



Development Bank of Namibia Environmental and Social Management (ESM)

ESM and sustainable banking

Sustainable banking is an initiative to provide products and services that consider environmental and social impacts of financing activities with potential negative impacts on the environment, people and communities.

The Development Bank of Namibia (DBN) is committed to inclusive, sustainable economic growth, that ensures environmental, climate, occupational health & safety and social risks are reduced during the appraisal process. In doing so, the Bank has implemented an environmental and social management system (ESMS).

The aim of the ESMS is to align DBN's processes to the requirements of the relevant Namibian environmental and labour laws, regulations and international best practices.

All projects that apply to DBN for finance are screened for environmental, occupational health & safety and social (E&S) risks, among others, in keeping with the Bank's ethos of causing no harm to Namibia.

Through systematic assessment of E&S risks and opportunities arising from client operations, the Bank facilitates management of the risk exposure.

Management of environmental and social risk offers the following benefits to the Bank and to our clients:

- Recognising and complying with environmental laws and regulations, and going beyond environmental compliance
- Helping the Bank and its customers to proactively avoid and / or manage any social and environmental risks likely to arise from a project or activity, by conducting social and environmental due diligence prior to loan approval, disbursement, and during the term of the loan agreement
- Promoting ongoing environmental and social risk management by borrowers
- Providing assurance to stakeholders that the Bank and its clients are committed to environmental and social management
- Showing environmental leadership in the client and Bank's industries

Environmental and social risks

Environmental and social risks are the potential negative consequences of an enterprise that result from the impacts (or perceived impacts) of an enterprise on the natural environment (i.e. air, water, soil) or humans (i.e. employees, customers, communities) in its area of influence.

1. **Environmental risks** are actual or potential threats of negative impacts on living organisms and environments as a result of effluents, emissions, wastes, resource depletion, etc., arising out of an enterprise's operational activities.
2. **Social risks** affect employees, people and communities that interact with enterprises. Examples include labour issues, human rights violations within the workforce, and corruption by company officials. Public health issues can also be a concern as they can impact productivity and worker morale.

Environmental and social risks can translate into direct monetary losses for enterprises and projects, and losses for DBN.

Stakeholder	Non-compliance threats	Potential compliance benefits
Employees	Strikes, sabotage	Retention, productivity
Government	Shutdown, delays	Licence renewal, expansion
Community	Poor reputation, protests	Support, community development
Financier	Increased cost	Reduced operational costs
Media	Negative publicity	Reputation benefits
Clients	Contract boycotts	Stable market
NGOs	Campaigns	Cooperation
Insurers	Loss of cover, increased premiums	Reduced premiums
Export Market	Market losses	Entrance to new markets

Consequences of unmanaged E&S risks

Financial impacts



E&S non-compliance can create financial pressures on a client that impact its performance, which may reduce the value of the business or ability to service a loan, resulting in the loan being restructured or written off. Where the bank holds collateral or own assets (e.g. during security enforcement procedures) that become associated with poor E&S performance, they may also face costs related to the impairment of the saleability or value of that collateral.



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Legal impacts

In some cases, the enterprises may be held legally liable if they are deemed to be legal owners of assets or responsible for activities that cause damage to the environment, human health or property. This can lead to fines that affect profitability or legal halting of operations.



Impact on reputation

If an enterprise is involved in E&S incidents, the enterprise may face negative media and stakeholder attention. This can result in public campaigns against the enterprise, loss of retail and/or business customers, and may even impact market value.

Occupational health and safety

DBN recognizes that clients should promote sound worker-management relationships and enhance the development benefits by treating employees fairly, and by providing safe and healthy working conditions as stipulated in the Namibian Labour Act, No. 11 of 2007, in conjunction with Regulation 156, (Regulations relating to the health and safety of employees at work) by:

- Promoting fair treatment, non-discrimination and equal opportunities for employees
- Protecting employee rights, especially vulnerable employees such as women, persons with disabilities, migrant and contract workers
- Promoting a healthy and safe working environment
- Preventing the use of all forms of forced and/or child labour
- Providing employees with accessible means to raise workplace concerns
- Adhering to fair remuneration and labour practices

Risk categorisation and required documents

Projects are categorized based on the impact that they will have on the environment, health and safety and social aspects.



High risk projects

Projects that are likely to cause significant and / or irreversible, severe environment and / or social impacts, or significantly affect environmental or social components that are considered sensitive:

- **Examples:** service stations, township developments and infrastructure projects
- **Requirements:** these projects are Listed Activities under the

Environmental Management Act No 7 of 2007 and its Regulations of 2012, and require a full Environmental Impact Assessment, Environmental Management Plan and an Environmental Clearance Certificate



Medium risk projects

Projects that are likely to have detrimental environmental and / or social impacts that are less severe.

- **Example:** light industrial factories.
- **Requirements:** submit a Scoping Report, Environmental and Social Management Plan (ESMP)/Environmental Management Plan (EMP) and Environmental Clearance Certificate (ECC)



Low risk projects

Projects that are not likely to directly or indirectly affect the environment adversely and are unlikely to cause major social impacts.

- **Examples:** consultancies and service industries
- **Requirement:** submit an Environmental and Social Management Plan (ESMP)

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