



# Environmental and Social Management System (ESMS) for the Development Bank of Jamaica (DBJ)

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## 1.0 LIST OF ACRONYMS

<b>AE</b>	Account Executive
<b>AESPR</b>	Annual Environmental & Social Performance Report
<b>AFI</b>	Approved Financial Institutions
<b>BoJ</b>	Bank of Jamaica
<b>CDB</b>	Caribbean Development Bank
<b>CITES</b>	Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES)
<b>DBJ</b>	Development Bank of Jamaica
<b>DEG</b>	German Development Bank
<b>DFI</b>	Development Finance Institution
<b>E&amp;S</b>	Environmental and Social
<b>EBRD</b>	European Bank for Reconstruction & Development
<b>EDFI</b>	The European Development Finance Institution
<b>EHS</b>	Environment, Health, and Safety
<b>EIA</b>	Environmental Impact Assessment
<b>ESAP</b>	Environmental and Social Action Plan
<b>ESDD</b>	Environmental and Social Due Diligence
<b>ESIA</b>	Environmental & Social Impact Assessment
<b>ESIA</b>	Environmental & Social Impact Assessment
<b>ESMS</b>	Environmental & Social Management System
<b>ESRM</b>	Environmental & Social Risk Management
<b>ESSP</b>	Environmental & Social Safeguards Policy
<b>FI</b>	Financial Intermediary
<b>FMO</b>	Netherlands Development Finance Company
<b>FPIC</b>	Free, Prior, and Informed Consent
<b>GCF</b>	Green Climate Fund
<b>GHG</b>	Greenhouse Gas
<b>GIP</b>	Good Industry Practice
<b>GOJ</b>	Government of Jamaica
<b>HCV</b>	High Conservation Value
<b>ICP</b>	Informed Consultation and Participation
<b>IDB</b>	Inter-American Development Bank
<b>IFC</b>	International Finance Corporation
<b>ILO</b>	International Labour Organization
<b>KPI</b>	Key Performance Indicators

<b>MFI</b>	Micro-Finance Institution
<b>MSME</b>	Micro, Small, and Medium Sized Enterprise
<b>MW</b>	MegaWatt
<b>NEPA</b>	National Environmental Planning Agency
<b>NIBJ</b>	National Investment Bank of Jamaica
<b>PEF</b>	Private Equity Fund
<b>PS</b>	Performance Standard
<b>UN</b>	United Nations
<b>WB</b>	World Bank

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## 2.0 KEY DEFINITIONS

The following are definitions of some of the terms used in this Policy.<sup>1</sup>

<b>Affected communities</b>	Local communities directly affected by the project or program.
<b>Associated facilities</b>	Facilities or activities that are not financed as part of the project but which are significant in determining the success of the project or in producing agreed project outcomes. These are new facilities or activities: (i) without which the project would not be viable, and (ii) would not be constructed, expanded, carried out or planned to be constructed or carried out if the project did not exist.
<b>Chance Find Procedures:</b>	A system for protecting cultural heritage discovered during any phase of project implementation (from design, construction, and operation, to decommissioning).
<b>Community Health, Safety and Security:</b>	Business activities can increase the potential for community exposure to risks and impacts arising from equipment accidents, structural failures and releases of hazardous materials as well as impacts on a community's natural resources, exposure to diseases and the use of security personnel. Commercial clients/investees are responsible for avoiding or minimizing the risks and impacts to community health, safety and security that may arise from their business activities.
<b>Cultural Heritage:</b>	Cultural heritage encompasses properties and sites of archaeological, historical, cultural, artistic and religious significance as well as unique environmental features and cultural knowledge, innovations and practices of communities embodying traditional lifestyles, which are protected for current and future generations. Commercial clients/investees are required to avoid significant damage to cultural heritage due to their business activities.
<b>Environmental and Social Impacts:</b>	Change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the activities to be supported;
<b>Environmental and Social Management System (ESMS):</b>	Management processes and procedures that allow an organization to identify, analyse, control and reduce the environmental and social impacts of its activities including transboundary risks and impacts, in a consistent way and to improve performance in this regard over time. For the purposes of this document, "ESMS" refers to the environmental and social management system

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<sup>1</sup> These definitions are compiled from those commonly used by other DFIs such as the IFC, EBRD, the United Nations and others and are used to provide consistency in the definitions.



of GCF. When used in the long form, “environmental and social management system”, it refers to the entities’ management system;

**Good International Practice  
or "GIP":**

The exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally. The outcome of such exercise will be that the project employs the most appropriate techniques and standards in the project- specific circumstances.

**Indigenous Peoples:**

Social groups with identities that are distinct from other groups in national societies and are often among the marginalized and vulnerable. Their economic, social and legal status may limit their capacity to defend their interests and rights to lands and natural and cultural resources. Commercial clients/investees are required to ensure that their business activities respect the identity, culture and natural resource-based livelihoods of Indigenous Peoples and reduce exposure to impoverishment and disease.

**Land Acquisition and  
Involuntary Resettlement:**

Land acquisition due to the business activities of a commercial client/investees may result in the physical displacement (relocation or loss of shelter) and economic displacement (loss of access to resources necessary for income generation or as means of livelihood) of individuals or communities. Involuntary resettlement occurs when affected individuals or communities do not have the right to refuse land acquisition and are displaced, which may result to long-term hardship and impoverishment as well as environmental damage and social stress. Commercial clients/investees are required to avoid physical or economic displacement or minimize impacts on displaced individuals or communities through appropriate measures such as fair compensation and improving livelihoods and living conditions.

**Mitigation Hierarchy:**

Measures taken to avoid creating environmental or social impacts from the outset of development activities, and where this is not possible, to implement additional measures that would minimise, mitigate, and as a last resort, offset and/or compensate any potential residual adverse impacts.

**Project:**

The set of works, goods, services and/or business activities defined in the financing agreements and for which DBJ financing is sought by a client, and approved by DBJ Board of Directors or, if the Board of Directors has delegated the approval authority, by Bank management. A Project can be defined to include programmes.

**Pollution Prevention and  
Abatement:**

Increased industrial activity and urbanization often generate increased levels of pollution to air, water and land that may threaten people and the environment at the local, regional and global level. Commercial clients/investees are required to integrate pollution prevention and control technologies and practices (as technically and financially feasible as well as cost-effective) into their business



activities.

<b>Social Issues:</b>	issues which pertain to project-affected people and their communities and workers and related to socioeconomic status, vulnerability, gender, gender identity, human rights, sexual orientation, cultural heritage, labour and working conditions, health and safety and participation in decision making.
<b>Sustainable Development:</b>	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs
<b>Vulnerable people:</b>	People or groups of people who may be more adversely affected by project impacts than others by virtue of characteristics such as their gender, gender identity, sexual orientation, religion, ethnicity, indigenous status, age (including children, youths and the elderly), physical or mental disability, literacy, political views, or social status. Vulnerable individuals and/or groups may also include, but are not limited to, people in vulnerable situations, such as people living below the poverty line, the landless, single-headed households, natural resource dependent communities, migrant workers, refugees, internally displaced people, or other displaced persons who may not be protected through national legislation and/or public international law.

# **I. Environmental and Social Safeguards Policy**

## **I.1 Purpose**

The Development Bank of Jamaica (the Bank) is committed to supporting “investment toward national economic growth” and ensuring environmentally and socially responsible financial investment and development. The Bank recognises that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with this commitment. DBJ’s responsibilities are consistent with its role as a development finance institution. With respect to any particular credit, investment, technical assistance or other participation, the level of DBJ’s engagement is determined by the nature and scope of the project, participation of donor funding, as well as the specific circumstances of the collaboration and relationship with the client.

DBJ may refrain from financing a project on environmental or social grounds. There are several types of activities that DBJ does not finance in accordance with the DBJ Environmental and Social Exclusion List, included as Appendix 1 to this Policy.

DBJ administers a number of donor funds. Projects or activities financed in whole or in part with donor funds will comply with this Policy. Additional donor requirements relating to environmental or social matters may apply to projects financed with donor funds as agreed between DBJ and donors.

This document:

- Outlines the environmental and social objectives and principles guiding the institution.
- Establishes the standards by which DBJ will assess and manage environmental and social risks and impacts associated with by DBJ financed projects throughout the lifetime of the projects.
- Defines the respective roles and responsibilities of both DBJ and its clients in designing, implementing and operating projects in accordance with this Policy.
- Outlines how the DBJ will assess and monitor the environmental and social risks and impacts of its projects.
- How DBJ will communicate its environmental and social performance to its internal and external stakeholders.

This document supersedes any other previously published or utilized Policy unless specifically stated.

## **I.2 Governing Principles**

The Development Bank of Jamaica Limited (DBJ) is a corporation that is wholly owned by the Government of Jamaica (GoJ) and is mandated to foster economic growth and development of strategic sectors of the Jamaican economy. The Bank was created in April 2000, from the merger of the Agricultural Credit Bank of Jamaica Limited and the National Development Bank of Jamaica Limited. The operations, assets and liabilities

of the National Investment Bank of Jamaica (NIBJ) were further amalgamated with the DBJ on September 1, 2006.

The DBJ's mission statement is *"The Development Bank of Jamaica provides opportunities to all Jamaicans to improve their quality of life through development financing, capacity building, public-private partnership and privatisation solutions in keeping with Government policy"*.

With this mission, the DBJ's aim is to "by 2025 be recognized as Latin America & the Caribbean's foremost development finance institution that drives private sector development and contributes to broad-based, inclusive economic growth in Jamaica." The Bank facilitates the growth and development of all viable enterprises in the productive sectors of the Jamaican economy. These sectors include, among others, agriculture and agro-processing, manufacturing, information technology, mining and quarrying, energy, services and tourism.

The DBJ aims to be the premier development finance institution in the Caribbean mobilizing resources to support investment toward national economic growth and sustainable development. To that end, DBJ is committed to:

- Supporting environmentally and socially responsible financial investment and development;
- Environmental and social support in all areas of its operations, with strong management commitment;
- Continuously supporting the improvement of environmental performance through an environmental and social management system;
- Fostering risk appropriate environmental and social risk management within the financial institutions (FIs) to which it provides financing;
- Compliance with relevant national environmental, social, health and safety, and labour laws, regulations and standards, applicable international standards, and consistent with international best practice;
- Promotion of the environmental and social policy and management system among all DBJ staff through training and awareness programmes;
- Supporting Jamaica's National Development Plan;<sup>2</sup>
- Supporting projects with high environmental and social benefits;
- Supporting gender equality for the country's sustainable development in its policies, projects and programmes;
- Fostering improved environmental and social performance through the support of good practices such as those in pollution prevention and resource management;
- Promotion of accountability through the use of sound monitoring, evaluation and reporting.

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<sup>2</sup> <http://www.vision2030.gov.jm/National-Development-Plan>. Related information:  
<http://www.jm.undp.org/content/jamaica/en/home/sustainable-development-goals.html>

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### **I.3 Environmental and Social Standards**

DBJ has adopted in this Policy, Environmental and Social Standards intended to guide its operations, and in particular, the requirements for environmental and social performance of its operations. These standards are based upon the International Finance Corporation's (IFC) Performance Standards, building upon them using the specific needs of its institutional requirements and culture. Most development finance institutions (DFIs) use the IFC's Performance Standards in formulating their own policies and they also serve as the basis of the Equator Principles. The standards are:

- 1. Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts**
- 2. Performance Standard 2: Labour and Working Conditions**
- 3. Performance Standard 3: Resource Efficiency and Pollution Prevention**
- 4. Performance Standard 4: Community Health, Safety, and Security**
- 5. Performance Standard 5: Land Acquisition and Involuntary Resettlement**
- 6. Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**
- 7. Performance Standard 7: Indigenous Peoples**
- 8. Performance Standard 8: Cultural Heritage.**

Additional information on these standards can be found in the following documents, all of which can be found on the IFC's Sustainability website (<https://firstforsustainability.org>):

- IFC Performance Standards on Environmental and Social Sustainability (2012)
- International Finance Corporation's Guidance Notes: Performance Standards on Environmental and Social Sustainability (2012)
- World Bank (WB) Group Environment, Health and Safety Guidelines

The DBJ Environmental and Social Policy consists of eight performance standards, a specific Gender Policy, which is contained in a separate policy document, environmental and social risk management procedures for both intermediated and direct financing, and an Exclusion List of activities DBJ has chosen not to finance. These are summarized below. In order to achieve the governing principles, and in particular compliance "consistent with international best practice," these standards have been developed to complement Jamaican national requirements. Where no national standard applies within the Jamaican regulatory context, DBJ will use best efforts to work with its clients and partners to achieve the higher standard contained within the IFC performance standards.<sup>3</sup>

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<sup>3</sup> The application of higher standards will only occur in a manner which compliments national legislation but does not conflict with it.

## **I.4 IFC Performance Standards**

There are eight Performance Standards that establish standards that, when applicable, the client must meet throughout the tenor of a loan or the life of an investment, including specific provisions for Financial Intermediaries (FI). They have been adopted and adjusted to cover investments of the DBJ (or the “Bank”), as this Policy document has done. Understanding the Performance Standards is best accomplished when considered together and cross-referenced as needed. Cross-cutting issues such as climate change, gender, human rights, and water, are addressed across multiple Performance Standards, but for this Policy, Gender is added as a specific topic. In addition to meeting the requirements under the applicable Performance Standards, the Bank’s clients must comply with applicable national law, including those laws implementing host country obligations under international law.

This Policy commits to implementing the relevant elements<sup>4</sup> of applicable IFC Performance Standards as described in the IFC documentation.<sup>5</sup> Below is a summary of the key elements of the Performance Standards applicable to this Policy.

Performance Standard 1 establishes the importance of (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and (iii) the client’s management of environmental and social performance throughout the life of the project.

Performance Standard 2 promotes the fair treatment, non-discrimination and equal opportunity of workers, compliance with national labour and employment laws and applicable international conventions, and safe and healthy working conditions.

Performance Standards 3 through 8 establish objectives and requirements to avoid, minimize, and where residual impacts remain, to compensate/offset for risks and impacts to workers, affected communities, and the environment. A number of cross-cutting topics such as climate change, gender, human rights, and water, are addressed across multiple Performance Standards.

While all relevant environmental and social risks and potential impacts should be considered as part of the assessment, Performance Standards 3 through 8 describe potential environmental and social risks and impacts that require particular attention. Where environmental or social risks and impacts are identified, the client is required to manage them through its Environmental and Social Management System (ESMS) consistent with Performance Standard 1.

In addition to meeting the requirements under the Performance Standards, projects must comply with applicable national law, including those laws implementing host country obligations under international law.

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<sup>4</sup> The applicability of the Performance Standards is risk based and dependent upon the financing type, size, and tenor.

<sup>5</sup> The complete set of Performance Standards can be found at the IFC’s website:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards)

Performance Standards 1 and 2 apply to all projects that have environmental and social risks and impacts. Depending on the type of financing provided and project circumstances, other Performance Standards may apply as relevant.

#### **1.4.1 Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts**

PS1 covers the assessment and management of environmental and social impacts and risks that result from the projects financed by the Bank or its FIs and focuses on active engagement between the Bank, its clients, affected communities and other stakeholders.

The objectives of PS1<sup>6</sup> are:

- To identify and evaluate environmental and social risks and impacts of the project.
- To adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize, and, where residual impacts remain, compensate/offset for risks and impacts to workers, affected communities, and the environment.

PS1 is the Standard that establishes the requirement to have a risk appropriate Environmental and Social Management System (ESMS) including an Environmental and Social (E&S) Policy, E&S risk management procedures and appropriate institutional capacity. This document represents that Policy, and is consistent with the requirements defined in the standard.

The key requirements under PS1 are:

- Policy (or equivalent documents)
- Process for identifying risks & impacts
- Management program, to include mitigation (using the Mitigation Hierarchy)
- Process for monitoring & evaluation & reporting
- Organizational capacity & competency
- External communications<sup>7</sup>

Leadership from Bank senior management is also a critical element for the successful development and implementation of an effective ESMS. An important aspect of the ESMS is that its complexity should be commensurate with the risk exposure that the Bank is expected to manage.

#### **1.4.2 Performance Standard 2: Labour and Working Conditions**

PS2 emphasizes the value of the workforce in projects and the risks to projects where there is a failure to establish and foster a sound worker-management relationship and conversely recognizes that a good relationship between management and workers is an important ingredient in determining the overall success of the client and the project. It establishes the requirements of the Bank in relation to how its projects manage labor and working conditions. The requirements use the core international conventions of the International

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<sup>6</sup> For more information: [https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS\\_English\\_2012\\_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h](https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h)

<sup>7</sup> Important national guidance on consultation is contained within the "Consultation Code of Practices for Public Servants, 2005.": <https://cabinet.gov.jm/resources/6723/>

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Labour Organization (ILO) and the United Nations (UN) which listed in the IFC's PS2 document<sup>8</sup> and supporting Guidance Note.<sup>9</sup>

The objectives of PS2 are:

- To establish, maintain and improve the worker-management relationship
- To promote the fair treatment, non-discrimination and equal opportunity of workers, and compliance with national labour and employment laws
- To protect the workforce by addressing child labour and forced labour
- To promote safe and healthy working conditions, and to protect and promote the health of workers

The key PS2 requirement is the responsibility for the Bank and its clients to assess their labour practices against the standard. As this requirement may go beyond the traditional environmental and social assessment process, it has been incorporated into the Environmental and Social Due Diligence (ESDD) procedures. The scope of the assessment varies with the type of worker - workers directly engaged by the client (direct workers), workers engaged through third parties to perform work related to core business processes of the project for a substantial duration (contracted workers), as well as workers engaged by the client's primary suppliers (supply chain workers).

The key requirements relate to how the Bank's clients manage the following aspects:

- Human Resources Policies and Procedures - Provide workers with clear and understandable information on their rights, including those related to hours of work, compensation, and benefits.
- Working Conditions and Terms of Employment - Provide safe and healthy working conditions.
- Workers Organizations - Not restrict workers from joining or forming workers' organizations or bargaining collectively, nor retaliate against workers who organize.
- Non-Discrimination and Equal Opportunity - Not discriminate (based on gender, race, nationality, ethnic, social and indigenous origin, religion or belief, disability, age, or sexual orientation) but instead hire, compensate,<sup>10</sup> manage and lay off employees based on the principle of equal opportunity and fair treatment.
- Retrenchment – Create a plan for collective dismissals including dismissal notices and severance payments.
- Grievance mechanisms - Create effective grievance mechanisms for all employees.
- Child Labour - Not employ children (under 18) in any manner that is economically exploitative or harmful to the child's health, education or social development.
- Forced Labour - Not employ forced labour or trafficked persons.
- Occupational Health and Safety - Provide a safe and healthy work environment, taking into account sector specific risks, including physical, chemical, biological, and radiological hazards, and specific threats to women and other vulnerable workers.

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<sup>8</sup> The PS can be found here:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards)

<sup>9</sup> See [https://www.ifc.org/wps/wcm/connect/cb4bf4e2-8b18-40ef-b579-1288581a180c/2007%2BUpdated%2BGuidance%2BNote\\_2.pdf?MOD=AJPERES&CVID=jqeF8r3](https://www.ifc.org/wps/wcm/connect/cb4bf4e2-8b18-40ef-b579-1288581a180c/2007%2BUpdated%2BGuidance%2BNote_2.pdf?MOD=AJPERES&CVID=jqeF8r3)

<sup>10</sup> Compensation in the form of both wages and benefits.



- Third-Party Workers and Supply Chain - Make efforts to ensure that contracted workers employed by third parties are protected and monitor primary supply chains to identify and reduce risks of child or forced labour, or significant safety concerns.

The details of the requirements, including mitigation through training as well as disciplinary actions are included in the PS document and well as supporting guidance.<sup>11</sup>

### **I.4.3 Performance Standard 3: Resource Efficiency and Pollution Prevention**

Performance Standard 3 (PS3) outlines a project-level approach to resource efficiency and pollution prevention and control in line with internationally disseminated technologies and practices.

The objectives are:

- To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities.
- To promote more sustainable use of resources, including energy and water.
- To reduce project-related Greenhouse Gas (GHG) emissions.

The standard requires that the Bank ask its clients to consider ambient conditions and apply technically and financially feasible resource efficiency and pollution prevention principles and techniques that are best suited to avoid, or where avoidance is not possible, minimize adverse impacts on human health and the environment. The principles and techniques applied during the project life-cycle will be tailored to the hazards and risks associated with the nature of the project and consistent with good international industry practice. The IFC provides guidance on the various internationally recognized standards including the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines).<sup>12</sup>

The key requirements are that the Bank clients will:

- Resource Efficiency: Efficiently use natural resources, including energy and water.
- Pollution Prevention: Avoid the release of air, water and land pollutants or, when avoidance is not feasible, minimize and/or control project-related pollution.
- Waste Reduction: Avoid the generation of waste (both hazardous and non-hazardous), or where unavoidable, minimize, reuse, and/or recycle where possible, and lastly, appropriately dispose of waste.
- Hazardous Materials Management: Replace hazardous materials with safer substances where feasible, and avoid the manufacture, trade, and use of chemicals and hazardous materials subject to international bans or phase-outs.
- Pesticide Use and management: Use integrated pest management and integrated vector management approaches to reduce the risks of pesticide use.

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<sup>11</sup> This information is available on the IFC's PS2 website:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps2](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps2)

<sup>12</sup> See "guidance" on the PS3 IFC website page:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps3](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps3)

Greenhouse Gases: Estimate projects' gross Greenhouse Gas (GHG) emissions based on technical and financial feasibility and where possible, make effort to reduce GHG emissions.

Where avoidance is not possible, management plans and procedures must be developed and implemented.

#### **I.4.4 Performance Standard 4: Community Health, Safety, and Security**

Performance Standard 4 moves beyond project workers to the affected communities, recognizing that project activities, equipment, and infrastructure can increase community exposure to risks and impacts.

The objectives of PS4 are:

- To anticipate and avoid adverse impacts on the health and safety of the Affected Community during the project life from both routine and non-routine circumstances.
- To ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the Affected Communities.

The Key requirements are that Bank Clients will assess and avoid (or if unavoidable, mitigate) adverse impacts on the health and safety of the affected community over the life of the project. Specifically, this includes:

- Infrastructure and Equipment Design and Safety: Design, construct, operate, and decommission the structural elements or components of projects taking into consideration safety risks to third parties or Affected Communities.
- Hazardous Materials Management and Safety: Avoid or minimize the potential for community exposure to hazardous materials and substances that may be released by the project.
- Ecosystem Services: Assess and avoid, if possible, project impacts on ecosystem services (such as loss of buffer areas like mangrove forests or resources like freshwater) on which communities depend.
- Community Exposure to Disease: Avoid or minimize the potential for community exposure to diseases, including from hazardous waste, taking into consideration the higher sensitivity of certain vulnerable groups.
- Emergency Preparedness and Response: Assess safety risks that the project poses towards local communities and create a system to respond to emergency situations (including both project accidents and natural hazards).
- Security Personnel: Assess and mitigate risks posed by a project's security arrangements, such as use of private security, police or military personnel. Investigate all allegations of unlawful or abusive acts of security personnel, take action (or urge appropriate parties to take action) to prevent recurrence, and report unlawful and abusive acts to public authorities.

#### **I.4.5 Performance Standard 5: Land Acquisition and Involuntary Resettlement**

Performance Standard 5 recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of project-related land acquisition and/or restrictions on land use. Resettlement is considered involuntary when affected persons or

communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. These terms are defined and additional guidance provided on the IFC's website on PS5.<sup>13</sup>

The objectives of PS5 are:

- To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs.
- To avoid forced eviction.
- To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost<sup>14</sup> and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.
- To improve, or restore, the livelihoods and standards of living of displaced persons.
- To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure<sup>15</sup> at resettlement sites.

PS5 does not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell, and the buyer cannot resort to expropriation or other compulsory procedures sanctioned by the legal system of the host country if negotiations fail). It also does not apply to impacts on livelihoods where the project is not changing the land use of the affected groups or communities.

The key requirements of PS5 are that the Bank projects include:

- Project Design: consider feasible alternative project designs to avoid or minimize physical and/or economic displacement, while balancing environmental, social, and financial costs and benefits, paying particular attention to impacts on the poor and vulnerable.
- Physical Displacement: Avoid and/or minimize physical displacement (moving people off land that they inhabit) and economic displacement (restricting people's access to use of land and/or natural resources).
- Forced Evictions: Avoid forced evictions, including the use of coercion and manipulation of communities.
- Grievance Mechanism: Establish a grievance mechanism to allow the Project to receive and address specific concerns about compensation and relocation raised by displaced persons or members of host communities in a timely fashion, including a recourse mechanism designed to resolve disputes in an impartial manner.

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<sup>13</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps5](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps5)

<sup>14</sup> Replacement cost is defined as the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. Market value is defined as the value required to allow Affected Communities and persons to replace lost assets with assets of similar value. The valuation method for determining replacement cost should be documented and included in applicable Resettlement and/or Livelihood Restoration plans

<sup>15</sup> Security of tenure means that resettled individuals or communities are resettled to a site that they can legally occupy and where they are protected from the risk of eviction.

- Community Engagement: Engage with affected communities throughout the resettlement process, including through the provision of a grievance mechanism for affected communities, beginning early in the project development phase.

However, for these requirements of PS5, the Bank projects may, at the discretion of the Bank, include:

- Compensation and Benefits for Displaced Persons: Provide all displaced persons with fair and equitable compensation, such as replacement land, cash or in-kind replacement of lost assets, and restored access to natural resources. For people with a legal right to the land, offer the choice of replacement property of equal or higher value and security of tenure, or (if land is not possible) cash compensation. For people without formal land rights recognized by the government, offer adequate housing options with secure tenure and compensation for lost assets, such as buildings.
- Resettlement and Livelihood Restoration Planning and Implementation: Improve or restore the livelihoods and standards of living of those people who are displaced.

#### **1.4.6 Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**

Performance Standard 6 recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development. Ecosystem services are the benefits that people, including businesses, derive from ecosystems.

The objectives of PS6 are:

- To protect and conserve biodiversity.
- To maintain the benefits from ecosystem services.
- To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities.

The requirements of PS6 apply to projects: (i) located in modified, natural, and critical habitats; (ii) that potentially impact on or are dependent on ecosystem services over which the client has direct management control or significant influence; or (iii) that include the production of living natural resources (e.g., agriculture, animal husbandry, fisheries, forestry).

The key requirements of PS6 are that the Bank projects include:

- Impact Assessment and Mitigation: Assess and avoid impacts on biodiversity and ecosystem services if possible, and otherwise implement measures to minimize and restore any impacts.
- Protection Measures: Apply protection measures to all impacted areas that have significant biodiversity value, even if they are habitats that have been modified by human activity.
- Management of Ecosystem Services: Assess the ecosystem services that the project is likely to impact and/or that the project will rely on, and avoid, minimize or mitigate any negative effects, including from alien species.
- Natural Habitat: Not significantly convert or degrade “natural habitat” unless (i) there are no other feasible options; (ii) Stakeholders have been consulted, and (iii) Mitigation and control measures are in place to achieve no net loss of biodiversity.

- Critical Habitat: Not implement activities in “critical habitat” unless: (i) there is no other alternative, (ii) the activities does not lead to measurable negative impacts on key biodiversity and ecological processes or a net reduction in endangered species, and (iii) a monitoring plan is put in place.
- Internationally Protected areas: Not implement activities in legally protected or internationally recognized areas unless: (i) The activity is legally permitted, (ii) adequate stakeholder participation is implemented, and (iii) efforts are taken to enhance conservation in the area.
- Invasive Alien Species: not intentionally introduce any new alien species (not currently established in the country or region of the project) unless this is carried out in accordance with the existing regulatory framework for such introduction, and not deliberately introduce any alien species with a high risk of invasive behavior regardless of whether such introductions are permitted under the existing regulatory framework.
- Sustainable Management of Living Natural Resources: Ensure that activities involving the production, including harvesting, of living natural resources (e.g. forestry, agriculture) adhere to relevant globally, regionally, or nationally recognized standards of sustainable management.
- Supply Chain: Monitor the project’s primary supply chains to ensure that they are not contributing to the conversion of natural or critical habitats.

Jamaica has developed the National Strategy and Action Plan for Biological Diversity in Jamaica 2016-2021 (NBSAP) as a signatory to the UN Convention on Biological Diversity. This is the second such plan.<sup>16</sup>

#### **I.4.7 Performance Standard 7: Indigenous Peoples**

Performance Standard 7 (PS7) only applies to projects that have indigenous peoples in them, which would be for projects in countries that have recognized indigenous populations. This does not apply to projects in Jamaica, but could apply to projects or funds that have investments in these countries. For that reason, reference to the standard is included here with a very short summary.

PS7 recognizes that Indigenous Peoples can represent a marginalized and vulnerable segment of the population, and in many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. As such PS7 aims to both protect the rights of indigenous people’s but also to create opportunities for them to participate in, and benefit from project-related activities that may help them fulfill their aspiration for economic and social development.

The objectives of PS7 are:

- To ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples.
- To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts.
- To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner.
- To establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a project throughout the project’s life-cycle.

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<sup>16</sup> For more information see: <https://www.cbd.int/doc/world/jm/jm-nbsap-v2-en.pdf>

- To ensure the Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples when the circumstances described in this Performance Standard are present.
- To respect and preserve the culture, knowledge, and practices of Indigenous Peoples.

The requirements of PS7 are that projects include:

- Identification of IPs: Identify indigenous peoples (IPs) that may be affected by the project and the nature of that impact (economic, social, environmental etc.).
- Assessment and Management of Impacts: Avoid negative impacts on IPs where possible, and otherwise minimize, restore or compensate for these impacts in a culturally sensitive manner.
- Participation and Consent: Design all measures related to IPs with their informed consultation and participation throughout the life of the project. Not develop a project on land that is traditionally owned or used by IPs unless the risks are thoroughly assessed, IPs are informed of their rights, IPs continue to have access to resources if possible, appropriate compensation is offered, and IPs are offered a fair and equitable sharing of project benefits. Not relocate Indigenous Peoples from land or natural resources that they have traditionally owned or used unless their free, prior and informed consent is first obtained.
- Critical Cultural heritage: Not significantly impact critical cultural heritage unless free, prior and informed consent is first obtained from affected IPs. Not use the traditional knowledge or cultural heritage of IPs for commercial purposes without first obtaining their free, prior and informed consent and providing fair benefit sharing arrangements.

#### **I.4.8 Performance Standard 8: Cultural Heritage**

Performance Standard 8 (PS8) is consistent with Convention Concerning the Protection of the World Cultural and Natural Heritage in that it aims to ensure that clients protect cultural heritage in the course of their project activities. In addition, the requirements of this Performance Standard on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.

The key objectives are:

- To protect cultural heritage from the adverse impacts of project activities and support its preservation.
- To promote the equitable sharing of benefits from the use of cultural heritage.

The PS defines cultural heritage as: "(i) tangible forms of cultural heritage, such as tangible moveable or immovable objects, property, sites, structures, or groups of structures, having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values; (ii) unique natural features or tangible objects that embody cultural values, such as sacred graves, rocks, lakes, and waterfalls; and (iii) certain instances of intangible forms of culture that are proposed to be used for commercial purposes, such as cultural knowledge, innovations, and practices of communities embodying traditional lifestyles."<sup>17</sup>

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<sup>17</sup> See paragraph 3 of PS8:

[file:///C:/Users/Hilary/Documents/Jamaica%20DBJ/Other%20background%20Misc/PS8\\_English\\_2012.pdf](file:///C:/Users/Hilary/Documents/Jamaica%20DBJ/Other%20background%20Misc/PS8_English_2012.pdf)

The key requirements of PS 8 are that projects include:

- Impact Assessment and Avoidance: Identify and avoid significant adverse impacts on tangible cultural heritage (like archaeological or historical sites) or unique natural features that embody cultural values (like sacred rocks or waterfalls).
- Chance Find Procedures: Implement a system for protecting cultural heritage discovered during project implementation (so-called “chance find” procedures).
- Consultation: Consult with affected communities and relevant government agencies in order to identify cultural heritage of importance.
- Community Access: Maintain community access to cultural heritage sites located on the project site.
- Use or Removal: Do not remove, significantly alter, or damage critical cultural heritage (such as internationally recognized or legally protected heritage sites), except in exceptional circumstances, and in collaboration with affected communities and the relevant government institutions with legal responsibility.
- Intangible cultural heritage: Do not use intangible cultural heritage (like knowledge, innovations, or practices) for commercial purposes without the collaboration with relevant communities.

## **I.5 Gender**

The DBJ has recognized the link between gender and sustainable development and the impact of cross-cutting issues such as climate change. DBJ has therefore developed a Gender Policy that provides strategic direction enabling it to play an effective role in the national, regional and international agenda for gender and building a gender-responsive organizational culture.

The Gender Policy provides the commitment of the DBJ to promote gender mainstreaming within its organization and at work with its partners, as called for by Vision 2030 Jamaica – National Development Plan but more specifically in the 2009 National Gender Strategy. The Gender Policy provides an enabling environment for both women and men within the organization, and by extension the partners and local business communities with which it collaborates, thereby strengthening gender sensitivity and promoting gender equality amongst all stakeholders.

## **I.6 Procedures**

The implementation of this policy is supported by two Environmental and Social Risk Management Procedures applicable to DBJs financing activities. These are:

- Procedure for Management of Environmental and Social Risks Associated with Intermediated Financing and Financial Intermediary (FI) Sub-Projects
- Procedure for Management of Environmental and Social Risks Associated with Direct Financing.

The former is applicable to financing (e.g. credit, equity, guarantee) provided to financial institutions, and focuses on the E&S risks associated with an FI’s portfolio and its institutional capacity to effectively manage those risks at both the portfolio and individual transaction level. The latter is applicable to direct financing provided by DBJ and/or their FIs to commercial clients and focuses on the E&S risks associated with the



business activity being financed and the client's commitment and capacity to effectively manage those risks. Both procedures describe the financial transactions to which various Performance Standards Apply.

Both Procedures also provide and/or reference E&S risk management tools to enable relevant DBJ staff to more easily implement the Procedure, conduct risk appropriate environmental and social due diligence, and monitor and manage E&S risks associated with a transaction.

Consistent with Performance Standard 1, the procedures provide for categorizing the E&S risk of the transaction. For FIs, the process categorizes the E&S risk associated with an FI's portfolio as FI-A (high), FI-B (medium) or FI-C (low). For clients receiving direct financing, the process categorized the E&S risks associated with the activity being financed as high, medium or low. The categorization is done according to the following criteria:

- Category FI-A/High: substantial exposure to business activities with potentially significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
- Category FI-B/Medium: exposure to business activities that have potentially limited adverse environmental and 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 potentially significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
- Category FI-C/Low: exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

Also consistent with Performance Standard 1 both procedures provide a process and tools to enable Bank staff to conduct risk appropriate E&S due diligence and to identify, assess, manage and monitor E&S risks associated with financial transactions.

## **I.7 Excluded Activities**

As discussed in Section 1, there are several types of activities that DBJ does not finance in accordance with the DBJ Environmental and Social Exclusion List, included as Appendix 1 to this Policy.

## **I.8 Roles and Responsibilities**

DBJ recognizes the importance of environmental issues across its operations and so it will be the responsibility of every member of DBJ staff to support the implementation of the policy and procedures. In addition, specific staff will have defined responsibilities, which are defined in DBJ's operational plans. The Managing Director's Office will lead the implementation of the Policy. The Managing Director's Office, supported by the General Managers (Senior Management Team) and a dedicated Environmental Officer will manage DBJ's efforts to implement the ESSP.

## **I.9 Organizational capacity & competency**

In order to implement the ESSP and the associated procedures, DBJ has established the overall E&S

management structure to ensure effective implementation of the ESMS, including this Policy, and will continue to develop appropriate institutional capacity to ensure its operations comply with this Policy. Such capacity development includes retaining required E&S technical staff and providing appropriate training to relevant existing operations staff. The training plan will include both short- and long-term planning objectives, necessary resources will be allocated to the training, and DBJ will provide appropriate E&S training to staff members with E&S responsibilities.

DBJ may also provide training to the relevant FIs. This training program may be implemented in order to ensure the FIs understand their responsibilities under DBJ's ESSP, but also that they have the skills, tools, and capacity to implement them.

### **I.10 Allocation of resources and budgeting**

The implementation of the ESSP and the associated procedures will require adequate human and financial resources for staff training and technical assistance. DBJ will allocate its own resources towards these activities, and will also seek support from external resources from regional entities and multilateral and bilateral partners.

### **I.11 Monitoring, evaluation and reporting**

DBJ will monitor and evaluate both directly financed and FI projects it finances against the objectives of this Policy throughout the time that the Bank has financial interest in the project. The extent of monitoring will be commensurate with the environmental and social risks associated with the project. Key Performance Indicators – KPIs – will be established periodically to measure performance of DBJ and of DBJ's clients.

DBJ will prepare reports on its environmental and social performance and implementation of the ESSP, and require reports on the compliance of its clients with the environmental and social requirements, including covenants in the financing agreements. These reports will be prepared as required in DBJ funding arrangements, but no less than on an annual basis. Information on E&S performance will also be included in DBJ's annual reporting.

DBJ may also periodically verify the monitoring information prepared by clients through site visits to projects by the Bank's environmental and social specialists and/or independent experts. DBJ may also employ the use of external experts or auditors to review the implementation of the ESSP.

## I.12 Annex 1 - Exclusion List<sup>18</sup>

DBJ and its financial intermediaries will not finance any activity, production, use, distribution, business or trade involving:

1. Forced labour<sup>19</sup> or child labour<sup>20</sup>
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
  - a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
  - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
  - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction<sup>21</sup> of High Conservation Value areas<sup>22</sup>
5. Radioactive materials<sup>23</sup> and unbounded asbestos fibres
6. Pornography and/or prostitution.
7. Racist and/or anti-democratic media
8. In the event that any of these following products form a substantial<sup>24</sup> part of a project's primary financed business activities:
  - a) Alcohol beverages (except rum, beer and wine); or
  - b) Weapons and munitions;

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<sup>18</sup>In addition to the activities listed above, DBJ funding partners may have excluded additional activities such as tobacco or casinos which would be excluded when using funds provided by that entity;

<sup>19</sup>Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions;

<sup>20</sup>Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.

<sup>21</sup>Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

<sup>22</sup>High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).

<sup>23</sup>This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

<sup>24</sup>Among the development community, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.

## II. Implementation Plan

### II.1 Objective

The objective of the Implementation Plan is to provide guidance to the Development Bank of Jamaica (DBJ) as it develops a strategy for implementing the Environmental and Social Management System (ESMS) and integrating Environmental & Social Risk Management (ESRM) into DBJ's overall risk management processes. It provides suggested next steps in the implementation of DBJ's Environmental and Social Safeguards Policy and E&S Risk Management Procedures and in the development of the required ESRM institutional capacity to effectively implement both. The intent of this plan is to be a guide for DBJ as it moves forward and provide a framework for the next steps that DBJ should consider. The Inter-American Development Bank's (IDB's) document, "Managing Environmental and Social Risks: A Roadmap for National Development Banks in Latin America and the Caribbean ([roadmap](#))" provides general guidance to national development banks in the Caribbean on integrating ESRM into their financing activities.

### II.2 Policy Implementation

The Environmental and Social Safeguards Policy has established the principles and standards guiding DBJ's management of Environmental and Social<sup>25</sup> (E&S) risks and created the framework for meeting them. The policy is supported by specific procedures for E&S risk management which include the general E&S due diligence process for the Bank. Implementation of the Policy requires additional and ongoing actions to support those principles and standards. These actions include a process of continuous improvement of the Policy that consists of a process of applying the policy, reviewing that process, and adjusting the Policy as needed. Implementation of the Policy also requires DBJ to create supporting plans and procedures that cover specific commitments within the Policy. Critical to the successful implementation of the Policy is that the institutional structure, commitment, and capacity be sufficient to meet the needs of the activities (see Section 3.3).

A key aspect of implementing the ESSP is providing the necessary institutional support. DBJ has clear support throughout the organization, including at the very highest levels. What is needed next is to organize this support into an E&S management structure with formal roles and responsibilities, to identify and/or add the appropriate human resources to fill the roles and discharge the responsibilities, and develop the ESRM institutional capacity required to effectively integrate ESRM into the risk appraisal process. These activities are broken down into:

- E&S Management Structure
- Human Resources
- Institutional Capacity

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<sup>25</sup> In the context of this report, Environmental and Social (E&S) is intended to include environmental, social, health and safety, and labour aspects.

## II.3 E&S Management Structure

DBJ recognizes the importance of environmental and social issues across its operations and so it will be the responsibility of every member of DBJ staff to support the implementation of the ESSP and ESRM procedures. Specific staff should have defined responsibilities, similar to those described in the International Finance Corporation ([IFC Guidance](#)) on roles and responsibilities in managing E&S risks. Subsequent to the approval of the ESSP by DBJ's Board of Directors, DBJ should establish a formal E&S management structure with similar roles and responsibilities for ESRM.

The key positions in the Bank's E&S management structure should be;

- (i) a member of senior management with overall responsibility for the integration of ESRM into the Bank's operations to ensure they are compliant with the Bank's ESSP;
- (ii) a senior operations manager (i.e., E&S Coordinator) responsible for being the passionate advocate (i.e., champion) for, and leader of the Bank's efforts to [develop and implement the ESMS](#), as well as for communicating with senior management on environmental and social issues and concerns, and ensuring the availability of the human, technological and financial resources required to build, maintain and continuously improve the necessary ESRM institutional capacity; and
- (iii) a technically qualified environmental and social expert (i.e., E&S Officer) responsible for developing and [updating](#) the ESRM procedures and documentation (e.g., ESRM tools) that are part of the Bank's ESMS. This individual should also evaluate the environmental and social risks at the portfolio level and aid Loan Officers/Relationship Managers and Credit/Investment Analysts in evaluating and monitoring the environmental and social performance of clients/investees.

Below we have included more detail regarding the typical qualifications and responsibilities of the latter two E&S management positions, and the positions are summarized in Table 1.

The E&S Coordinator should be someone from the DBJ's senior management, preferably from within the risk management line, and should have sufficient authority and organizational influence to ensure the ESMS is properly implemented organization-wide. He or she should have reasonable background in both environment and finance and be able to perform the following tasks:

- Oversee the Bank's E&S risk management and implementation of ESMS
- Manage resources (budget and staff) for E&S risk management and ESRM capacity building
- Ensure the coordination and integration of E&S risk management procedures into the Bank's credit appraisal process
- Report any major E&S issues to senior management and secure the support for and approval of the resolution of any E&S risk management issues by senior management
- Review and approve the Bank's annual E&S performance report to stakeholders.

Depending on the Bank's organizational structure and business scope, the E&S Coordinator may be supported by an E&S Officer to review or coordinate the day-to-day E&S tasks performed by other staff (i.e., credit officers, consultants) including:

- Evaluate environmental compliance of a target client company with applicable requirements during due diligence, such as site visits, collection of necessary E&S documentation (e.g.,

permits, certificates and authorizations), and preparation of E&S due diligence reports (or an E&S section of the credit application)

- Ensure that all credit/investment decisions are supported by appropriate due diligence documentation
- Ensure that appropriate environmental representations, warranties, and covenants are incorporated in each loan or investment agreement
- Supervise portfolio projects' on-going compliance with the applicable requirements on a regular basis, which may include:
  - Conducting site visits, monitoring the implementation of E&S action plan (if any) by the clients, reviewing clients' annual reports, and documenting clients' E&S ongoing performance
  - Resolving E&S issues in case of non-compliance, and where needed, preparing a time-bound corrective action plan with specific follow-up procedures
- Prepare the Bank's annual environmental performance report, based on the annual performance reports provided by its client companies
- Ensure that these procedures are implemented for each Bank transaction and Approved Financial Institutions (AFI) sub-project, and that records of environmental reviews (i.e., appraisal and monitoring) are maintained

**Table 1 Organizational Structure**

Position	Responsibilities
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Provide overall leadership in the Bank on integrating E&amp;S issues</li> <li>• Approve the Environmental and Social Safeguards Policy (ESSP)</li> <li>• Approve allocation of human, technological and financial resources for implementation</li> <li>• Hold Managing Director accountable for E&amp;S integration in DBJ</li> </ul>
<b>Managing Director</b>	<ul style="list-style-type: none"> <li>• Provide overall accountability and management of E&amp;S issues within DBJ</li> <li>• Provide leadership on E&amp;S integration within DBJ</li> <li>• Communicate the Bank's commitment to sustainable finance to all employees</li> <li>• Hold General Managers accountable for E&amp;S integration</li> <li>• Approve overall programme for implementing Policy and Procedures and monitor progress</li> <li>• Champion ESSP with CEOs of AFIs</li> </ul>
<b>E&amp;S Coordinator</b>	<ul style="list-style-type: none"> <li>• Manager with overall operational responsibility for implementation of the Policy and Procedures</li> <li>• Coordinate the implementation of the Policy and Procedures among the departments</li> <li>• Report back to the Managing Director</li> <li>• Develop budget for implementation of policy and procedures among departments</li> <li>• Liaise with donors such as The Green Climate Fund (GCF), World Bank (WB), Caribbean Development Bank (CDB), Inter-American Development Bank (IDB), etc.</li> </ul>
<b>E&amp;S Officer (Technical specialist)</b>	<ul style="list-style-type: none"> <li>• Provide technical support to DBJ staff (Management through to operations staff) on the implementation of E&amp;S Policy and Procedures</li> <li>• Ensure risk appropriate ESDD for all Bank transactions and AFI sub-projects</li> <li>• Coordinate and oversee E&amp;S Training Plan</li> </ul>
<b>HR &amp; Administration</b>	<ul style="list-style-type: none"> <li>• Ensure that job descriptions include responsibility for implementing the ESSP</li> <li>• Ensure that human resource practices (e.g. advertising, interview process etc.) support recruitment of staff knowledgeable about or open to E&amp;S good practice</li> <li>• Orientation of new and existing staff on ESSP</li> </ul>

Position	Responsibilities
<b>Monitoring &amp; Evaluation Office</b>	<ul style="list-style-type: none"> <li>Support staff of each division in data collection and reporting on E&amp;S performance results</li> <li>Review indicators and other performance data</li> </ul>
<b>Legal Department</b>	<ul style="list-style-type: none"> <li>Maintain a register of all national and local environmental and social legislation to ensure that DBJ staff understand the E&amp;S responsibilities of clients.</li> <li>Prepare general and specific E&amp;S covenants to Loan Agreements for transactions</li> <li>Provide support to ESSP policy implementation (e.g., develop a review procedure to check the project compliance with the legal requirements the planning process, in particular, the Environmental Impact Assessment (EIA) and public consultation process and resulting ESMP requirements.</li> </ul>
<b>Project &amp; Programme Managers</b>	<ul style="list-style-type: none"> <li>Oversee the integration of E&amp;S issues into the work of projects/programmes</li> <li>Ensure that priority issues are addressed through policy dialogue, operations, analysis and project design</li> </ul>
<b>Operational Officers</b>	<ul style="list-style-type: none"> <li>Oversee the integration of E&amp;S into work of projects/programmes in accordance to any analyses undertaken</li> <li>Ensure that priority issues are addressed through policy dialogue, operations, analysis and project design</li> </ul>
<b>All other DBJ staff</b>	<ul style="list-style-type: none"> <li>Ensure E&amp;S performance capacity building is integrated into operations</li> <li>Follow DBJ's policy and directive on integrating E&amp;S issues into DBJ's processes and project activities</li> <li>Report back on successes and challenges of implementation and provide suggestions for improvement</li> </ul>

## II.4 Human Resources

DBJ should be able to staff most its ESRM requirements from within the current organization. However, the Bank should immediately employ a technically qualified E&S expert on a full-time basis to fill the E&S Officer position.

## II.5 Building ESRM Institutional Capacity

DBJ must commit human, technological and financial resources to develop the appropriate ESRM institutional capacity.

## II.6 Internal Staff Capacity Building

In order to develop the required human resources DBJ should focus on providing appropriate staff training based upon the level of ESRM responsibility.

In developing the required ESRM institutional capacity DBJ should first utilize the variety of on-line training resources available to financial institutions. The most comprehensive of source of free ESRM training is IFC's [First for Sustainability](#) website where the training resources include the **Sustainability Training and E-Learning Program (STEP)** and **E-Learning Course on Managing Environmental and Social Performance**. Both courses are introductory courses suitable for all staff involved in any aspect or ESRM



and have bookmarking capability enabling participants to proceed at their own pace, stop at any time, and resume where they left off later.

The former course is designed for managers and staff of financial institutions including banks, private equity funds, and others. This free 3-hour e-training module aims to help Bank staff better understand sustainable finance, social and environmental risk management and explore sustainability-related business opportunities. The latter is also **designed for Bank managers and staff** and aims to enable staff to assist **their clients/investee companies in managing their environmental and social risks**, thereby having a positive impact on the Bank's bottom line, reputation and development impact. The free course consists of four 15-minute modules. At the end of each module, participants must answer at least 4 out of 6 questions correctly to receive the certificate of completion.

For DBJ staff with significant ESRM responsibility requiring more in-depth knowledge and understanding of ESRM in financial institutions, the UNEP Finance Initiative offers a fee-based interactive online [Environmental & Social Risk Analysis](#) (ESRA) training program providing in-depth and personalised training. Tutors engage with participants online on a daily basis, providing guidance and facilitating debates. Participants are involved in a range of activities, from simulating implementation of environmental and social policies and guidelines and analyzing case studies, to carrying out exercises based on their own clients' environmental and social impacts. The duration of the ESRA course is three weeks during which participants must commit to two hours per day on average, however the timetable is flexible, and participants set their own study times. The ESRA course is offered approximately monthly and UNEP charges a fee of approximately \$1000 per participant.

UNEP also offers an advanced off-site ESRM training workshop targeted at risk managers and analysts, investment officers, portfolio and relationship managers, working in commercial banks across various types of finance (project finance, corporate finance, middle market/SME, trade finance). The objectives of the advanced workshop are to (i) better understand environmental and social risk in lending using a case study methodology; (ii) better understand environmental and social risk exposure depending on the type of financing offered; and (iii) develop awareness of potential aggregate risk across different lending products in a bank, especially in relation to a given sector and its supply chain.

DBJ can also provide staff basic ESRM training using internal staff (e.g., E&S Officer) based on the training resources made available by Consultants and/or additional resources developed by E&S staff. Lastly, DBJ can offer staff focused ESRM training provided by external ESRM consulting organizations.

## II.7 Technological Resources

DBJ should develop and provide on the Bank's intranet copies or links to a suite of publicly available ESRM tools to assist staff in carrying out their ESRM responsibilities. Such tools are available from [IFC](#), European Bank for Reconstruction & Development ([EBRD](#)) and a variety of other DFIs.

At a minimum, copies the following ESRM documents should be available to DBJ staff on the Bank's intranet:

- DBJ's ESSP
- ESRM Procedure for Direct Financing
- ESRM Procedure for Intermediated Financing
- DBJ's Exclusion list

- Exclusion Lists of DBJ's DFI partners (e.g., World Bank (WB), IDB, GCF)
- A searchable MS-WORD version of EBRD's [Environmental and Social Risk Categorization Guide](#)
- Copies of each of EBRD's 80 [Sub-sectoral Environmental and Social Guidelines](#)

In addition, the intranet should provide staff easy access to links to a variety of DFI ESRM websites (e.g., [IFC](#), [EBRD](#), Netherlands Development Finance Company ([FMO](#)) and [CDC](#)) to allow staff to seek additional ESRM guidance for specific types of financing activities (e.g. Micro-Finance Institution (MFI), Private Equity Fund, Leasing, Trade Finance, etc.)

The above implementation guidance for DBJ to develop appropriate ESRM institutional capacity is also applicable to DBJ's AFIs, and DBJ could use it as a model for assisting/requiring its AFIs to develop the required E&S institutional capacity to allow DBJ to delegate responsibility for ESRM to the AFIs over time.

## **II.8 Financial Resources**

It will be essential for the successful ESRM implementation that DBJ commit to providing the appropriate level of financial resources. The exact amount each year may vary depending on the activities and personnel planned for that year, and will need to cover salaries of new dedicated staff, especially at the beginning of implementation, costs for training, and the use of external consultants.

## **II.9 ESSP Monitoring, Reporting, Review and Improvement**

DBJ must monitor its E&S performance to ensure that (i) sustainability is fully integrated across the institution's policies, processes and operations, becoming central to its corporate identity and culture; (ii) the Bank integrates environmental and social considerations into its operations and business decisions in all markets; (iii) the Bank's activities comply with its ESSP, and (iv) E&S risk management procedures for individual transactions are effectively implemented. The Bank must establish proper E&S performance monitoring and evaluation functions and processes, as such reviews are key to ensuring continued improvements and innovation, and form the basis for DBJ's communication with stakeholders.

Just as DBJ must monitor the loan portfolios of its AFIs to ensure E&S risks are being effectively managed, the Bank must also monitor changes in its own loan portfolio to ensure that its policy, ESRM procedures and ESRM institutional capacity are appropriate to the E&S risks of its portfolio. DBJ should be particularly vigilant of the efforts of its AFIs to develop the required ESRM institutional capacity during the process of transitioning ESRM responsibility to the AFIs.

DBJ must ensure that senior management is periodically informed of its E&S performance and any issues related to the implementation of both its ESRM procedures. The Bank's ESSP, ESRM procedures and ESRM institutional capacity should be reviewed periodically and, when necessary revised, to ensure they reflect relevant developments in sustainability management and are sufficient and appropriate to allow the Bank to fulfill its commitment to sustainable finance.

DBJ should review the IRIS+ core metrics to identify the most relevant targets groups (e.g., gender, socioeconomic, demographic, geographic) and desired outcomes (e.g., financial inclusion, entrepreneurs financed, client E&S compliance, water or energy saved, reduction in greenhouse gas emissions, etc.). Then DBJ should select a few key indicator metrics, for which the Bank can readily measure the number of person/clients experiencing the outcome (i.e. scale) and the degree of change

experienced by the person/client (depth), as key performance indicators of the impact of its sustainable finance commitment. Over time DBJ should add additional core metrics to expand measurement its E&S impact.

DBJ should foster openness and dialogue relating to sustainability matters with relevant stakeholders (e.g., employees, customers, policy makers). DBJ should communicate regarding its environmental and social performance annually to stakeholders (e.g., in the Annual Report, on the DBJ website), including steps it has taken to continuously promote the integration of environmental and social considerations into its operations.

## **II.10 Plans or Procedures to support policy**

In order to support the ESSP implementation, various additional plans and processes will be needed. It is important to note that some have already been developed while others are in varying stages of preparation. Some examples of these are listed below, with links to guidance that can be used to develop them:

- Grievance/redress mechanism – a process to address issues, concerns, problems, or claims (perceived or actual) that an individual or community group wants a company or contractor to address and resolve. The IFC provides useful guidance on preparing a Grievance Mechanism at: <https://www.accountabilitycounsel.org/wp-content/uploads/2017/07/IFCGrievanceMechanisms.pdf>
- Stakeholder Engagement and Disclosure of information Plan – A plan that sets out how DBJ will identify and interact with its various stakeholders, and how it will disseminate relevant E&S information. Guidance can be found from various sources, including the IFC: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/publications/publications\\_handbook\\_stakeholderengagement\\_wci\\_1319577185063](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_stakeholderengagement_wci_1319577185063) ; and the IDB: <https://publications.iadb.org/en/guidelines-consultation-and-stakeholder-engagement-idb-projects>
- Climate Change considerations in project development and implementation (non-privatization) – A plan that illustrates how DBJ will identify climate risks that may impact proposed projects and will include related mitigating actions. A screening tool will be developed to determine projects' climate risk profile.
- Planning Process Requirement Review – A procedure to check the need for planning permission for projects and for compliance with any additional requirements under the planning process, in particular, the EIA and public consultation process and resulting ESMP requirements.
- Process for assessing key issues required by GCF and other DFI policies such as:
  - o Labour and Working Conditions
  - o Equity and non-discrimination
  - o Human Rights
  - o Involuntary resettlement
  - o Biodiversity impacts
  - o Cultural Impacts
  - o Transboundary Issues
  - o Community Health and Safety

- Indigenous people

#### **Existing plans, procedures or guidance documents**

- Gender Policy – A policy that establishes how DBJ will adequately assess and manage the gender risks and impacts of its investments, and where possible encourage programs that facilitate positive gender outcomes. The main purpose of the Gender Policy is to establish a clear vision and make commitments to guide the process of gender mainstreaming and women empowerment to influence policies, procedures and practices which will accelerate the achievement of gender equality, gender justice, non-discrimination and fundamental human rights. DBJ is currently in the process of developing its Gender Policy in partnership with the CDB.
- Compliance Review – A process to support the procedure for reviewing permit or other legal/regulatory requirements and for working with clients who are not fully compliant. Procedure for identifying necessary permits (checking presence of necessary permits, checking compliance with necessary permits, establishing compliance (Corrective Action Plan) and monitoring and follow-up, Use of covenants, as necessary. This procedure is being utilized under the Access to Finance Project and will be updated and expanded (if necessary) to satisfy ESMS Policy requirements.
- Policy and Institutional Framework for the Implementation of a Public-Private Partnership Programme for the Government of Jamaica: The PPP Policy – This policy establishes the principles and streamline the processes for the identification, development and implementation of Public-Private Partnership Projects. The PPP Policy is an addendum to the Policy Framework and Procedures Manual for the Privatisation of Government Assets: The Privatisation Policy and has been updated to incorporate climate change considerations in the PPP process.
- Climate Resilient Public Private Partnerships: A Toolkit for Decision-Makers - provides a series of decision support tools to help planners involved in the PPP development process think about incorporating climate resilience considerations. The tools will enable the government to:
  - evaluate climate risks for PPP projects or any type of public investment project.
  - embed climate resilience considerations into the various technical, financial, economic, environment analyses conducted to determine if the project is viable and best delivered as a PPP.
  - embed climate resilience considerations into designing the contract, qualifying bidders, tendering the project, and evaluating bids received.
  - track any climate-related agreements set during the Transaction Stage and manage any unforeseen climate-related risks that occur over the life of the PPP.

#### **II.11 ESRM Procedures Implementation**

Upon formal adoption of the of the ESSP, DBJ should ensure that all direct financing activities are subject to E&S risk management according to the ESRM Procedure for Direct Financing. DBJ appears to currently be conducting such E&S risk management utilizing both internal staff and an external E&S consultant. As recommended above, DBJ should consider employing a full-time qualified E&S expert to

serve as the E&S Officer. DBJ should continue to build the institutional capacity to more effectively apply the ESRM Procedure for Direct Financing to all direct financing activities.

Unlike the ESRM Procedure Direct Financing, the ESRM Procedure for Intermediated Financing focuses on understanding the E&S risks associated with the AFI's loan portfolio and assessing its institutional capacity to manage the risks associated sub-projects financed with DBJ funds. DBJ may want to consult IFC's [Interpretation Note for Financial Institutions](#) for further guidance on managing E&S risks associated with intermediated financing.

DBJ's ESRM Procedure for Intermediated Financing contemplates DBJ will ultimately delegate the responsibility for ESRM of sub-project financing to its AFIs. However, DBJ believes the AFIs currently may lack the required understanding, commitment, and institutional capacity to effectively discharge those responsibilities. Thus, DBJ intends to retain ESRM responsibility for sub-projects, until AFIs have demonstrated the capacity to manage ESRM, and DBJ should continuously monitor the development of the AFI's ESRM institutional capacity utilizing Key Performance Indicators (See Annex 1).

However, during the transition process DBJ should consider pursuing a multi-pronged, sector-wide approach to closing these gaps in the AFIs' understanding, commitment and institutional ESRM capacity, which ultimately allows AFIs to take full responsibility for ESRM of sub-projects involving DBJ financing.

First DBJ should consider undertaking a program to raise the awareness of ESRM in Jamaican the financial sector by publicizing its own commitment to sustainable finance. For example, DBJ could host an "orientation" program for its AFIs during which it describes the ["business case"](#) for ESRM, the commitment of the worldwide financial sector to ESRM, and its own sustainable finance commitment. Perhaps such an endeavor could be conducted under the auspices, or with the cooperation of, the Jamaica Banking Association (JBA).

Second DBJ should explore mechanisms to engender similar commitments to sustainable finance among its AFIs. For example, the Bank could appraise the JBA of the myriad of national banking associations which have already adopted voluntary sustainable finance principles and suggest JCA consider a similar initiative. DBJ could also approach the Bank of Jamaica (BoJ) to explore whether or not it is aware of initiatives by other central banks related to ESRM and whether or not there is, or could be, interest in such an initiative in Jamaica. Either of those initiatives would result in engendering awareness of, and commitment to, sustainable finance among Jamaican financial institutions.

DBJ should contact the [Sustainable Banking Network](#) (SBN) to explore whether or not there have been any discussions between SBN and JBA and/or BoJ regarding membership in SBN. If not, DBJ should encourage SBN to consider approaching JBA, BoJ, or both about membership in SBN. Should there be mutual interest between SBN and JBA and/or BoJ, IFC's [Environmental, Social & Governance](#) department may be willing to fund technical assistance to assist in the development of voluntary sustainable finance principles by JBA or for the development of E&S risk management guidelines by BoJ, either of which would engender a significant commitment to ESRM among financial institutions in Jamaica.

Finally, DBJ should consider providing technical assistance to AFIs to begin to build ESRM institutional capacity. These efforts could include a minimum requirement for AFIs to avail themselves of the online ESRM training resources as part of the initial aspects of transitioning ESRM responsibility to AFIS (see below), as well as DBJ providing training to AFIs to assist them in completing the transition process.

## II.12 Transitioning ESRM Responsibility to AFIs

During the initial phase of the transition process, DBJ should require all AFIs to accept minimum responsibilities for ESRM of sub-projects. These initial responsibilities should include:

- Identifying an operations manager (e.g., Credit, Risk) who will have responsibility for ensuring the AFI implements the minimum requirements for ESRM of sub-projects and who will serve as the contact point between DBJ and the AFI with respect to ESRM;
- Ensuring that DBJ funds do not finance any activities on the DBJ and any other relevant Exclusion List (e.g., IDB) and covenanting that requirement in sub-project Loan Agreements;
- Ensuring that sub-project clients certify their compliance with national environmental, health, safety and labour laws through a covenant in the sub-projects Loan Agreement;
- Categorizing the E&S risk of relevant sub-projects utilizing the EBRD's E&S risk Categorization Guide and reporting prospective medium and high E&S risk transactions to DBJ in order that DBJ may ensure appropriate ESRM of those transactions;
- Agreeing to have a minimum number of relevant staff complete IFC's 3-hour STEP training module;
- Committing to an ongoing process of building additional ESRM institutional capacity development, including participating with DBJ staff on ESDD of medium E&S risk subprojects, to eventually allow DBJ to delegate additional responsibility for ESRM for DBJ financed sub-projects (e.g., medium E&S risk sub-projects) to the AFI; and
- Providing an Annual E&S Performance Report summarizing the cumulative E&S risk categorization of DBJ financed sub-projects and describing the sectoral structure of its overall loan portfolio.

During this initial transition phase, the AFI would essentially be responsible for ESRM of transactions categorized as low E&S risk, while DBJ would either assist the AFI in ESRM of medium and high E&S risk transactions or retain that responsibility. The former is the preferred approach as it would expose the AFI to applying the ESRM Procedure for Direct Financing to sub-projects and assist it to begin to understand the ESRM process for sub-projects and develop additional institutional ESRM capacity.

During the next phase of the transition process, DBJ would work with AFIs to develop sufficient institutional ESRM capacity to allow DBJ to delegate ESRM for medium E&S risk transactions to the AFI. During this phase DBJ would introduce the AFI to EBRD's Sub-sectoral E&S Guidelines and could provide training related to utilizing that tool in the client engagement process to conduct risk appropriate ESDD for such transactions. During this phase DBJ would require the AFI to accept additional ESRM responsibilities for medium E&S risk DBJ financed sub-projects. These additional responsibilities should include:

- Conducting risk appropriate ESRM for medium E&S risk transactions following an AFI ESRM procedure incorporating all the essential components of DBJ's ESRM Procedure for Direct Financing (i.e., Transaction Qualification and Risk Categorization, Assessment, Control, Monitoring and Reporting);
- Notifying DBJ of prospective high E&S risk sub-projects in order that DBJ may ensure appropriate ESRM of those transactions;
- Committing to developing sufficient ESRM institutional capacity to ultimately allow DBJ to delegate ESRM for all DBJ financed sub-projects to the AFI; and

- Agreeing to have a minimum number of relevant staff to receive certificates of completion for IFC's **E-Learning Course on Managing Environmental and Social Performance**

During the final phase of the transition process DBJ would work with AFI staff to expose them to ESRM of high E&S risk sub-projects until the AFI has demonstrated sufficient ESRM institutional capacity to allow DBJ to delegate responsibility for ESRM of all sub-projects to the AFI. The AFIs must maintain and continuously improve the ESMS on which the ultimate delegation for ESRM of sub-projects is based. The ultimate scope and complexity of the AFI's ESMS, and the staff (permanent, part-time and external) and financial and technological resources allocated to it, must be adequate to manage the expected level of E&S risks and impacts of the activities to be financed.

For AFIs categorized as FI-A (high risk), DBJ could also consider requiring an appropriate AFI staff member (e.g., the equivalent of the E&S Officer) to complete the UNEP ESRA online course.

### **II.13 Piloting the Policy and Procedures**

The Policy and procedures should be implemented gradually, with the understanding that the Policy is the goal and that given its comprehensive coverage, full achievement of every aspect may not be possible immediately. It will be important to track the implementation, in particular noting areas where there are challenges in implementation, especially in relation to the current Jamaican H&S regulatory context.

DBJ should obtain feedback from operational staff who will be responsible for implementing the Policy, as well as the ESRM procedures at the transaction level. Operational staff should provide feedback on any difficulties with implementing the procedures for screening transactions, categorizing transactions based on their environmental and social risk, conducting environmental and social due diligence and monitoring the client's/investee's environmental and social performance. Operational staff may also require the development of additional guidance notes to help clarify implementation of various aspects of the Policy and Procedures.



### ANNEX 1 – KEY PERFORMANCE INDICATORS FOR ESMS IN FINANCIAL INSTITUTIONS

Subject	Indicator	Performance Comparison	Notes	Outcome of review
1. Organizational Buy in and Engagement	1.1 Responsibilities and Know How	<ul style="list-style-type: none"> <li>- Appointment of an ESMS Officer [Yes / No]</li> <li>- Defined responsibility of a Senior Management for ESMS Implementation [Yes / No]</li> <li>- Role description for the ESMS Officer [Yes / No]</li> <li>- Contract and/or role description of the ESMS Officer reflects the duties and reserves (at least 50/100% of time)<sup>26</sup> [Yes / No]</li> <li>- The ESMS officer is qualified for the job and received respective training (e.g. training certificate available) [Yes / No]</li> </ul>	No ESMS officer appointed or less than 80 % of the questions answered with “Yes” are an indicator that ESMS is not sufficient	
	1.2 internal and external E&S reporting	<ul style="list-style-type: none"> <li>- direct reporting of the ESMS Officer to responsible senior manager / management board / partner [Yes / No]</li> <li>- Reference to ESMS approach in the annual report / shareholders report [Yes / No]</li> <li>- Sustainability report available [Yes / No]</li> <li>- Nomination / win of national sustainability awards (within last two years) [Yes / No]</li> </ul>	At least 50% of these issues have to be answered with “yes” to prove adequate quality of ESMS	
2. Policy and Procedure Development & process integration	2.1 E&S Policy	<ul style="list-style-type: none"> <li>- Policy available and signed by Management Board / Partners<sup>27</sup> [Yes / No]</li> <li>- Internal (e.g. intranet) disclosure of Policy [Yes / No]</li> <li>- External (e.g. internet) disclosure of Policy [Yes / No]</li> <li>- Exclusion List covering at least project types listed on SLBA exclusion list available [Yes / No]</li> </ul>	At least 75 % of these issues have to be answered with “yes” to prove adequate quality of ESMS.	

<sup>26</sup> For FIs with a total balance sheet below EUR 1 Billion, 50% of the working time of the E&S officer suggested for the ESMS. For all FIs with a Balance sheet above EUR 1 Billion full position (100%) is suggested for the ESMS Officer.

<sup>27</sup> The policy must be relevant to the products and sectors offered by the Financial Institution

Subject	Indicator	Performance Comparison	Notes	Outcome of review
	2.2 E&S assessment	<ul style="list-style-type: none"> <li>- Categorization tool or adequate set of examples functioning<sup>28</sup> and properly applied [Yes / No]</li> <li>- E&amp;S questionnaires / adequate checklists available for review and applied properly [Yes / No]</li> <li>- ToR's for the deployment of independent E&amp;S consultants available (e.g. for Category A projects) [Yes / No]</li> <li>- Contractual building blocks formulated and used in standard contracts [Yes / No]</li> </ul>	At least 75% of these issues have to be answered with "yes" to prove adequate quality of ESMS.	
	2.3 Monitoring / Portfolio analysis	<ul style="list-style-type: none"> <li>- Active Monitoring of E&amp;S requirements / Compliance monitoring format available [Yes / No]</li> <li>- Adequate documentation exists (i) demonstrating the extent to which E&amp;S procedures were applied to all relevant transactions and (ii) describing the distribution of E&amp;S risks at the relevant portfolio level [Yes / No]</li> <li>- Overview of transactions assessed under the ESMS (absolute number) available [Yes / No]</li> <li>- E&amp;S risk classification (A/B/C/not screened) of the entire portfolio available immediately [Yes/No]</li> </ul>	At least 75% of these issues have to be answered with "yes" to prove adequate quality of ESMS.	
3. Training and internal communication	3.1 Training	<ul style="list-style-type: none"> <li>- Training materials available [Yes / No]</li> <li>- Documented one day training of 80% of relevant staff [Yes / No]</li> <li>- 100% of staff informed (mailings etc.) about management approach [Yes / No]</li> <li>- Communication materials (web page, internal communication, links, manuals) available [Yes / No]</li> <li>- 80% of relevant staff (investment manager-, risk,</li> </ul>	At least 75% of these issues have to be answered with "yes" to prove adequate quality of ESMS.	

<sup>28</sup> The results needs to be in line with international categorization standards (e.g. DEG Example list, IFC Risk Categorization Table (<http://firstforsustainability.org/risk-management/risk-categorization-table.php>), EBRD E&S Categorization List (<http://www.ebrd.com/downloads/about/sustainability/rcl.pdf>))

Subject	Indicator	Performance Comparison	Notes	Outcome of review
		compliance officer ) aware of the E&S requirements [Yes / No]		
4. Documentation	4.1 Trial phase documentation	<ul style="list-style-type: none"> <li>- E&amp;S officer has regularly (at least once per month) requested the assistance of the consultant [Yes / No]</li> <li>- E&amp;S due diligence process documentation for at least 3 projects with higher E&amp;S risks is provided [Yes / No]</li> <li>- No substantial defaults (no categorization, no project type listed on exclusion list, no ESAP for category A available) [Yes / No]</li> <li>- ESMS Implementation within agreed time schedule [Yes / No]</li> </ul>	At least 75% of these issues have to be answered with “yes” to prove adequate quality of ESMS. If substantial defaults are visible and/or less than 75% of these issues could be affirmed the ESMS seems to be not sufficient.	
	4.2 General Documentation	<ul style="list-style-type: none"> <li>- For each project relevant to the ESMS categorization is available and reasonable documented [Yes / No]</li> <li>- Categorization adequate<sup>29</sup> [Yes / No]</li> <li>- For each project a check of exclusion list relevance has been made [Yes / No]</li> <li>- Documentation of E&amp;S review including list of recommended mitigation measures for all “B” and “A” projects available [Yes / No]</li> <li>- ESAP agreed for all “A” projects that don’t fulfill the</li> </ul>	100% of the applicable issues have to be answered with “yes” to prove adequate quality of ESMS. <sup>31</sup> Minor deviations might be acceptable if the impression of a functional ESMS.	

<sup>29</sup> Any deviations from Example List for High Risk Projects (Category A) or other international recognized categorization standards (IFC Risk Categorization Table (<http://firstforsustainability.org/risk-management/risk-categorization-table.php>), EBRD E&S Categorization List (<http://www.ebrd.com/downloads/about/sustainability/rci.pdf>)) need to be plausibly explained

<sup>31</sup> To be evaluated on random basis at 5-10% of the projects relevant for the ESMS

Subject	Indicator	Performance Comparison	Notes	Outcome of review
		E&S requirements yet [Yes / No] <sup>30</sup> - E&S Building blocks (and agreed mitigation measures - / ESAP) included the loan agreements of all category “B” and “A” projects [Yes / No]		

<sup>30</sup> Only applicable if any projects have been classified as a category A project.

### III. Procedure For Management Of Environmental And Social Risks Associated With Intermediated Financing

#### III.1 Introduction

The Development Bank of Jamaica (DBJ, the Bank) has adopted environmental and social (E&S) risk management policies and procedures including (i) an Environmental and Social Safeguards Policy (ESSP); (ii) a procedure for a risk-based approach to the assessment of E&S risks and impacts associated with intermediated financing activities; and (iii) risk appropriate environmental and social risk management (ESRM) requirements for FIs receiving intermediated financing from DBJ.

DBJ recognizes that strong domestic capital and financial markets and access to finance are important for economic development, growth and poverty reduction. The Bank 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 (MSME) sector. FIs include a variety of financial service providers (e.g., equity funds, banks, microfinance institutions) providing a variety of financial services including, but not limited to, microfinance, SME loans, loan guarantees, corporate loans, project finance, etc.

Development institutions engaging in intermediated financing normally delegate to FIs the responsibility for appropriate environmental and social risk management (ESRM) and monitoring of sub-projects, as well as overall FI portfolio risk management. The term "subproject" refers to projects financed by FIs with support from the Bank. However, DBJ recognizes that institutional capacity in ESRM in the Jamaican financial sector is in its nascent stages. Thus DBJ is committed retaining responsibility for all or part of the ESRM functions for FI sub-projects until the FI demonstrates the commitment and capacity to assume those responsibilities.

DBJ will require an FI to (i) eventually develop and maintain sound ESRM practices through implementing a risk appropriate environmental and social management approach that is commensurate with its E&S risk profile, (ii) where necessary, it may require the FI to formulate a plan to develop and implement an Environmental & Social Management System (ESMS) including detailed environmental and social risk management procedures according to agreed upon milestones, and (iii) over time develop and maintain the institutional capacity for appropriately assessing, managing, and monitoring E&S risks and impacts associated with both individual subprojects and its overall portfolio.

DBJ recognizes that developing the necessary E&S risk management institutional capacity may present significant challenges for an FI, can only occur over a reasonable time frame, and may require substantial assistance from DBJ. From the outset, for all intermediated financing, DBJ will require an FI to (i) identify a member of senior management responsible for ESRM in the FI, (ii) ensure their clients comply with DBJ's

Exclusion List and national E&S regulations and standards (e.g., through loan covenants), (iii) categorize and report to DBJ the E&S risk category of all subprojects, and (iii) provide DBJ with an Annual E&S Performance Report (AESPR).

Until the FI has developed the necessary institutional capacity to effectively manage the E&S risks associated with all subprojects, the FI will notify DBJ of any proposed subproject categorized as medium or high E&S risk in order that DBJ may assist the FI with, or take responsibility for, risk assessment and management if necessary.

In cases where funds provided by DBJ are not fungible but are targeted to a specified subproject, asset class or end use (e.g., an energy efficiency credit line), ESRM requirements will apply only to the specified subproject, asset class or end use and not to the FI's other financing activities. DBJ encourages the FI, and the FI may choose, to expand the application of its E&S risk management practices to manage such E&S risks across its entire operations.

Going forward, FI clients must (i) avoid supporting activities on the DBJ Exclusion List (except in the limited circumstances described in footnotes), and (ii) review the operations of borrowers/investees, where they present E&S risks, for compliance with applicable national environmental, health, safety and labour laws and regulations and, where applicable, IFC Performance Standards.

The FI's approach to addressing E&S risks will depend on its ESRM institutional capacity, the existing regulatory framework, level of perceived E&S risk, the type of financing undertaken, and the ability of the FI to obtain mitigation measures from its borrowers/investees.

The objectives of this ESRM procedure are to:

- Set out how DBJ will assess and manage environmental and social risks and impacts associated with its FI portfolio,
- Promote good environmental and social management practices in the sub-projects financed by its FIs; and
- Promote good environmental and sound human resources management within FIs.

This Environmental & Social Risk Management procedure describes the step-by-step process by which DBJ will conduct Environmental & Social Due Diligence (ESDD) and manage E&S risks (i.e., screening, portfolio review and risk categorization, determining risk appropriate ESRM requirements, assessing FI institutional ESRM capacity) associated with FIs.

The E&S risks associated with an FI will be categorized according to the institution's portfolio risk, as measured by descriptive information regarding the sectoral distribution of the FI's loan portfolio (e.g., as stated in the FI's Annual Report or other publicly available sources, or provided by the FI). The categorization will be commensurate with the potential E&S impact and risk profile of the existing and/or proposed FI portfolio and will consider the type and size of sectoral exposure. The FI risk category expressly does not consider the FI's institutional capacity to manage such potential impacts or prior E&S performance.

The E&S risk category will determine the risk appropriate ESRM requirements which apply to the FI and must be fulfilled DBJ staff. These requirements are summarized in Table 1.

Table 1. ESRM requirements for various categories of FIs.

	High Risk (FI-A)	Medium Risk (FI-B)	Low Risk (FI=C)
<b>Assessment procedure</b>	<ul style="list-style-type: none"> <li>Obtain a statement of FI compliance with relevant local environmental, health &amp; safety and labor laws.</li> <li>E&amp;S compliance evaluation carried out by the responsible DBJ relevant staff together with E&amp;S qualified staff.</li> <li>Conduct the appropriate due diligence through a detailed analysis of the E&amp;S relevance of the FI's portfolio and business activities and its capacity to manage the E&amp;S risks related to its activities.</li> <li>E&amp;S qualified staff to verify the client information and DBJ assessment.</li> <li>Develop a plan with the FI for it to develop, over time, the institutional capacity to take full responsibility for ESRM of sub-projects.</li> </ul>	<ul style="list-style-type: none"> <li>Obtain a statement of FI compliance with relevant local environmental, health &amp; safety and labor laws.</li> <li>E&amp;S compliance evaluation as integrated part of the due diligence carried out by the responsible DBJ staff, (possibly assisted by E&amp;S qualified staff).</li> <li>Conduct the appropriate due diligence through a detailed analysis of the E&amp;S relevance of the FI's portfolio and business activities and its capacity to manage the E&amp;S risks related to its activities.</li> <li>E&amp;S qualified staff to verify the client information.</li> </ul>	<ul style="list-style-type: none"> <li>Obtain a statement of FI compliance with relevant local environmental, health &amp; safety and labor laws.</li> <li>Relevant DBJ staff to provide a rationale for the risk categorization.</li> </ul>
<b>Monitoring procedure</b>	<ul style="list-style-type: none"> <li>Review of the Annual E&amp;S Performance Report (AESPR) and confirmation of E&amp;S risk category by E&amp;S qualified staff.</li> <li>Visit to FI by E&amp;S qualified staff.</li> <li>Additional ESRM requirements to be coordinated between relevant DBJ staff and E&amp;S qualified staff or external expert when necessary.</li> <li>Prepare, support and coordinate training and technical assistance where required.</li> </ul>	<ul style="list-style-type: none"> <li>Review of the Annual E&amp;S Performance Report (AESPR) and confirmation of E&amp;S risk category by E&amp;S Officer.</li> <li>Visit to FI by E&amp;S qualified staff, if deemed necessary.</li> <li>Additional ESRM requirements to be coordinated between relevant DBJ staff and E&amp;S qualified staff, when necessary.</li> <li>Prepare and coordinate technical assistance where required.</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S qualified staff to confirm E&amp;S Category.</li> </ul>



## III.2 Overview Of Environmental And Social Risk Management Procedure For FIs

This ESRM procedure describes a step-by-step process and provides or references ESRM tools to enable DBJ staff to implement the procedure to assess and manage E&S risks associated with its FI partners, and to assess the FI's institutional capacity to effectively manage E&S risks associated with subprojects.

## III.3 Steps in the FI ESRM Process

Step	Activity	ESRM Tool
1	Environmental and Social Due Diligence	FI ESDD Checklist
2	Discuss Excluded Activities	DBJ Exclusion List
3	Characterize the FI's loan portfolio	Sectoral Distribution Summary
4	Assess the FI's E&S Risk Profile	<a href="#">E &amp; S Risk Categorization List <sup>1</sup></a>
5	Assign E&S Risk Category to FI	Risk Profile Guidance
6	Determine Risk Appropriate ESRM Requirements	ESRM Guidance for FIs
7	Evaluate FI ESRM Institutional Capacity	Key Performance Indicators
8	Develop Implementation Plan for Required ESRM actions with FI	Covenants to Financing Agreement

<sup>1</sup> EBRD has assigned an environmental, social and overall E&S risk category to more than 350 business activities.

### III.3.1 FI Environmental & Social Due Diligence

Relevant DBJ staff should visit the FI and conduct ESDD utilizing the FI ESDD Checklist (See ANNEX 1) as a basis for engaging the FI management. DBJ staff should engage the FI management in discussions focused on the nature of the FI's loan portfolio and its institutional capacity and process for managing E&S risks associated with their lending activities. DBJ staff (e.g., Account Executive, E&S qualified staff) must ensure the FI agrees not to fund activities included on DBJ's Exclusion List (See ANNEX 2) going forward and to warrant in the Agreement that it will not fund such activities during the term of the Agreement.

### III.3.2 Portfolio Risk Profile/FI Risk Category

DBJ will require the FI to provide a Sectoral Distribution Summary (see example below) sufficiently descriptive of its loan portfolio to allow DBJ to assess the E&S risk profile of the portfolio.

SECTOR	Loan Value (%)
Agriculture, Forestry, Fishing	
Mining, Quarrying	
Food & Beverage	
Production of Chemical Products	
Manufacturing	

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SECTOR	Loan Value (%)
Energy	
Construction	
Wholesale and Retail Trade	
Services	
Accommodation and Food Service, Tourism	
Information and Communication	
Real Estate	

The exact nature of the FI's Sectoral Distribution Summary will depend upon how the FI internally characterizes and reports the various sectors in its portfolio, does not necessarily have to reflect 100% of the FI's portfolio, but must be sufficiently broad and comprehensive to allow DBJ to assess the E&S risk profile of the FI's loan portfolio.

Cognizant DBJ staff (e.g. Risk Analyst) should utilize the information in the [Environmental and Social Risk Categorization List](#) to broadly categorize the potential E&S risks associated with the various sectors in the FI's

portfolio (see example below). If a sector of the FI's portfolio consists of activities of varying E&S risk, more specific E&S risk information for those clients' specific activity may be useful in more accurately defining the portfolio risk (e.g., agriculture, manufacturing)<sup>1</sup>.

SECTOR	~Loan Value (%)	Environmental Risk	Social Risk	Overall E&S Risk
Agriculture, Forestry, Fishing	8	Medium	High	High
Mining, Quarrying	0	High	High	High
Food Processing	7	Medium	Medium	Medium
Production of Chemical Products	2	High	High	High
Textiles and Apparel	3	Medium	High	High
Manufacturing <sup>1</sup>	7	Varies	Varies	Varies
Energy	2	High	High	High
Construction	4	High	High	High
Wholesale and Retail Trade	24	Low	Low	Low
Services	18	Low	Low	Low
Accommodation & Food Service	9	Low	Medium	Medium
Information and Communication	5	Low	Low	Low
Real Estate	8	Low	Medium	Medium

<sup>1</sup>Risks vary widely depending upon the product manufactured. If this sector represents a significant portion of

the FI's portfolio, DBJ should request additional information regarding the specific products manufactured in order to more accurately characterize the sector risk and the overall risk category for the FI's portfolio.

Based upon the E&S risk profile of the FI's portfolio DBJ will assign a risk category to the FI according to criteria below.

	High Risk (FI-A)	Medium Risk (FI-B)	Low Risk (FI-C)
<b>Category definition</b>	FIs with business activities or projects with significant potential adverse E&S impacts or risks.	FIs with business activities or projects with limited potential adverse E&S risks	FIs with business activities or projects with minimal or no adverse E&S impacts or risks.
<b>Categorization criteria</b>	High E&S risk sector / activity exposure is > 20% as determined by EBRD Risk Categorization List and/or Annex 3.	High E&S risk sector / activity exposure is < 20% as determined by EBRD Risk Categorization List and/or Annex 3 and Low risk is < 80%.	Predominant focus (> 80 %) on low risk activities.
<b>Potential up – or downgrade criteria</b>	<u>Consider an upgrade from low or medium risk category</u> if one of the criteria below is applicable: <ul style="list-style-type: none"> <li>The FI exposure to Higher Risk Transactions is &gt; USD 300 million.</li> <li>Upgrading may also be justified if a majority of FI's top 10 clients include projects / companies with high E&amp;S risks.</li> </ul>		
	<u>Consider downgrade from high or medium risk category</u> if one of the criteria below is applicable: <ul style="list-style-type: none"> <li>FI predominantly (&gt; 75 %) provides short term financing (credit period less than 12 months).</li> <li>FI has a small average size of loans (&lt; J\$ 5 million).</li> </ul>		

Microfinance Institutions (MFIs) are typically categorized as FI-C as the size and tenor of their loans and the activities usually financed generally pose little<sup>321</sup>, if any, environmental or social risks. MFIs may only be required to implement a simple Exclusion List screening procedure. Such screening is considered to constitute a risk appropriate ESRM procedure that is commensurate with the minimal level of E&S risk in such microfinance transactions.

As the size and duration of equity investments can expose DBJ to substantial E&S risks, private equity funds (PEF) are typically categorized as FI- A or FI-B, based on the expected E&S portfolio risk, and require the FI to implement an ESMS to support application of the DBJ Exclusion List, applicable national E&S regulations, and the IFC PSs (for high E&S risk investments).

<sup>32</sup> The principal exception may be activities which involve the use of dangerous chemicals

### III.3.3 Risk Appropriate ESRM Requirements For FIs

Based upon the E&S risk category determined for an FI, DBJ will require the FI to develop a plan to implement, over time, risk appropriate ESRM actions.

	High Risk (FI-A)	Medium Risk (FI-B)	Low Risk (FI-C)
<b>E&amp;S Roles and Responsibilities / Resources</b>	<ul style="list-style-type: none"> <li>Identify a representative of senior management /board member responsible for overall E&amp;S risk management.</li> <li>Allocate appropriate resources (human, financial and technological resources) necessary for the implementation of risk appropriate ESRM.</li> </ul>		
	<ul style="list-style-type: none"> <li>Assign E&amp;S responsibilities to a suitably qualified/trained professional(s) within the FI. The level of experience shall be commensurate to the FI's portfolio's E&amp;S risks and size.</li> <li>Alternatively, the FI may retain external E&amp;S professional(s) to support the FI's staff in assessing high E&amp;S risk transactions.</li> <li>The FI will have ultimate responsibility for ensuring the implementation of a risk appropriate ESMS according to agreed upon milestones.</li> </ul>	<ul style="list-style-type: none"> <li>Assign E&amp;S responsibilities to appropriate operations manage (e.g., Credit, Risk).</li> <li>The FI may retain external E&amp;S professional(s) to support the FI's staff especially when assessing transactions where IFC PS are applicable (see next paragraph).</li> <li>The FI will have ultimate responsibility for ensuring the implementation of the risk appropriate ESRM procedures according to agreed upon milestones</li> </ul>	<ul style="list-style-type: none"> <li>Identify individual responsible for implementing ESRM.</li> <li>The FI will have ultimate responsibility for the implementation of a procedure for verifying the client's compliance with DBJ's Exclusion List and national E&amp;S laws and regulations, and for categorizing the E&amp;S risk of transactions.</li> </ul>
<b>E&amp;S Management System (ESMS)</b>	<ul style="list-style-type: none"> <li>Develop, implement and continuously improve a risk appropriate ESRM procedures or ESMS according to agreed upon milestones.</li> </ul>		<ul style="list-style-type: none"> <li>Basic E&amp;S policy.</li> <li>Screening against DBJ Exclusion List.</li> <li>E&amp;S Compliance assessment.</li> </ul>
<b>Applicable requirements</b>	<ul style="list-style-type: none"> <li>Comply with DBJ Exclusion List.</li> <li>Comply with all relevant local environmental, health &amp; safety and labor laws.</li> <li>Comply with applicable IFC Performance Standards</li> <li>Contractually bind its clients to milestones to implement risk appropriate minimum E&amp;S requirements.</li> <li>Categorize the E&amp;S risk of each transaction</li> <li>Inform DBJ of any proposed transaction categorized a medium or high risk</li> </ul>		
<b>Monitoring/ Reporting</b>	<ul style="list-style-type: none"> <li>Provide Annual E&amp;S Monitoring Report to DBJ.</li> <li>After having become aware report serious E&amp;S events directly related to the FI to DBJ.</li> </ul>		

In addition, for FI will notify DBJ when a proposed transaction entails project finance and/or long-term corporate finance or high E&S risk equity investments and the FI will require the borrowers/investee companies to comply with the applicable IFC PSs (See Table below).

Type of transaction	Total project cost/ Transaction size	Tenor	Minimum requirements for Sub-borrowers
Equity Financing of High E&S Risk Activity	Any Size	Any Tenor	IFC PSs National Law Exclusion List
Project Finance / Project-related Corporate Loans	Facility size $\geq$ USD 5 m <u>OR</u> Total Project cost $\geq$ USD 10 m	$\geq$ 36 months	IFC PSs National Law Exclusion List
	Facility size $<$ USD 5 m <u>AND</u> Total Project cost $<$ USD 10 m	Any tenor	National Law ILO Conventions Exclusion List
	Facility size: any amount Total Project cost: any amount	$<$ 36 months	
Non-Project-related Corporate Loans (e.g. working capital / revolving facilities)	Facility size $\geq$ USD 5 m	$\geq$ 36 months	IFC PS1 and PS2 National Law Exclusion List
	Facility size $<$ USD 5 m	Any tenor	National Law ILO Conventions Exclusion List
	Facility size: any amount	$<$ 36 months	

### III.3.4 FI Institutional Capacity

Relevant DBJ staff (e.g., E&S qualified staff) must assess the institutional capacity of the FI to meet the risk appropriate ESRM requirements against the Key Performance Indicators (KPI) identified in Annex 4. Where gaps are identified, DBJ should work with the FI to develop a plan, including milestones, to implement effective, risk appropriate ESRM procedures and the required institutional capacity to do so and will assist the FI with ESRM of medium and high risk transaction until such capacity exists.

### III.3.5 Monitoring & Reporting

DBJ must establish monitoring procedures to include periodic review of the effectiveness of the FI's own ESMS or ESRM procedures to manage E&S risks. 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.

Within 60 days of the end of the calendar year, FI clients, except those categorized as FI-C, are required to submit annual E&S performance reports (AESPR) to DBJ. The scope of such reports will vary depending on the risk of the portfolio supported by DBJ. For an FI, E&S performance reports to DBJ should typically include:

- Portfolio breakdown by industry sectors and product lines,
- High Risk Transactions and sample ESDD reports on such sub-projects;
- Non-compliance and significant E&S accidents or incidents related to a transaction; and
- Information on the implementation of any changes to the FI's ESMS or ESRM procedures. )

Relevant DBJ staff must review the AESPR in a timely fashion and ensure that the risk-appropriate E&S requirements are being met by the FI and take appropriate actions if they are not. Depending on the monitoring outcome, additional ESRM requirements may be appropriate for the FI.

DBJ must establish a system for periodic internal reporting to senior management of the nature and extent of its exposure to E&S risks associated with its FI portfolio.



### **ANNEX 1: FI ESDD Checklist**

*Please request copies of the documents listed in Appendix 1 if they are applicable to the FI.*

*Please also refer to the glossary in Appendix 1 for definitions of the most relevant terms and abbreviations.*

<b>Contact details</b>			
Institution:	_____ (Name)	_____ (Address)	_____ (Website)
Client Contact:	_____ (Name)	(Title)	(Email)
Client Contact:	_____ (Name)	(Title)	(Email)
Client Contact:	_____ (Name)	(Title)	(Email)

<b>General Information</b>	
Total loan portfolio USD:	_____
Reporting currency in the financial statement:	_____
Purpose of financing:	<input type="checkbox"/> Corporate <input type="checkbox"/> SME <input type="checkbox"/> Micro <input type="checkbox"/> Trade Finance Program <input type="checkbox"/> Other, please specify: _____
Majority ownership (%):	<input type="checkbox"/> Private <input type="checkbox"/> Stock Exchange listed _____
Number of branches:	<input type="checkbox"/> National _____
Other Development Finance Institutions (DFIs) providing finance	<div style="display: flex; justify-content: space-between;"> <div> <input type="checkbox"/> DBJ  <input type="checkbox"/> FMO  <input type="checkbox"/> World Bank               </div> <div> <input type="checkbox"/> IADB  <input type="checkbox"/> IFC  <input type="checkbox"/> Other, please specify _____               </div> </div>

1. Environmental and Social Management System (ESMS)	
1.1. Has your institution developed and implemented an ESMS? (refer to Appendix 1)	<input type="checkbox"/> Yes <input type="checkbox"/> No, in progress → please tell us what is missing for full implementation _____ <input type="checkbox"/> No
1.2. Does your institution have an <b>E&amp;S policy</b> approved by Management Board? (refer to Appendix 1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
1.3. Did your institution agree an <b>ESAP</b> with other DFIs? (refer to Appendix 1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
A. Environmental and Social Governance	
1.4. 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)
1.5. 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)
1.6. 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: _____
B. Environmental and Social Training	
1.7. Does your institution provide E&S training to credit/front office staff?	<input type="checkbox"/> Yes, all relevant credit/front office staff receives 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
1.8. 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 <input type="checkbox"/>

1.9. Does your institution have an E&S training program integrated into the bank-wide capacity building program? (refer to Appendix 1)	<input type="checkbox"/> Yes  <input type="checkbox"/> No	
<b>C. Environmental and Social Procedures</b>		
1.10. Does your institution have an Exclusion List compatible to the any DFI List of Excluded Activities? (refer to Appendix 1)	<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? (refer to Appendix 1)	<input checked="" type="checkbox"/> Yes, → please specify method used:	<input type="checkbox"/> Questionnaire <input type="checkbox"/> Checklist <input type="checkbox"/> Other, please specify: _____
	<input type="checkbox"/> No	
1.12. Does your institution perform E&S analysis for relevant transactions to assess the identified risks? (refer to Appendix 1)	<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? (refer to Appendix 1)	<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	.....
	Other, please specify:	.....

1.15. Does your institution monitor the E&S performance of your clients/financed transactions?	<input checked="" type="checkbox"/> Yes, → <del>please</del> 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 do your high-risk clients receive monitoring visits by the E&S Coordinator?	<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? (refer to Appendix 1)	<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	

[illegible]

### III.3.6 Total

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<sup>2</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 Appendix 1 of this questionnaire.

3. Human Resources and Corporate Social Responsibility				
		Permanent	Temporary	Top Management
Please specify the number of employees according to:	Male	.....	.....	.....
	Female	.....	.....	.....
3.1. Please provide the name of the person with overall responsibility for human resources management within your institution.	_____ (name, function and contact details)			
3.2. Does your institution have the following policies or terms and conditions in place: <i>(refer to Appendix 1)</i>	<input type="checkbox"/> Non-discrimination and equal opportunity policy <input type="checkbox"/> Employment of young persons under age 18 <input type="checkbox"/> Wages (wage level, normal and overtime) <input type="checkbox"/> Overtime <input type="checkbox"/> Working hours <input type="checkbox"/> Grievance mechanism for workers <input type="checkbox"/> Union recognition or negotiation <input type="checkbox"/> Health & safety <input type="checkbox"/> Outsourcing and procurement			
3.3. Does your organization have policies and/or procedures for any of the following:	<input type="checkbox"/> Gender equality <input type="checkbox"/> Equal pay for work of equal value <input type="checkbox"/> Anti-harassment/bullying <input type="checkbox"/> Promoting family friendly work and the work/life balance			
3.4. Does your institution have an HIV/AIDS Program in place? <i>(refer to Appendix 1)</i>	<input type="checkbox"/> Yes, please provide details and budget _____ <input type="checkbox"/> No			
3.5. Does your institution have a collective bargaining agreement?	<input type="checkbox"/> Yes <input type="checkbox"/> No			

3.6. Has your institution experienced labor related issues: if applicable, please provide details	<input type="checkbox"/> Grievances <input type="checkbox"/> Strikes <input type="checkbox"/> Court cases <input type="checkbox"/> Non :	→ Please provide details:
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3.7. Does your institution provide non E&S related staff training (e.g. corporate governance, credit risk)?	<input type="checkbox"/> Yes, → please provide details and specify % of workforce trained _____ <input type="checkbox"/> No	
3.8. Does your institution have measures to reduce its environmental footprint (e.g. use or production of paper, waste, energy etc.)?	<input type="checkbox"/> Yes, → please provide details: _____ <input type="checkbox"/> No	
<b>4. Development of Financing Products and Service</b>		
4.1. Does your institution provide green loans?	<input type="checkbox"/> Yes, → <del>please</del> specify _____	<input type="checkbox"/> Renewable energy loans <input type="checkbox"/> Energy efficiency loans <input type="checkbox"/> CDM loans <input type="checkbox"/> Other, please specify _____
	<input type="checkbox"/> No	
4.2. Does your institution provide finance to companies or individuals in or from:	<input type="checkbox"/> Sectors with limited access to finance (e.g. agribusiness) <input type="checkbox"/> Regions with limited access to finance (e.g. rural areas, conflict affected areas, structural weak areas) <input type="checkbox"/> Disadvantaged groups (e.g. women-owned businesses, ethnic minorities, indigenous people, Black Economic Empowerment)	
	<input type="checkbox"/> No	

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

Document	Explanation	Question #	Please specify with Y/N
ESAP	If there is one agreed with another DFI	1.3	
E&S Policy		1.2	
Exclusion List		1.10	
E&S Procedures		Section C (1.1)	
E&S Tools	Provide questionnaire, checklist, client ESAP etc.	1.11-1.13	
E&S covenants	Incorporated in loan agreements	1.13	
Flowchart	Showing how E&S is integrated into the overall credit approval process (i.e. credit risk, incl. E&S)	1.17	
Organogram	Showing how E&S is organized within the institution	1.5-1.6	
Training program	Provide content of the program	1.9	

Human Resources policies	Provide policies related to workforce	Section 4	
Outsourcing and Procurement	Provide the approach or policy regarding outsourcing and procurement	4.3	
HIV/AIDS program		4.5	
E&S Annual report	Annual report of your institution	1.19	
Definition of Corporate, SME and Micro, as applicable to your institution		Footnote 2	

#### Useful links

[IFC Performance Standards](#)

[ILO Conventions](#)

### III.4 Annex 2: DBJ Exclusion List<sup>i</sup>

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DBJ and its financial intermediaries will not finance any activity, production, use, distribution, business or trade involving:

1. Forced labor<sup>ii</sup> or child labor<sup>iii</sup>
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
  - a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
  - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
  - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction<sup>v</sup> of High Conservation Value areas<sup>vi</sup>
5. Radioactive materials<sup>vii</sup> and unbounded asbestos fibres
6. Pornography and/or prostitution.
7. Racist and/or anti-democratic media
8. In the event that any of these following products form a substantial<sup>viii</sup> part of a project's primary financed business activities:
  - a) Alcohol beverages (except rum, beer and wine); or
  - b) Weapons and munitions;

Notes:

- i. In addition to the activities listed below, DBJ funding partners may have excluded additional activities such as tobacco or casinos which would be excluded when using funds provided by that entity.
- ii. Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions;
- iii. Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights
- iv. Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.
- v. Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.
- vi. High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).
- vii. This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.
- viii. Among the development community, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.

### III.5 ANNEX 3: Examples of High Risk Activities by Industry Sectors

The following sectors are considered usually to be high risk industry sectors. Certain activities within a sector, may present a different E&S risk profile as compared to the overall sector risks. For instance, not all the construction activities may have the same level of E&S risks or not all the activities within the oil and gas sector may be considered as a high risk.

Furthermore, depending on the specifics of a project or company operating in a high risk sector, the (E&S) risks and impacts associated with that specific company or project may be considered as medium rather than high. Such specifics may include, but are not limited to the company's or project's (i) nature (e.g. greenfield or brownfield), (ii) size, (iii) location and area of influence, (iv) workforce, and (v), more broadly, to the specific nature and extent of the impacts and risks generated by such company/project.

This list is to be considered as an indicative guideline. Final categorization shall always be the result of a screening process by a qualified expert.

#### **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 (> 50 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 labour
- Projects potentially affecting indigenous or tribal populations (e.g. due to land take, limitation of access to natural resources)
- Projects which may affect areas of archaeological or cultural significance (e.g. cultural heritage site, temple, place of worship, grave)
- 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)
- Transboundary impacts on neighboring countries (e.g. access to water of downstream-users due to hydropower project impacts)

**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, timber, land)
- Projects that have negative long term impacts on the human environment (e.g. through air pollution, water pollution, noise generation, odor etc.)

### III.6 Annex 4: ESMS Performance Indicators for Financial Institutions

Subject	Indicator	Performance Comparison	Notes	Outcome of review
1. Organizational Buy in and Engagement	1.1 Responsibilities and Know How <sup>3</sup>	<ul style="list-style-type: none"> <li>- Appointment of an ESMS Officer [Yes / No]</li> <li>- Defined responsibility of a Senior Management for ESMS Implementation [Yes / No]</li> <li>- Role description for the ESMS Officer [Yes / No]</li> <li>- Contract and/or role description of the ESMS Officer reflects the duties and reserves (at least 50/100% of time)<sup>4</sup> [Yes / No]</li> <li>- The ESMS officer is qualified for the job and received respective training (e.g. training certificate available) [Yes / No]</li> <li>- There is a positive “breath” of the persons involved in the ESMS development within the institution [Yes / No]</li> <li>-</li> </ul>	No ESMS officer appointed or less than 80 % of the questions answered with “Yes” are an indicator that ESMS is not sufficient	
	1.2 internal and external E&S reporting	<ul style="list-style-type: none"> <li>- direct reporting of the ESMS Officer to responsible senior manager / management board / partner [Yes / No]</li> <li>- Reference to ESMS approach in the annual report / shareholders report [Yes / No]</li> <li>- Sustainability report available [Yes / No]</li> <li>- Nomination / win of national sustainability awards (within last two years) [Yes / No]</li> </ul>	At least 50% of these issues have to be answered with “yes” to prove adequate quality of ESMS	

<sup>3</sup> This indicator is quite subjective and will require a judgement of the consultant.

<sup>4</sup> For FIs with a total balance sheet below EUR 1 Billion, 50% of the working time of the E&S officer is required for the ESMS. For all FIs with a Balance sheet above EUR 1 Billion full position (100%) is required for the ESMS Officer.



Subject	Indicator	Performance Comparison	Notes	Outcome of review
2. Policy and Procedure Development & process integration	2.1 E&S Policy	<ul style="list-style-type: none"> <li>- Policy available and signed by Management Board / Partners [Yes / No]</li> <li>- Internal (e.g. intranet) disclosure of Policy [Yes/ No]</li> <li>- External (e.g. internet) disclosure of Policy [Yes/ No]</li> <li>- Exclusion List covering at least project types listed on DBJ exclusion list available [Yes / No]</li> </ul>	At least 75 % of these issues have to be answered with “yes” to prove adequate quality of ESMS. If the exclusion list is not satisfactory to DBJ the ESMS is also not satisfactory to DBJ without written DBJ approval.	
	2.2 E&S assessment	<ul style="list-style-type: none"> <li>- Categorization tool or adequate set of examples functioning<sup>5</sup> and properly applied [Yes / No]</li> <li>- E&amp;S questionnaires / adequate checklists available for review and applied properly [Yes / No]</li> <li>- ToR’s for the deployment of independent E&amp;S consultants available [Yes / No]</li> <li>- Contractual building blocks formulated and used in standard contracts [Yes / No]</li> </ul>	At least 75% of these issues have to be answered with “yes” to prove adequate quality of ESMS. If categorization tool quality is not sufficient the ESMS is not satisfactory to DBJ	
	2.3 Monitoring / Portfolio analysis	<ul style="list-style-type: none"> <li>- Active Monitoring of E&amp;S requirements / Compliance monitoring format available [Yes / No]</li> <li>- Adequate documentation exists (i) demonstrating the extent to which E&amp;S procedures were applied to relevant transactions and (ii) describing the distribution of E&amp;S risks at the relevant portfolio level [Yes / No]</li> <li>- Overview of transactions assessed under the ESMS (absolute number) available [Yes / No]</li> </ul> &S risk classification (A/B/C/not screened) of the entire portfolio available immediately [Yes/No]	At least 75% of these issues have to be answered with “yes” to prove adequate quality of ESMS	

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<sup>5</sup>The results needs to be in line with international categorization standards (e.g. DBJ Example list, IFC Risk Categorization Table (<http://firstforsustainability.org/risk-management/risk-categorization-table.php>), EBRD E&S Categorization List (<http://www.ebrd.com/downloads/about/sustainability/rcl.pdf>))

Subject	Indicator	Performance Comparison	Notes	Outcome of review
3. Training and internal communication	3.1 Training	<ul style="list-style-type: none"> <li>- Training materials available [Yes / No]</li> <li>- Documented one day training of 80% of relevant staff [Yes / No]</li> <li>- 100% of staff informed (mailings etc.) about management approach [Yes / No]</li> <li>- Communication materials (web page, internal communication, links, manuals) available [Yes/No]</li> </ul>	At least 75% of theses issues have to be answered with “yes” to prove adequate quality of ESMS	
		<p>-----</p> <ul style="list-style-type: none"> <li>- 80% of relevant staff (investment manager-, risk, compliance officer ) aware of the E&amp;S requirements [Yes / No]</li> </ul>	<p>-----</p> <p>Survey of awareness of relevant staff has to be carried out by an independent consultant on request of DBJ only if ESMS quality is still unclear.</p>	
Subject	Indicator	Performance Comparison	Notes	Outcome of review
4. Documentation	4.1 Trial phase documentation	<ul style="list-style-type: none"> <li>- E&amp;S officer has regularly (at least once per month) requested the assistance of the consultant [Yes / No]</li> <li>- E&amp;S due diligence process documentation for at least 3 projects with higher E&amp;S risks is provided [Yes / No]</li> <li>- No substantial defaults (no categorization, no project type listed on exclusion list, no ESAP for available for relevant projects) [Yes / No]</li> </ul> <p>SMS Implementation within agreed time schedule [Yes / No]</p>	At least 75% of theses issues should be answered “yes” to prove adequate quality of ESMS. If less than 75% of these issues could be affirmed the ESMS may not be sufficient and a corrective action plan seems to be necessary.	

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	4.2 General Documentation	- For each project relevant to the ESMS categorization is available and reasonable documented [Yes / No]	100% of the applicable issues have to be answered with “yes” to prove adequate quality of	
		<ul style="list-style-type: none"> <li>- Categorization adequate [Yes / No]</li> <li>- For each project a check of exclusion list relevance has been made [Yes / No]</li> <li>- Documentation of E&amp;S review including list of recommended mitigation measures for all “B” and “A” projects available [Yes / No]</li> <li>- E&amp;S due diligence by an independent consultant for relevant projects [Yes / No]</li> <li>- ESAP agreed for projects that don’t fulfill the E&amp;S requirements yet [Yes / No]</li> <li>- E&amp;S Building blocks (and agreed mitigation measures / ESAP) included the loan agreements of all category “B” and “A” projects [Yes / No]</li> <li>- If applicable implementation of measures as required in the corrective action plan [Yes / No]</li> </ul>	ESMS. <sup>(</sup> Minor deviations might be acceptable if the entire structure gives the impression of a functional ESMS. Decision of DBJ depending on results of total ESMS evaluation and considering the efforts of the senior Management.)	

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### III.7 ANNEX 5: Example of Annual Environmental and Social Performance Report

*This questionnaire is an important tool to help us ascertain the environmental and social performance of your institution during the reporting period. Please complete it as per the reporting intervals agreed in the Agreement, but at least annually, and forward it to your Investment Officer.*

*Please note that this is a general questionnaire and we kindly ask you to fill out only those sections applicable to your institution, depending on the Environmental and Social Management System requirements that have been agreed. DBJ also accepts other reporting formats such as the formats of IFC, IADB, etc..*

*Please provide us with copies of the documents listed in Appendix 1 if these have changed during the reporting period. Please also refer to the glossary in Appendix 1 for definitions of the most relevant terms and abbreviations.*

Contact details and Signature			
Institution:	___ (Name)	___ (Address)	___ (Website)
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 USD:	
Reporting currency in the financial statement:	
Exchange rate at time of reporting:	
Purpose of financing:	<input type="checkbox"/> Corporate <input type="checkbox"/> SME <input type="checkbox"/> Micro <input type="checkbox"/> Trade Finance Program <input type="checkbox"/> Other, please specify:
Other Development Finance Institutions (DFIs) providing finance	<input type="checkbox"/> DBJ <input type="checkbox"/> ADB <input type="checkbox"/> FMO <input type="checkbox"/> IFC <input type="checkbox"/> Proparco <input type="checkbox"/> Other, please specify
Has your institution developed, upgraded or implemented an ESMS during the reporting period?	<input type="checkbox"/> Yes → <b>please fill out Sections 1, 3, 4</b> <input type="checkbox"/> No, in progress → <b>please fill out Sections 1, 3, 4</b> <input type="checkbox"/> No, we already have an ESMS → <b>please fill out Sections 2, 3, 4</b> <input type="checkbox"/> Not applicable → <b>please fill out Sections 3, 4</b>

Section 1: Environmental and Social Management System (ESMS)	
1.21. Does your institution have an <b>E&amp;S policy</b> approved by Management Board? (refer to Appendix 1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>A. Environmental and Social Governance</b>	
1.22. 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)
1.23. 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)
1.24. 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:
<b>B. Environmental and Social Training</b>	
1.25. 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
1.26. 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
1.27. Does your institution have an E&S training program integrated into the bank-wide capacity building program? (refer to Appendix 1)	<input type="checkbox"/> Yes <input type="checkbox"/> No

C. Environmental and Social Procedures (refer to Appendix 1)		
1.28. Does your institution have an Exclusion List compatible to a DFI List of Excluded Activities? (refer to Appendix 1)	<input type="checkbox"/> Yes → please provide details: <input type="checkbox"/> Not fully compatible → please provide details: <input type="checkbox"/> No	
1.29. Does your institution categorize its transactions based on exposure to E&S risks sectors? (refer to Appendix 1)	<input type="checkbox"/> Yes, → please specify method used: <input type="checkbox"/> No	<input type="checkbox"/> Questionnaire Checklist Other, please specify:
1.30. Does your institution perform E&S analysis for relevant transactions to assess the identified risks? (refer to Appendix 1)	<input type="checkbox"/> Yes, → please specify method used: <input type="checkbox"/> No	<input type="checkbox"/> Questionnaire Desk review of client documentation (i.e. permits etc.) Site visits performed by Impact assessment commissioned to a third party Other, please specify:
1.31. Does your institution mitigate and manage the E&S risks associated with transactions? (refer to Appendix 1)	<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:
1.32. When identifying, assessing, mitigating and managing the E&S risks associated with transactions, what standards does your institution apply?	<b>Standards:</b> <input type="checkbox"/> National standards <input type="checkbox"/> IFC Performance Standards <input type="checkbox"/> ILO Conventions <input type="checkbox"/> Other, please specify:	<b>Type of transactions:</b>
1.33. Does your institution monitor the E&S performance of your clients/financed transactions?	<input type="checkbox"/> Yes, → please specify measures taken: <input type="checkbox"/> No	<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
1.34. How often had your 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:	
1.35. Has your institution integrated the E&S procedures (i.e. categorization, assessment, monitoring etc.) into the credit approval process? (refer to Appendix 1)	<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	

D. Stakeholder Engagement		
<p>1.36. Has your institution publicly endorsed or signed any national or international agreements or declarations concerning environmental and social issues?</p>	<p><input type="checkbox"/> Yes, → please specify:</p>	<p><input type="checkbox"/> Equator Principles  <input type="checkbox"/> United Nations Global Compact  <input type="checkbox"/> United Nations Environment Programme for Financial Institutions  <input type="checkbox"/> Global Reporting Initiative  <input type="checkbox"/> Carbon Disclosure Project  <input type="checkbox"/> Other, please specify</p>
<p><input type="checkbox"/> No</p>		
<p>1.37. Does your institution report publically (e.g. in its Annual Report or in a separate E&amp;S or CSR report etc.) on its E&amp;S performance and client/portfolio compliance with applicable E&amp;S legislation and standards? (<i>refer to Appendix 1</i>)</p>	<p><input type="checkbox"/> Yes, → please specify reporting mechanism:</p> <p><input type="checkbox"/> No</p>	
<p>1.38. Does your institution have a mechanism in place to receive and respond to complaints from the public or civil society organizations?</p>	<p><input type="checkbox"/> Yes, → please specify number of complaints received per year and provide details of how they were handled:</p> <p><input type="checkbox"/> No</p>	



Section 2: Environmental and Social Management System (ESMS)		
2.1. Has your institution changed or implemented its <b>E&amp;S policy</b> , and requested approval by Management Board during the reporting period? <i>(refer to Appendix 1)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No	
2.2. Has your institution implemented or changed its <b>Exclusion List</b> during the reporting period? <i>(refer to Appendix 1)</i>	<input type="checkbox"/> Yes → please provide details: <input type="checkbox"/> No	
2.3. Does your institution apply different <b>standards</b> for different types of transactions?	<b>Standards:</b>	<b>Type of transactions:</b>
	National standards	
	IFC Performance Standards	
	Other, please specify:	
<b>A. Environmental and Social Governance</b>		
2.4. Has your institution appointed a new E&S Manager <sup>8</sup> and/or E&S Coordinator <sup>9</sup> during the reporting period?	<input type="checkbox"/> Yes → please provide details <input type="checkbox"/> No	____ (name, function and contact details) ____ (name, function and contact details)
2.5. Have E&S responsibilities in the credit process changed during the reporting period?	<input type="checkbox"/> Yes → please provide details: <input type="checkbox"/> No	
<b>B. Environmental and Social Procedures</b>		
2.6. Has your institution made any changes during the reporting period with regards to E&S procedures? <i>(refer to Appendix 1)</i>	<input type="checkbox"/> Yes → provide details below: <input type="checkbox"/> No	
E&S Procedure:	Changes <i>(e.g. implementation of a new approach, tools, methods etc.)</i>	
a	Transaction categorization	
b	Transactions analysis	
c	Management and mitigation of risks	
d	Monitoring of clients	
e	Other, please specify	
2.7. How often do your high-risk clients receive 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:	

C. Environmental and Social Training		
2.8. Has your institution provided 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	
2.9. 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	
D. Stakeholder Engagement		
2.10. 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"/> No	<input type="checkbox"/> Equator Principles <input type="checkbox"/> United Nations Global Compact <input type="checkbox"/> United Nations Environment Programme for Financial Institutions <input type="checkbox"/> Global Reporting Initiative <input type="checkbox"/> Carbon Disclosure Project <input type="checkbox"/> Other, please specify
2.11. 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, <sup>7</sup> please specify reporting mechanism: <input type="checkbox"/> No	

<sup>8</sup> Person with overall responsibility for E&S matters within the institution (senior management/board management).

<sup>9</sup> Person with overall responsibility for coordinating the day-to-day E&S matters within the institution (operational coordinator).

**Section 3: ESMS related Loan Book Information**

*(3.4, 3.5 and 3.7 to be completed after Environmental and Social Management System implementation)*

**2.2. Loan Book Summary**

*(please specify reporting currency)*

Total Loan Book	Average Loan Size	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

**2.3. Loan Portfolio Breakdown Analysis<sup>10</sup>**

Industry Sector	Total Loans Outstanding per [date]	Corporate %	SME %	Micro %	Mortgages %	Other Retail %
<b>Total</b>						

<sup>10</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 Appendix 1 of this report.

III.8

**III.9 2.3. Top 10 Clients Overview**

High E&amp;S risk sector?

*Please specify with*

Y/N

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

  

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			
4			
5			

  

2.8. Transactions rejected due to E&S reasons during the reporting period:	
Name (Client/Project)	Reason
1	
2	
3	
4	
5	

  

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			
4			
5			

**Section 4: Human Resources and Corporate Social Responsibility Management (refer to Appendix 1)**

3.9. 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	
3.10. 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)
3.11. 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		
3.12. 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	
3.13. 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	
3.14. 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	
3.15. 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	

## Appendix 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	Question #	Please specify with Y/N
ESAP	Provide updated version of the ESAP providing details on the implementation status		
E&S Policy		1.1 or 2.1	
Exclusion List		1.8 or 2.2	
E&S Procedures		Section 1C or 2.6	
E&S Tools	Provide questionnaire, checklist, client ESAP etc.	1.9-1.11 or 2.6	
E&S covenants	Incorporated in loan agreements	1.11 or 2.6	
Flowchart	Showing how E&S is integrated into the overall credit approval process (i.e. credit risk, incl. E&S)	1.15	
Organogram	Showing how E&S is organized within the institution	1.2-1.3 or 2.4-2.5	
Training program	Provide content of the program	1.7	
Human Resources policies	Provide policies related to workforce	Section 4	
HIV/AIDS program		4.4	
E&S Annual report	Annual report of your institution	1.17 or 2.11	
Definition of Corporate, SME and Micro, as applicable to your institution		Footnote 4	

## IV. PROCEDURE FOR MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH DIRECT FINANCING

### IV.1 INTRODUCTION

The Development Bank of Jamaica (DBJ, the Bank) is committed to supporting national economic growth and ensuring environmentally and socially responsible financial investment and development. DBJ is committed to supporting commercial sectors with a focus on micro-, medium- and small-scale enterprises. The Bank recognizes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent these commitments.

To deliver on the commitment in a manner consistent with its strategic focus on sustainable development, DBJ has adopted environmental and social (E&S) risk management policies and procedures. These include (i) the Environmental and Social Safeguards Policy (ESSP); (ii) a procedure for a risk-based assessment of E&S risks and impacts associated with direct lending activities; and (iii) associated E&S requirements for clients receiving various direct financing activities supported by DBJ.

This ESRM Procedure is generally applicable to the full range of DBJ's activities where E&S risk assessment and risk management processes are involved (e.g., privatization of assets), but is specifically targeted to activities related to direct lending to private enterprises including credit finance; corporate and project finance; structured finance products such as guarantees; and municipal finance.

The objectives of this ESRM procedure are to:

- Set out how DBJ will assess and manage environmental and social risks and impacts associated with its commercial direct lending/guarantee portfolio;
- Promote good environmental and social risk management practices and sound human resources management among its commercial clients; and
- Provide DBJ staff step-by-step guidance on identifying, assessing and managing E&S risks associated with commercial Micro-, SME, Project, and Corporate lending, and general background and guidance for other related activities (e.g., Grants, Advisory Services, Privatization).

Specifically, this Environmental & Social Risk Management procedure describes the step-by-step process by which DBJ will conduct Environmental & Social Due Diligence (ESDD) and manage E&S risks associated with commercial direct lending (i.e., screen for excluded activities to qualify transactions;

categorize, identify and assess risks and impacts; evaluate the client's commitment and capacity to effectively manage those risks and impacts; determine, if any, appropriate transaction specific E&S risk management requirements; and monitor and supervise the E&S performance of the client during the term of the financing) .

In addition, this procedure outlines the essential components of E&S due diligence and risk management and references tools (e.g. EBRD sectoral guideline) which could be used to assess and manage a variety of transactions for which DBJ might have a measure of involvement or responsibility (e.g., privatization). For example, where DBJ's role is to confirm that the E&S risk management process, including E&S due diligence, has been/will be conducted for the project by entities outside the Bank, the procedure provides a useful reference point for assessing the completeness of such activities, and their consistency with project requirements and DBJ policies.

## **IV.2 Overview of Environmental and Social Risk Management Procedure For Public-Private Partnership & Privatisation**

For a privatization project, DBJ would be responsible for confirming that:

- (i) the E&S risk of the project was correctly categorized (e.g., high (A), medium (B), low (C);
- (ii) a risk appropriate level of E&S due diligence (e.g., ESIA) was performed by a qualified expert;
- (iii) where applicable, the required public consultation was conducted;
- (iv) the project as envisaged will comply with national laws and any applicable international standards outlined in the DBJ's E&S Policy (e.g. IFC PSs);
- (v) any required mitigation measures are implemented by the responsible party; and
- (vi) appropriate monitoring and reporting procedures are in place over the life of the project.

DBJ would not actually carry out any of the above ESRM processes, but rather would confirm that the responsible parties have performed each step according to industry best practice. The Bank would very likely retain a third-party E&S expert to assist the bank in this oversight function.

## **IV.3 Overview of Environmental and Social Risk Management Procedure For Direct Lending**

This ESRM procedure describes a step-by-step process and provides or references ESRM tools to enable DBJ staff to identify, assess and manage E&S risks and impacts associated with direct lending transactions and to assess the client's capacity to effectively manage E&S risks associated its business activities. This ESRM procedure, or relevant aspects thereof, would also apply to AFI sub-projects for which DBJ has retained responsibility for all, or part of, transaction ESRM.



	Activity	ESRM Tool(s)
1	Screen for Excluded Activities	DBJ Exclusion List (ANNEX 1)
2	Categorize the client's E&S Risk Profile	<a href="#">EBRD E &amp; S Risk Categorization List</a> <sup>1</sup>
3	Conduct risk appropriate ESDD (e.g., Site Visit)	<a href="#">Sub-Sectoral E&amp;S Risk Guidelines</a> <sup>2</sup> <a href="#">ESDD Checklist</a>
4	Determine Risk Appropriate E&S Requirements	Table 1
5	Summarize E&S Risk for Credit Authority	E&S Risk Summary (ANNEX 5)
6	E&S Risk Control	Sample Covenants Guidance
7	Monitoring & Supervision	Annual E&S Performance Report

<sup>1</sup>EBRD has assigned an environmental, social, and overall E&S risk category to approximately 350 different business activities. <sup>2</sup> EBRD has developed approximately 80 Sub-sectoral Environmental and Social Guidelines designed to assist credit/ investment staff in financial institutions to effectively engage customers in a discussion of E&S risks.

### IV.3.1 Client Screening

DBJ staff (e.g., Account Executive, E&S Officer) must ensure the client will not utilize DBJ funding to engage in activities included on DBJ's Exclusion List (ANNEX 1).

### IV.3.2 Categorization of E&S Risk

DBJ staff should refer to the [EBRD E&S Risk Categorization List](#) to determine the **overall** E&S risk (Low, Medium, High) for the activity being financed. As a matter of ESRM practice DBJ categorizes all commercial transactions in an amount equal to or less than J\$ 7 million and tenor of < 1 year as low E&S risk and follows the requirements of this procedure for such transactions. The E&S risk category will determine the ESDD requirements which apply to the transaction and which must be fulfilled DBJ staff.

### IV.3.3 Risk Appropriate E&S Due Diligence

Low Risk	Medium Risk	High Risk
<ul style="list-style-type: none"> <li>• Verify client compliance with Exclusion List.</li> <li>• Ensure client compliance with local and national environmental, health, safety and labour laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Verify client compliance with Exclusion List.</li> <li>• Ensure client compliance with local/national environmental, health, safety and labour laws and regulations.</li> <li>• Conduct site visit to engage the client regarding E&amp;S risks and impacts</li> <li>• Review available client reports on E&amp;S performance (e.g., government Inspection reports, client submissions to regulatory agencies).</li> <li>• If IFC PSs are applicable, assess the client's commitment and capacity to comply with the PSs.</li> </ul>	<ul style="list-style-type: none"> <li>• Verify client compliance with Exclusion List.</li> <li>• Ensure client compliance with local/national environmental, health, safety and labour laws and regulations.</li> <li>• Conduct site visit to engage the client regarding E&amp;S risks and impacts.</li> <li>• Review available client (e.g., government Inspection reports, client submissions to regulatory agencies)/third-party E&amp;S assessments (e.g., ESIA) and reports on E&amp;S performance.</li> <li>• If IFC PSs are applicable, assess the client's commitment/capacity to comply with the PSs.</li> <li>• Where appropriate, engage independent E&amp;S expert to assist/conduct due diligence.</li> </ul>

For all transactions DBJ staff and/or third-party expert must conduct the appropriate ESDD necessary to ensure that transactions financed are structured to meet national regulatory requirements relating to environmental and social matters (i.e., environmental, health, safety and labour, including, where necessary, national regulatory requirements related to public consultation and disclosure) and require clients, where necessary, to implement corrective actions (e.g., E&S Action Plans with milestones).

For low risk transactions, it is sufficient for staff to ensure compliance with relevant Exclusion Lists and national laws and regulations by the use of warrantees and covenants.

For medium and high-risk transactions:

- DBJ staff should search online media (e.g., Google) for the client's past history of fines or legal action taken against it and check any publicly available databases (e.g. through regulators) for any criminal or civil action in recent years and for any liabilities (current or potential) that may affect the client's business in the future.
- Relevant Bank staff (including E&S qualified staff and/or third-party expert for high risk transactions) should conduct a site visit to the client's operations to engage the client in a discussion of E&S risks. The focus of such discussions should be on evaluating the client's:

- Awareness of the E&S risks associated with its business activity;
- Capacity and commitment to effectively manage those risks; and
- E&S performance (e.g., compliance with local and national environmental, health, safety and labour laws and regulations; preventive actions, remedial actions).

DBJ staff should utilize the relevant EBRD Sub-Sectoral E&S Risk Guideline to prepare for the site visit by reviewing the E&S risks typically associated with the client's business activity, and the best practices often used to manage such risks. Depending upon the client's activities, more than one Sub-Sectoral Risk Guideline might be applicable and DBJ staff should consult all applicable guidelines to prepare to engage the client during the site visit.

During the site visit, DBJ should utilize the [ESDD Checklist](#) to guide the discussion and collect client information regarding their E&S performance. Staff should also request copies of any recent client generated reports to environmental, health, safety and/or labor authorities and any recent reports (e.g. inspection reports) received from those regulatory authorities.

Many project types require relevant environmental and safety permits, including those mentioned in the Natural Resources Conservation Authority Act (see ANNEX 2) and require renewal every 5 years, Factories Act, Water Resources Authority, Mines and Geology, Local Planning etc. Where uncertainty exists, DBJ staff may make an enquiry to the Development Assistance Center of NEPA who will provide a determination of whether a License or Permit is required for a specific activity. In addition to verifying the client possesses the required valid E&S operating permits, DBJ staff should request and review copies of those permits to ensure the client is operating within the conditions of the permits. In cases where a NEPA Permit or License requires a Compliance Plan, the client shall attach a copy of the Plan and any relevant documentation, and DBJ staff shall verify that the client is in compliance with the Plan.

Where a client requires new permits or existing permits to be amended, DBJ shall require evidence the client has begun that process and is committed to updating any permit deficiencies before being eligible for financing. Such evidence may include the filing of a project brief or conceptual plan to NEPA and/or the filing of a Permit Application with NEPA and registry in the automated permitting tracking system.

Certain types of project, project-related, corporate and equity financing require the client to comply with applicable IFC PSs and generic or relevant WB Environmental, Health and Safety (EHS) Guidelines (see below).

**Table 1. Risk Appropriate ESRM Requirements for Clients.**

Type of transaction	Total project cost/ Loan size	Tenor	Minimum requirements for Clients
General Credit	Any Amount	Any Tenor	National Law ILO Conventions Exclusion List
Equity Investments in Funds Investing in Specific High Risk Projects(See ANNEX 3)	Any Amount	Any Tenor	IFC PSs/WB EHS ILO Conventions National Law Exclusion List
Project Finance / Project- related Corporate Loans	Facility size $\geq$ USD 5 m <u>OR</u> Total Project cost $\geq$ USD 10 m	$\geq$ 36 months	IFC PSs /WB EHS ILO Conventions National Law, Exclusion List
	Facility size < USD 5 m <u>AND</u> Total Project cost < USD 10 m	Any tenor	National Law ILO Conventions Exclusion List
	Facility size: any amount Total Project cost: any amount	< 36 months	National Law ILO Conventions Exclusion List
Non-Project-related Corporate Loans (e.g. working capital / revolving facility)	Facility size $\geq$ USD 5 m	$\geq$ 36 months	IFC PS1 and PS2 <i>plus below</i>
	Facility size < USD 5 m	Any Tenor	ILO Conventions National Law, Exclusion List

Project Finance is a method of financing in which the lender looks primarily to the revenues generated by a single Project, both as the source of repayment and as security for the exposure. Project Finance may take the form of financing of the construction of a new capital installation, or refinancing of an existing installation, with or without improvements. In such transactions, the lender is usually paid solely or almost exclusively out of the revenues generated by contracts for the Project's output. The client is usually a Special Purpose Entity that is not permitted to perform any function other than developing, owning, and operating the installation. The consequence is that repayment depends primarily on the Project's cash flow and on the collateral value of the Project's assets.

Project Related Corporate Loans are loans, made to business entities related to a single Project, either a new development or expansion (e.g. where there is an expanded footprint), where the majority of the proceeds of the loans is directed to the Project and where security exists in the form of a corporate or parent company guarantee.

Where transactions are subject to IFC PSs, DBJ must require client compliance with the PSs and relevant staff (e.g., E&S Officer) or third-party expert must assess the client's commitment and capacity to comply with the applicable PSs (See ANNEX 4 for guidance). The general and relevant sector-specific WB EHS

Guidelines referenced in PS1-PS4 provide further benchmark criteria in line with good international industry practice.

#### **IV.3.4 E&S Risk Summary**

DBJ staff should document findings and recommendations in the E&S Risk Summary report to the cognizant credit authority to allow an informed decision about the acceptability of the E&S risks associated with a proposed transaction. ANNEX 5 contains a sample template for the E&S Risk Summary. The Summary should present a succinct summary of the review and assessment of the E&S impacts associated with the project and how they are or will be mitigated by the client over the life of the project.

#### **IV.3.5 E&S Risk Control**

DBJ should assess any E&S risks/impacts identified and decide whether to approve or reject the transaction [from an E&S risk perspective]. Reject the transaction if significant E&S risks have been found and the client is unable or unwilling to mitigate the risks and impacts. Consider approving the transaction from an E&S risk perspective if E&S risks are acceptable and/or the client agrees to appropriate E&S risk control/mitigation measures.

DBJ legal staff can incorporate environmental and social clauses into legal agreements with clients/investees to require clients/investees to comply with the Bank's [environmental and social requirements](#) in order to reduce its exposure to the environmental and social risks associated with a client's/investee's operations throughout the lifetime of a transaction. Such clauses also give DBJ legal recourse in the case of non-compliance.

The specific language will depend on the type of transaction and potential environmental and social risks identified during the due diligence process but generally may address the following areas:

- **Positive Covenants:** Measures or actions to be taken by the client/investee. These may include the requirement for confirmation of compliance with national environmental and social regulations and international standards as outlined in DBJ's E&S Policy, and periodic reporting on environmental and social performance. In the event of significant accidents and incidents, with potentially adverse environmental and social effects such as spills or workplace accidents resulting in death, serious or multiple injuries or major pollution, the client/investee is required to notify the DBJ in a timely manner (e.g., within 3 days).
- **Negative Covenants:** Actions that the client/investee should refrain from undertaking (e.g., DBJ's Exclusion List or [Representations](#) (e.g. No Outstanding E&S Claims))
- **Conditions Precedent:** Conditions and requirements that the client/investee has to fulfill prior to

disbursement of funds by the Bank. These may include proof of valid permits and licenses, preparation of government-requested reports, and delivery of completion of mitigation actions.

**Event of Default:** An event that entitles the DBJ to cancel a transaction and declare all amounts owed by the client/investee to become immediately due and payable. For transactions that involve complex environmental and social issues, this may include specifying a time period such as 30 days during which the client/investee can resolve the issue after notification by DBJ.

- **Corrective Action Plan:** Such a plan is typically included as an annex to the legal agreement, outlining the specific mitigation actions to be taken by the client/investee to avoid and/or mitigate risks according to an agreed upon time frame for implementation.

DBJ legal department should ensure all agreed upon preventive or remedial actions required of the client are covenanted in the transaction agreement. For high risk transactions, the client must be required to submit a risk appropriate Annual Environmental and Social Performance Report (AESPR) to DBJ no later than 60 days after the end of the calendar year.

#### **IV.3.6 Monitoring & Supervision**

DBJ must establish monitoring procedures to include periodic review of the client's compliance with the transaction ESRM requirements and effectiveness in managing the E&S risks. 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 (e.g., quarterly for IFC PS compliance). The results of E&S monitoring must be summarized in a Monitoring Report.

Monitoring for E&S risks can take place alongside standard loan reviews. There are two principal areas to consider when monitoring E&S risks (i) events or changes that could present new or increased E&S risks,

(ii) the client's progress in implementing agreed E&S risk control measures.

Key events or changes that can raise, or present new, E&S risks include:

- Changes in the client's business activities;
- Regulatory investigations, fines or penalties imposed on the client;
- Public complaints or adverse media reports regarding the client's activities;
- Accidents or incidents causing significant damage to the environment or human health and safety; and
- Amendments to relevant E&S laws and regulations.

Effective E&S supervision entails periodic reviews of the client's E&S performance and compliance with E&S requirements, including all conditions of disbursement, ESAP items and other E&S covenants included in

the legal agreement, review of the Annual Environmental and Social Performance Report (AESPR); and review of E&S due diligence (ESDD) for subprojects provided by the client. Relevant DBJ staff must ensure that the risk-appropriate E&S requirements are being met by the client and require appropriate actions if they are not. Depending on the monitoring outcome, additional ESRM requirements may be imposed in the FI.

**ANNEX 1: DBJ EXCLUSION LIST<sup>33</sup>****IV.3.7 DBJ will not finance any activity, production, use, distribution, business or trade involving:**

1. Forced labour<sup>34</sup> or child labour<sup>35</sup>
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
  - a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
  - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
  - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction<sup>36</sup> of High Conservation Value areas<sup>37</sup>
5. Radioactive materials<sup>38</sup> and unbounded asbestos fibres
6. Pornography and/or prostitution.
7. Racist and/or anti-democratic media
8. In the event that any of these following products form a substantial<sup>39</sup> part of a project's primary financed business activities:
  - a) Alcohol beverages (except beer and wine)
  - b) Tobacco
  - c) Weapons and munitions; or
  - d) Gambling, casinos and equivalent enterprises.

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<sup>33</sup>In addition to the activities listed above, DBJ funding partners may have excluded additional activities such as tobacco or casinos which would be excluded when using funds provided by that entity;

<sup>34</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>35</sup> Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply

<sup>36</sup> Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

<sup>37</sup> High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).

<sup>38</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

<sup>39</sup> For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.



## **ANNEX 2: ACTIVITIES REQUIRING NEPA PERMITS**

IV.3.8    **Black = 1996 Regulations**        **Blue = New in 2015 Regulations**

### ***1. Power Generation***

- Power generation plants using hydrocarbons or nuclear reaction above 1 MW
- Power generation plants using renewable over 200 kW

### ***2. Power Transmission***

- Electrical transmission lines and substations greater than 69 kv

### ***3. Pipelines and Conveyors***

- Underground cables, pipelines and other such infrastructure with length more than 20 m or diameter or more than 10 cm, for the transport of gas, oil or chemicals
- Water pipelines more than 1 km long
- Construction of conveyors more than 500 m long

### ***4. Marine Development***

- Port and Harbour Development
- Shipyards and Boatyards
- Drydocks and Marinas
- In-water Hull Cleaning Operations

### ***5. Air Transport***

- Construction or expansion of airfields, runways, or aerodromes

### ***6. Roads, Railways, and Telecommunications***

- Construction of new new highways, arterial roads, or bridges Major road improvement projects (e.g. widening, drainage, slope stabilization) Construction of railways, tramways, and cable car lines
- Construction of telecommunications towers

### ***7. Water Works***

- Modification of waterways for diversions or river training Dredging of rivers or beaches (except mining & quarrying) Reclamation of riverine areas
- Canals, dykes, aqueducts, levees, check dams, retaining walls, reservoirs, or dams Water treatment and storage facilities

#### ***8. Site Modification Projects***

- Modification, clearance, or restoration of wetlands
- Construction on sand dunes, or modification, clearance, or removal of and from dunes Construction of structures or rooms over sea, rivers or ponds
- Clear cutting of forested areas and clearing of trees on slopes greater than 20°
- Clearing 6 hectares or more of vegetation (excluding agricultural holdings already under production)

#### ***9-12. Subdivisions, Housing Construction, and Hotels***

- Subdivision of 10 lots or more construction of 10 houses or more
- Hotels or resort complexes with 10 rooms or more

#### ***13. Recreation and Entertainment***

- Establishment and operation of Eco-tourism and nature based projects
- Golf course construction and operation
- Stadia and sports facilities over 3000 seats
- Establishment of theme parks
- Establishment of trails for motorized and non-motorized activities

#### ***14. Service Sector***

- Office and commercial complexes of 5,000 square metres or greater
- Cemeteries, mausoleums, columbaria, or crematoria
- Hospitals or medical facilities of more than 10 beds or 1000 square metres
- Dry cleaning facilities
- Veterinary clinics that board animals
- Schools and education institutions (excepting early childhood education)
- Transportation centres for more than 10 vehicles

#### ***15. Mining and Quarrying***

- Bauxite, Peat, Sand, Minerals, including aggregate, construction and industrial materials

- Exploration and prospecting for extraction of non-renewable resources or artifacts

#### **16. Ore and Mineral Processing**

- Bauxite, Peat, Sand, Minerals, including aggregate, construction and industrial materials
- Ferrous metals, Non-ferrous metals, Metal plating, Foundry operations
- Construction and Operation of cement and lime production
- Construction and Operation of solar salt

#### **17. Chemical**

- Facilities for manufacture or storage of hazardous and toxic chemicals
- Facilities for production, refining and distribution of hydrocarbons and petroleum compounds
- Manufacturing of soap and detergent, edible oils and fats, pesticides, and paint
- Construction and operation of chemical plants other than those listed above

#### **18. Manufacturing**

- Construction materials including blocks and bricks
- Batching and crushing plants (mobiles and fixed)
- Containers and packaging materials
- Manufacturing of textiles, dyes and pigments
- Pulp, paper and wood processing
- Construction and Operation of Recycling Plant
- Manufacturing of rubber, tar and bitumen, polymers, fertilizers

#### **19. Agro-Industry & Food Processing**

- Construction and Operation of slaughterhouses and abattoirs
- Processing plants for food, fish and meats
- Agro-Processing facilities (coffee, citrus, cocoa, sugar cane)
- Aquaculture facilities and ponds for intensive fish farming
- Bottling facilities and boxing plants
- Construction and Operation of tanneries

#### **20. Project Site Office**

- Constructing of site office outside project footprint

#### **21. Waste Processing & Disposal**

- Solid Waste Treatment Facility (incinerator, landfill, recycling)
- Hazardous Waste Storage, Treatment, or Disposal Facility
- Agricultural Waste processing facility

- Scrap Metal storage and processing (including vehicles)
- Waste-to-Energy facilities
- Non-discharging wastewater treatment plants

## **22. Biological Resources or Diversity**

- Importation or Introduction of species
- Introduction of GMOs (except as food or feed)
- Operation of a pet store or zoo

## IV.4 ANNEX 3: EXAMPLES OF HIGH RISK ACTIVITIES BY SECTOR

The following sectors are considered usually to be high risk industry sectors. Certain activities within a sector, may present a different E&S risk profile as compared to the overall sector risks. For instance, not all the construction activities may have the same level of E&S risks or not all the activities within the oil and gas sector may be considered as a high risk. DBJ staff should consult the [EBRD E & S Risk Categorization List](#) for the risk categorization of activities not included in this ANNEX.

Furthermore, depending on the specifics of a project or company operating in a high risk sector, the (E&S) risks and impacts associated with that specific company or project may be considered as medium rather than high. Such specifics may include, but are not limited to the company's or project's (i) nature (e.g. greenfield or brownfield), (ii) size, (iii) location and area of influence, (iv) workforce, and (v), more broadly, to the specific nature and extent of the impacts and risks generated by such company/project.

This list is to be considered as an indicative guideline. Final categorization shall always be the result of a screening process by a qualified expert.

### IV.4.1.1 *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)<sup>7</sup>
- 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 (> 50 MW installed capacity)

### IV.4.1.2 *Oil & Gas*

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

### IV.4.1.3 *Large Scale Primary Production (Plants / Animals)*

- Plantation crop production
- Forestry
- Aquaculture
- Animal production

**IV.4.1.4 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

**IV.4.1.5 Mining**

- Mining (open pit and underground)

**IV.4.1.6 Socially Critical Projects**

- Projects with large groups of low-skilled labour
- Projects potentially affecting indigenous or tribal populations (e.g. due to land take, limitation of access to natural resources)
- Projects which may affect areas of archaeological or cultural significance (e.g. cultural heritage site, temple, place of worship, grave)
- 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)
- Transboundary impacts on neighboring countries (e.g. access to water of downstream-users due to hydropower project impacts)

**IV.4.1.7 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, timber, land)

- Projects that have negative long term impacts on the human environment (e.g. through air pollution, water pollution, noise generation, odor etc.)

#### IV.4.1.8 **ANNEX 4: Appraisal Guidance for IFC Performance Standards**

##### IV.4.1.8.1 **PS 1: Social and Environmental Assessment and Management System**

###### Environmental and Social Assessment and Management Program

- Does the company have a management system in place to identify the environmental and social impacts and risks of their operations? Does the system identify mitigation and performance measures that address the impacts and risks of their operations? (For example, Quality Assurance; Environmental, Health, Safety & Social, OHS)
- How often does the company review and update the system?
- Does the company have resources earmarked to support this?
- Do they have any best practice certifications (ISO etc)?

###### Organization

- Are there persons responsible for implementation of the management system?
- Review the organization chart or organogram with the company to understand the E&S function.

###### Training

- Does the company have training programs in place for the persons responsible?

###### Community Engagement

- Does the company have a community engagement process for affected communities?
- If applicable, does this process ensure free, prior and informed consultation of the affected community?
- Does the company have a grievance mechanism in place for affected communities?

###### Monitoring

- Does the company have procedures in place to monitor management program performance?

###### Reporting

- Is appropriate environmental and social performance information periodically reported internally to senior management, investors and stakeholders as relevant?

#### IV.4.1.9 **PS 2: Labour and Working Conditions**

###### Human Resources Policy and Management

- Does the company have an HR policy? Is it clearly understandable and easily accessible



to all employees? Does it provide information on rights under national labour and employment law?

- Has the company documented and communicated working conditions and terms of employment to all workers directly contracted? Does this include guidelines on working hours, overtime procedures, wages paid, types of contracts, frequency of payments and sick and maternity leave?
- What is the language of communication with workers and employees?
- Are the terms and conditions in accordance with any collective agreement with workers?
- Has the company implemented a grievance mechanism to review and address employee complaints?
- Is there a person responsible to review complaints and follow up on them in a timely and transparent manner?

#### Employee's Organization

- Does the company comply with national law in allowing workers to form and join workers organizations and bargain collectively? Does it have a workers organization or trade union? If yes, when was this formed? What percentage of the workforce are members? Are members entitled to special benefits?

#### Non-Discrimination and Equal Opportunity

- Does the company have documented transparent procedures with respect to discipline, performance and grievance procedures to ensure that employment decisions are not made on the basis of personal characteristics unrelated to job requirements? Does the company have any preferential employment policies in place?

#### Retrenchment

- Does the company anticipate retrenchment of a significant number of employees? If yes, is there a retrenchment procedure in place? Have workers been consulted appropriately?
- If the investment entails an expansion will this create additional jobs?

#### Protecting the Work Force

- Does the company ensure child or forced labour is not used directly, or through contractors or in the supply chain? Does the company check the ages of all employees? Does the company ensure that young workers (15-18 years) are not employed in dangerous work? Does the company commit contractors and suppliers to not use child or forced labour?

#### Occupational Health and Safety

- Does the company provide its workers with a safe and healthy work environment? Does this include providing workers with and mandating that workers use personal protective equipment (PPE)?
- Does the company conduct appropriate monitoring and inspections to ensure worker

safety? Does this include monitoring ambient and workplace exposure to noise, and workplace illumination, air quality and temperature as applicable?

- Does the company track and report on rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities? Does the company track staff turnover?
- Does the company have training programs in place for workers in occupational health and safety?
- Does the company have a fire, life and safety plan?

#### **IV.4.1.9.1 PS 3: Pollution Prevention and Abatement**

##### **Pollution Prevention, Resource Conservation and Energy Efficiency**

- Provide details about the company's resource use including sources and estimates of daily use for energy and water. Has the company ever conducted a cleaner production audit? Do the company's operations incorporate energy efficiency and water conservation measures? (See also, guidance under PS 6, Management and Use of Renewable Natural Resources.)
- Does the company monitor air and water emissions? Is ambient air quality monitored on site?
- Does the company apply project-specific pollution prevention and control techniques?

##### **Waste management**

- Does the company have procedures for storage, handling, and disposal of solid wastes? Does this include waste management techniques?
- Does the company treat effluents prior to disposal?

##### **Hazardous Materials**

- Does the company have procedures for storage, handling and disposal of hazardous materials?

##### **Emergency Preparedness and Response**

- Does the company have an emergency prevention, preparedness and response plan?

##### **Green House Gas Emissions**

- What are the company's GHG emissions (direct plus indirect from purchased electricity)?
- If these exceed 100,000 tons CO<sub>2</sub> annually, does the company conduct annual monitoring, and have options for emissions reductions or offsets been discussed with the company?

##### **Pesticide Use and Management**

- How are pests monitored and controlled? If pesticides are used:

- Is their selection made with the following considerations in mind: low in human toxicity, effective against the target species, known to have minimal effects on non-target species and the environment?
- Are the pesticides packaged appropriately and labeled (including directions for safe and appropriate use)?
- Have the pesticides been manufactured by an entity licensed by the relevant regulatory agencies?
- Are the pesticides handled, stored, applied, and disposed of in accordance with the Food and Agriculture Organization's International Code of Conduct on the Distribution and Use of Pesticides or other good international industry practice?
- Are any of the pesticides in use on the World Health Organization Recommended Classification of Pesticides by Hazard Classes I a (extremely hazardous) and I b (highly hazardous); or Class II (moderately hazardous)?

#### IV.4.1.10 [PS 4: Community Health, Safety and Security](#)

##### Community Health and Safety

- Are there communities in close proximity to the company's facilities? What is the relationship of the company with the local community? Does the company take community, health and safety considerations into account in the context of its operations? Do its requirements take into account company infrastructure and equipment safety, hazardous material release, transport and disposal considerations, natural resource use and community exposure to disease?
- Has the company designated contact persons within the organization responsible for receiving and responding to questions, concerns or complaints raised by nearby communities or other stakeholders? If yes, are the contact details for these persons will be displayed prominently on the company facility signage?

##### Emergency Preparedness and Response

- Does the company's emergency preparedness and response plan take into account risks and impacts from project activities to local communities? Does this include the requirement to inform affected communities of significant potential hazards in a culturally appropriate manner?

##### Security Personnel Requirements

- Does the company engage security personnel to provide security services at their facilities? If yes, do the contract provisions include guidelines on how security personnel shall interact with communities in close proximity to the facility?
- Are security personnel armed? If yes, has the company provided training on the appropriate conduct towards workers and the nearby communities? Have there been

any allegations of unlawful and/or abusive acts by security personnel towards workers or nearby communities? If yes, how were these dealt with by the company?

#### IV.4.1.11 PS 5: Land Acquisition and Involuntary Resettlement

##### Project design

- Is there any land acquisition for the proposed investment? If yes, what was the previous use of the land and how was the land acquired? Was the land acquisition managed by the government?

##### Compensation and Benefits for Displaced Persons

- Has there been any physical and/or economic displacement and resettlement as a result of land acquisition for this project? If yes, provide detailed information with regard to the type of displacement and the displaced persons and communities.
- Has the company engaged with the displaced persons and communities and/or provided opportunities to derive appropriate development benefits from the project? If yes, provide details.

##### Consultation and Grievance Mechanism

- Has the company disclosed all relevant information, consulted with affected persons and communities and facilitated their informed participation in the decision making process relating to resettlement?
- Has the company established an effective grievance mechanism?

##### Resettlement Planning and Implementation

- Has the company considered alternative designs to avoid or minimize economic and physical displacement?
- Has the company identified persons to be displaced by the project and those eligible for compensation and assistance through a baseline census with appropriate socio-economic baseline data? Has the census established the status of displaced persons according to their legal rights or claim to land?
- Has the cut-off date for eligibility been established or disseminated?
- Has the company prepared a Resettlement Action Plan (RAP) or resettlement framework (if physical displacement is involved) that mitigates the negative impacts of displacement, identifies development opportunities and establishes entitlement for all affected persons?
- Has the company (if economic but not physical displacement is involved) developed procedures to offer compensation or other assistance that will establish entitlement for affected persons or communities? Has this included providing replacement property, compensation, targeted assistance and/or transitional support in accordance with PS 5

requirements?

#### Private Sector Responsibilities under Government-Managed Resettlement

- Was resettlement managed by the government? If yes, has the company supplemented government actions and bridged the gaps (if applicable) between the government-assigned entitlements and procedures and the requirements of this PS?

#### **IV.4.1.11.1 PS 6: Biodiversity Conservation and Sustainable Natural Resource Management**

##### Protection and Conservation of Biodiversity

- Has the company identified and addressed the impacts on biodiversity as part of their operations?
- Will modified, natural and critical habitat (as defined by PS 6) be impacted by the company's activities?
- In the case of natural habitat, has the company considered alternatives and adequately mitigated any potential degradation?
- In the case of critical habitat, has the company suitably determined that there will be no measurable adverse impact on species or habitat?
- Does the company conduct any operations in legally protected areas? If yes, has the company addressed the requirements for legally protected areas outlined in PS 6?
- Has the company identified any alien species which may be intentionally or unintentionally introduced through its activities? If intentional introduction of alien species is planned, has this received appropriate government regulatory approval?

##### Management and Use of Renewable Natural Resources

- Has the company identified renewable natural resources which it will use, and committed to managing them in a sustainable manner?
- In the case of projects in natural and plantation forests, has the client obtained independent certification to ensure that these natural forests and plantations are being managed sustainably? If no, or pending then has a time-bound phased action plan been developed to achieve such certification?
- In the case of projects in freshwater and marine environments, has the client obtained independent certification of the sustainable management of these aquatic resources, or provided other independent studies to show these resources are sustainably managed?

#### **IV.4.1.12 PS 7: Indigenous Peoples**

##### Avoidance of Adverse Impacts

- Is it likely that Indigenous Peoples (IPs) will be adversely impacted as a result of the project's operations? Does the ESIA conducted by the company identify the adverse impacts to IPs and identify ways to avoid these where possible?

- Has the company compensated in a culturally appropriate manner consistent with the guidance provided in PS 7.

#### Consultation and Informed Participation

- Has the company established a process for Informed Participation through an FPIC process centered on mitigation measures, sharing of developmental benefits and opportunities and implementation issues as outlined in PS 7?

#### Impacts on Traditional or Customary Lands under Use

- Has the company informed IPs of their rights according to national laws including those recognizing traditional/customary rights?
- Has the company offered at least compensation and due process to those with full legal title to land together with culturally appropriate development opportunities?
- Has the company provided land-based compensation or compensation-in-kind in lieu of cash compensation where feasible?
- Has the company entered in good faith negotiations with affected communities and documented their informed participation and the successful outcome?

#### Relocation of Indigenous Peoples (IPs) from Traditional or Customary Lands

- Has the company conducted a successful good faith negotiation, applied the requirements of the Performance Standards and, where feasible, ensured that IPs can return to their traditional or customary lands should the reason for their relocation cease to exist?

#### **IV.4.1.12.1 PS 8: Cultural Heritage**

##### Protection of Cultural heritage in Project Design and Execution

- Is the project located in an area where cultural heritage is expected to be found? If yes, has a Chance Find Procedure been established as outlined in PS 8?
- Is it possible that the project may affect cultural heritage or has critical cultural heritage been identified where significant damage is unavoidable? If yes, has the company complied with the requirements of PS 8?
- Is the project located in a legally protected area or a legally defined buffer zone? If yes, has the company complied with requirements of PS 8?

##### Project use of Cultural Heritage

- Has the company identified proposed project use of cultural resources, knowledge, innovations, or practices of local communities embodying traditional lifestyles for commercial purposes? If so, has the client informed these communities of:
  - their rights under national law

- the scope and nature of the proposed commercial development
- the potential consequences of such development
- If commercialization has proceeded, has the client:
  - entered into good faith negotiation with the affected community embodying traditional lifestyle
  - documented their informed participation and successful outcome of the negotiation
  - provided fair and equitable sharing of benefits from commercialization

**ANNEX 5: E&S RISK SUMMARY**
**TEMPLATE**
**IV.5 ENVIRONMENTAL AND SOCIAL RISK SUMMARY**

Environmental Risk Category:	Social Risk Category:	Overall E&S Risk Category:
[specify]	[specify]	[specify]

**The Summary of E&S Due Diligence:**

Regulatory compliance:	[State if the client is fully compliant, partially compliant or non-compliant and provide details on major permits/licenses]
Key E&S issues (risks) identified and how the client manages them:	[List in a bullet form any major E&S issues and add comment for each on the client's approach to mitigating the issue or minimizing the negative impact. Comment briefly on unresolved issues that require improvement.]
Required actions, if any (for Medium & High Risk transactions):	[Specify proposed mitigation measures DBJ will require the client to implement]

**EXAMPLE**
**Results of the Environmental & Social Due Diligence:**

Environmental Risk Category:	Social Risk Category:	Overall E&S Risk Category:
Low	Medium	Medium

**The Summary of E&S Due Diligence:**

Regulatory compliance: (compliant)	Compliant. The client appears to be operating within the conditions of valid Environmental and other required permits and in compliance with relevant local and national laws and regulations.
Key E&S issues (risks) identified and how the client manages them:	<ul style="list-style-type: none"> <li>The facility has been operating in the same area for over 15 years now without any Stakeholder grievance.</li> <li>Dust issues are a potential risk to employees, but the client has installed exhaust filters to capture particles arising from the work processes.</li> <li>Certain aspects of the work process present safety risks to employees (e.g., cutting, drilling, chemical handling), but the client provides its workers with personal safety equipment such as mask, gloves, rubber boots, eye goggles, etc. to prevent any injuries.</li> <li>In one of the operations areas there is the potential for vapors to reach dangerous concentrations during periods of high activity.</li> </ul>
Required actions:	<ul style="list-style-type: none"> <li>Client to install exhaust hood within 90 days of loan disbursement.</li> </ul>