESPONSIBILITY
<b>President /Group MD</b>	<ul style="list-style-type: none"> <li>▪ Overall responsibility for Business Principles and ESMS (including FIs E&amp;S Management) at Group Level</li> <li>▪ ESMS reporting to the Board of Directors.</li> </ul>
<b>Chief Risk Officer (CRO)</b>	<ul style="list-style-type: none"> <li>▪ Responsible for managing and reporting (to Management and the Board) on Bank-wide risk including the E&amp;S Risk of FIs;</li> </ul>

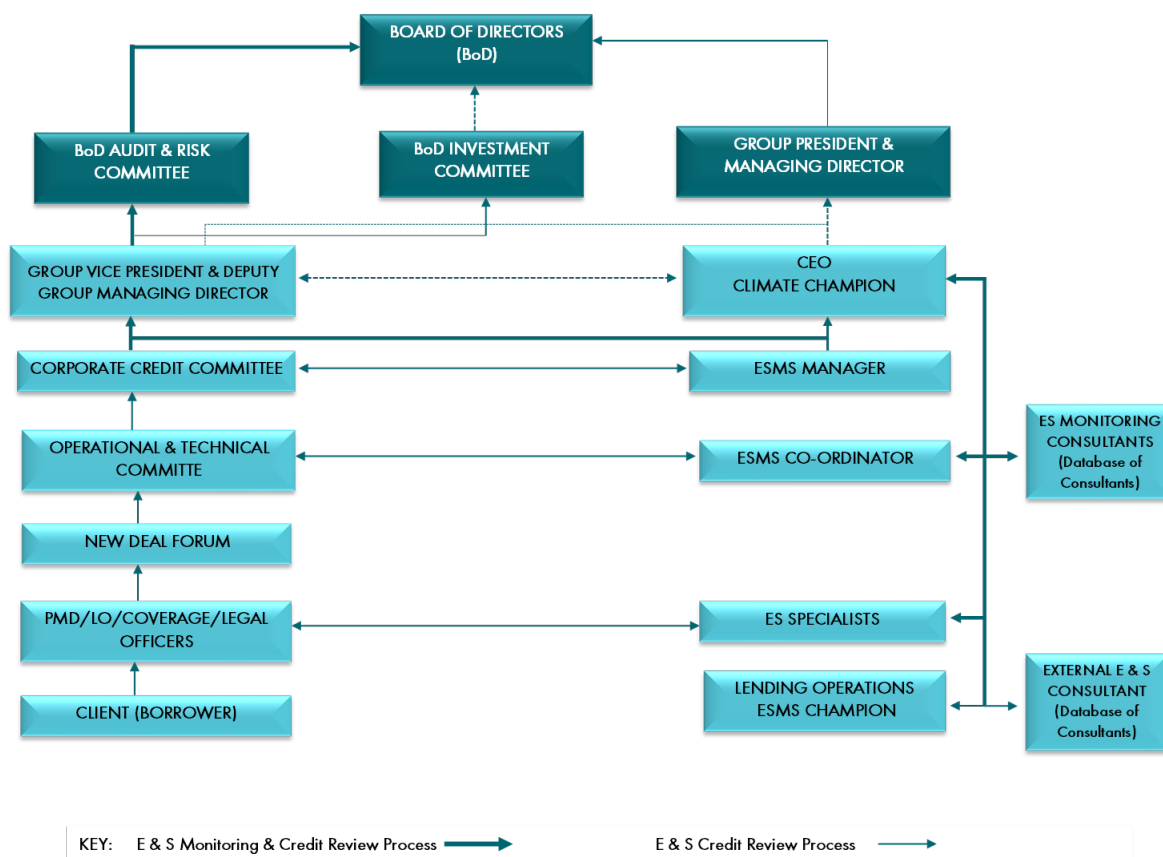
TITLE	RESPONSIBILITY
	<ul style="list-style-type: none"> <li>▪ Ensuring assessment of FI E&amp;S risks as part of risk management during project appraisal and during the holding period.</li> <li>▪ Measuring and reporting on aggregated FI risk exposure across the Bank (including E&amp;S Risks);</li> <li>▪ Coordinating the design, implementation and monitoring of business continuity and other corporate FI risk management plans;</li> <li>▪ Monitoring of compliance with internal controls. (Governance, control and assurance department).</li> <li>▪ Ensuring monitoring and reporting on progress with implementation on each FI based risk management plans</li> <li>▪ Ensuring reviews of FI Client submissions to ensure that they comply with the applicable regulations of the host country regulatory regime.</li> <li>▪ Ensuring reviews of FI E&amp;S monitoring reports on a periodic basis and recommend enhancements where necessary.</li> </ul>
<b>CEO &amp; Climate Champion</b>	<p>Oversee and facilitate the integration of climate change adaptation and mitigation projects financing, in a coherent manner, into relevant TDB's new and existing policies, programmes and activities, in particular in alignment with the Bank mandate and strategies, within all relevant sectors and at different levels of the Bank. Responsible for upskilling Staff on Climate related Risk Management</p>
<b>Investment/Trade Finance Officer</b>	<ul style="list-style-type: none"> <li>▪ Ensure appropriate consideration of E&amp;S aspects at each stage of the FI investment process.</li> <li>▪ Ensure that appropriate E&amp;S representations, warranties, and covenants are incorporated in each PFI Client agreement.</li> <li>▪ Liaise with the ESMS Coordinator to ensure the correct E&amp;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.</li> <li>▪ Ensure that resources are committed at the FI Level for E&amp;S and OHS management processes.</li> <li>▪ In consultation with E&amp;S manager, set an appropriate term of reference and budget for FI ESDD.</li> <li>▪ Ensure ongoing supervision of FIs and ensure submission of annual E&amp;S monitoring reports within the agreed timeframe.</li> </ul>
<b>ESMS Manager</b>	<ul style="list-style-type: none"> <li>▪ Ensure compliance with the Bank's E&amp;S Policies and overall responsibility for the implementation of the ESMS at the Bank and clients.</li> <li>▪ Participate in FI pipeline meetings and other appropriate forums to contribute to the investment process.</li> <li>▪ Ensure that resources are committed at the FI Level for E&amp;S and OHS management processes.</li> <li>▪ Report E&amp;S issues/infringements to the lenders and ensure that risks are appropriately remedied.</li> <li>▪ Reviewing, supervising and approving FI E&amp;S reports.</li> <li>▪ Answering any queries from lenders of any FI E&amp;S nature.</li> <li>▪ Ensuring that E&amp;S training needs of staff are met.</li> <li>▪ Management of the ESMS document and ensuring that it is reviewed on a periodic basis.</li> <li>▪ Organizing training programs for FIs on E&amp;S risk management.</li> </ul>
<b>ESMS Coordinator</b>	<ul style="list-style-type: none"> <li>▪ Evaluating E&amp;S compliance of FI activities with the applicable ESMS requirements.</li> <li>▪ Participate and contribute on all FI ESDDs whether it is being driven by external consultants or in-house resources.</li> </ul>



TITLE	RESPONSIBILITY
	<ul style="list-style-type: none"> <li>▪ Work with the FI and the Investment Officer to ensure that adequate resources are committed to allow effective and appropriate implementation of the ESMS policy and procedures.</li> <li>▪ Maintain on-going liaison and correspondence with the FI ESMS representative.</li> <li>▪ Ensure the FIs submit annual E&amp;S reports to TDB.</li> </ul>
<b>E&amp;S Specialist</b>	<ul style="list-style-type: none"> <li>▪ Ensure appropriate consideration of E&amp;S as part of the FI SEDD or investment monitoring process.</li> <li>▪ Ensure the correct E&amp;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.</li> <li>▪ Report local E&amp;S issues/infringements/incidents to Senior Management of TDB and lenders and ensure that all FI addresses all emergency incidents appropriately, and risks remedied where possible.</li> <li>▪ Maintaining and updating a list of potential E&amp;S and OHS risks inherent in TDB's evolving FI portfolio;</li> <li>▪ Prepare bi-annual reports on E&amp;S issues/infringements and ensure that all serious incidents are appropriately addressed, and risks remedied where possible.</li> <li>▪ Ensure that the FI is compliant with the Bank's E&amp;S Policy.</li> </ul>
<b>Legal Officer</b>	<ul style="list-style-type: none"> <li>▪ Prepare loan conditions and covenants for FI agreements as may be applicable to the transaction</li> <li>▪ Ensure appropriate E&amp;S clauses and action plan are included in the legal agreements signed with the Bank's FI.</li> <li>▪ Review any amendments to the loan conditions and covenants of FI agreement</li> </ul>
<b>PFI</b>	<ul style="list-style-type: none"> <li>▪ Develop and implement an ESMS.</li> <li>▪ Ensure adequate E&amp;S staff capacity to implement the ESMS.</li> <li>▪ Comply with E&amp;S requirements as set by TDB and its lenders</li> <li>▪ Provide project information as requested by TDB.</li> <li>▪ Carry out E&amp;S due diligence of all subprojects before financing them.</li> <li>▪ Develop and implement an external communication mechanism.</li> <li>▪ Ensure that the subprojects undertake E&amp;S assessment/ ESIA along with feasibility studies and public consultations including disclosure of the ESIA findings to the authorities and the public.</li> <li>▪ Ensure that the subprojects have secured appropriate E&amp;S permits from the relevant authorities.</li> <li>▪ Ensure the subprojects prepare and implement E&amp;S management plan and compensation schemes.</li> <li>▪ Ensure subprojects prepare appropriate agreements on impacts relating to resettlement, livelihood losses and indigenous people.</li> <li>▪ Monitor implementation of E&amp;S management plan and action plan of its financed clients to ensure compliance.</li> <li>▪ Submit regular monitoring reports to TDB.</li> <li>▪ Notify TDB within 48 hours of becoming aware of an incident and/or accident at subprojects.</li> </ul>
<b>FI ESMS representatives</b>	<ul style="list-style-type: none"> <li>▪ The implementation of TDB's E&amp;S policies and ESMS at the FI level.</li> <li>▪ Documenting and reporting local E&amp;S issues/infringements to the Bank's ESMS coordinator.</li> <li>▪ Training FI staff on an on-going basis on E&amp;S issues and impacts related to their activities and on the implementation of the ESMS.</li> <li>▪ Undertaking ESDD and supervision of subprojects to ensure ongoing compliance with TDB's E&amp;S requirements.</li> </ul>

TITLE	RESPONSIBILITY
	<ul style="list-style-type: none"> <li>Engagement with the subprojects, their contractors and communities to ensure that E&amp;S requirements are met.</li> <li>Ensure the subprojects implement remedial actions on serious incidents and appropriately address risks.</li> </ul>

## 6.2 TDB's Reporting Structure



## 6.3 Training & Capacity Building

As part of the implementation of this Guidance Note, TDB will continuously identify a group of its employees should benefit from FI Risk Assessment training on annually basis. In delivering the trainings, the Bank must leverage from its combined experience from TDB Academy and training programs to identify opportunities and disseminate good practices in Banking ESG Practices. The following capacity building activities are anticipated to be in place, for the effective implementation of this FI Guidance Note:

- Enhance the level of awareness of E&S risks involved in lending through PFIs by department through trainings.
- Create focused training for capacity building on the new Risk Management tools, models, structure, high-risk financial products from FIs.

- Define roles and responsibilities within Trade Finance (TF) and Project & Infrastructure Finance (PIF) teams and expertise required for FIs ESG risk management.
- Create a cross-functional FIs Champions by appointing in-house champions (in addition to dedicated and technically qualified E&S team of TDB) to promote the implementation of the new procedure.

## 7. GENERAL E&S REQUIREMENTS FOR TDB's FINANCIAL INTERMEDIARIES

TDB will continue aligning its ESMS processes and Sustainability Framework with the standards and methods of its global peers. Accordingly, this Guidance leverages the IFC Interpretation Note on Financial Intermediaries and ESS9 of the World Bank Environmental and Social Framework; Based on that, TDB's investment through FI are anchored to the following requirements:

- The FI shall develop and implement Labor and Working Conditions protocols for its staff, in alignment to the IFC PS 2 and ESS2. This includes a need for the FI to have Human Resources policies and procedures to ensure that working conditions and terms of employment comply with local labor regulations and International Labor Organization (ILO) requirements (FI shall not employ or make use of forced labour; not employ or make use of child labour; pay wages which meet or exceed industry or legal national minimum; have SH/SEA mitigants; not discriminate in terms of recruitment, progression, terms and conditions of work and representation, on the basis of personal characteristics unrelated to inherent job requirements, including gender, race, colour, caste, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, marital status, membership of workers' organisations, legal migrants, retrenchment, grievance mechanism, or HIV status; adopt an open attitude towards workers' organisations and respect the right of all workers to join or form workers' organisations of their own choosing, to bargain collectively and to carry out their representative functions in the workplace; provide reasonable working conditions including a safe and healthy work environment, working hours that are not excessive and clearly documented terms of employment; and in situations where workers are sent for missions in remote locations for extended periods of time to ensure that such workers have access to adequate housing and basic services);
- If FI owns or rented/leased buildings that are accessible to the public, these must be designed, constructed, and operated in compliance with local building legislative requirements, local fire department regulations, and local legal requirements. In the case of construction of new buildings or major reconstruction of existing buildings accessible to the public, these buildings should be designed, constructed, and operated in compliance with applicable local requirements and in accordance with internationally accepted life and fire safety standards.
- FI must ensure that necessary emergency preparedness and response plans are in place within its premises to protect the health and safety of its employees and visitors.

Effective emergency preparedness and response plans should identify responsibilities and procedures for communicating different types of emergencies to the appropriate authorities and for safe evacuation. Plans should also include specific training and practice requirements (i.e., simulations and drills).

- iv. The FI shall develop, implement, and maintain adequate policies and procedures, captured in the form of an ESMS. An ESMS is the part of the overall management system of the FI that includes organizational structure, planning activities, responsibilities, practices, procedures and resources for developing, implementing, achieving, reviewing and maintaining compliance with local E&S laws and regulations as well as internationally recognized E&S standards such as the IFC Performance Standards. As such, an ESMS aims to identify and manage E&S risks and opportunities in the loan and investment appraisal and management processes of FIs (Appendix 5 – Layout/Topics of FI ESMS).
- v. FIs must apply E&S risk management practices to their portfolio; TDB reserves the right to decline to invest in an FI with a particularly high E&S risk portfolio at the time of ESDD.
- vi. In cases where TDB's investment consists of equity or general-purpose financial support with no specified end use, the approach to E&S risk management will apply to the entire portfolio that the FI originates from the time TDB becomes a shareholder or lender.
- vii. If any change occurs in the FI business supported by TDB financing result in E&S risks that differ from those identified at the time of TDB's investment, the FI will be required to adjust its ESMS in a manner consistent with the E&S risk profile resulting from the new business activities.
- viii. Where an FI is financing sub-projects that meet the criteria in the list of Category A projects included as Appendix 4 to the ESMS Manual (and/or High Risk as per the WB ESS1), such subprojects will be required to meet IFC PS 1 to 8. In addition, the FI will apply the relevant requirements of the IFC PS and/or ESSs to any FI subproject that involves resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on the environment, community health and safety, labor and working conditions, biodiversity or cultural heritage.
- ix. The FI Referral List, enclosed as Appendix 4 to this Guidance Note, lists a number of activities with particularly high E&S risks. Where a sub-project includes activities listed in the referral list, the FI will refer that subproject to TDB before financing.
- x. Where FI subprojects are likely to have minimal or no adverse E&S risks or impacts, the FI will apply national law.

- xi. The FI will comply with any exclusions (Appendix 5 and Appendix 6 for the World Bank supported projects) in the legal agreement and apply relevant national law for all its subprojects.

## 7.1 TDB's E&S PROCEDURES FOR FINANCIAL INTERMEDIARIES

This section describes the steps TDB will take to undertake due diligence and monitoring of FIs.

### 7.1.1 Screening of Financial Intermediaries

TDB will require all FIs to submit the completed Appendix 1 as part of the ESDD. The Bank will also ask the FI to provide its existing ESMS, sample ESDD reports, monitoring reports and legal covenants. TDB's team will review all the information and based on the review findings and E&S risks of existing or proposed portfolio it will categorize the FI in alignment with TDB's ESMS: investment through a FI is rated as E&S Risk Category 4 since FI operations may have adverse E&S impacts. This E&S 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.

For Higher Risk Transactions within the scope of category FI-1 and FI-2 projects, the ESDD process typically consists of:

- i) review of FI's ESMS, where an ESMS exists and E&S capacity in terms of staff, use of consultants and training.
- ii) reviewing all relevant documents and information provided by the borrower/investee, including information on risks related to the industry sector and technical aspects of the borrower's/investee's activities to be supported by the FI.

- iii) reviewing risks and potential impacts of the activity to be supported against pre-determined criteria such as the TDB Exclusion List, National E&S laws and regulations, the relevant Performance Standards and the project-specific list of restricted activities<sup>3</sup> (Appendix 7 includes the list of restricted activities for the World Bank fund GRIHD and ASCENT projects<sup>4</sup>).
- iv) conducting site visits, as appropriate, to subprojects/ facilities and meetings/interviews with relevant stakeholders; and
- v) reviewing the borrower's/investee's track record on E&S issues in terms of potential non-compliance with national regulations or negative publicity.

For Low-Risk Transactions within the scope of category FI-3 projects, the ESDD process typically consists of review compliance with TDB Exclusion List, National E&S and Labour laws and regulations (and the relevant Performance Standards where applicable)

In addition to the E&S aspects, TDB will also review the human resources (HR) policies and procedures of the FI to confirm its compliance with the PS 2 on Labour and Working Conditions.

### 7.1.2 Establishment of Environmental and Social Action Plan

Where non-compliance is identified during the ESDD stage or improvements are required in the ESMS, E&S Capacity and HR policies of the FI, TDB will establish an Environmental and Social Action Plan (ESAP) using the template contained in the Appendix 4. The Bank will agree with the FI the measures and actions to address gaps and strengthen the FI's ESMS and E&S capacity.

### 7.1.3 Preparation of Legal Documents

The facility agreement between TDB and the FI will include the general definition of E&S terms, applicable E&S compliance requirement which will include the Exclusion list, list of restricted activities (for the World Bank funded projects), country E&S regulatory requirements and the WB Performance Standards & WBG EHS Guidelines (where relevant). In addition, it must include, at minimum, the following E&S covenants:

#### **Representations & Warranties:**

- No Environmental Claim has been commenced or (to the best of its knowledge and belief (having made due and careful enquiry)) is threatened against the FI where that

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<sup>3</sup> Certain projects receiving support from both multilateral and bilateral agencies may have their unique set of restricted activities. These lists are applicable exclusively to the projects funded by those respective agencies.

<sup>4</sup> Lists of restricted activities for other projects will be attached to this guidance note as and when new projects are finalized with the multilateral and bilateral agencies.

claim has or is reasonably likely, if determined against the Borrower, to have a Material Adverse Effect.

**Reporting Requirements:**

- within ninety (90) days after the end of each Financial Year, provide TDB the Annual E&S Monitoring Report as per Appendix
- a report confirming compliance with the E&S compliance requirements or, as the case may be, detailing any non-compliance, and setting out the action being taken to ensure compliance; and
- as soon as possible but no later than [48] hours after its occurrence, notify TDB of any incident or accident with respect to any Subproject/ Sub-borrower or in relation to any Subproject/ Sub-borrower Operations or Property or areas otherwise within the Subproject/ Sub-borrower's management or control, which (i) may give rise to an Environmental and Social Claim, (ii) may lead to the suspension or cancellation of any Environmental and Social Permits, (iii) has, or is likely to have, a material impact on compliance with the Environmental and Social Standards, and (iv) without limiting the foregoing, has or might reasonably be expected to have a material adverse impact on the environment, health or safety, (including, without limitation, explosions, spills or accidents which result in death, serious or multiple injury or major pollution) specifying, in each case, the nature of the incident or accident, the on-site and off-site impacts arising or likely to arise therefrom and the measures the Subproject/ Sub-borrower is taking or plans to take to address those impacts and keep the Agent informed of the ongoing implementation of those measures. Comply and ensure that any subproject complies with all Environmental and Social Standards

**Affirmative Covenants:**

- The FI shall establish an Environmental and Social Management System (ESMS) in accordance with the requirements and timetable specified in the ESAP. All TDB's FI clients are required to publicly disclose a summary of their ESMS.
- The FI shall designate a dedicated focal point responsible for ESMS implementation, with technical support from qualified Environmental and Social (E&S) specialists who are readily available on call. Any replacement or successor to the E&S Focal Point shall promptly be notified to TDB.
- Those TDB's FIs required to apply IFC's Performance Standards to their financing and investment activities will establish and maintain an External Communications Mechanism (ECM) which will involve implementing a process for receiving, analyzing, recording, and responding (if deemed necessary) to views, opinions, concerns (real or perceived), and requests for information from third parties, e.g., concerns related to the FI's investment activities and/or a borrower in its portfolio. In addition, TDB's FI ECM should

provide publicly available and easily accessible channels (e.g., phone number, website, e-mail address) to receive E&S communications and requests from the public.

- When FI's own operations generate adverse E&S impacts on Affected Communities or the environment, a grievance mechanism is required as an element of the FI's ESMS. On the other hand, the FI should require a sub-project sponsor to establish and maintain a grievance mechanism if the sub-project in question meets the criteria under IFC PS1.
- The FI shall disclose a summary of all subprojects or sub-borrowers on its website.
- For the World Bank funded projects, the FI will allow TDB to use third-party for monitoring ESMS implementation and compliance of subprojects or sub-borrowers with the E&S requirements.

#### **Negative Covenants:**

- The FI shall not invest in any subproject or sub-borrowers engaged in activities listed on the Exclusion List or the list of restricted activities applicable to World Bank Projects.

#### **Proposed Investments: In connection with any proposed Investment:**

- Prior to investing in any subproject or sub-borrower, including new or follow-on investments, the FI shall conduct Environmental and Social Due Diligence (ESDD).
- The FI shall furnish TDB with (a) the E&S categorization, (b) the rationale for such categorization, (c) the key findings of ESDD, and (d) the Environmental and Social Action Plan (ESAP).
- The FI shall only proceed with an Investment in a subproject or sub-borrower if: (i) any identified adverse impact or performance has been rectified in compliance with the applicable E&S Requirements and these E&S Provisions; or (ii) the proposed subproject or sub-borrower has agreed to an ESAP to resolve the identified adverse impacts or performance within a reasonable timeframe.
- The FI shall provide ESDD reports and E&S instruments for the first three subprojects or sub-borrowers, as well as any proposed Investment in a Category A Client or Category B Client (whether within an existing or proposed Portfolio Company).
- The FI shall ensure that all subproject or sub-borrowers conduct E&S impact assessments of their operations and develop and implement E&S management plans.
- The FI shall require all subproject or sub-borrowers to establish and execute a stakeholder engagement plan including a grievance mechanism.



- The FI shall mandate that all subproject or sub-borrowers submit monitoring reports in accordance with the agreed-upon frequency.
- The FI shall ensure that all subproject or sub-borrowers obtain, maintain and ensure compliance with all requisite Environmental and Social Permits applicable to it.
- The FI shall promptly report to TDB (using template in the appendix 3), but in any event within three days after becoming aware of any of the events below:
  - any Safeguarding Violation involving the Borrower or any other member of the Group.
  - any Forced Labour Indicator involving the Borrower, any other member of the Group or any Client.
  - any other social, labour, health and safety, security, environmental or human rights-related incident, accident or circumstance (including without limitation any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination) occurring on or nearby any site, plant, equipment or facility of the FI, any other member of the Group or any subproject, which has or is reasonably likely to have a Material Adverse Effect or which has a material negative impact on the Environment, the health, safety and security situation, or the social and cultural context;

The FI must, promptly upon becoming aware, notify the TDB of:

- any Environmental and Social Claim started, or to its knowledge, threatened or pending against it or the Project or against any other party to a Project Document;
- any circumstances reasonably likely to result in an Environmental and Social Claim against it or the Project or against any other party to a Project Document; or
- any suspension, revocation or notification of any Environmental Permit.

#### **7.1.4 Supervision of Financial Intermediaries transactions**

TDB will undertake monitoring to confirm ongoing compliance of its FI with the E&S requirements.

FIs are required to submit annual E&S performance reports to TDB, 60 days after the end of each calendar year. While reporting to TDB, FIs are expected to fill in and submit to the template contained in the Appendix 3. The scope of such reports will vary depending on the risk of the portfolio supported by TDB. For an FI, the Annual E&S Performance report to TDB should include, at minimum, the following topics:

- Breakdown of the FI's portfolio by:
  - Type of transaction
  - Industry sector
  - E&S risk classification
- List of medium and high E&S risk subprojects or sub-borrowers
- Description how E&S procedures have been integrated into the transaction approval process.
- Confirmation that no transactions are financed for businesses whose activities appear on TDB's E&S Exclusion List and the List of restricted Activities for the World Bank supported projects.
- Details of any transactions rejected on E&S grounds.
- Details of any material E&S issues associated with subprojects or sub-borrowers during the reporting period, in particular:
  - Accidents/litigation/complaints
  - Incidents of non-compliance with applicable E&S regulations and standards such as fines, penalties or excess fees for non-compliance
  - Incidents of significant non-compliance by subprojects or sub-borrowers with E&S covenants/conditionality imposed by the FI.
  - Details of any transactions or initiatives used to finance E&S improvements, such as: energy efficiency, waste minimization, switch to cleaner technology, reduction of permit fees or fines due to E&S improvements.
  - Portfolio breakdown by industry sectors and product lines, Higher Risk Transactions, and sample ESDD reports. In cases where the use of proceeds is well-defined, the FIs will furnish portfolio details exclusively for the pertinent portfolio. For instance, within the context of the World Bank-supported GRIHD and ASCENT projects, only relevant portfolio information is mandated to be submitted by the FIs.

TDB will request FIs to provide sample ESDD and monitoring reports as verification of ESMS implementation. Additionally, TDB will conduct random site visits to FI's subprojects in collaboration with the FI's E&S team.

## 7.2 FINANCIAL INTERMEDIARIES ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

The FI ESMS should be tailored to fit the needs of the FI and should also influence investment selection and management. Ideally it should be integrated into the FI's existing risk management systems for credit, operational risk, finance, legal, compliance, or any other relevant system operating within the FI, which may already consider E&S risk. FI ESMS which typically must reflect the specific types of financed instruments (eg, loans, working capital, guarantee, equity, trade finance, etc), at minimum must have the following components:

- 1) **Environmental & Social Policy:** The E&S Policy is a commitment of the FI to promote E&S sustainability in its business operations, approved by top management and communicated to stakeholders.
  - 2) **Exclusion List:** Adherence to a list of activities excluded from financing by the FI – Please refer to Appendix 5 – TDB’s Exclusion List and Appendix 6 for List of Restricted Activities for the World Bank Funded Projects.
  - 3) **ESMS Manual:** The Manual is the core of the ESMS. It defines the organizational structure, key responsibilities and procedures necessary to achieve the E&S Policy commitment. This requires integration of key processes into core operations applicable in all phases of the credit process, with firm and visible support by top management. Required documentation includes:
    - E&S responsibilities and job specifications.
    - In compliance with IFC PS1, TDB requires FI to establish and maintain an organizational structure that defines roles, responsibilities, and authority to implement the ESMS; Sufficient capacities (depending on size of loan book, at least one suitably trained E&S officer is required) and resources to enable implementation of a functional ESMS need to be provided. The E&S officer will primarily need to ensure that FI clients manage their operational E&S risks appropriately (resources, procedures, responsibilities, etc.). The Senior Management at FI are ultimately responsible for E&S risk management and should allocate sufficient resources to implement the ESMS. TDB’s screening for prospective FI is contained in the Appendix 1.
    - E&S questionnaires for sub-borrowers to assess E&S, labour and health and safety risks associated with the sub-borrowers’ activities.
    - E&S guidelines for specific sectors and special regions - sectoral issues are widely covered in the World Bank Group industry specific Environmental, Health and Safety Guidelines.
    - Standardized E&S Clauses for the Facility Agreement.
    - Risk categorization and screening model
- E&S due diligence procedures, including standard Terms of Reference for commissioning of external E&S experts and ideally a pool of qualified experts:
    - In compliance with IFC PS1, TDB requires that each FI identify the E&S risks and impacts associated with its lending/investment activities. This means FI are required to conduct ESDD at the individual transaction level to identify the environmental, social, labor, occupational health and safety, and security risks and impacts

associated with the business operation considered for financing. As an outcome of the ESDD process, the FI should also identify mitigation and/or corrective measures as necessary for borrower/investee operations.

- If the initial review concludes that a proposed lending/investment activity will have minimal or no potential E&S risks or adverse impacts, the FI should document this conclusion as part of its decision to proceed with the transaction.
- Additional in-depth due diligence will be required should the initial review process indicate the existence of E&S risks or potential impacts that require further analysis. For Higher Risk Transactions the FI must engage external qualified expert(s) to assist managing E&S risks and impacts associated with these transactions. The ESDD should also identify corrective actions to be reflected in the E&S action plan (ESAP) and to be implemented by the borrower/investee to comply with the FI's E&S ESMS.
- Specific ESAP to mitigate E&S risks and aimed at reaching compliance with E&S requirements:
  - The ESAP should outline key E&S performance gaps in the FI subproject or sub borrower's operations identified during the ESDD or monitoring, as well as proposed mitigation measures and a timeline to ensure compliance with applicable national E&S laws and regulations and the Performance Standards (where required).
  - An ESAP must be developed as part of the transaction review process, its fulfilment should be referenced in the FI legal agreement with sub-borrower. Standard E&S terms and clauses for the Facility Agreement must be represented as general E&S definitions, representations and warranties, disbursement conditions, and/or covenants regarding compliance with the requirements. defined by the FI's E&S policy.
  - The FI should discuss the ESAP as part of general E&S requirements. The timeframe for implementing specific mitigation measures will vary according to the E&S risk and may range from being a condition precedent or condition subsequent.
- E&S monitoring procedures.

### **Monitoring of subprojects by Financial Intermediaries**

- In compliance with IFC PS1, TDB requires FI to conduct monitoring of each borrower's/investee's E&S performance against the FI's E&S policy, the ESDD findings, and E&S contractual obligations including the ESAP (if required). The extent and frequency of monitoring should be commensurate with the E&S risk and potential impacts of the transaction as identified through the ESDD.

- The monitoring process should be conducted as part of the FI's ESMS implementation, and typically involves the review E&S reports received from borrowers/investees, review of relevant activities of respective national authorities such as factory inspections (where available) and conducting periodic site visits as appropriate. In the case of borrowers/investees involved in Higher Risk Transaction, the monitoring must be conducted by external qualified experts. Monitoring of outcomes and ESAP implementation process should be documented, and the FI should work with borrowers/investees to provide guidance on the implementation of proposed corrective actions.
- As best practice, FI senior management and where relevant the Board should be informed regularly of the E&S risks of individual borrowers/investees as well as aggregated E&S risks at the portfolio level. This information may give a better understanding of FI overall exposure to E&S risk, and allows the FI to focus on transactions and borrowers/investees that may require additional resources to manage E&S impacts.

#### **Reporting of FIs to TDB**

- FIs are required to submit annual E&S performance reports to TDB, 90 days after the end of each calendar year. While reporting to TDB, FI are expected to fill in and submit to the template contained in Appendix 3. The scope of such reports will vary depending on the risk of the portfolio supported by TDB.

## APPENDIX 1 – ENVIRONMENTAL AND SOCIAL DUE DILIGENCE QUESTIONNAIRE

[illegible]

Please provide a summary overview over the entire loan portfolio of your institution.					
	Sector	Number of loans	Average loan amount (USD Million)	Approximate share of total portfolio (%)	Comments if any
					.....
					.....
					.....
					.....
					.....
					.....
					.....
					.....
<b>Portfolio Risk Potential</b>					
	Has your institution extended loans in areas as specified in <b>Annex 1</b> ?				<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, please mark in <b>Annex 1</b> and specify number and kind of loans				
	Has your institution extended loans in areas as specified in <b>Annex 2</b> ?				<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, please mark in <b>Annex 2</b> and specify number and kind of the projects				
	Has any loan extended by your institution been associated with the following issues?				
	<input type="checkbox"/> Non-compliance with national environmental, health & safety or labour laws and regulations	<input type="checkbox"/> Fatalities or serious injury	<input type="checkbox"/> Major accidents (e.g. spills, accidental pollution, fires, ...)		
	<input type="checkbox"/> Non-compliance with World Bank/IFC policies and guidelines (projects with high risks as in Annex 2)	<input type="checkbox"/> Strikes (with or without violence) or other labour disputes			
	<input type="checkbox"/> Non-compliance with covenants or other legal agreements	<input type="checkbox"/> Non-compliance with an agreed Environmental and / or Social Action plan			
	<input type="checkbox"/> Fines, penalties or increased permit charges	<input type="checkbox"/> Legal action			
	<input type="checkbox"/> Complaints from regulatory agencies, interest groups, or local communities	<input type="checkbox"/> Negative attention on the part of the media or non-governmental organisations			
	If your answer is "yes" to any question above, please specify number of loans ..... and provide details on the measures taken by your institution and/or client to address any instances of non-compliance .....				
	Has your institution made any investment/loan available to clients for specific environmentally and/or socially beneficial projects (for energy efficiency improvements, for agribusiness that produces organic produce etc.)?				<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, specify number and kind of loans				
<b>ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT</b>					
8.	Does the FI have an Environmental and Social Risk Management Policy?	<input type="checkbox"/> Yes <input type="checkbox"/> No ➡ If yes, please provide a copy			
9.	Are Environmental and Social Risks arising from FI's financing/lending activities discussed at its management and Board meetings?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
10.	Does the FI have in place procedures for Environmental and Social Risk Assessment?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
	➡ If yes, please provide a copy.				
11.	Are financing and lending decisions of the FI guided by its Environmental and Social Risk Management Policy?	<input type="checkbox"/> Yes	<input type="checkbox"/> No		
	➡ If yes, please provide a copy.				
12.	What E&S Criteria are the FI's client's transactions/projects accessed/benchmarked against?	i) <input type="checkbox"/> IFC/World Bank Guidelines ii) <input type="checkbox"/> Equator Principles			

		iii) <input type="checkbox"/> National/County E&S Regulations and Laws iv) <input type="checkbox"/> Others: please specify v) <input type="checkbox"/> ILO Core Labour Conventions (no child and forced labour, no discrimination, freedom of association)
13.	As part of the FI's ESDD procedures which of the following items are included are incorporated in the assessment process	i) <input type="checkbox"/> Formal Categorization/Rating of projects Rating (environmental and social risks related to the loan? ii) <input type="checkbox"/> Documented environmental & social procedures iii) <input type="checkbox"/> Use of checklist or questionnaire iv) <input type="checkbox"/> No appraisal of environmental and social issues v) <input type="checkbox"/> Informal assessment (for example verbal questioning of client) vi) <input type="checkbox"/> Review against FIs Exclusion List- (if yes, which ones?) vii) <input type="checkbox"/> Client Interview/Questionnaire viii) <input type="checkbox"/> Site Visits ix) <input type="checkbox"/> E&S Expert Review /Consultant validation x) <input type="checkbox"/> Others xi) <input type="checkbox"/> None of the above
14.	Does the FI undertake further due diligence for all projects classified as "High Risk" in terms of environmental and social risk impact?	<input type="checkbox"/> Yes <input type="checkbox"/> No
15.	Does the FI require its clients to comply with relevant environmental and social risk standards/laws as part of its contractual agreement for lending	<input type="checkbox"/> Yes <input type="checkbox"/> No
16.	Are there high-risk projects financed by the FI with open environmental and social risk issues	<input type="checkbox"/> Yes <input type="checkbox"/> No Please provide details.....
Does your institution commission – or do you request your clients and borrowers to commission:		
	<input type="checkbox"/> Environmental and Social Impact Assessments (ESIAs)	<input type="checkbox"/> Environmental and Social Due Diligence
	➡ If yes, please specify.	
	Do you negotiate and agree upon Environmental and Social Action Plans with your clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, please specify	
	Have you rejected any potential loans for environmental and/or social reasons?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, please specify number and kind of loans rejected	
17.	Are the FI's E&S activities and framework audited internally or by external Auditors?	<input type="checkbox"/> Yes <input type="checkbox"/> No Please confirm the date of last audit review...
	➡ If yes, please specify	
	How do you ascertain whether your clients comply with applicable relevant environmental, health & safety and social regulations?	
	How often do you conduct supervision visits?	
18.	For high risks projects	<input type="checkbox"/> quarterly <input type="checkbox"/> biannually <input type="checkbox"/> annually <input type="checkbox"/> other, please specify



	For medium risks projects	<input type="checkbox"/> quarterly <input type="checkbox"/> biannually <input type="checkbox"/> annually <input type="checkbox"/> other, please specify
	Do you routinely discuss environmental and social issues with your clients?	
	➡ If yes, what are the most common environmental and social issues you discuss with your clients and how do they respond	
	Do your clients report on their environmental and social performance on a regular basis?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, please specify including form of reporting	
19	Does FI have a dedicated E&S Officer /Function? Staff/team routinely dealing with Environmental and Social issues, i.e., Environmental and Social Manager/Environmental and Social Management Team?	<input type="checkbox"/> Yes <input type="checkbox"/> No <b>Comments:</b> ➡ If yes, please indicate name, phone and email address
	Has the Environmental and Social Manager/Team recently attended any training on Environmental and Social Management?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, please specify, including name of organisation, date and course .....	
	Has relevant E&S training been provided to other staff of your institution?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	➡ If yes, please specify .....	
<b>OCCUPATIONAL HEALTH AND SAFETY AND LABOUR CONDITIONS</b>		
	How many people are employed? Total ()	<input type="checkbox"/> Female <input type="checkbox"/> Male
	Does the office building comply with national and municipal health & safety regulations?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Is an Emergency & Response Plan with Procedures in place?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Please indicate whether your health & safety system or plan (EHS) includes the following aspects:	
<input type="checkbox"/> health & safety procedures for all employees	<input type="checkbox"/> emergency room and first aid
<input type="checkbox"/> regular and recorded health and safety trainings for all employees	<input type="checkbox"/> protective measures against HIV/AIDS –
What is the regular working time <u>8</u> hours/ <u>5</u> day/week?	What is the average wage for a desk officer for a regular working week? .....
Do employees work overtime? If yes, please specify system of overtime, frequency, payment as of % of normal wage .....	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do your employees have the right of association and collective bargaining?	<input type="checkbox"/> Yes <input type="checkbox"/> No
➡ If yes please specify, including in what form it is being exercised .....	
Do you provide your employees with training schemes?	<input type="checkbox"/> Yes <input type="checkbox"/> No
➡ If yes please specify,	
Are any social benefits provided (e.g., social security, bonus system etc.)	<input type="checkbox"/> Yes <input type="checkbox"/> No
➡ If yes please specify .....	
Does your organisation have a formalised staff complaint/grievance mechanism in place?	<input type="checkbox"/> Yes <input type="checkbox"/> No
➡ If yes please specify .....	
Is retrenchment planned or has retrenchment of employees been taken place in the last five years?	<input type="checkbox"/> Yes <input type="checkbox"/> No
➡ If yes please specify the number of employees affected ....., year ..... and please provide a copy of the retrenchment plan	
<b>ANNEX 1</b>	
<input type="checkbox"/> Activities involving harmful or exploitative forms of forced labour / harmful child labour, discriminatory practices	<input type="checkbox"/> Practices which prevent employees from lawfully exercising their rights of association and collective bargaining
<input type="checkbox"/> Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements. e.g. <input type="checkbox"/> certain pharmaceuticals, pesticides, herbicides and other toxic substances (under the Rotterdam Convention, Stockholm Convention and WHO "Pharmaceuticals: Restrictions in Use and Availability"),	<input type="checkbox"/> Production or trade in ozone depleting substances subject to international phase out
	<input type="checkbox"/> Drift net fishing in the marine environment using nets in excess of 2.5 km in length
	<input type="checkbox"/> Trade in wildlife or wildlife products regulated under CITES

<input type="checkbox"/> Activities prohibited by national law or international conventions relating to the protection of biodiversity resources or cultural heritage	<input type="checkbox"/> Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction.
<input type="checkbox"/> Production or trade in products containing PCBs	<input type="checkbox"/> Production, trade, storage, or disposal of radioactive products or radioactive waste
<input type="checkbox"/> Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forestry	<input type="checkbox"/> Prospection, exploration and mining of coal; land-based means of transport and related infrastructure essentially used for coal; power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines.
<input type="checkbox"/> Casinos, gambling or any business relating to prostitution or pornography	<input type="checkbox"/> Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.
<input checked="" type="checkbox"/> Production or trade of tobacco	<input type="checkbox"/> Production or Trade in alcoholic beverages (excluding beer and wine)
<input type="checkbox"/> Production and distribution of racist, anti-democratic and/or neo-nazi media.	<input type="checkbox"/> Business relating to pornography or prostitution
<input type="checkbox"/> Production, trade or usage of bonded or unbonded asbestos fibres	<input type="checkbox"/> Cross-border trade in waste products unless compliant with the Basel Convention and the underlying regulations.
<input type="checkbox"/> Projects that involve the conversion or degradation of Critical Natural Habitats	<input type="checkbox"/> Production or trade of persistent organic pollutants (POPs)
<input type="checkbox"/> Large agricultural or forestry enterprises (>5,000 ha) producing palm oil or wood that do not comply with recognised international certification systems (e.g. RSPO or FSC) or equivalent regulations.	<input type="checkbox"/> Production or trade in or use of pharmaceuticals, pesticides / herbicides and other hazardous substances subject to international phase-outs or bans
<b>ANNEX 2</b>	
<input type="checkbox"/> Manufacture, transportation (e.g., tankers, rail, road), storage (e.g., port terminals) and use of hazardous / toxic materials such as pesticides/herbicides or other chemicals	<input type="checkbox"/> Projects with impacts on any protected natural habitat or any area of high biological diversity such as coral reefs, wetlands, primary forests, ...
<input type="checkbox"/> Domestic and hazardous waste storage, treatment, recycling & disposal operations (incl. incineration)	<input type="checkbox"/> Mining operations and other large ferrous and non-ferrous metal operations (such as smelters, refineries and foundries)
<input type="checkbox"/> Forestry and large-scale logging operations	<input type="checkbox"/> Large-scale textile industries involving wet process (incl. tanneries)
<input type="checkbox"/> Construction or major extension of dams, reservoirs, large-scale irrigation projects, river basin developments and other projects affecting water supply in a region	<input type="checkbox"/> Large thermal, gas turbine, hydro, diesel and crude oil driven power stations
<input type="checkbox"/> Pulp and paper industries	<input type="checkbox"/> Large-scale tourism developments
<input type="checkbox"/> Large infrastructure projects such as ports and harbour operations, airports, roads, railroads or other mass transit systems	<input type="checkbox"/> Projects with extended construction activities (e.g. workers camp needed, large number of construction workers, ...)
<input type="checkbox"/> Agriculture involving the release of GMOs (genetically modified organisms) in the natural environment	<input type="checkbox"/> Projects with impacts on cultural property, such as religious, historical, archaeological sites
<input type="checkbox"/> Large-scale industrial plants and estates	<input type="checkbox"/> Agro-industries (large scale)
<input checked="" type="checkbox"/> Oil and gas developments, including major pipelines as well as crude oil refineries and petrochemical facilities	<input type="checkbox"/> Projects in or near to highly sensitive and high value ecosystems
<input type="checkbox"/> Chemical industries & pharmaceutical production	<input type="checkbox"/> Municipal water or waste water infrastructure
<input type="checkbox"/> Projects with > 25% of workforce belonging to defined groups (e.g., temporary workers, migrants, minors, disabled persons)	<input type="checkbox"/> Projects with significant impacts on economic and social basis of local communities
<input type="checkbox"/> Projects involving traditional land rights	<input type="checkbox"/> Large scale cement and lime processing
<input type="checkbox"/> Projects involving sub-contractors & home workers accounting for > 25% of the workforce and/or projects outsourcing core business activities to sub-contractors.	<input type="checkbox"/> Projects involving large retrenchment (more than 20% of work force)
<input type="checkbox"/> Projects with > 200 workers in low-wage industries	<input type="checkbox"/> Projects affecting on indigenous people
<input type="checkbox"/> Projects in Free Trade Zones or with trans-boundary effects at country border lines	<input type="checkbox"/> Privatization with potential restrictions on the access to basic supply (e.g., water, energy, ...)
<input type="checkbox"/> Projects which pose serious occupational or health risks	<input type="checkbox"/> Projects with physical or economic resettlement components

## APPENDIX 2 – ENVIRONMENTAL AND SOCIAL ACTION PLAN TEMPLATE

<b>Client:</b>					
<b>Client Contact Details:</b>					
<b>Date:</b>		<b>Date of next review:</b>			
<b>Aspect</b>	<b>Recommendation (write "None" if no recommendations have been identified)</b>	<b>Responsible Person and organisation</b>	<b>Date to be completed by</b>	<b>Status</b>	<b>Level of Compliance</b>
Social and Environmental Assessment and Management Systems					
Labor and Working Conditions					
Pollution Prevention and Abatement					
Community Health, Safety and Security					
Land Acquisition and Involuntary Resettlement					
Biodiversity Conservation and Sustainable Natural Resource Management					
Indigenous Peoples					
Cultural Heritage					

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(Insert Name of Responsible Person at Client)

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(Insert Name of Responsible Person at the Client)

## APPENDIX 3 – ANNUAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING TO TDB

Contact details of FI and Signature			
Institution:	..... (Name)	..... (Address)	..... (Website)
Country of incorporation:	..... (Name)		
Completed by:	..... (Name and Title)	..... (Date)	(Signature)
Reporting period	..... (Financial year)		
Approved by senior management representative:	..... (Name and Title)	..... (Date)	(Signature)
General Information			
Total loan portfolio EUR / USD:	.....		
Reporting currency in the financial statement:	.....		
Exchange rate at time of reporting:	Click to choose currency = reporting currency.....		
Other Development Finance Institutions (DFIs) providing finance	<input type="checkbox"/> DEG <input type="checkbox"/> EBRD <input type="checkbox"/> FMO <input type="checkbox"/> IFC <input type="checkbox"/> Proparco <input type="checkbox"/> Other, please specify .....		
Section 1: Environmental and Social Management System (ESMS)			
1.1. Does your institution have an <b>E&amp;S policy</b> approved by Management Board?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No		
Any changes to be noted during the reporting period?			
1.2. Has your institution developed, upgraded or implemented an ESMS during the reporting period?	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No, in progress please provide details: ..... <input type="checkbox"/> No, we already have an ESMS <input type="checkbox"/> Other, please specify: .....		
A. Environmental and Social Governance			
1.3. Please provide the name of the person with overall responsibility for E&S matters within your institution (senior management/board management).	..... (name, function and contact details)		
Any changes to be noted during the reporting period?	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No		
1.4. Please provide the name of the person with overall responsibility for coordinating the day-to-day E&S matters within your institution (operational coordinator).	..... (Name, function and contact details)		
Any changes to be noted during the reporting period?	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No		

1.5. Please provide details of general E&S responsibilities in the credit process within your institution. (	<input type="checkbox"/> All credit/front office staff, supported by E&S Coordinator, are expected to address any E&S risk as part of their standard processing of transactions <input type="checkbox"/> We have designated credit/front office staff to deal with any E&S issues arising in the context of transactions <input type="checkbox"/> Other, please specify: .....	
Any changes to be noted during the reporting period?	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No	
<b>B. Environmental and Social Training</b>		
1.6. Did your institution provide E&S training to credit/front office staff during the reporting period?	<input type="checkbox"/> Yes, all relevant credit/front office staff received E&S training. Please provide number of staff trained: ..... <input type="checkbox"/> Only applicable staff members, including the E&S Coordinator. Please provide number of staff trained: ..... <input type="checkbox"/> No training was provided	
1.7. Please provide details of who provided the E&S training.	<input type="checkbox"/> Independent Consultant <input type="checkbox"/> Another DFI or training organization. Please provide name of organization: ..... <input type="checkbox"/> In-house training provided by the organization's own E&S Coordinator <input type="checkbox"/> Other, please specify: ..... <input type="checkbox"/> Not applicable	
1.8. Does your institution have an E&S training program integrated into the bank-wide capacity building program?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>C. Environmental and Social Procedures (refer to Appendix 1)</b>		
1.9. Has your institution made any changes during the reporting period with regards to E&S procedures?	<input type="checkbox"/> Yes, please specify: ..... <input type="checkbox"/> No	
1.10. Does your institution have an Exclusion?	<input type="checkbox"/> Yes please provide details: <input type="checkbox"/> Not fully compatible please provide details: <input type="checkbox"/> No	.....
1.11. Does your institution categorize its transactions based on exposure to E&S risks sectors?	<input type="checkbox"/> Yes, please specify method used: <input type="checkbox"/> No	<input type="checkbox"/> Questionnaire <input type="checkbox"/> Checklist <input type="checkbox"/> Other, please specify: .....
1.12. Does your institution perform E&S analysis for relevant transactions to assess the identified risks?	<input type="checkbox"/> Yes, please specify method used: <input type="checkbox"/> No	<input type="checkbox"/> Questionnaire <input type="checkbox"/> Desk review of client documentation (i.e. permits etc.) <input type="checkbox"/> Site visits performed by ..... <input type="checkbox"/> Impact assessment commissioned to a third party <input type="checkbox"/> Other, please specify: .....
1.13. Does your institution mitigate and manage the E&S risks associated with transactions?	<input type="checkbox"/> Yes, please specify method used <input type="checkbox"/> No	<input type="checkbox"/> ESMP or ESAP <input type="checkbox"/> E&S contract clauses <input type="checkbox"/> Other, please specify: .....

1.14. When identifying, assessing, mitigating and managing the E&S risks associated with transactions, what standards does your institution apply?	<b>Standards:</b>	<b>Type of transactions:</b>
	National standards	.....
	IFC Performance Standards	.....
	ILO Conventions	.....
1.15. Does your institution monitor the E&S performance of your clients/financed transactions?	Other, please specify: .....	
	<input type="checkbox"/> Yes, please specify measures taken:	<input type="checkbox"/> Site visit by your institution's staff <input type="checkbox"/> Inspection by environmental/health authorities <input type="checkbox"/> Copies of updated or renewed permits <input type="checkbox"/> Reports from the client <input type="checkbox"/> Other, please specify .....
	<input type="checkbox"/> No	
1.16. How often had your IFC PS Triggered Transactions and high-risk clients received monitoring visits by the E&S Coordinator during the reporting period?	<input type="checkbox"/> Once a year <input type="checkbox"/> No visits <input type="checkbox"/> Other, please specify: .....	
1.17. Has your institution integrated the E&S procedures (i.e. categorization, assessment, monitoring etc.) into the credit approval process?	<input type="checkbox"/> Yes, E&S fully integrated please provide short description ..... <input type="checkbox"/> No, E&S process is a parallel process please provide short description .....	
	<input type="checkbox"/> No	
1.18. Does your institution include an E&S paragraph/evaluation in the credit appraisal notes?	<input type="checkbox"/> Yes <input type="checkbox"/> No please specify where the E&S review output is formalised: .....	
1.19. Are E&S procedures integrated into the information system of your institution?	<input type="checkbox"/> Yes <input type="checkbox"/> No please specify if it is planned to integrate them: .....	
<b>D. External Environmental and Social Monitoring</b>		
1.20. Has your institution engaged with an advisor to conduct an external ESMS implementation review during the reporting period ?	<input type="checkbox"/> Yes please share report <input type="checkbox"/> No please specify if it is planned and when: .....	
<b>E. Stakeholder Engagement</b>		
1.21. Has your institution publicly endorsed or signed any national or international agreements or declarations concerning environmental and social issues?	<input type="checkbox"/> Yes, please specify:	<input type="checkbox"/> Equator Principles <input type="checkbox"/> United Nations Global Compact <input type="checkbox"/> United Nations Environment Programme for Financial Institutions (UNEP-FI) <input type="checkbox"/> Global Reporting Initiative <input type="checkbox"/> Carbon Disclosure Project <input type="checkbox"/> Other, please specify .....
	<input type="checkbox"/> No	
1.22. Does your institution report publically (e.g. in its Annual Report or in a separate E&S or CSR report etc.) on its E&S performance and client/portfolio compliance with applicable E&S legislation and standards?	<input type="checkbox"/> Yes, please specify reporting mechanism: ..... <input type="checkbox"/> No	
1.23. Does your company have an official mechanism in place to address grievances/complaints of local communities and project affected people?	<input type="checkbox"/> Yes, please provide a web link or contact details for grievances/complaints: ..... please specify number of complaints received per year and provide details of how they were handled: ..... <input type="checkbox"/> No	

## Section 2: ESMS related Loan Book Information

### 2.1 Loan Book Summary *(Please specify reporting currency)*

Total Loan Book	Average Loan Size (non retail portfolio)	Short Term Finance % <1 year	Long Term Finance % >3 years
Click to choose the currency.....	Click to choose the currency.....	Click to choose the currency.....	Click to choose the currency.....
In case you finance SME, please provide the average loan size for this specific client segment.		Click to choose the currency	
Share of IFC PS Triggered Transactions of the loan book		.....%	

### 2.2 Loan Portfolio Breakdown Analysis <sup>5</sup>

Sector / Activity	Total Loans Outstanding per Industry Sector Click to choose the currency		of which Corporate %	of which SME %	of which Micro %	of which Mortgages %	of which Retail %	Other
.....	.....	.....%	.....	.....	.....	.....	.....	.....
.....	.....	.....%	.....	.....	.....	.....	.....	.....
.....	.....	.....%	.....	.....	.....	.....	.....	.....
.....	.....	.....%	.....	.....	.....	.....	.....	.....
.....	.....	.....%	.....	.....	.....	.....	.....	.....
.....	.....	.....%	.....	.....	.....	.....	.....	.....
.....	.....	.....%	.....	.....	.....	.....	.....	.....
<b>Total</b>	.....	<b>100 %</b>	.....	.....	.....	.....	.....	.....

### 2.3 Top 10 Clients Overview

#	FI's client name:	Industry Sector:	High E&S risk sector? Please specify with Y/N
1	.....	.....	
2	.....	.....	
3	.....	.....	
4	.....	.....	
5	.....	.....	
6	.....	.....	
7	.....	.....	
8	.....	.....	
9	.....	.....	
10	.....	.....	

<sup>5</sup> To be able to meaningfully interpret the information from this table, we kindly ask you to provide your definition of Corporates, SME's and Micro enterprises in *Annex 1* of this report.



**2.4 Overview of IFC Performance Standards Triggered Transactions**  
(loan size > USD 5mln or total project costs > USD 10mln; Tenor > 3 years)

Client Name	Sector / Industry	Total project size (USD)	Loan size (USD)	Tenor (month)	Exit Date	Purpose of Loan	Relationship Officer

**2.5 E&S categorization of total loan book**

	High-risk (Cat. A)	Medium-risk (Cat. B)	Low-risk (Cat. C)
No	.....	.....	.....
%	.....	.....	.....

**2.6 Transaction with agreed ESMP/ESAP**

	High-risk (Cat. A)	Medium-risk (Cat. B)	Low-risk (Cat. C)
No	.....	.....	.....

**2.7 Transactions approved during the reporting period that finance activities specified in the E&S Exclusion List?**

	Name (Client / Project)	Excluded activity and reason for approval	Amount
1	.....	.....	.....
2	.....	.....	.....
3	.....	.....	.....

**2.8 Transactions rejected due to E&S reasons during the reporting period:**

	Name (Client / Project)	Reason
1	.....	.....
2	.....	.....
3	.....	.....

**2.9 Projects/Clients with significant environmental and/or social issues and/or incidents during the reporting period (e.g. casualties, spilling, NGO campaigns, fines, strikes, non-compliance with local E&S law and/or permits, penalties)**

	Project/Client	Environmental and/or social issue(s) and/or incident(s) during the reporting period	Measure(s) taken to manage the issue and/or incident
1	.....	.....	.....
2	.....	.....	.....
3	.....	.....	.....

Section 3: Climate Change				
Climate Risk Governance				
3.1 Please provide the name of the person with overall responsibility for climate change matter (Climate Change Champion) within your institution (senior management/board management).	..... (name, function and contact details)			
3.2 Please provide the name of the person with overall responsibility for coordinating the day-to-day climate change matters within your institution.	..... (name, function and contact details)			
3.3 Please provide details of general climate change (physical and transition risks <sup>6</sup> ) responsibilities in the credit process within your institution.	<input type="checkbox"/> All credit/front office staff, supported by Climate Change Campion are expected to address any climate risk as part of their standard processing of transactions <input type="checkbox"/> We have designated credit/front office staff to deal with any climate change issues arising in the context of transactions <input type="checkbox"/> Other, please specify: .....			
Climate Risk Strategy / Procedures				
3.4 Does your institution have a <b>climate risk management strategy</b> in place?	<input type="checkbox"/> Yes please share (and associated documentation / procedures, if any). <input type="checkbox"/> No, in progress please provide details: ..... <input type="checkbox"/> Other, please specify: .....			
3.5 Please provide overview of actions that have been taken in the institution to implement (3.4) during the reporting period.				
Climate Risk Related Training				
3.6 Have employees in the institution undertaken any training on climate-related risks/impact during the reporting period? (e.g. UNEP-FI TCFD Training)	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No, in progress please provide details: ..... <input type="checkbox"/> Other, please specify: .....			
3.7 Have there been any internal training, presentations or exercises (such as heatmapping, materiality assessments) on climate risk related topics during the reporting period?	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No, in progress please provide details: ..... <input type="checkbox"/> Other, please specify: .....			
Section 4: Human Resources and Corporate Social Responsibility Management				
4.1 Please specify the number of employees according to:		Permanent	Temporary	Top Management
	Male	.....	.....	.....
	Female	.....	.....	.....
4.2 Please provide a rough forecast of how many jobs will be created by your company in the next 5 years.	Total: (.....)			

<sup>6</sup> (1) physical risks from changing frequencies and intensities of weather-related peril which lead to the disruption of operations or destruction of property and (2) transition risks such as policy constraints on emissions, imposition of carbon tax, water restrictions, land use restrictions or incentives, and market demand and supply shifts.

<b>4.3</b> Please specify (in % of workforce) any staff reductions or additions during the reporting period:	<input type="checkbox"/> Lay-offs of workforce ..... <input type="checkbox"/> Additions to workforce ..... <input type="checkbox"/> None	
<b>4.4</b> Has responsibility for human resources management in your institution changed during the reporting period?	<input type="checkbox"/> Yes please provide details <input type="checkbox"/> No	..... (name, function and contact details)
<b>4.5</b> Has your institution made changes to the human resources policies during the reporting period? (refer to Appendix 1)	<input type="checkbox"/> Yes, please provide details: ..... <input type="checkbox"/> No	
HR Policy Changes (e.g. addition of social benefits, working hours etc.)		
1	.....	.....
2	.....	.....
3	.....	.....
4	.....	.....
5	.....	.....
<b>4.6</b> Has your institution implemented an HIV/AIDS Program during the reporting period? (refer to Appendix 1)	<input type="checkbox"/> Yes, please provide details and budget ..... <input type="checkbox"/> No	
<b>4.7</b> Has your institution experienced labor related issues during the reporting period (grievances, strikes, court cases etc.)?	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No	
<b>4.8</b> Has your institution provided non-E&S related staff training during the reporting period (e.g., corporate governance, credit risk)?	<input type="checkbox"/> Yes, please provide details and specify % of workforce trained ..... <input type="checkbox"/> No	
<b>4.9</b> How much did your institution spend on staff training in the last financial year?	Click to choose the currency.....	
<b>4.10</b> Do you have specific anti-discrimination procedures, notably regarding gender equality?	<input type="checkbox"/> Yes, please specify ..... <input type="checkbox"/> No	
<b>4.11</b> Do you have elected staff representatives?	<input type="checkbox"/> Yes, please specify ..... <input type="checkbox"/> No	
<b>4.12</b> Do you have unions' representatives?	<input type="checkbox"/> Yes, please specify ..... <input type="checkbox"/> No	
<b>4.13</b> Has your institution taken any measures to reduce its environmental footprint during the reporting period (e.g. use or production of paper, waste, energy etc.)?	<input type="checkbox"/> Yes please provide details: ..... <input type="checkbox"/> No	
<b>4.14</b> How much did your institution spend on activities that benefit local communities (Corporate Social Responsibility) in the last financial year?	Click to choose the currency.....	
<b>4.15</b> Which type of community development did you engage in?	<input type="checkbox"/> Health <input type="checkbox"/> Transportation	

	<input type="checkbox"/> Water <input type="checkbox"/> Education <input type="checkbox"/> Energy <input type="checkbox"/> Recruitment from local community <input type="checkbox"/> Other, please specify:
<b>4.16</b> Provide an estimate of the share of goods and services (specified in your financial statement) that is purchased from domestic suppliers (vs. foreign suppliers) – please specify for last financial year	<input type="checkbox"/> 0%
	<input type="checkbox"/> <20%
	<input type="checkbox"/> <40%
	<input type="checkbox"/> <60%
	<input type="checkbox"/> <80%
	<input type="checkbox"/> <100%
	<input type="checkbox"/> 100%

#### 4.17 Safeguarding

<b>Total number of safeguarding incidents recorded.</b> Please also outline what has been done to address these incidents. Safeguarding refers to (1) labour rights non-compliance also identifiable by possible or strong indicators of modern slavery (see definitions and guidance), (2) gender-based violence and harassment (GBVH) and (3) child exploitation and/or abuse. If a safeguarding incident is identified, please specify the severity and/or type of safeguarding incidents it is from the 3 categories outlined. Please refer at the end of these questions for indicators used to identify strong indicators of modern slavery, as well the definition of GBVH.	
<b>Total number of safeguarding incidents that are still open.</b> If safeguarding incidents have occurred across more than one of the three safeguarding categories (indicator of modern slavery, GBVH, child exploitation/abuse), please provide a breakdown across these three categories and outline reason for why cases are still open.	
<b>Total number of grievances raised in regard to safeguarding issues</b> (indicators of modern slavery, GBVH and child exploitation and/or abuse). Please disaggregate grievances according to safeguarding categories outlined.	
<b>Please explain/provide an update on the process in place to ensure that modern slavery, GBVH and child exploitation and/or abuse violations are prohibited and addressed in your operations (including contractors)?</b>	

#### Definitions and further guidance

**Potential indicators of modern slavery** include abuse of vulnerability, deception, restriction of movement, isolation, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, excessive overtime. See list of strong and medium indicators here p. 16: <https://assets.cdcgroup.com/wp-content/uploads/2018/12/03105819/Managing-Risks-Associated-with-Modern-Slavery.pdf>

<b>Type</b> (i) Sexual Exploitation (where someone abuses their position of relative power or trust to exploit someone through sexual relations) (ii) Sexual Abuse (where someone uses force or their position of relative power to sexually assault, rape, attempt to rape or force someone to perform oral sex) (iii) Sexual Harassment (where someone makes unwanted sexual advances, requests sexual favours, shows pornographic images or touches in an unwanted way. This includes behaviour which is not explicitly directed at one individual, but which creates a humiliating or offensive environment) (iv) Non-sexual forms of GBVH (this can include physical violence and bullying such as hitting, burning and kicking, financial abuse and the denial of resources, services, and opportunities, verbal harassment and bullying such as shouting and swearing and emotional abuse such as systematic humiliation, controlling behaviour, degrading treatment, insults, and threats)	<b>of GBVH incidents</b>	<b>include:</b>
--	--------------------------	-----------------

**Child abuse** includes physical, emotional, or sexual mistreatment, neglect, in the context of a relationship of responsibility, trust or power, or resulting in actual or potential harm to the child's physical and emotional health, survival and development. **Exploitation of a child is the** use of the child in work or other activities for the benefit of others and to the detriment of the child's physical or mental health, development, and education. Exploitation of a child can include **child labour which is** work that is mentally, physically, socially or morally dangerous and harmful to children; and/or interferes with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely, or requiring them to attempt to combine school attendance with excessively long and heavy work.

**NB:** Very often, the victim and/or workers who have shared information, or are even suspected of sharing information about labour rights related abuses or GBVH, can be subject to retribution e.g. harassment etc. It is important to put in place the necessary measures to ensure that the victim and any workers who have shared information are safe and confidentiality regarding sharing of information is maintained

Section 5: Gender Reporting (TDB)		
Board members - Male (Headcount)	Number of male board members	
Board members - Female (Headcount)	Number of female board members	
Senior management - Male (FTEs)	Number of male full-time equivalent senior management employees, Includes C-suite or equivalent ( e.g. managing directors, partners). FTE's as defined for direct employment.	
Senior management - Female (FTEs)	Number of female full-time equivalent senior management employees, Includes C-suite or equivalent ( e.g. managing directors, partners). FTE's as defined for direct employment.	
Management - Male (FTEs)	Number of male full-time equivalent management employees, excluding senior management. FTE's as defined for direct employment. Organizations should describe how management levels are defined within their organization. For guidance see below.	
Management - Female (FTEs)	Number of male full-time equivalent management employees. FTE's as defined for direct employment. Organizations should describe how management levels are defined within their organization. For guidance see below.	
Section 6: Corporate Metrics (Reported currency)		
Net interest income (reported currency)	Revenue metric for FIs. Revenue resulting from the ordinary operating activities, i.e. their interest income. This is commonly referred to as earned revenue.	
Operating income (reported currency)	Value of the FI's operating income before taxes, depreciation and amortization during the reporting period. Representing the FI's income post expenses.	
Total labour expenses/wage bill (reported currency)	Sum of compensation expenses paid to all permanent and temporary employees during last calendar year, including wages, salaries, bonuses, and benefits. Taxes and fees related to employment shall not be included.	
Domestic purchasing (reported currency)	Value of company's purchases of goods and services (including raw materials, security, gardening, cleaning, and marketing and research).	
Tax paid (reported currency)	Sum of corporate income taxes transferred to the government by the organization during last calendar year.	
Loans for jobs model/Net loans (reported currency)	Net loans, defined as all gross loans (as defined below) which are neither past due nor impaired. If net loans are unavailable use gross loans, noting in the appropriate column if Net or Gross loans have been used.	
Net interest income (reported currency)	Revenue metric for FIs. Revenue resulting from the ordinary operating activities, i.e. their interest income. This is commonly referred to as earned revenue.	
Section 7: Development of Financing Products and Service		
How much of your financing is issued by local banks/institutions that are based in the country of your activities?	<input type="checkbox"/> 0%	
	<input type="checkbox"/> < 20%	
	<input type="checkbox"/> < 40%	
	<input type="checkbox"/> < 60%	
	<input type="checkbox"/> < 80%	
	<input type="checkbox"/> <100%	
	<input type="checkbox"/> 100%	

## Annex 1

Please make sure to include copies of relevant documents with your monitoring report as applicable to your institution. A sample list is provided below:

Document	Explanation	Please specify with Y/N
ESAP	Provide updated version of the ESAP providing details on the implementation status	
E&S Policy		
Exclusion List		
E&S Procedures		
E&S Tools	Provide questionnaire, checklist, client ESAP etc.	
E&S covenants	Incorporated in loan agreements	
Flowchart	Showing how E&S is integrated into the overall credit approval process (i.e. credit risk, incl. E&S)	
Organigram	Showing how E&S is organized within the institution	
Training program	Provide content of the program	
E&S Tracking MIS	Provide full list of IFC PS Triggered Transactions	
Human Resources policies	Provide policies related to workforce	
HIV/AIDS program		
E&S Annual report	Annual report of your institution	
Definition of Corporate, SME and Micro, as applicable to your institution		
<b>Glossary</b>		
IFC PS Triggered Transactions	<p><b>Scope 1:</b> Each Project Finance Loan, Project Related Corporate Loans of the borrower with an amount equal to or higher than USD 5,000,000 or transactions where the total projects costs of equal to or higher than USD 10,000,000 and which has a tenor of 36 months or more</p> <p><b>Scope 2:</b> Each non-Project-related Corporate Loan with an amount equal to or higher than USD 5,000,000 and which has a tenor of 36 months or more (incl. revolving facilities).</p>	

## APPENDIX 4 - SERIOUS INCIDENT REPORTING TEMPLATE

REPORT on E&S ISSUES/INCIDENT in [BORROWER NAME]	
Date of report	
Name of Project	
Country	
Sector	
Brief details of the activity	
Borrower contact person	
Loan Amount	
Date of TDB's loan	
Description of issue	<ol style="list-style-type: none"> <li>1. Date and time of incident.</li> <li>2. Type of incident: environmental issue, fatality, alleged fraud or other.</li> <li>3. Name of person/s involved/injured/deceased, if applicable</li> <li>4. Narrative and contextual information.</li> <li>5. Whether incident was work or non-work related.</li> <li>6. Causes of incident.</li> <li>7. Status of investigation.</li> <li>8. Listing of parties involved in investigation (witnesses and staff, unions, police, other authorities and other parties.</li> </ol>
Follow-up by Borrower management	<ol style="list-style-type: none"> <li>1. Borrower view of incident – degree of severity, possible uncertainties or disputed facts to be investigated.</li> <li>2. Status of investigation.</li> <li>3. Reports produced (and outstanding, if any).</li> <li>4. Immediate actions taken by company and other parties.</li> <li>5. Further actions to prevent re-occurrence of incident.</li> <li>6. Monitoring/reporting arrangements to follow up on efficacy of actions taken.</li> <li>7. Results to date of actions taken.</li> </ol>
Conclusion	Next steps: whether to close the case, or proceed with investigations, how to do so, and the rationale for it.

## APPENDIX 5 – TDB's REFERRAL LIST

### Infrastructure

- Railways
- Ports, harbors and terminals
- Airports
- Toll roads
- Crude oil and petroleum product terminals
- Pipelines
- Long distance overhead transmission lines
- Large dams (hydro power plants / irrigation/water supply)
- River-run-off hydro power plants (> 50 MW)
- Waste management / Waste treatment facilities
- Thermal power: new plants (> 50 MW)
- Thermal power: existing plants (> 50 MW)
- Wind parks (> 100 MW installed capacity)

### Oil & Gas

- Offshore oil and gas development
- Onshore oil and gas development
- Liquefied natural gas (LNG) facilities

### Large Scale Primary Production (Plants / Animals)

- Plantation crop production
- Forestry
- Aquaculture
- Animal production

### Heavy Industry

- Cement and lime manufacturing
- Glass manufacturing
- Construction materials extraction
- Integrated steel mills
- Base metal smelting and Refining
- Pulp and paper mills
- Foundries
- Pharmaceuticals and biotechnology manufacturing
- Coal processing
- Natural gas processing
- Oleo chemicals manufacturing
- Nitrogenous fertilizer manufacturing
- Phosphate fertilizer manufacturing
- Pesticides manufacturing and packaging
- Petroleum-based polymers manufacturing
- Petroleum refining



- Large volume petroleum-based organic chemicals manufacturing
- Large volume inorganic compounds manufacturing and coal tar distillation

### **Mining**

- Mining (open pit and underground)

### **Socially Critical Projects**

- Projects with large groups of low-skilled labor, for instance in free trade zones etc. (e.g. textiles manufacturing projects which may affect indigenous or tribal populations)
- Projects which may affect areas of archaeological or cultural significance
- Projects which cause or have caused (during last 5 years) physical or economic resettlement
- Projects which cause retrenchment of more than 10% of the present work force (or > 50 workers)

### **Environmentally Critical Projects**

- Projects in or bordering ecological sensitive or protected areas (e.g. agriculture in Amazon area, large scale tourism projects)
- Large scale conversion of natural habitats
- Large scale land reclamation
- Projects that have potential to heavily impact ecosystem services (e.g. due to intensive use of ground water)

## APPENDIX 6 – TDB EXCLUSION LIST

TDB will not finance directly or any project, infrastructure or trade finance activity involving:

1. Production or trade in military arms, weapons and ammunitions
2. Production or trade in any product or activity deemed or legislated as in a member state deemed or legislated as illegal (i) in that state, or (ii) under regulations or international conventions and agreements of general application, or subject to internationally phase-outs or bans, including but not limited to certain pharmaceuticals, pesticides/herbicides, ozone depleting substances and Polychlorinated Biphenyls (PCBs).
3. Production of, use of, or trade in, unbonded asbestos fibers.
4. Areas gazetted by host countries through national or international legislation and deemed to have a high biodiversity and/or cultural value, or any other activities that leads to substantial destruction of the environment.
5. Production or use of or trade in hazardous materials such as radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where TDB considers the radioactive source to be trivial and/or adequately shielded.
6. Production or trade in wildlife or wildlife products regulated under CITES
7. Gambling, casinos and equivalent enterprises.
8. Production or trade in alcoholic beverages (excluding beer and wine)
9. Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
10. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
11. Prostitution and/or Pornography
12. Projects involved in the conversion or degradation of Critical Forest Areas
13. Projects Impacting upon World Heritage sites
14. Projects Impacting upon UN listed protected areas and natural parks
15. Unsustainable fishing methods (e.g., Blasting and drift net fishing in marine environment using nets in excess of 2.5 KMs in length)

A reasonableness test will be applied when the activities of the project company would have a significant development impact, but circumstances of the country require adjustment to the Exclusion List.

## APPENDIX 7- LIST OF PROJECT RESTRICTED ACTIVITIES UNDER RIFF, GRIHD, AND ASCENT

Does the subproject or activities of PFIs lead to any of the following:	Yes/no
Conversion or degradation of critical habitat	
Would a subproject proposed for financing through PFIs lead to involuntary resettlement of populations?	
Is subproject proposed for financing through PFIs subject to ongoing land acquisition process?	
Modifying, harming, or removing any physical and cultural heritage resources and/or sites.	
Risks and impacts on the health and safety of the affected communities, including impacts on ecosystem services affecting the local community health and safety.	
Physical displacement of indigenous peoples and/or restrict the access of indigenous peoples to lands and resources resulting in loss of livelihood.	
Impacts on indigenous peoples and communities, such as impacts on lands and natural resources, land tenure and on cultural resources.	
Need to obtain free, prior and informed consent (FPIC)? If so, has the project obtained FPIC.	

If the answer to any of the questions above is yes, the subproject will not be eligible for inclusion in GRIHD and ASCENT.

## APPENDIX 8 - OUTLINE OF FINANCIAL INSTITUTIONS E&S MANAGEMENT SYSTEM (ESMS) MANUAL

All TDB's FI's are required to develop and Implement ESMS Manual which should cover, and must be structured with the following topics:

### TABLE OF CONTENTS

### ACRONYMS

### DEFINITIONS

#### 1. INTRODUCTION

Briefly introduces the ES Management system (ESMS) in relation to the FI context.

#### 2. ESMS OVERVIEW

##### 2.1. Purpose

Describes what the ESMS aims to achieve.

##### 2.2. Scope and Applicability

Defines the boundaries of the ESMS. This will need to detail 1) whether the ESMS only applies to a specific credit/product line of the FI's portfolio such as retail transactions and 2) when the ESMS comes into effect (especially if some procedures are not going to be applied retrospectively). It should also cover the E&S requirements based on the sector, project size, product type, loan size and tenure amongst other factors. This section also discusses how the ESMS would work in instances where the FI co-finances with other FIs.

##### 2.3. Structure

Provides a short overview and graphical illustration of the key components making up the ESMS. Each component will be described in the subsequent sections of the document. This graphical illustration should make clear reference to the broader Credit Risks review process of the FI to reflect the integration of the various stages of E&S DD into the credit approval process and key functions or Departments involved.

#### 3. E&S POLICY, STANDARDS AND COMMITMENTS

##### 3.1. E&S Policies and Principles

Describes E&S policies and principles adopted by the Bank. These are commonly based off internationally accepted E&S standards and norms and form the cornerstone of the ESMS and will be communicated with relevant stakeholders. Other policies that may be read in conjunction with the E&S policy are referenced here – for example Climate Change Policy, HR Policies, etc.

### **3.2. Describes E&S policies and principles adopted by the FI. Commitment to E&S**

Outlines any procedural commitments the bank makes to achieve sound E&S management and ensure internal E&S objectives are met. For example, incorporation of E&S into credit approvals processes and decision-making adoption of specific exclusions, disclosure of E&S performance information, etc.

### **3.3. Applicable E&S Standards**

Outlines the applicable internationally and nationally accepted E&S standards and guidelines that the FI and its clients will be required to adopt.

## **4. E&S STRATEGIC FOCUS (E.G., GREEN / CLIMATE FINANCE)**

Should the FI have ambitious strategies / approaches around specific E&S mandates, this section would elaborate on elements of this strategic focus including key objectives, frameworks adopted (e.g., task force on climate-related financial disclosures, EU taxonomy, green bond principles, etc.), approach, etc.

## **5. E&S CREDIT PROCEDURES**

### **5.1 E&S Screening**

#### **5.1.1. Credit's Go / No Go Assessment**

This generally refers to the FI's Exclusion List.

#### **5.1.2. Credit's E&S Categorization and E&S Due Diligence Scoping**

This generally takes the form of a matrix with types of credit showing horizontally and client's sectors showing vertically. The intersection is an E&S risk level (high, medium, low) for the credit application.

#### **5.1.3. Information request to Clients around E&S Management**

E&S information is typically requested along with other general information requested from clients, including legal and financial information. The FI may choose to develop a bouquet of documents required from the client to provide efficiency and consistency in its information request requirements.

### **5.2. E&S Due Diligence**

#### **5.2.1. Internal ESDD**

Details of when and how the FI will conduct ESDD through its internal resources. This will be for transactions with lower E&S risks as well as some medium E&S risk transactions, depending on the in-house capacity.

### **5.2.2. External ESDD**

Details when and how the FI will conduct ESDD through potentially external experts/consultants and in what instances. This will be for transactions in sectors with relatively higher E&S risks as well as in cases where there are restrictions on physical site visits.

### **5.2.3. E&S Action Plan**

Details how the FI will define ESAPs as a result of findings from the ESDD process and its contents including timelines that are in line with the specific provisions of the credit being provided (agreement, first disbursement, etc.), responsibility, and deliverables required as evidence of completion.

## **5.3. E&S Appraisal and Validation**

### **5.3.1. E&S Review during Credit Committee**

Details of the format of E&S information to be shared with the Credit Committee and how this will inform the credit approval process.

### **5.3.2. E&S Conditions into Loan Agreements / Facility Agreement**

This includes standard E&S clauses for E&S compliance, notification of major accidents, E&S reporting and ESAP implementation. This may not be a one-size-fits-all type approach, with more clauses being included to credit lines with higher E&S risks.

## **5.4. E&S Monitoring & Reporting**

### **5.4.1. ESAP Monitoring**

Provides information on the frequency and process of monitoring Client's implementation of agreed ESAP.

### **5.4.2. E&S Key Performance Indicator (KPI) Monitoring**

Describes measurable indicators to reflect various E&S indicators in the FI's ESMS and serves as a means to track performance against them. This may include number of transactions approved, ESDD's undertaken, ESAP implementation objectives met, number of employees trained on FI's ESMS etc.

### **5.4.3. E&S Incident Reporting**

Details the instance in which FI requires clients to provide reports on E&S incidents and format of the report. The FI may also develop a template to share with clients.

### **5.4.4. Annual E&S Reporting**

Describes the FI's approach to annual E&S monitoring both to internal and external stakeholders.

#### **5.4.5. E&S Visits and Interviews**

Details of how and when site visits and interviews should be conducted as part of monitoring activities for transactions with different E&S risks.

#### **5.5. ESMS Process Summary**

Provides a graphical illustration of the E&S Risk Management process described in the previous sections.

#### **5.6. E&S Organizational Structure**

Outlines specific E&S roles and responsibilities for relevant personnel both internally and externally to successfully implement the ESMS. Ideally an organogram describing the E&S governance structure, reporting lines and the group the function sits in may also provide a clearer description of the E&S function in the FI. This section should also include internal and external training programs planned to ensure staff has sufficient capacity to implement a robust E&S risk management process.

### **6. OTHER FI E&S-RELATED PROCEDURES**

#### **6.1. Labour and Working Conditions**

#### **6.2. Internal Grievance Management**

#### **6.3. Emergency Preparedness and Response**

### **7. TRAINING AND CAPACITY BUILDING**

Outlines the FI's commitment to training and building the capacity of its employees to support the successful implementation of the ESMS. This should include general training plans across the FI both during employee induction and more targeted trainings for key stakeholders in the implementation of the ESMS.

### **8. STAKEHOLDER ENGAGEMENT ON E&S MATTERS**

Outlines the importance of proactive on-going dialogue, information sharing and interactions between the FI and its internal and external stakeholders in order to achieve E&S objectives. The section describes specific internal and external communication mechanisms set up for the FI to share E&S information and receive E&S-related grievances from stakeholders affected by projects financed by the FI.

### **9. PERIODIC ESMS REVIEW**

Discusses triggers in the FI system that may result in the review of its ESMS. Factors to be considered include: a periodic timeframe, emerging trends in the industry and progress in the implementation of the existing ESMS. The periodic review should include instances when an internal and external audit of the FI's ESMS will be required.

## APPENDIX 9 – LIST OF TOOLS TO SUPPORT ESMS IMPLEMENTATION

The ESMS must include the following annexes for it to be effective and implementable:

Annex 1:	Environmental and Social Policy
Annex 2:	Exclusion List and List of Restricted Activities for the World Bank funded Projects
Annex 3:	E&S Screening Procedure
Annex 4:	E&S Screening Checklist
Annex 5:	Example Sector and E&S Risk Categorisation List
Annex 6:	External E&S Due Diligence Terms of Reference
Annex 7:	E&S Due Diligence Assessment Questionnaire -
Annex 8:	E&S Due Diligence Evaluation Questionnaire –
Annex 9:	Example of Sectorial E&S Guidelines
Annex 10:	Environmental and Social Action Plan Template
Annex 11:	Credit Committee E&S Information Memo
Annex 12:	Credit Committee E&S Appraisal and Validation Procedure
Annex 13:	E&S Credit Agreement Procedure
Annex 14:	E&S Client Site Visit Report Template
Annex 15:	Annual E&S Monitoring Report Template
Annex 16:	E&S Incident Reporting Procedure/ Incident Reporting Form / Incident Register
Annex 17:	E&S Grievance Management Procedure/ Grievance Form / Grievance Register
Annex 18:	Example E&S Training Plan Template
Annex 19:	Example ESMS Training Materials
Annex 20:	E&S Periodic Review and Internal Audit Procedure

The last appendix should be providing guidance to FIs on how they can do due diligence against IFC PSs, land acquisition guidance (relevant for RIFF) and e-waste management (shared separately).