



## DBN Environmental and Social Management Policy

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**Approval:**

Signed on behalf of the document approver: \_\_\_\_\_

A handwritten signature in black ink, appearing to read 'S. van Zyl', is written over a horizontal line.

Signed on 17 Feb 2023, 12:53 CAST

Sarel van Zyl

Board Chairperson

13 February 2023

***Name***

***Designation***

***Date***

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V012021			Updates based on review against international best practice and KfW's requirements	IBIS Consulting & Manager: Environmental and Social Development
V012023			Update based on review of gender and social inclusion best practice and GCF requirements	SouthSouthNorth & (Manager: Research & Product Development)

**B. TRIGGERS FOR POLICY REVIEW (TICK ALL THAT APPLY)**

<input checked="" type="checkbox"/>	Standard review is timetabled as per the Policy Matrix		
<input checked="" type="checkbox"/>	A gap has been identified		
<input checked="" type="checkbox"/>	Additional knowledge or information has become available to supplement the policy		
	External factors such as:		
	Policy is no longer relevant/current due to changes in external operating environment		There are changes to laws, regulations, terminology and/or government policy
<input checked="" type="checkbox"/>	Changes to funding environment, including requirements of funding bod(y)ies		
	Internal / organisational factors such as:		
	A stakeholder has identified a need, e.g. by email, telephone etc.		A serious or critical incident has occurred, requiring an urgent review
	Need for consistency in service delivery across the organization		Separate, stand-alone policy is now acceptable
	A near miss has occurred, requiring a review to prevent a serious/critical incident in the future		
	Other (please specify):		

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**DEFINITIONS, ACRONYMS AND TERMS USED**

AFDB	African Development Bank
BARC	Board Audit Risk Committee
DBN	Development Bank of Namibia Limited
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DAE	Direct Access Entity accredited by the GCF
EHS	Environmental, Health and Safety
ESP	Environmental and Social Policy
ESMS	Environmental and Social Management System
ESMPs	Environmental and Social Management Plans
GCF	Green Climate Fund
GESI	Gender Equity and Social Inclusion
HPP	Harambee Prosperity Plan
IFC PS	International Finance Corporation Performance Standards
ILO	International Labour Organisation
NDP5	National Development Plan 5
RCMC	Risk and Compliance Management Committee
UN	United Nations

## 1. POLICY INTRODUCTION

The Development Bank of Namibia (DBN) is committed to inclusive and sustainable growth of the Namibian economy, including contributing to the achievement of the goals set by Namibia's Vision 2030<sup>1</sup>. The underlying fundamentals of this policy are to balance short-term gain with long-term development and sustainability.

In alignment with National Development Plan 5 (NDP5), the Industrial Policy of 2012 and the Harambee Prosperity Plan (HPP), DBN regards financing of large infrastructure projects and lending to Small to Medium Enterprises (SMEs) in the manufacturing, tourism, transport, and logistics infrastructure sectors in Namibia to be of great importance. The Bank will also consider funding projects in other sectors where financial sustainability and development impact can be proven. For further details on deliberate business strategies to achieve significant growth in these sectors, please refer to the DBN Business Plan.

The DBN also recognises the critical role that risk management of environment and social (E&S) factors plays in achieving its objectives and maximising long-term value for its stakeholders, from a financial, environmental, and social returns perspective. The underlying fundamentals of this DBN Environmental and Social Policy (ESP) are to balance short-term financial gain with long-term development and sustainability.

Furthermore, the DBN recognises that attaining development impact specifically in relation to Gender Equity and Social Inclusion (GESI) requires the Bank moves beyond viewing E&S factors primarily from a risk identification and management approach to a proactive approach that seeks out opportunities for investments to respond to environmental and social injustice and attain transformative outcomes. To this end, the DBN ESP presents the departure point for mainstreaming GESI throughout the Bank's policies and procedures.

### 1.1. Purpose of the policy

This ES Policy (ESP) frames DBN's commitment to E&S, including DBN's E&S principles and standards and how E&S considerations are incorporated into day-to-day business activities and transactional processes and decision making. This policy forms the basis for the Bank's Environmental and Social Management System (ESMS). The Bank's ESMS policies and procedures are aligned to national E&S laws and regulations and international best practice in terms of identifying, managing, and monitoring E&S issues, and proactively

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<sup>1</sup> A comprehensive framework to fundamentally transform the Namibian political and economic landscape in areas such as land reform, housing, the environment, health, education and building an economy that provides equal opportunities for all.

addressing GESI in its projects and investments. The Bank's ESMS policies and procedures are aligned to national E&S laws and regulations and international best practice in terms of identifying, managing, and monitoring E&S issues.

## **1.2. Scope of the policy**

The DBN has prioritised sustainable business practices since the Bank's inception. These entails providing responsible financing while gaining the best possible financial returns and contributing to improved outcomes for clients, society at large and the environment. This policy lays the foundation for the Bank's risk management framework from an E&S perspective, to avoid harm and protect value through its financing. The policy is complimentary to other risk functions within the Bank and covers DBN's E&S undertakings, policy statements, E&S requirements, and governance structures.

The ESP applies to all DBN business activities, including any new and existing clients as part of the Bank's loan book. ESP provides guidance for DBN to adopt and mainstream GESI best practices across the organisation, for the purposes of addressing GESI towards attaining transformative developmental outcomes. The application of GESI related procedures will initially be in relation to investments made with key development partners and funders such the Green Climate Fund (GCF). As the DBN attains experience in relation thereto, it will become possible to begin to apply such best practices across the rest of the Bank's portfolio.

## **2. POLICY UNDERTAKINGS**

### **2.1. Systematic integration of E&S factors and client support**

The DBN is committed to guaranteeing that its operations are aligned with the Bank's ESMS, which enables the Bank to apply a consistent and robust approach to E&S integration. This includes identifying and assessing E&S risks and impacts for all loan/project applications as early as possible in the transactional process and throughout the transaction lifecycle.

As part of this approach, the DBN will categorise each client/project based on E&S risk and also apply an exclusion list. DBN and its clients will not fund or be involved in excluded activities as stipulated in the Bank's Exclusion List (refer to *ANNEX I*). Where the DBN Exclusion List is less stringent than those of its funders, due care will be taken to ensure that the portfolio complies with their Exclusion Lists, unless this has been waived by the DBNs funders for specific strategic transactions. E&S risk appraisals will be conducted, in

conjunction with Bank's other risk processes, according to the level of risk that the client poses to the Bank and in accordance with local and national laws and standards and international best practice (see *Section 2.2* below).

Importantly, key findings from this process will be filtered into the Bank's decision-making processes such as the Risk and Compliance Committee, as well as incorporating E&S provisions into loan agreements.

The DBN's clients are diverse and span across all of Namibia's economic sectors, and therefore their level of E&S risk exposure and ability to manage E&S issues will vary. As such, the DBN is committed to providing its borrowers with technical and financial guidance and support to enable compliance with the requirements under the DBN ESMS. As such, during the duration of the loan period, the DBN will provide effective audit, monitoring and management of E&S issues as enshrined in its ESMS. This involves monitoring of Environmental and Social Management Plans (ESMPs) and / or corrective action plans that may be agreed upon with clients, performing on-site monitoring inspections, among other activities.

E&S reporting of the Bank and its client portfolio performance shall be conducted to drive progress against E&S objectives, facilitates regular and transparent disclosures of the Bank's E&S efforts, activities and progress to investors, and enable effective communication of E&S information to all other stakeholders. This will also support the DBN in setting new organisational objectives and strategies related to E&S management.

Lastly, the Bank shall undertake periodic review of the DBN ESP and associated ESMS to ensure relevance, applicability, and alignment to funder requirements and international best practice.

## **2.2. Applicable E&S laws and standards**

DBN and its clients are expected to adhere, at a minimum, to the following E&S requirements:

- DBN Exclusion List;
- Applicable national and local E&S laws and regulations, including,
  - Namibian Environmental Management Act No 7 of 2007 and its regulations as per Government Notice No 28-30 of 06 Feb 2012;
  - Labour Act No 11 of 2007 and No 156 Labour Act 1992 Regulations relating to the health and safety of employees at work
- International Labour Organisation (ILO) Labour Conventions
- International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012);



- IFC Interpretation Note on Financial Intermediaries (FIs) (2018); and
- The World Bank Group Environmental, Health and Safety (EHS) General and Sector Specific Guidelines (2007).

DBN shall not provide financing to any client that in its reasonable opinion will not meet its minimum applicable E&S requirements over the lifespan of the loan. In addition, the Bank reserves the right to invoke other national laws and regulations as well as international standards, principles and / or guidelines as deemed appropriate.

### **3. POLICY STATEMENTS**

#### **3.1. Transparency, good governance, and inclusivity**

DBN promotes strong corporate governance policies and practices to support organisational transparency and accountability, and exhibits honesty, integrity, fairness, and respect in all dealings. As such, DBN and its clients are required to engage in meaningful and transparent consultation with relevant stakeholders (i.e., affected communities and interested parties) on issues that may affect them and are associated with the Bank's lending. This seeks to ensure that the rights, dignity, culture, and way of life of interested and affected parties are respected, observed, and maintained.

Consultation and participation practices will be carried out in line with the Namibian Environmental Management Act, Act No. 7 of 2007, and its Regulations (2012) and with any subsequent regulations made under this Act as well as applicable international E&S standards and requirements of lenders. This includes the IFC Performance Standards, Operational Standards of the AfDB as contained in the AfDB's Integrated Safeguard Standards and any additional standards as specified by other lenders to DBN. Specifically, DBN recognises the GCP's Gender Policy and supporting documents as providing guidance for mainstreaming GESI best practices investment/project design and delivery.

All engagement processes must ensure that affected, and especially vulnerable groups, can participate in decisions in a free, prior, and informed manner.

#### **3.2. Gender Equity and social inclusion**

Poverty, gender inequality, vulnerable and marginalised groups, and the impacts of ecological degradation are often interrelated. The impacts of climate change will be felt hardest by vulnerable groups without access to

resources. DBN is committed to considering human rights, gender inequality, social inclusion, and poverty when carrying out assessments of potential clients, and investments potential clients, as well as post-disbursement through to implementation, monitoring, and close-out.

As part of this, DBN as well as its clients and partners will identify, assess, avoid / mitigate and/or address gender inequality, potential human rights, or poverty infringements in business activities (including within supply chains and contractor management) in line with the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations (UN) Guiding Principles on Business and Human Rights and International Bill of Human Rights. This also extends to promoting gender equity and empowerment in remuneration, hiring and procurement practices and elimination any form of gender-based violence or discrimination in respect of employment and other business practices.

DBN will give special consideration to potential impacts felt by marginalised groups who are vulnerable to human rights abuses and other forms of social and environmental injustice; including, women, ethnic or religious minorities, children, disabled persons, and migrant workers. As part of the DBN's E&S assessment process, where there is any potential for negative GESI outcomes, a GESI Assessment must be undertaken, and if the transaction is approved, a GESI Action Plan must be developed, implemented, and reported against. DBN recognises that as part of its developmental mandate, it will go beyond a risk identification and management approach to GESI matters and will instead foster a proactive approach that seeks out opportunities for investments to respond to environmental and social injustice and attain transformative outcomes. To this end, transaction appraisal forms will include a section outlining the opportunities for projects/investments to contribute positively towards GESI outcomes.

### **3.3. Labour and working conditions**

The DBN is committed to respecting workers' rights as one of the keystones for developing a strong and productive workforce. As such, that DBN and its clients need to ensure safe and humane working conditions, equal treatment of all workers and encourage positive worker-management relationships. This involves ensuring compliance with Namibia's Labour Laws and Regulations. DBN will proactively work with its clients to ensure these local and national requirements, as well as internationally accepted occupational health and safety standards and the IFC Performance Standard 2 (Labour and Working Conditions) and ILO Core Labour Standards are met.

### **3.4. Occupational health and safety**

DBN recognises the importance of providing a safe and healthy work environment for all stakeholders, considering inherent risks associated with the manufacturing, transport and logistics, and tourism and hospitality sectors which the Bank finances. This includes physical, chemical, biological, and radiological hazards, and specific occupational hazards to women and vulnerable groups.

Consequently, the Bank and its client will promote safe working conditions for all employees and take proactive steps to prevent accidents, injuries, and diseases arising from, associated with, or occurring in the course of work, by minimizing, as far as reasonably practicable, the causes of hazards. This is consistent with Namibia's Labour Act (2007) and good international industry practice such as the World Bank Group Environmental, Health and Safety (EHS) Guidelines and IFC Performance Standards.

### **3.5. Environmental responsibility**

The DBN recognises that its impact on the environment goes beyond the office and travel-related business activities, and extends to the activities of our clients, projects in which DBN is invested. As such, the Bank and its clients shall implement a precautionary approach to environmental challenges, support sustainable initiatives to promote greater environmental responsibility, and engage in activities that promote the equitable use of natural resources with consideration of the impacts on generations to come, and where possible, harness environmentally friendly technologies to reduce our environmental impact.

This involves complying with, and exceeding, relevant regulatory requirements and other compliance obligations, namely the Namibian Environmental Management Act, Act No. 7 of 2007, and its Regulations (2012) and IFC Performance Standards, specifically PS 3: Resource Efficiency and Pollution Prevention.

### **3.6. Climate change**

The DBN acknowledges the spectrum of risks and impacts posed by climate change on its business and those of its clients, and shall look to decrease its contributions towards climate change wherever possible. This includes driving opportunities to mitigate against climate change, reduce the Bank's and its stakeholder's vulnerability to climate change, and build resilience to the impacts of climate change. Core to this commitment is integrating the recommendations of the Task Force on Climate-related Disclosures (TCFD) into the way in which the Bank operates, including measures to identify, assess and manage climate related risks across its loan book.

DBN further recognises the role it plays in supporting the just transitions required across many sectors in Namibia in order to advance a low-emissions, climate resilient, and equitable economy.

As part of the DBN's E&S assessment process, a climate change susceptibility assessment has been integrated. Furthermore, transaction appraisal reports will include a section outlining the opportunities for projects/investments to contribute towards climate change adaptation and mitigation outcomes. In addition, the Bank encourages clients to develop projects that either have a positive impact on climate change or minimise the impact on climate change as much as possible. Furthermore, the DBN will ensure that clients plan and account for the costs related to the inclusion of mechanisms to address the mitigation of impacts on climate change.

DBN recognises that in attaining accreditation as a GCF Direct Access Entity (DAE) the Bank will need to play an active role in the sourcing, developing, implementing, monitoring, and reporting on investments/projects with a positive climate change adaptation and mitigation focus.

### **3.7. Grievances and dispute resolution mechanisms and communication**

As part of the Bank's approach to stakeholder engagement, the DBN and its clients will implement, and maintain stakeholder grievances and external communications mechanisms to enable efficient response and management of complaints (i.e., resolve concerns promptly using an understandable and transparent consultative process, and use of independent support as relevant). This allows DBN and clients to remain abreast of stakeholder ESG-related concerns, safeguard relationships with stakeholders, reputations and brand value and maintain a social license to operate.

Grievances are to be dealt with in line with the appeal process for loan applications, whereby aggrieved parties have the right to formally appeal to the CEO of the DBN. Should this process fail to produce results satisfactory to both parties, the parties may elect to carry out a separate process through mediation and arbitration in Namibia.

## **4. POLICY GOVERNANCE**

### **4.1. Policy Implementation**

The DBN management, supported by the Risk and Compliance function, is responsible for the implementation of this policy in their respective business unit. Risk and Compliance will facilitate and co-ordinate the implementation of this policy on a DBN-wide basis. The Head: Risk and Compliance and the Environmental Manager are responsible for the day-to-day management of these risks and implementation (and maintenance) of the ESMS.

The overall responsibility of dealing with E&S risks will lie with the DBNs Board, who will be supported through regular updates from the Board Audit and Risk Committee.

### **4.2. Ownership and Review**

Ownership of this policy is vested with the DBN Board of Directors ("the Board"). The Risk & Compliance function will, at least once every three (3) years, coordinate a revision to keep the policy up to date. Changes may be affected as and when E&S laws and standards change or legislative amendments are made.

### **4.3. Approval by Board**

This policy is approved by Board of Directors. Management should ensure that this policy is implemented within their respective areas of responsibility.

**ANNEX 1: DBN EXCLUSION LIST**

The Development Bank of Namibia (DBN) will not invest in any of the following activities:

- Production or trade in any product or activity deemed illegal under Namibian laws or regulations or international conventions and agreements that Namibia is signatory to;
- Production or trade in pharmaceuticals, chemical compounds and other harmful substances subject to international phase-outs or bans, including pesticides classified as Class Ia (extremely hazardous), Ib (highly hazardous) or II (moderately hazardous);
- Production or trade of ozone-depleting substances subject to international phase-out;
- Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Commercial logging operations for use in primary rain forest;
- Production or trade in wood or other forestry products than from sustainably managed forests. This specifically excludes wood harvested as part of controlled debushing exercises aimed at invader bush throughout Namibia;
- Production and trade in weapons and munitions;
- Production or trade in alcoholic beverages (excluding beer and wine), when these products form a substantial part of a company's primary operations, or a financial institution, investment fund or company's financed business activities. "Substantial" means more than 10 % of a financed institution's/company's consolidated balance sheet or earnings. For Financial Institutions, "Substantial" means more than 10% of a Financial Institution's underlying portfolio volume;
- Production or trade in tobacco;
- Gambling, casinos and equivalent enterprises, when these products form a substantial part of a company's primary operations, or a financial institution, investment fund or company's financed business activities. "Substantial" means more than 10 % of a financed institution's/company's consolidated balance sheet or earnings. For Financial Institutions, "Substantial" means more than 10% of a Financial Institution's underlying portfolio volume;
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content <20%;
- Drift net fishing in marine environment using nets in excess of 2.5km in length;
- Production and activities involving harmful or exploitative forms of forced labour and/or child labour as defined by national regulations; and
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Production of pearls, precious stones, platinum, gold and related products (includes production of basic precious metals, production and refining of unwrought to wrought precious metals from ore and scrap, production of precious metal alloys, production of precious metal semi-products, production of silver or gold rolled onto base onto base metals, production of platinum and platinum group rolled onto gold, silver or base metals, manufacturing of wire of these metals by drawing and manufacturing of precious metal foil laminates)

- Extraction of diamond and precious stones Enrichment of uranium and thorium ores and / or production or trade in radioactive materials, with the exception of medical materials and quality control equipment where the radioactive source is trivial and adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

**Third party funder exclusions:**

- If the DBN Exclusion List is less stringent than the exclusions of its funders, due care will be taken to ensure that the portfolio funded by these funders is properly ring-fenced and that it at all times complies with their Exclusion List, unless this has been waived by the DBN's funders for specific strategic projects.