

FSDH MERCHANT BANK LIMITED
ENVIRONMENTAL & SOCIAL RISK POLICY AND PROCEDURE MANUAL
DOCUMENT CONTROL AND REVIEW

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Document Review

The document shall be reviewed once in 3(three) years in line with the overarching sustainability Policy.

ABOSEDE IBITOYE	KUBI MOMOH	BUKOLA SMITH
CHIEF RISK OFFICER	EXECUTIVE DIRECTOR, RMGT & ECO	MANAGING DIRECTOR



**ENVIRONMENTAL & SOCIAL RISK POLICY
AND PROCEDURE MANUAL**

2025

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GLOSSARY

TERM	MEANING
ABV	Alcohol by Volume is a standard measure of how much alcohol (ethanol) is contained in an alcoholic beverage
CO2	Carbon footprint is the amount of Carbon dioxide released into the atmosphere. It can be reduced by not using as much fuel and fuel derived energy.
CITES	Convention on International Trade in Endangered Species or Wild Flora and Fauna
ESDD	Environmental and Social Due Diligence is a credit application appraisal for potential magnitude of environmental and social impact of the transaction
E&S Risk	Environmental and Social risks are the potential negative consequences to a business that result from its impacts (or perceived impacts) on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, local residents)
ESG	Environmental, Social and Governance is a framework for consideration of environmental sustainability, social responsibility, and corporate governance in the banking process. In other words, managing E&S risk, while ensuring environmental performance and take advantage of sustainability opportunities
SBC	Sustainable Banking Committee an internal body within the governance structure tasked with the management of sustainable development
ILO	International Labor Organization is the UN specialized agency which seeks the promotion of social justice and internationally recognized human and labor rights
ODS	Ozone Depleting Substances Chloro-Fluro carbons (CFCs) and other contributory substances recognized by the Montreal Protocol as having potential negative impact on the Ozone Layer depletion
PCB	Polychlorinated biphenyls are highly toxic man-made organic chemicals. Banned in many countries, because of concern for the environmental and health effects
UNEPFI	United Nations Environment Programme Finance Initiative is a global partnership between UNEP and the financial sector. Over 200 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance
UNGC	United Nations Global Compact a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the thematic areas of human rights, labour, environment, and anti-corruption

1 Executive Commitment

This Environmental and Social Risk (E&S) Policy and Procedure Manual (ESPPM) details general policy and procedures that will be followed for projects and other credits funded by FSDH Merchant Bank Limited (“the bank”) on environmental and social dimension. This manual shall be deployed in conjunction with the FSDH Sustainable banking framework and other related and complimentary policies designed to enhance the bank’s environmental and social risk management architecture.

Environmental and social appraisal, also called ‘environmental and social due diligence (ESDD) is an integral part of the credit appraisal process, because environmental and social risk may translate into credit risk. The credit process as stated in this policy shall include Trade transactions and significant bonds and guarantees transactions.

FSDH recognizes that taking environmental and social aspects into account is part of good business and leads to sound environmental sustainability and conducive social responsibility. Therefore, the bank has centralized the operational supervision of E&S activities under the Chief Risk Officer (CRO). At the branch level, E&S activities will be coordinated by the Branch Manager, who will be responsible for activities at the Branch level and will be reporting to the Chief Risk Officer. There shall be a dedicated E&S officer who coordinates the E&S issues using additional resources (Credit Admin and Relationship Managers) who shall report to the CRO.

This Policy document aims to promote and ensure sound environmental and socially responsible banking across FSDH by:

- Transforming environmental and social risk into opportunities through application of E&S Due Diligence that adds value to our clients, whilst providing sustainable competitive advantage for the bank.
- Building skills in environmental and social risk analysis and management, while grooming knowledgeable Managers across the group in this regard; and
- Achieving superior shareholder returns through better environmental and social operations.

The Management therefore charges all business units to commit themselves to these ideals. Respecting sound E&S Policy that promotes environmental sustainability will protect the reputation of the bank and position it to win quality business from both local and international entities with similar ideals. The collaboration and partnership opportunities will also help the bank impact businesses and lives positively on a larger scale.

2 Environmental and Social Risk Policy

Background

The Board of Directors of FSDH Merchant Bank Limited adopted an environmental and social risk framework on 24th October 2013. This policy affirms the Bank's commitment to the promotion and preservation of a safe environment for the members of staff, the customers, and the public in all areas of our operations. All members of staff are to adhere to this environmentally sound policy and promptly advise management of any situation that may result in potentially negative environmental and social impact. Implementation shall be on an internal (FSDH MB) and external basis (Obligors and business partners through assessment, advisory and covenants).

2.2 Sustainability Banking

FSDH subscribes fully to the 9 sustainable banking principles enunciated by the Central Bank of Nigeria. Broadly, the bank's sustainability and E&S implementation and practice incorporates a hybrid of the Nigerian Sustainable Banking Principles (NSBP), the IFC performance standards and the Equator principles. In the assessment of businesses and transactions, the bank considers all other applicable National environmental laws (National Environmental Standards and Regulation Enforcement Agency (NESREA), Environmental Impact Assessment (EIA) Act, Petroleum Industry Act etc.).

By adopting these principles, the Bank has committed to comply with the environmental and social standards set out in the sustainable banking principles with respect to lending transactions in all sectors with emphasis on the eligible sectors¹. (Appendix 1) In addition, the Bank adopts practices that are consistent with the overall strategy of championing environmental stewardship and sustainable banking across Nigeria as well as provide capacity building for identifying and managing E&S risks.

ESPPM is an integral document for operationalizing the bank's sustainability risk framework, guided by the Sustainability Banking Committee (SBC). The Sustainability banking committee provides policy direction and guidance on all FSDH'S sustainability initiatives, including driving economic transformation, socially responsible finance as well as human capital.

Definitions

- 2.2.1. Lending activities, whether they fund projects or clients'² business operations may involve environmental and social risks as defined by international organizations and institutions, and by the bank's environmental and social risk policy. Such activities are defined as qualifying transactions. All qualifying transactions must be screened against E&S criteria set out in this document and directives that will be issued by Executive Management from time to time.

¹ Business activities are categorized according to sectors in the appendixes (see the sector guidelines)

² The term 'client' is used throughout the policy manual to refer to the party responsible for implementing and operating the project and/or activities that is being considered for financing or recipient of the financing depending on the project structure and type of financing

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- 2.2.2. High Risk Transactions are rated A. They are qualifying transactions with potentially significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented.
- 2.2.3. Medium Risk Transactions are rated B. They are qualifying transactions with potential adverse social and/or environmental impacts that are generally beyond the site boundaries, largely reversible and readily addressed through relevant mitigation measures.
- 2.2.4. Low Risk Transactions are rated C. They are qualifying transactions that carry minimal or no environmental or social impact
- 2.2.5. Environmental Risk means the risk of causing pollution or destruction of the natural environment (land, water, air, natural habitats, and animal and plant species), either through accidental or deliberate actions.
- 2.2.6. Social Risk is the risk of a customer not meeting acceptable standards for employment, minority rights, working conditions and business ethics, within its own business or by its actions.
- 2.2.7. Partner Institutions may be stakeholders that have business or financial deals with FSDH or any of its subsidiaries. They also include bodies that FSDH joins for the purposes of promoting sustainable development.

2.3. Policy Compliance

Environmental and Social (E&S) risk can become a serious financial risk as the bank could be held responsible for any consequences arising from these risks.

In accordance with the policy, Business Managers must ensure effective environmental management practices exist in all their activities, products, and services with a special focus on the following:

- a) Ensuring that all lending activities undertaken are consistent with the processes and procedure outlined in this document and subsequent directives from Senior Management.
- b) Ensuring that all qualifying transactions, particularly projects financed by the Bank, are reviewed against the E&S assessment guidelines (see appendix 2)
- c) Financing projects that are expected to be designed, built, operated and maintained in a manner consistent with the policy guidelines of the Bank, and those of partner institutions who have supported such activities.
- d) Making best efforts to ensure that all projects are operated in compliance with this policy on an ongoing basis, during the financing tenor.
- e) Ensuring transparency in the E&S assessment process by maintaining accurate and consistent records and making these available for review by the internal audit as well

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as regulatory authorities who have the right to review our practices, and representatives of Development Finance Institutions (DFIs) we are exposed to.

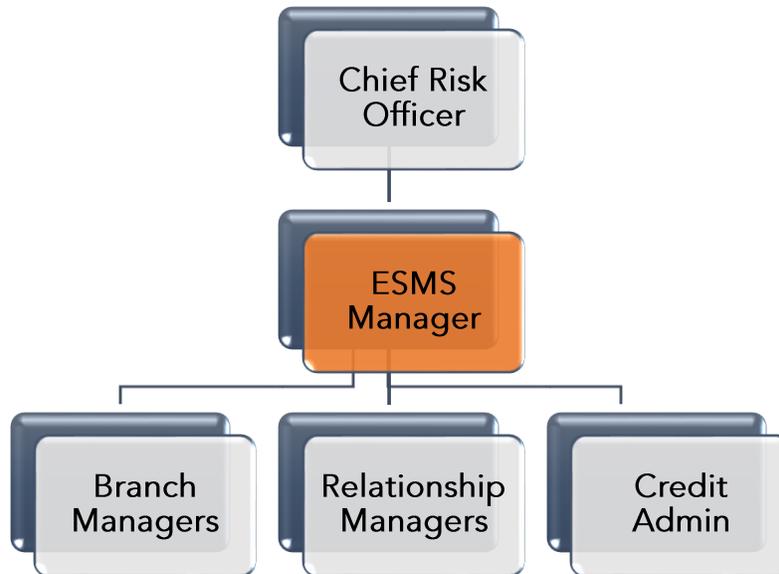
- f) Ensuring that the management and the shareholders of the client companies share the policy commitments made by the Bank in this area by inserting appropriate clauses in loan agreements.
- g) Monitoring the activities and commitment made by clients on an ongoing basis.

In addition to the above:

- All transactions must be screened against the FSDH/IFC exclusion list; any inadequacy therein is a breach and will prevent the bank from doing business with such a company
- All transactions must therefore fall within the scope of our business inclusion list
- All customers must comply with the applicable national and local E&S regulation.
- Projects with significant B and A must have due diligence reports
- Where the ESMP does not suffice, the bank shall include additional mitigants and covenants pre or post disbursement.
- All category A customers will be required to provide environment impact assessment, ministry of environment permit and other applicable documents for such projects.
- Where the projects lead to resettlement, a Grievance Redress Mechanism, resettlement plan and evidence of collaboration with locals will be requested.
- At the minimum all facilities rated A to C must have categorization and assessment forms attached.
- Other requirements with respect to E&S will be requested on an ongoing basis

2.4. Environmental and Social Risk Governance

The governance structure of the bank's E&S operations and practice is shown below:



Responsibilities

- 2.4.1. The Relationship Managers (RMs), Branch Manager (BMs) and Credit Admin officers are first level E&S implementation personnel who work with and report to the Designated E&S Officer (ESMS Manager). The ESMS Manager is a key resource person for the conducting inspection, review of assessment and development of ESAP and covenants. The ESMS Manager reports to the CRO, who will conduct final review of qualifying transactions ranked significant "Medium B and "High" A.
- 2.4.2. The CRO in consultation with the Heads of Business Units, Investment Units and Trade Finance has the overall responsibility of ensuring that the credit approval process, including Section 5:1 (exclusion list) on Environmental and Social Risk, is followed by all credit officers, Investment officers and Trade Officers as prescribed in the Credit Policy. The CRO reports all E&S and Sustainability issues to the Board Risk and Credit Committee (BRCC) through the Sustainable Banking Committee (SBC)
- 2.4.3. The CRO will have oversight responsibilities for all E&S issues. He/ She will ensure resources are made available for environmental and social management and will complete the annual environmental performance report for the DFIs that have exposures to FSDH.
- 2.4.4. As business initiators, the Relationship Managers/Investment and Trade Officers are responsible for initiating the E&S risk review process by applying the Exclusion List (Appendix 3) during the initial credit discussion stage and for categorizing³ (Appendix 4) the environment and social risk level of the qualifying transaction.

³ E&S risk categorization

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- 2.4.5. In the ESDD process, responsibilities of ESMS Manager will among others, include the following:
- Verifying the eligibility check of the qualifying transaction against the Exclusion List executed by the Relationship Manager/Investment and Trade Officers
 - Conduct ESDD through visitation, inspection, and interaction
 - Validating the E&S Due Diligence (ESDD) risk category of the qualifying transaction, assigned by the Relationship Manager
 - Evaluating the E&S compliance of a qualifying transaction
 - Develop ESAP and covenants where necessary
 - Supervising projects in the portfolio against on-going compliance
 - Preparing an Annual Environmental Performance Review (AEPR) report to DFIs, where relevant
 - Prepare the associated regulatory returns for the bank
 - Monitoring Action Plans agreed with Clients⁴
 - Contributing to the annual E&S report.
- 2.4.6. The Credit Administration Officer will ensure that procedures in appendix 4 are implemented for qualifying transactions, and that records of environmental and social reviews are maintained.
- 2.4.7. The Credit Admin Officer will ensure that all disbursement requests are supported by appropriate due diligence documentation (including E&S assessment forms and templates, Due diligence forms and covenants) approved by the Sustainable Banking Committee.
- 2.4.8. The Corporate Banking Unit and Credit Admin Officers will ensure that the credit request is reviewed (including E&S Due Diligence assessment forms) as part of the credit approval process and check other necessary conditions that will facilitate client compliance with the E&S action plans.
- 2.4.9. Credit Administration Officers/our Legal Counsel and lending units will ensure that appropriate environmental representations, warranties, and covenants are incorporated in the lending agreements and other commitment letters issued to clients.

⁴ The Bank expects the clients to be in compliance with the E&S Policy throughout the project and provisions entitles the Bank to monitor projects are incorporated in the loan agreement. The Bank carries out monitoring of projects with major environmental and social risks and impacts in accordance with the environmental review or when deemed necessary

2.5. Environmental and Social Risk Human Resources and Capacity Building

This section of the policy covers the human resources and capacity in line with the effective implementation of sound environmental and social risk management system and practices.

- The bank's designated E&S resource person shall be the ESMS Manager. However, the ESMS Manager shall draw on additional human resources within the Risk Management and the other departments to carry out his/her tasks
- The ESMS Manager shall liaise with the CRO to review the E&S policy on an ongoing basis to incorporate leading and emerging E&S practices.
- The ESMS Manager shall work with the Human Resources and the internal communications teams to develop content to create E&S awareness periodically.
- E&S Training shall be organized in conjunction with HR and the SBC at least twice in a year.
- The Risk Management team shall attend specific E&S measurement training once a year to improve the bank's ESMS.
- HR and the Admin departments shall on a need basis provide support to the ESMS Manager and team for inspection and due diligence calls.
- The branches closest to the location of inspection shall accompany the ESMS Manager and team for inspections/due diligence

2.6. Environmental and Social (E&S) Risk Assessment Records

- 2.6.1. E&S risk analyses conducted will form part of the credit files and held on records for review by DFI's representatives if necessary.
- 2.6.2. For transactions rated significant "Medium B and High A", the credit admin unit is required to monitor compliance with E&S conditions and mitigation measures. Conditions will either be precedent or subsequent to disbursement of the credit.
- 2.6.3. A key requirement for significant B and A rated facilities granted projects and developments shall be the Environmental Impact Assessment, the project cycle and the Grievance Redress Mechanism (GRM) and the Free Prior and Informed Consent (FPIC) where there are concerns of physical and economic displacement. In this case the GRM shall be two pronged; the resident community's GRM and that of the company's project workers.
- 2.6.4. The GRM and the Human Right Assessment/Policies shall also be requirement for projects with significant B and A rating. This shall also be extended to vendors of the bank where applicable. The bank as the credit facilitator shall also have a functional GRM and human rights policy properly communicated with evidence of implementation.
- 2.6.5. The Credit Admin Officers will document the following: the number and value of transactions screened for E&S risks, the E&S categorization score card, the E&S

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assessment form, the due diligence report as well as track status of agreed Action Plan. These documents will form part of periodic E&S reports for regulators and the annual reports. Throughout the tenor of the facility, monitoring and reporting are key in line with the ESAP agreed.

3. Commitment to Collaboration, Budget, Audit & Reporting

3.2. Collaboration and Partnership

- 3.2.1. FSDH has a relationship with international financial institutions that are equally committed to environmental sustainability. This bodes well for the upgrade in the bank's ESMS system in line with global best practices.
- 3.2.2. The bank will continue to explore rewarding relationships with foreign and local institutions dedicated to the sound practice and implementation of sustainability banking.
- 3.2.3. The bank through CSR and external creation of awareness shall put in place measures to partner with schools, government agencies and the public, where necessary. This practice shall also be demanded of the bank's obligors.

3.3. Budget Line for E&S Activities

The bank shall have a budget line dedicated to the measurement and practice of environmental and social risk awareness and management. This budget shall be distinct from the sustainability banking implementation budget. The budget shall be for measurement, training, project inspection, capacity building, independent audits etc.

3.4. Audit (Internal and External)

- 3.4.1. The internal audit department shall audit the E&S and Sustainability Banking process as a part of the credit process periodically.
- 3.4.2. The bank shall also be open to the periodic regulatory audit by the Apex Bank for awards and compliance.
- 3.4.3. As part of the process of the bank's external rating assessment, its E&S processes shall be audited.
- 3.4.4. The bank may also contract a third party to carry out a detailed audit of its E&S and Sustainability processes periodically.

3.5. Monitoring and Reporting

- 3.5.1. All lending units are required to adhere strictly to the loan agreement conditions in relations to the E&S risk, both in spirit and letters. Any breaches; whether they arise from the units' activities or indirectly through client's liability, must be reported to the Chief Risk Officer (CRO)
- 3.5.2. Agreements that conflict with these policy guidelines must be immediately brought to the attention of the CRO for consultation with and receipt of no- objection from the CRO. Note that where the policy guidelines conflict with the national laws and regulations, national regulations supersede.
- 3.5.3. Breaches in covenants by obligors can lead to outright cancellation of the transaction in extreme cases.
- 3.5.4. The bank shall request and receive periodic reports from obligors in line with ESAP and covenants
- 3.5.5. Quarterly E&S and sustainability updates and report shall be rendered to the BRCC through the SBC where necessary.
- 3.5.6. The bank shall render the bi-annual NSBP returns to the Apex bank.
- 3.5.7. The bank shall on an annual basis publish the sustainability and E&S updates in its financial statement (annual accounts)
- 3.5.8. FSDH shall publish updates and development in the E&S space on its website periodically.

4. Environmental and Social Risk Procedures

4.2. E&S Assessments

- 4.2.1. E&S Due Diligence (ESDD)⁵: Lending units will ensure that all credits or projects are evaluated against the E&S procedures. Standard questionnaires and checklists designed and distributed by the Risk Management Unit must be used in lending propositions and shall be part of the Credit Application Memorandum (CAM) package for approvers' review.
- 4.2.2. E&S Policy and Procedures may be reviewed before the stipulated review date if compelling new realities with respect to E&S emerge. CRO, will advise such changes from time to time.

4.3. E&S Risk Assessments Procedures, Steps and Coordination

- 4.3.1. The first stage of the process involves identifying the sector by the Relationship Manager.
- 4.3.2. Customer's records with the Bank will show the sector. If the qualifying transaction falls outside of the sector that the records show, more investigations will be necessary to determine the capability of the client to perform the intended activity without significant compromise to the E&S standards.
- 4.3.3. The Relationship Manager for the customer involved in a qualifying transaction will apply the Exclusion List (Appendix 3) to the qualifying transaction. The Exclusion List must be applied for all lending and investment activities.
- 4.3.4. If the qualifying transaction involves an excluded activity, the prospective client will be so informed, and further consideration of financing for the qualifying transaction must be cascaded to the CRO for guidance on the way forward. Otherwise, non-compliance to the exclusion list is a show-stopper.
- 4.3.5. When the RM indicates that the qualifying transaction does not involve an excluded activity, the prospective client will be informed that the bank will undertake an ESDD as part of the credit review and approval process if the categorization is significant B or A.
- 4.3.6. The RM obtains a written confirmation from the prospective client stating that the client complies with all relevant environmental and social legislation and verifies whether the company possesses all required permits and licenses. Alternatively, a clause may be included in the Loan Agreement or Facility Letter that confirms the client complies with all relevant environmental and social legislations, at the time of approval.
- 4.3.7. The RM categorizes the environmental and social risk level of the qualifying transaction as "Low", "Medium", or "High", based on the Categorization guide (Appendix 4).
- 4.3.8. RM fills out the ESDD Template (Appendix 5.) based on the above activities, in order to determine the level of due diligence that will be applied for the qualifying transaction

⁵ ESDD refers to a combination of probability of certain hazard occurrence and severity of impacts resulting from such an occurrence. This will take into consideration the following characteristics of severity of impact(s): (a) major and permanent, (b) major but temporary, (c) minor but permanent, (d) minor but temporary and (e) no impact; and probability of impact (s) occurrence: (a) common occurrence, (b) known to occur, (c) could occur, (d) not expected to occur, and (e) extremely unlikely to occur

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and commence full E&S processes at the same time as the credit application file is being developed.

- 4.3.9. In the case of a qualifying transaction classified as “Low”, the qualifying transaction’s risk level will be mentioned on the CAM package and no further due diligence will be required. However, Risk Management in collaboration with the relationship officer should pay attention to any anomalies, which may infringe E & S compliance.
- 4.3.10. In the case of a qualifying transaction classified as “Medium”, Risk Management Unit will undertake the due diligence or review and document all findings in the E&S Assessment Form (Appendix 2).
- 4.3.11. If the qualifying transaction is classified as “High” or the due diligence process reveals E&S risk that cannot be fully assessed within the bank, a full-scale review conducted by a technically qualified person or consultant will be required at the expense of the client. In addition, the Risk Management Unit will undertake the internal due diligence and document all findings in the E&S Assessment Form.
- 4.3.12. Depending on the findings of the due diligence, the E&S evaluation may lead to an Action Plan, agreed to by the customer in writing, for the process to proceed. The plan must specify all the necessary actions to bring a qualifying transaction into compliance. A target completion date for each specified action must also be agreed.
- 4.3.13. Corporate Banking (CB) CAMs should be provided to the reviewing officers at the Credit Admin Unit, who will use all information to review Credit Risk and E&S Risks and set no-objection conditions. ESDD action plan should be included in certain credit monitoring & approval criteria for Credit facilities.
- 4.3.14. Following the no-objection from the Credit Admin Units, the CAM is sent to the Management Risk Committee for approval. The Action Plan template may be used.
- 4.3.15. As part of the relationship’s annual and periodic monitoring and reviews, the clients’ Environmental and Social (E&S) performance will be evaluated, including the status of implementation of any potential corrective actions set during the qualifying transaction’s evaluation and review stages.
- 4.3.16. For the ongoing performance evaluation of high-risk transactions, the client will provide annual reports to the RM, who may follow up as required with further queries or site visits if necessary.
- 4.3.17. The ESMS Manager will receive periodic ESDD report from RM. The report will contain the number and value of transactions screened for E&S risks and corresponding E&S risk classification. Credit Admin will forward this report to the ESMS Manager for collation, analysis, enhanced input, and documentation.
- 4.3.18. On an annual basis, Risk Management will provide an E&S Report of FSDH’s portfolio and other environmental and social parameters to the DFIs that have extended credit to the bank.

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- 4.3.19. The ESMS Manager shall submit periodic report (half yearly) of all qualifying transactions screened for E&S risks. The report shall include client information, transaction value and sector, categorization for E&S risk and status of the E&S Action Plan.
- 4.3.20. The depth of E&S risk appraisal shall vary from sector to sector and transaction to transaction depending on the E&S rating. Gaps identified in the appraisal process shall be noted for both client and FSDH officers to agree on complementary and/or alternative improvement and mitigation measures.
- 4.3.21. Credit Admin Officers shall ensure that agreed measures are documented in the loan covenant as part of the compliance monitoring process. Approving Management Risk Committee will make sure that transaction is properly classified for E&S risks with detailed action plan information for monitoring and reporting by the Risk Management Unit.

Specifically:

- The Risk Management unit is responsible for facilitating regular reviews of E&S implementation monitoring document, including reporting template and checklist.
- The BRCC, SBC and CRO shall ensure that the relevant E&S risk measures are adhered prior to No-Objection condition for CAM approval.
- Credit Administration unit shall make sure that E&S action plans are included as parts of conditions related to covenant and follow up the monitoring, as required (E&S compliance monitoring).
- Internal Audit unit shall mainstream E&S in the audit review process, as part of the periodic internal audit exercise

5. Appendixes

6. SECTOR GUIDELINE⁶: MINING, EXTRACTION & CONSTRUCTION (Appendix 1)

This sector guideline serves as a source of information in the due diligence process of transactions for projects and clients in the mining, extraction, and construction sectors. The guideline addresses the following topics for the sectors:

⁶ Industry specific ESDD toolkit and checklist will also be prepared to inform our transactions in the cement, petroleum terminal construction; telecommunication; plantation crop production; electric power transmission & distribution system etc., on a case-by-case basis.

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- Most common environmental and social impacts and risks
- Examples of different risk categories
- Relevant national legislation and international standards
- Conditions and suggestions differentiated per risk level

Impacts and Risks	
Health & Safety	<ul style="list-style-type: none"> • Bad & unhygienic working environments • Site hazards (slips and falls, accidents and injuries) • Visual intrusion • Handling & storage of hazardous materials • Work in heights • Moving machinery • Over-exertion • Dust • Diseases
Labor conditions	<ul style="list-style-type: none"> • Unfair working conditions • Security problems • Forced labor • Bad working environment • Child labor
Environment	<ul style="list-style-type: none"> • Air emissions and air quality • Noise & vibration • Soil erosion • Water and land pollution • Land compartment • Water stress • Impacts on fauna & flora • Energy and water consumption • Vegetation clearing, • Heavy vehicular movements • Storm water runoff • Hazardous materials spillage
Community	<ul style="list-style-type: none"> • Trespassing • Potential contact with hazardous materials • Contaminated soils • Traffic safety

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Aggravating factors	<ul style="list-style-type: none"> • Non-compliance with local, national or international regulations • Areas declared by law as national parks, watershed reserves, wildlife reserves and sanctuaries • Areas which constitute the habitat of any endangered or threatened species of indigenous wildlife (flora and fauna); • Areas prone to bushfires; • Hilly areas with critical slopes • Areas classified as prime agricultural lands; • Recharge areas of aquifers; • Mangrove areas with (i) primary pristine and dense growth, (ii) adjoining mouth of major river systems or (iii) areas • acting as natural buffers against shore erosion, strong winds or storm floods • Areas with potential tourist value; • Areas which are traditionally occupied by cultural communities; • Areas of unique historic, archaeological or scientific interests; • Clearance of areas that require resettlement of people.
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Risk Categorization	
Low risk	<p>Transactions that have minimal or no sustainability or environmental impacts.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Expansion of existing school, hospital or structure in a non-environmental sensitive area • Rehabilitation of existing road
Medium Risk	<p>Transactions with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. E.g. Warehousing, supply- chain, saw mill, Large construction in an urban area, Housing development in urban area etc.</p>
High risk	<p>Transactions with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented, which are difficult to manage.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Construction or decommissioning in a greenfield that will require the clearing of a large vegetation • Major highway construction • Construction of an airport • Mines (All extractive activities and harvesting of natural resources, including quarries, dams, etc.)
Legislation	

National legislation	Verify legislation covering the following topics: <ul style="list-style-type: none"> • Environment • Social and Labor topics • Site- or product-specific requirements • Governance issues Please also refer to the subsidiary's list of relevant permits, licenses and required studies that are relevant in the country of operation.
International standards (if relevant)	<ul style="list-style-type: none"> • IFC Performance Standards • UNEP FI Declarations • Occupational Health and Safety Assessment Series (OHSAS) 18000 • The Basel Convention (1992) • ILO Convention 29: Forced or compulsory labor (1930) • ILO Convention 105: Abolition of forced labor (1957) • ILO Convention 87: Freedom of association and the protection of the right to organize (1948) • ILO Convention 98: Right to organize and collective bargaining (1949) • The Equator principles
Conditions and Suggestions	
Low risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation
Medium Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & sustainability action plan • Comply with applicable environmental & social legislation • Comply with acceptable standards and regulations regarding the construction sector; • Avoid, reduce, control processes that pollute the air, land & water; • Take steps to protect the health of employees / clients / neighbors • Avoid forced labor and child labor; • Operate and maintain machines and equipment professionally and with proper (safety) measures.
High risk	<ul style="list-style-type: none"> • Compliance with applicable environmental & social legislations • Comply with accepted standards and regulations regarding construction sector; • Avoid, reduce, control processes that pollute the air, land & water;

	<ul style="list-style-type: none"> • Take steps to protect the health of employees / clients / neighbors; • Avoid forced labor and child labor; • Operate and maintain machines and equipment professionally and with proper (safety) measures; • Relevant contract documents showing allocation of responsibilities for addressing environmental and social concerns. • Comply with IFC Performance standards
Suggestions	<ul style="list-style-type: none"> • Appropriate containment around bulk storage tanks and materials stores to prevent spillages entering water courses; • Restoration or creation of landscape by tree planting, species introduction or landscaping appropriate to local conditions; • Working practices aimed at minimizing disturbance of, and reducing spread of, any existing ground contaminants and ensuring residual contaminants from building process are adequately dealt with • Ensure that all economic opportunities for energy efficiency are exploited. • Carry out appropriate construction and maintenance of site roadways to minimize dust generation (for example spraying or paving roadways), and ensure that driving practices support this (for example by sheeting vehicles). • Developing procedure to minimize the generation of dust around the site; • Implementing noise abatement programs (depending upon the sensitivity of neighboring facilities); • Installation or upgrade of air emission abatement technology • Ensure best industrial practices

7. SECTOR GUIDELINE: MANUFACTURING

This sector guideline serves as a source of information in the due diligence process of transaction, projects and clients in the manufacturing sector. The guideline addresses the following topics for the manufacturing sector:

- Most common environmental and social impacts and risks
- Examples of different risk categories

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- Relevant national legislation and international standards
- Conditions and suggestions differentiated per risk level
- Additional sources of information

Impacts and Risks	
Health & Safety	<ul style="list-style-type: none"> • Bad & unhygienic working environments • Accidents and injuries • Diseases • Worker exposure to hazardous materials, substances, and machinery • Lack of proper training and protective equipment for workers • Chemical and physical hazards for workers • Fire & explosion risk • Noise & vibration • Heat & Cold • Asphyxiation
Labor conditions	<ul style="list-style-type: none"> • Unfair working conditions • Security problems • Forced labor • Child labor • Non-payment of minimum wages • Lack of proper labor contracts • Lack of workplace associations / unions
Environment	<ul style="list-style-type: none"> • Air pollution because of (hazardous) air emissions • Water pollution because of (hazardous) effluent discharges • Land pollution (contaminated land) because of effluent discharges & solid waste disposal • Impacts on fauna & flora • Water consumption • Energy consumption • Emissions of dust, odor • Hazardous materials storage • Oil & hazardous materials spillage • Waste management, including general wastes, chemical wastes and other hazardous wastes • Noise & vibration • Volatile Organic Compounds (VOCs) • Acid / Metals Content in Mists and Fumes
Community	<ul style="list-style-type: none"> • Reductions in local water supply from overuse

Aggravating factors	<ul style="list-style-type: none"> • Non-compliance with local, national or international regulations • All areas declared by law as national parks, watershed reserves, wildlife reserves and sanctuaries • Areas which constitute the habitat of any endangered or threatened species of indigenous wildlife (flora and fauna); • Areas prone to bushfires; • Hilly areas with critical slopes • Areas classified as prime agricultural lands; • Recharge areas of aquifers; • Areas of unique historic, archaeological or scientific interests; • Clearance of areas that require resettlement of people.
Risk Categorization	
Low risk	Transactions that have minimal or no social or environmental impacts. <i>Examples:</i> <ul style="list-style-type: none"> • Small scale artifacts manufacturer
Medium Risk	These are transactions with potential limited adverse social or environmental impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures. E.g. Warehousing, saw-mill, supply-chain, Food processing factory, Textile manufacturing, Printing business etc.
High risk	Transactions with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented, which are difficult to manage. <i>Examples:</i> <ul style="list-style-type: none"> • Any manufacturing industry located in an ecological sensitive area • Large textile manufacturing industry
Legislation	
National legislation	Verify legislation covering the following topics: <ul style="list-style-type: none"> • Environment • Social and Labor topics • Site- or product-specific requirements • Governance issues
International standards (if relevant)	<ul style="list-style-type: none"> • IFC Performance Standards • UNEP FI Declarations • The Basel Convention (1992) • ILO Convention 29: Forced or compulsory labor (1930) • ILO Convention 105: Abolition of forced labor (1957) • ILO Convention 182: Prohibiting the worst forms of child labor (1999) • ILO Convention 100: Equal remuneration (1951) • ILO Convention 111: Elimination of discrimination in respect of employment and occupation (1958)
Conditions and Suggestions	

Low risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation
Medium Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & social action plan • Comply with applicable environmental & social legislation • Comply with acceptable standards and regulations regarding the manufacturing sector; • Avoid, reduce, control discharges to air, land & water; • Take steps to protect the health of employees / clients / neighbors • Avoid forced labor and child labor; • Operate and maintain machines and equipment professional and with proper (safety) measures;
High risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Comply with accepted standards and regulations regarding manufacturing sector; • Avoid, reduce, control discharges to air, land & water; • Take steps to protect the health of employees / clients / neighbors; • Avoid forced labor and child labor; • Operate and maintain machines and equipment professional and with proper (safety) measures; • Relevant contract documents showing allocation of responsibilities for addressing environmental and social concerns. • Comply with IFC Performance standards
Suggestions	<ul style="list-style-type: none"> • Working practices aimed at minimizing disturbance of, and reducing spread of, any existing ground contaminants and ensuring residual contaminants from manufacturing processes are adequately dealt with • Ensure that all economic opportunities for energy efficiency are exploited. • Developing procedure to minimize the generation of dust & odors around the site; • Implementing noise abatement programs (depending upon the sensitivity of neighboring facilities); • Installation or upgrade of air emission abatement technology
	<ul style="list-style-type: none"> • Ensure that control, treatment, and monitoring facilities are properly maintained and that they are operated according to their instruction manuals • All hazardous (ignitable, reactive, flammable, corrosive, and toxic) materials must be stored in clearly labeled containers or Vessels; • Maintain walking and working surfaces clean and dry

8. SECTOR GUIDELINE: OIL & GAS

This sector guideline serves as a source of information in the due diligence process of transaction, projects and clients in the Oil & Gas sector. The guideline addresses the following topics for the Oil & Gas sector:

- Most common environmental and social impacts and risks
- Examples of different risk categories
- Relevant national legislation and international standards
- Conditions and suggestions differentiated per risk level
- Additional sources of information

Impacts and Risks	
Health & Safety	<ul style="list-style-type: none"> • Bad & unhygienic working environments • Accidents and injuries • Worker exposure to hazardous materials, substances, and machinery • Lack of proper training and protective equipment for workers • Chemical and physical hazards for workers • Fire & explosion risk • Noise and vibration caused by the operations and materials transport and delivery • Confined space hazards
Labor conditions	<ul style="list-style-type: none"> • Non-payment of minimum wages • Lack of proper labor contracts • Resettlement of local communities for new or expanded facilities • Worker exposure to hazardous substances • Lack of workplace associations/unions • Lack of proper training and protective equipment for workers • If the site is remotely located, risks for improper living conditions for workers and their families
Environment	<ul style="list-style-type: none"> • Habitat alternations, with adverse impacts on biodiversity • Waste management, including general wastes and chemical wastes • Hazardous emissions • Hazardous effluent • Damage to land from new developments • Energy use • Mobile emissions from exhaust of diesel engines • Oil spills and leaks • Soil erosion resulting from excavated areas prior to the reestablishment of vegetation • Disposal of contaminated soil • Spills from pipelines, can occur due to leaks, equipment failure, accidents, and human error or as a result of third party interference

Community	<ul style="list-style-type: none"> • Impact on local indigenous populations • Delays or disruption caused by community alienation to new or expanded facilities • Presence of archeological artifacts • Potential exposure to spills, fires, and explosions • Visual impacts due to changing scenery • Exposure to physical hazards associated with facilities including wells and pipeline networks
Aggravating factors	<ul style="list-style-type: none"> • Non-compliance with local, national or international regulations • Risk of corrupt payments to obtain concessions, permits, certifications or similar • Risk of corrupt business practices, with non-registered and improper payments to subcontractors • Poor corporate governance • Areas declared by law as national parks, watershed reserves, wildlife reserves and sanctuaries • Areas which constitute the habitat of any endangered or threatened species of indigenous wildlife (flora and fauna); • Areas prone to bushfires; • Hilly areas with critical slopes • Areas classified as prime agricultural lands; • Recharge areas of aquifers; • Areas which are traditionally occupied by cultural communities; • Areas of unique historic, archaeological or scientific interests; • Clearance of areas that require resettlement of people.

	<ul style="list-style-type: none"> • Mangrove areas with (i) primary pristine and dense growth, (ii) adjoining mouth of major river systems or (iii) areas acting as natural buffers against shore erosion, strong winds or storm floods • Areas with potential tourist value;
Risk Categorization	
Low Risk	<p>Projects that have minimal or no social or environmental impacts.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Not applicable
Medium Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & social action plan • Fuel storage • Construction and maintenance of a gas station • Small-scale fuel transport

High risk	<p>Transactions with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented, which are difficult to manage.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Offshore drilling • Onshore gas exploitation • Oil and gas distribution
Legislation	
National Legislation	<p>Verify legislation covering the following topics:</p> <ul style="list-style-type: none"> • Environment • Social and Labor topics • Site- or product-specific requirements • Governance issues
International Standards (if relevant)	<ul style="list-style-type: none"> • IFC Performance Standards • UNEP FI Declarations • Occupational Health and Safety Assessment Series • The Basel Convention (1992) • ILO Convention 29: Forced or compulsory labor (1930) • ILO Convention 105: Abolition of forced labor (1957) • ILO Convention 182: Prohibiting the worst forms of child labor (1999) • ILO Convention 100: Equal remuneration (1951) • ILO Convention 111: Elimination of discrimination in respect of employment and occupation (1958) • ILO Convention 87: Freedom of association and the protection of the right to organize (1948) • ILO Convention 98: Right to organize and collective bargaining (1949)
Conditions and Suggestions	
Low Risk	<ul style="list-style-type: none"> • Not applicable
Medium Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & social action plan • Comply with applicable environmental & social legislation • Comply with acceptable standards and regulations regarding the Oil distribution and retail sector • Avoid, reduce, control discharges to air, land & water • Take steps to protect the health of employees / clients / neighbors • Avoid forced labor and child labor • Operate and maintain machines and equipment professional and with proper (safety) measures

High risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislations • Comply with accepted standards and regulations regarding Oil distribution and retail sector • Avoid, reduce, control discharges to air, land & water • Take steps to protect the health of employees / clients / neighbors • Avoid forced labor and child labor • Operate and maintain machines and equipment professional and with proper (safety) measures; • Relevant contract documents showing allocation of responsibilities for addressing environmental and social concerns • Comply with IFC Performance standards
Suggestions	<ul style="list-style-type: none"> • Environmental monitoring programs for this sector should be implemented to address all activities that have been identified to have potentially significant impacts on the environment, during normal operations and upset conditions • Development of a road safety management plan • Measures to train all drivers in safe and defensive driving methods • Enforcement of speed limits for all vehicles. Vehicles should be maintained in an appropriate road worthy condition and include all necessary safety equipment • Prevent public contact with dangerous locations and equipment and hazardous materials • Spill and Leak Prevention and Control Planning • Provision for immediate repair conditions of pipelines and measures to prevent and mitigate the consequences of a pipeline failure • Risk management strategies associated with the transport of hazardous materials

9. SECTOR GUIDELINE: UTILITIES (POWER GENERATION)

This sector guideline serves as a source of information in the due diligence process of transaction, projects and clients in the Utilities sector, particularly power generation. The guideline addresses the following topics for this sector:

- Most common environmental and social impacts and risks
- Examples of different risk categories
- Relevant national legislation and international standards
- Conditions and suggestions differentiated per risk level

Impacts and Risks	
Health & Safety	<ul style="list-style-type: none"> • Bad & unhygienic working environments • Accidents and injuries • Diseases • Worker exposure to hazardous materials, substances, and machinery • Lack of proper training and protective equipment for workers • Chemical and physical hazards for workers • Fire & explosion risk • Noise and vibration caused by the operations and materials transport and delivery
Labor conditions	<ul style="list-style-type: none"> • Non-payment of minimum wages • Lack of proper labor contracts • Resettlement of local communities for new or expanded facilities • Safety issues concerning electric currents, and electric and magnetic fields for workers and local communities • Worker exposure to hazardous substances • Lack of workplace associations/unions • Lack of proper training and protective equipment for workers • If the site is remotely located, risks for improper living conditions for workers and their families
Environment	<ul style="list-style-type: none"> • Habitat alternations, with adverse impacts on biodiversity • Waste management, including general wastes and chemical wastes • Hazardous emissions • Hazardous effluent • Damage to land from new developments • Energy use • Mobile emissions from exhaust of diesel engines • Oil spills associated with heavy equipment operation and fueling activities • Soil erosion resulting from excavated areas prior to the reestablishment of vegetation • Disposal of contaminated soil
Community	<ul style="list-style-type: none"> • Impact on local indigenous populations • Impacts on cultural heritage risks associated with use of corporate security forces • Delays or disruption caused by community alienation to new or expanded facilities • Presence of archeological artifacts • Impacts on local communities, flora and / or fauna • Relocation of communities

Aggravating factors	<ul style="list-style-type: none"> • Non-compliance with local, national or international regulations • Risk of corrupt payments to obtain concessions, permits, certifications or similar • Risk of corrupt business practices, with non-registered and improper payments to subcontractors • Poor corporate governance • Areas declared by law as national parks, watershed reserves, wildlife reserves and sanctuaries • Areas which constitute the habitat of any endangered or threatened species of indigenous wildlife (flora and fauna); • Areas prone to bushfires; • Hilly areas with critical slopes • Areas classified as prime agricultural lands; • Recharge areas of aquifers; • Areas which are traditionally occupied by cultural communities; • Areas of unique historic, archaeological or scientific interests; • Clearance of areas that require resettlement of people. • Mangrove areas with (i) primary pristine and dense growth, (ii) adjoining mouth of major river systems or (iii) areas acting as natural buffers against shore erosion, strong winds or storm floods • Areas with potential tourist value;
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Risk Categorization	
Low risk	<p>Transactions that have minimal or no social or environmental impacts. Examples:</p> <ul style="list-style-type: none"> • Not applicable
Medium Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & social action plan • Modernization of existing energy plant • Financing of working capital for energy plant • Small-scale hydro plant (generation capacity of <15 MW)
High Risk	<p>Transactions with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented, which are difficult to manage. Examples:</p> <ul style="list-style-type: none"> • Fossil fuel-based energy plant • Development of medium to large-scale hydro plant • Energy distribution
Legislation	
National Legislation	<p>Verify legislation covering the following topics:</p> <ul style="list-style-type: none"> • Environment • Social and Labor topics • Site- or product-specific requirements • Governance issues

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<p>International Standards (if relevant)</p>	<ul style="list-style-type: none"> • IFC Performance Standards • UNEP FI Declarations • UN Global Compacts • ISO 9000 • ISO 14000 • Occupational Health and Safety Assessment Series (OHSAS) 18000 • ISO 26000 (2010) • Statute of International Atomic Energy Agency (1957) • United Nations Framework Convention on Climate Change (1994) • Kyoto Protocol (1997) • ILO Convention 29: Forced or compulsory labor (1930) • ILO Convention 105: Abolition of forced labor (1957) • ILO Convention 138: Minimum age for admission to employment (1973) • ILO Convention 182: Prohibiting the worst forms of child labor (1999)
<p>Low risk</p>	<ul style="list-style-type: none"> • ILO Convention 100: Equal remuneration (1951) • ILO Convention 111: Elimination of discrimination in • ILO Convention 182: Prohibiting the worst forms of child labor (1999) • ILO Convention 100: Equal remuneration (1951) • ILO Convention 111: Elimination of discrimination in respect of employment and occupation (1958) • ILO Convention 87: Freedom of association and the protection of the right to organize (1948) • ILO Convention 98: Right to organize and collective bargaining (1949)
<p>Conditions and Suggestions</p>	
<p>Low Risk</p>	<ul style="list-style-type: none"> • Not applicable
<p>Medium Risk</p>	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & social action plan • Comply with applicable environmental & social legislation • Comply with acceptable standards and regulations regarding the Utility Power Generation sector; • Avoid, reduce, control discharges to air, land & water; • Take steps to protect the health of employees / clients / neighbors • Avoid forced labor and child labor; • Operate and maintain machines and equipment professional and with proper (safety) measures;

High Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislations • Comply with accepted standards and regulations regarding Utility Power Generation sector; • Avoid, reduce, control discharges to air, land & water; • Take steps to protect the health of employees / clients / neighbors; • Avoid forced labor and child labor; • Operate and maintain machines and equipment professional and with proper (safety) measures; • Relevant contract documents showing allocation of responsibilities for addressing environmental and social concerns. • Comply with IFC Performance standards
Suggestions	<ul style="list-style-type: none"> • Working practices aimed at minimizing disturbance of, and reducing spread of, any existing ground • Contaminants and ensuring residual contaminants from building and distribution process are adequately dealt with restoration or creation of landscape by tree planting, species introduction or landscaping appropriate to local conditions • Ensure that all economic opportunities for energy efficiency are exploited. • Installation or upgrade of air emission abatement technology • Ensure that control, treatment, and monitoring facilities are properly maintained and that they are operated according to their instruction manuals • Site transmission and distribution rights-of-way, access roads, lines, towers, and substations to avoid critical habitat through use of existing utility and transport corridors for transmission and distribution, and existing roads and tracks for access roads, whenever possible • Measures to prevent and control impacts to terrestrial habitats during construction and measures to prevent and control risk of forest fire, including control measures to prevent aircraft collision impacts • Use of signs, barriers, and education / public outreach to prevent public contact with potentially dangerous equipment or electrocutions • Implementing noise abatement programs • Measures to prevent, minimize, and control wastewater effluents from thermal power plants

10. SECTOR GUIDELINE: REAL ESTATE

This sector guideline serves as a source of information in the due diligence process of transaction, projects and clients in the Real Estates sector, particularly building construction. The guideline addresses the following topics for this sector:

- Most common environmental and social impacts and risks
- Examples of different risk categories
- Relevant national legislation and international standards
- Conditions and suggestions differentiated per risk level

Impacts and Risks	
Health & Safety	<ul style="list-style-type: none"> • Bad & unhygienic working environment • Diseases • Site hazards (slips & falls, accident & injuries) • Visual intrusion • Handling & storage building materials • Works that require scaffolds, pulleys and external elevators • Cement • Over-exertion • Dust
Labor conditions	<ul style="list-style-type: none"> • Unfair working condition • Security problems Forced Labor Child Labor • Bad working environment
Environment	<ul style="list-style-type: none"> • Air emissions & air quality • Noise & Vibration • Visible soil erosion & discoloration • Surface water discharge • Land compartment • Water stress • Impacts on fauna & flora • Energy & water consumption • Vegetation clearing • Trucks and offloads • Wet environment from water runoff • Filler and Cornish • Asbestos containing materials • Lead Paint • Underground storage Tanks, • Lines & Vents Above Ground • Chemical Storage or Products Sensitive adjacent properties • Sanitary sewer • Unsafe material management practices & handling

Community	<ul style="list-style-type: none"> • Trespassing • Potential contact with sharp and/or poisonous materials • Buried waste • Poor drainage • Steep slopes • Sink bore holes • Ponds & Streams • Traffic safety
Aggravating factors (Governance)	<ul style="list-style-type: none"> • Non-compliance with local, national or international regulations • Areas declared by law as national parks, watershed reserves, wildlife reserves & sanctuaries • Areas which constitute the habitat of any endangered or threatened species of indigenous wildlife • Areas prone to bushfires • Hilly areas with critical slopes • Areas classified as prime agricultural lands • Recharge areas of aquifers • Areas which are traditionally occupied by cultural communities • Areas of unique historic, archaeological or scientific interests • Clearance of areas meant for local services & recreation • Mangrove areas with (I) primary pristine & dense growth, (II) adjoining mouth of major river systems or (III) areas acting as natural buffers against shore erosion, strong winds or storm floods
Risk Categorization	
Low Risk	<p>Transactions that have minimal or no social or environmental impacts.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • Not applicable
Medium Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & social action plan • Modernization of existing complex building structures • Financing of working capital for major construction • Mini estates and high rises
High risk	<p>Transactions with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented, which are difficult to manage.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> • High rises and over 10 floors construction • Development of medium to large estates • Stadia and other huge real estate development
Legislation	
National Legislation	<p>Verify legislation covering the following topics:</p> <ul style="list-style-type: none"> • Environment • Social and Labor topics • Site- or product-specific requirements • Governance issues (permit, licenses & certification). • Occupational Health & Safety Assessment Series (OHSAS)

International Standards (if relevant)	<ul style="list-style-type: none"> • IFC Performance Standards • UNEP FI Declarations • Occupational Health and Safety Assessment Series (OHSAS) 18000 • United Nations Framework Convention on Climate Change (1994) • Kyoto Protocol (1997) • ILO Convention 105: Abolition of forced labor (1957) • ILO Convention 182: Prohibiting the worst forms of child labor (1999) • ILO Convention 87: Freedom of association and the protection of the right to organize (1948) • ILO Convention 98: Right to organize and collective bargaining (1949)
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Conditions and Suggestions	
Low risk	<ul style="list-style-type: none"> • Not applicable
Medium Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislation • Submission of environmental & social action plan • Comply with applicable environmental & social legislation • Comply with acceptable standards and regulations regarding housing and real estate construction; • Avoid, reduce, control discharges to air, land & water; • Take steps to protect the health of employees / clients / neighbors • Avoid forced labor and child labor; • Operate and maintain machines and equipment professional and with proper (safety) measures;
High Risk	<ul style="list-style-type: none"> • Comply with applicable environmental & social legislations • Comply with accepted standards and regulations regarding housing and real estate development; • Avoid, reduce, control discharges to air, land & water; • Take steps to protect the health of employees / clients / neighbors; • Avoid forced labor and child labor; • Operate and maintain machines and equipment professional and with proper (safety) measures; • Relevant contract documents showing allocation of responsibilities for addressing environmental and social concerns. • Comply with IFC Performance standards

<p>Suggestions</p>	<ul style="list-style-type: none"> • Working practices aimed at minimizing disturbance of, and reducing spread of, any existing ground contaminants and ensuring residual contaminants from building and distribution process are adequately dealt with • Restoration or creation of landscape by tree planting, species introduction or landscaping appropriate to local conditions • Ensure that all economic opportunities for energy efficiency are exploited. • Installation or upgrade of air/noise pollution abatement technology • Ensure that control, treatment, and monitoring facilities are properly maintained and that they are operated according to
	<ul style="list-style-type: none"> • Site transmission and distribution rights-of-way, access roads, lines, towers, and substations to avoid critical habitat through use of existing utility and transport corridors for transmission and distribution, and existing roads and tracks for access roads, whenever possible • Measures to prevent and control impacts to terrestrial habitats during construction and measures to prevent and control risk of forest fire, including control measures to prevent aircraft collision impacts for high rise buildings • Use of signs, barriers, and education / public outreach to prevent public contact with potentially dangerous equipment or electrocutions • Implementing noise abatement programs • Measures to prevent, minimize, and control wastewater effluents from thermal power plants.

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11. SAMPLE E&S B MEDIUM ASSESSMENT FORM (Appendix 2)

The E&S Assessment Form is used to document the findings, conclusions and recommendations of E&S due diligence in case of qualifying transactions categorized as medium or high risk.

1. General information	
FSDH contact	
Client's name	
Contact person	

2. Health and Safety	
<i>Please make an assessment of the client's risk profile based on Health and Safety impact.</i>	

Overview of identified Health and Safety impacts and risks	1. 2. 3.
Safety measures for worker exposure to accidents	Yes No N/A
Safety measures available for transporting raw materials and disposal of wastes	Yes No N/A
If no, please elaborate	

3. Labor Conditions	
<i>Please make an assessment of the client's risk profile based on labor conditions.</i>	

Overview of identified social impacts and risks	1. 2. 3.
Compliance with IFC requirements on non-discrimination related to employment	Yes No N/A
Adoption of HR Policy that are in conformity with size and workforce of company	Yes No N/A
Workers' council or collective bargaining agreement in place	Yes No N/A

Employees have a contract and are aware of their rights	Yes No N/A
Wages, benefits and conditions of work are comparable to equivalent local employers	Yes No N/A
If no, please elaborate	

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4. Environment	
<i>Please make an assessment of the client's risk profile based on Environmental impact.</i>	
Overview of identified environmental impacts and risks	1. 2. 3.
Measures in place to prevent environmental damage	Yes No N/A
Energy efficiency measures	Yes No N/A
Solid waste management	Yes No N/A
Measures to prevent water leakage or hazardous effluents	Yes No N/A
If no, please elaborate	
5. Community	
<i>Please make an assessment of the client's risk profile based on Community impact.</i>	
Overview of identified impacts and risks for exposed or affected communities	1. 2. 3.
Consultation with affected persons and communities	Yes No N/A
Alternative project designs have been investigated	Yes No N/A
Grievance mechanism in place for affected persons and communities	Yes No N/A
Participation of affected persons and communities in compensation deal	Yes No N/A
If no, please elaborate	
6. Environmental and Social Management	
<i>Please make an assessment of the client's E&S management capacity.</i>	
The client has a sound E&S policy	Yes No
There's a management system in place in order to mitigate the E&S impact on the client's activities	Yes No

Knowledge level within the company on key E&S issues	No knowledge Knowledge among top management Knowledge throughout company
Responsibility for E&S management in the company	Assigned to full-time position Assigned to part-time position Not assigned
If assigned, indicate name and position of responsible person	
The client has the ambition to improve its E&S management	Yes No No need for improvement
Please elaborate	
7. Mitigation and improvement measures	
<i>Based on the information above, indicate your suggestions for mitigation and improvement measures</i>	
Health and Safety	
Labor Conditions	
Environment	
Community	

E&S Management

Date:

Date:

Signature

Signature

Relationship Manager

ESMS Manager

12. FSDH EXCLUSION LIST (Appendix 3)

The Exclusion List defines those activities that are not eligible for finance from FSDH. The following activities appear on this list:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.⁷
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced labor⁸/harmful child labor⁹
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Any business or undertaking involving prostitution or pornography material either directly or indirectly
- Activities involving involuntary resettlement
- Financing energy generation using nuclear fuels
- Activities in the nuclear fuel production cycle (uranium mining, production, enrichment, storage or transport of nuclear fuels.
- Financing skin and beauty products that destroys the melanin with excessive mercury, hydroquinone and other toxic chemical content thereby making users vulnerable to skin cancer and mercury poisoning.

⁷ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations

⁸ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty

⁹ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty

13. FSDH MERCHANT BANK LIMITED E&S CATEGORIZATION GUIDELINES (Appendix 4)

Below are guidelines to adequately categorize the environmental and social risk level of a qualifying transaction.

High Risk Transactions

These transactions typically involve clients with business activities with significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented. A potential impact is considered sensitive if it may be irreversible (such as loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites.

Examples of high-risk transactions:

- Construction of dams and reservoirs
- Projects involving land acquisition and resettlement of communities/families
- Production of pesticides and herbicides
- All projects which pose serious socioeconomic concerns
- Major irrigation projects or other projects affecting water supply in a given region
- Toxic or hazardous waste disposal operations
- Hazardous chemicals: manufacture, storage or transportation above a threshold volume
- Projects which pose serious occupational or health risks
- Impacts on protected natural habitats or areas of high biological diversity including wetlands, coral reefs and mangroves
- Metal smelting, refining and foundry operations
- Mining (opencast and pit)
- Large thermal and hydropower developments

Medium Risk Transactions

These transactions typically involve clients with business activities with specific environmental and social impacts that are few, generally beyond the site boundaries, largely reversible and readily addressed through mitigation measures and international best practice. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of High-Risk transactions.

Examples of medium risk transaction:

- Breweries with alcohol by volume (ABV) concentration below 20%
- Large-scale hotels
- Mining (small scale)
- Metal plating
- Modernization of existing plants
- Pulp and paper mills
- Domestic waste disposal operation
- Oil Refineries
- Paints
- Rubber and Plastic

These are transactions with potential limited adverse social or environmental impacts that are

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few, generally site-specific, largely reversible and readily addressed through mitigation measures. E.g., Warehousing, Saw-mill, Supply-chains

Low Risk Transactions

These transactions typically involve clients with business activities with minimal or no adverse environmental and social impacts.

Examples of low-risk transactions:

- General trade activity
- Software development
- Service industries
- Technical assistance

14. E&S DUE DILIGENCE TEMPLATE (Appendix 5)

The E&S Due Diligence Template is used to document the Exclusion List verification, the E&S risk categorization and the level of due diligence for all qualifying transactions.

DUE DILIGENCE REPORT - ENVIRONMENTAL AND SOCIAL RISK	
Name	
E&S Rating:	
E&S Category:	
Date	
Background	
Transaction Overview	
Plant Operations Overview	
Credit Facility Details	
Risks and Mitigants	
E and S Due Diligence <ol style="list-style-type: none"> 1. Regulation 2. Quality Assurance and Certification 3. ESG Rating process 4. Physical Inspection 5. NSBP/IFC Performance Standards <ul style="list-style-type: none"> • Assessment and Management of Environmental and Social Risks and Impacts • Labour and Working Conditions • Resource Efficiency and Pollution Prevention • Community Health, Safety, and Security • Land Acquisition and Involuntary Resettlement • Biodiversity Conservation and Sustainable Management of Living Natural Resources • Indigenous Peoples • Cultural Heritage 6. ESG Recommendations after Review/Covenants 	