



**Development  
Bank of Namibia**  
Expect more.

**ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM  
MANUAL**

**Approved September 2022**

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## C. Triggers for Policy Review (tick all that apply)

	Standard review is timetabled as per the Policy Matrix		
<b>X</b>	A gap has been identified		
	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

	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 organisation		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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## List of acronyms

AfDB	African Development Bank
DBN	Development Bank of Namibia
DEA	Department of Environmental Affairs
DAE	Direct Access Entity
EBRD	European Bank for Reconstruction and Development
EAP	Environmental Assessment Practitioner
EIA	Environmental Impact Assessment
EHS	Environmental, Health and Safety
ESAP	Environmental and Social Action Plan
ESCP	Environmental and Social Commitment Plan
ESIA	Environmental and Social Impact Assessment

ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
FI	Financial Institution
GCF	Green Climate Fund
GESI	Gender Equity and Social Inclusion
IFC	International Finance Corporation
ILO	International Labour Organisation
RAP	Resettlement Action Plan
E&S	Environmental and Social
TCFD	Climate-related Financial Disclosures
UNGPs	UN Guiding Principles on Business and Human Rights
VGGT	Voluntary guidelines on the responsible governance of tenure of land
WCD	World Commission on Dams
<b>Definitions</b>	
Environmental and Social	Covers all aspects of the environment, including biophysical, environmental, socio-economic, health and safety and climate risks and impacts
Environmental Assessment Practitioner	An independent practitioner who has the necessary qualifications and experience to conduct an Environmental Impact Assessment or other Environmental and Social work and as defined by Namibia's Environmental Management Act
Environmental Clearance Certificate	The Certificate issued by the Environmental Commissioner in terms of Namibia's Environmental Management Act in order for a project to be implemented.
Relevant Approval Authority	The DBN has various approval authorities in place for approving transactions depending on the funding amount required
Unreasonable E&S risks	Matters of non-compliance, especially where a standard has been set in the ESMP that will lead to undesirable

	consequences if left unattended. These risks will be prioritised according to the significance of the risk.
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## 1. INTRODUCTION

The Development Bank of Namibia (DBN) is committed to the inclusive and sustainable growth of the Namibian economy and seeks to balance short-term financial gain with long-term development and sustainability. As part of this, DBN recognises the critical role that risk management of environment and social (E&S) factors play in achieving its objectives and maximising long-term value for its stakeholders, from a financial, environmental, and social returns perspective.

In order to ensure that environmental, climate change, health and safety, and social risks and impacts are duly considered during transaction lifecycle and decision-making processes, the Bank has set up an Environmental and Social Management System (ESMS), which is outlined in this ESMS Manual document. The ESMS Manual includes the applicable requirements of the relevant Namibian laws and standards and international best practice pertaining to E&S issues that the Bank and its clients are expected to adhere to, as well as the ESMS procedures and tools that operationalise the system in the Bank's day-to-day business activities. This includes the ESMS procedures and tools that will be utilised to ensure that all clients/projects:

- are duly screened and considered for their E&S risk and impacts;
- are evaluated to ensure the appropriate level of E&S assessment and management is carried out to the satisfaction of all applicable legislation and standards; and
- are monitored to ensure that clients agreed upon E&S management measures are adhered to, and that they remain effective to address impacts for the lifetime that the DBN has a commitment via the loan.

In addition, the ESMS defines the E&S roles and responsibilities assigned to different personnel and functions across the organisation that have been tasked with supporting the successful implementation of the ESMS.

Importantly, the aim of the ESMS is to ensure that all clients/projects that obtain DBN funding act in keeping with the Bank's values around sustainability. For further details on DBN's E&S policy statements and specific undertakings made in terms of integrating E&S considerations into its business operations, please refer to the DBN E&S Framework Policy (*Error! Reference source not found.*).

The ESMS complements the DBN internal systems and functions and policies which may also deal with E&S aspects, including the risk and compliance processes, quality management system, KYC procedures, human resources management and crisis management, to name a few.



## 1.1. PURPOSE OF ESMS

This ESMS lays out the structure, policies, and processes for assessing and managing E&S risks across all of DBN's relevant business operations.

## 1.2. APPLICABILITY OF THE ESMS

The DBN ESMS applies to all of the Bank's business activities, including all clients existing and new clients of the Bank. However, please note that the ESMS will not be implemented retrospectively. At the time of facility renewal, E&S requirements must be integrated into the appropriate clients agreements irrespective of E&S risk categorisation and sectors/industries. In such cases, the Bank would cooperate with the client to ensure that the proposed corrective action plans are carried out. As a result, E&S terms that are deemed unachievable in a short period will be used as conditions subsequent. Compliance will be tracked, reported on, and kept on file for the client. This is because the Bank acknowledges legacy issues as well as emerging E&S risks that may arise because of the client's operations.

## 2. E&S LAWS AND STANDARDS AND REQUIREMENTS

### 2.1. Minimum standards and requirements

The DBN E&S risk management approach is based off a set of local, national, and international laws, standards and frameworks of which the Bank and all transactions will act in accordance with (and be reviewed and evaluated against). These E&S requirements, at a minimum, include the following:

- The DBN Environmental and Social Management Policy Framework (refer to *Error! Reference source not found.*).
- The DBN Exclusion Lists (refer to *Error! Reference source not found.*)<sup>1</sup>.
- The DBN PS 1 to 12 (as applicable) (refer to *Error! Reference source not found.*), as follows:
  - PS 1: Environmental and Social Management System Standard

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<sup>1</sup> Where the DBN Exclusion List is less stringent than those 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 and Lists, unless this has been waived by the DBNs funders for specific strategic projects.

- PS 2: Labour and Working Conditions Standard
- PS 3: Pollution Prevention and Control Standard
- PS 4: Occupational Health and Safety Standard
- PS 5 Land Acquisition and Involuntary Resettlement Standard
- PS 6: Biodiversity & Ecosystems Standard
- PS 7: Rights & Interests of Indigenous Peoples Standard
- PS 8: Cultural Heritage Standard
- PS 9: Greenhouse Gas Emissions & Climate Change Standard
- PS 10: Stakeholder Engagement Standard
- PS 11: Emergency Prevention, Preparedness and Response Standard
- PS 12: Gender Equality Standard
- Applicable Namibian E&S laws and regulations, including,
  - Namibian Environmental Management Act No 7 of 2007 and its regulations (2012) as per Government Notice No 28-30 of 06 Feb 2012, including requirements for Environmental Assessment and Public Consultation.
  - Labour Act No 11 of 2007 and No 156 Labour Act 1992 Regulations relating to the health, safety and welfare of employees at work.
- The 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).
- The World Bank Group Environmental, Health and Safety (EHS) General and Sector Specific Guidelines (2007).

## **2.2. Additional standards and requirement**

In addition to the above, certain transactions will call for the application of relevant E&S requirements of the DBNs funders. These include, but are not limited to:

- The African Development Bank (AfDB) Integrated Safeguards System (ISS) (2015) (African Development Bank).
- Voluntary guidelines on the responsible governance of tenure of land (VGGT) (KfW)

Development Bank).

- UN Basic Principles and Guidelines on Development-based Evictions and Displacements (KfW Development Bank).
- World Commission on Dams (WCD) (KfW Development Bank).
- UN Guiding Principles on Business and Human Rights (UNGPs) (2011).
- Equator Principles 4 (2020) (as applicable).
- Green Climate Fund (GCF)

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.

### **2.3. Specific to Climate Change**

Lastly, as a climate conscious bank which acknowledges that climate change and adaption is a pressing issue both nationally and globally, DBN will apply the recommendations of Task Force on Climate-related Financial Disclosures (TCFD) (2015), as applicable, to assess and manage the potential transition and physical risks of transactions financed by DBN. In addition, the DBN will provide financing to climate mitigation and / or adaptation projects and seeks to engage with other financiers to obtain additional funding to expand the availability of resources for this offering.

A key dimension to this is DBN's ability to leverage sources of international climate finance, such as from the GCF for blending and on-lending purposes to unlock investment opportunities that would otherwise not be financially feasible. To this end the Bank is pursuing accreditation as a GCF Direct Access Entity (DAE). Apart from its traditional role as a project-funder, it is recognised that developing, funding, and implementing GCF projects requires DBN to play a more active role as a project-developer. Specifically, application of the due diligence and best-practice requirements of the GCF in relation to identifying climate-related project investment opportunities, developing concepts and proposals, attaining GCF approval, and implementing, monitoring, and reporting on projects.

## 2.4. Specific to Gender Equity and Social Inclusion

Ensuring that such investments form part of the just transition to a low-emissions, resilient, and inclusive future for Namibia further underpins the Bank's approach towards mainstreaming Gender Equity and Social Inclusion (GESI) in the DBN Environmental and Social Management System. To this end, wherever relevant, this Manual and supporting Annexures integrate GESI aspects to promote gender equity, and gender and social responsiveness, in its business operations, as well as those of its clients and projects. This includes mitigating risks to woman, the youth, people with disabilities, Indigenous Peoples, and other minority and vulnerable groups. Furthermore, DBN's approach to GESI mainstreaming includes seeking opportunities within projects and investments to include positive social inclusivity outcomes that enhance equity and build resilience.

DBN recognises that emerging best practices pertaining to GESI matters are contained in the GCF Gender Policy and supporting documents. These have been mainstreamed throughout the DBN Environmental and Social Management System and must be applied where the GCF provides funds that are utilised for the development and implementation of investment opportunities and projects.

## 3. OVERVIEW OF DBN E&S RISK MANAGEMENT PROCESS

*Figure 1* and *Figure 2* on the next page provides a schematic representation of the basic E&S risk management procedures applied by the DBN. These describes the sequence of steps to ensure that E&S aspects are consistently and systematically integrated into the Bank's transaction lifecycle and decision-making processes, and appropriate to the E&S risks and impacts associated with the transaction in question.

The ESMS procedures and tools at DBN are divided into four stages for the management of E&S risks and impacts that arise during the transaction lifecycle. Each stage is an important step in DBN's integrated E&S approach to client's credit assessment. These include:

- **Initial Stage:** This involves all actions before or just after initial discussion with clients. It captures the screening against the Bank's exclusion list (qualification) and the E&S risk categorization of the transaction (to inform the subsequent stages). The requirements of funders are determined at this initial stage and are outlined for the remainder of the transaction cycle.

- **Evaluation Stage:** This includes all actions performed during client engagement including site visitations, desktop assessments, documentation review, etc. This includes the development of funded-project proposals for consideration by funders. Where deemed necessary, this includes undertaking of a Gender Equity and Social Inclusion Assessment (GESI Assessment) and developing a GESI Action Plan and Monitoring Framework.
- **Decision Making Stage:** This covers actions taken as a result of outputs from the evaluation of transactions. These decisions are taken by the requisite approval authority which is included in the loan agreement. This includes the external decision-making process of funders.
- **Monitoring Stage:** After the loan has been disbursed, all actions taken to monitor and report on the client's/project's E&S performance over the life of the loan. This includes monitoring and reporting in accordance with the requirements of funders.

GESI provisions are mainstreamed into each stage of the E&S Risk Management Process and must be applied where project funders, such as the GCF, require such. Additional tools and best-practice guidance for GESI mainstreaming are provided in the Annex 3: PS12-Gender Equity and Social Inclusion Standard.

If during the qualification and / or evaluation stages, the transaction is declined due to absence of documentation or lack of structure to manage potential E&S risks, the client is required to work with the DBN Environmental and Social Development team to ensure that the required document is obtained and risk(s) are acceptable for the bank. In a situation where this is not achieved, the bank could choose not to proceed with the specific transaction and ensure such decisions are recorded in the client's Credit File for future reference.

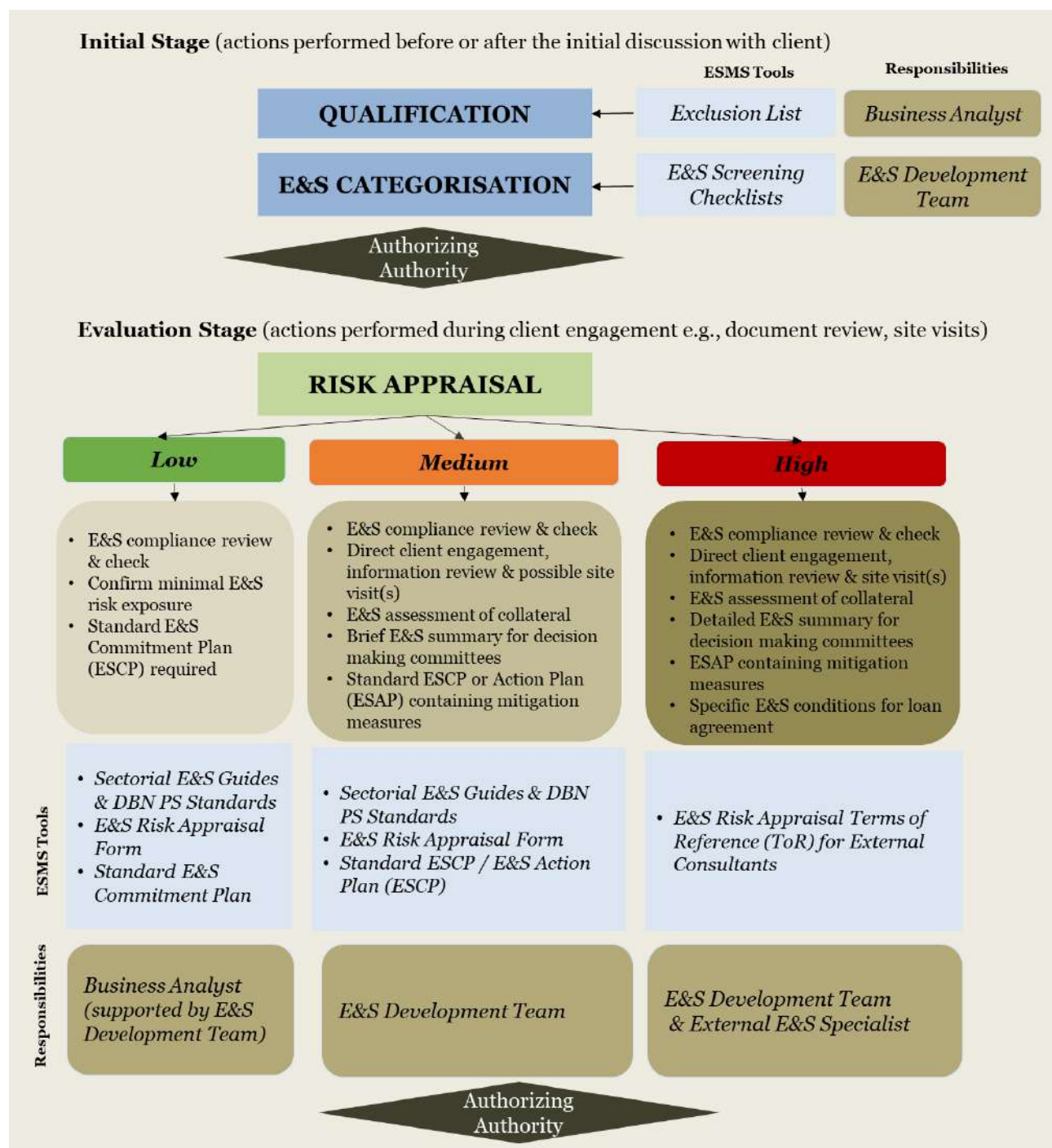


Figure 1: Step-by Step E&S management procedures: Identification and Appraisal Stages

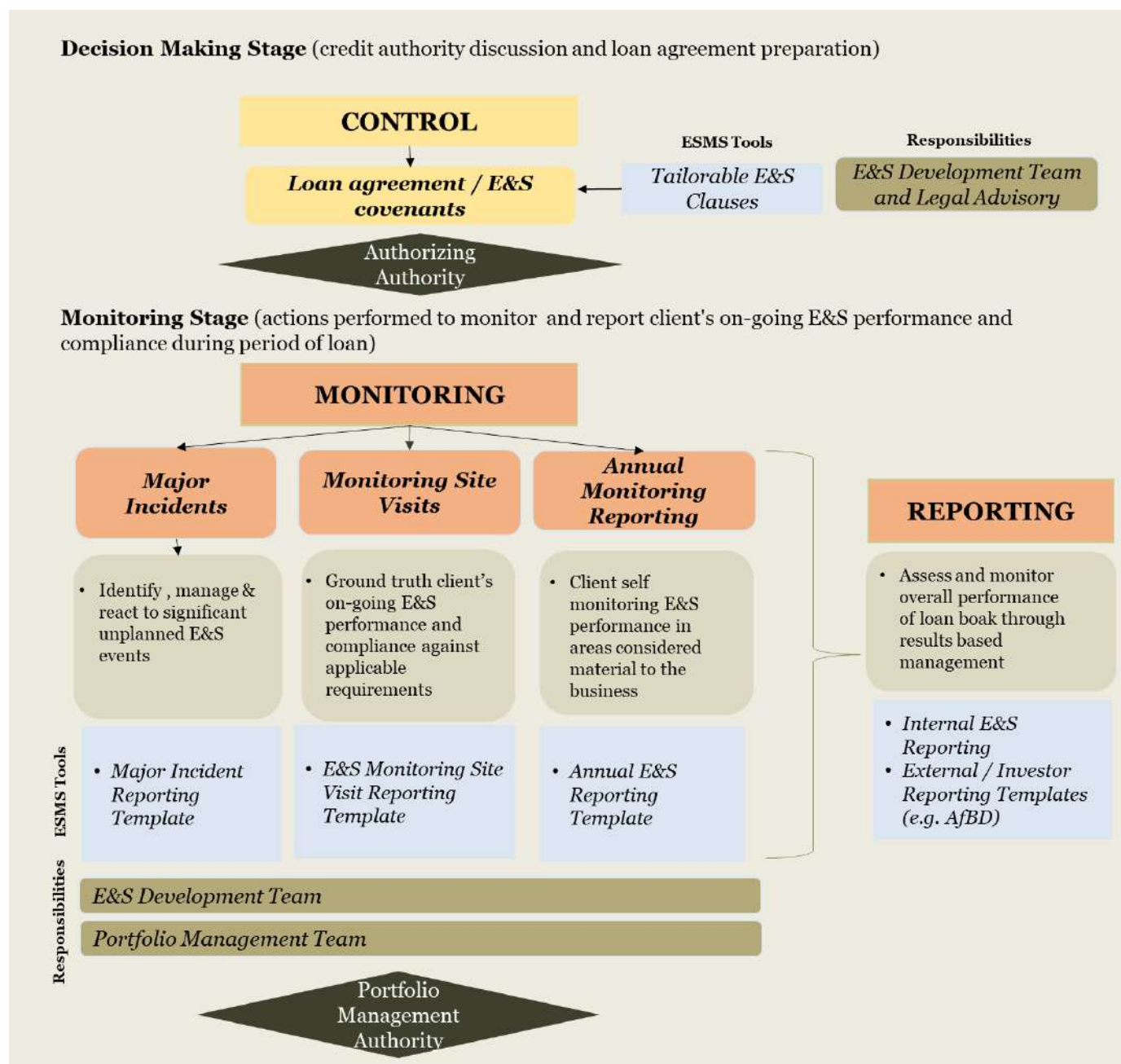


Figure 2: Step-by Step E&S management procedures: Decision & Monitoring

#### 4. E&S RISK MANAGEMENT STEPS

The step-by-step E&S Risk Management Procedures described below shall be applied to all the DBN transactions to ensure they are reviewed against, and compliant with, the applicable DBN E&S requirements (refer to **Section 2**). In addition to ensuring that the relevant information regarding E&S risks and impacts associated with a transaction is appropriately documented and provided to the Relevant Approving Authority to support informed decision making, from an E&S perspective.

**The DBN will:**

- Run these E&S procedures out of the Risk and Compliance Department by the Environment and Social Development Team (including the Manager and supporting Officers).
- Integrate the E&S procedures into the DBN credit appraisal processes and decision-making gates.
- Embed relevant information on E&S risks and impacts associated with transitions in loan appraisal documentation and Loan Agreements between the Bank and its clients.

#### STEP 1: Transaction Qualification

<b>WHAT</b>	<ul style="list-style-type: none"><li>• At the initial stage of the client inquiry, DBN will ensure that the activity to be financed is not excluded from financing under the DBN Exclusion List, or where relevant, the exclusion lists of funders.</li></ul>
<b>HOW</b>	<ul style="list-style-type: none"><li>• Responsible DBN staff member will evaluate the proposed transaction against the relevant exclusion list/s to identify any prohibited / excluded business activities.</li></ul>
<b>OUTPUT</b>	<ul style="list-style-type: none"><li>• If the proposed transaction involves an excluded activity, further consideration of financing will be terminated and if the project is of strategic and national importance it will be deliberated on at the weekly Management Credit and Investment Committee before a final decision is made to decline or engage financiers for consideration.</li><li>• If the proposed transaction is not excluded from financing, the Bank will proceed with the loan application processes.</li><li>• The status of the exclusion check for all transactions shall be documented and kept on the relevant client's credit file.</li></ul>
<b>TOOLS</b>	<ul style="list-style-type: none"><li>• DBN Exclusion List (refer to <i>Error! Reference source not found.</i>).</li></ul>



<b>WHO</b>	<ul style="list-style-type: none"> <li>Responsible DBN staff (e.g., Business / Investment Analyst, Portfolio Manager).</li> <li>Risk and Compliance Department (support as and when needed).</li> </ul>
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## STEP 2: E&S Risk Categorisation

<b>WHAT</b>	<ul style="list-style-type: none"> <li>When a proposed transaction does not involve an excluded activity, the responsible DBN staff will objectively determine the level of risk exposure associated with the proposed transaction and assign an preliminary E&amp;S risk categorisation (i.e. High, Medium or Low Risk).</li> <li>The E&amp;S risk categorisation is indicative of the likely level of E&amp;S risks and impacts associated with the proposed transaction and determines the appropriate level of E&amp;S risk appraisal (i.e., resourcing (internal or external), budget, scope, timelines, etc.)</li> </ul>
<b>HOW</b>	<ul style="list-style-type: none"> <li>Based on all available information to date, including the type of loan (i.e., amount, duration, etc) and client profile (i.e., sector of activity, stage of project lifecycle, etc) determine an appropriate risk category for the proposed transaction – guided by the DBN E&amp;S Risk Categorisation Criteria (refer to Table 1).</li> <li>Present E&amp;S risk categorisation and rationale as part of the credit application decision-making process.</li> </ul>
<b>OUTPUT</b>	<ul style="list-style-type: none"> <li>Based upon the preliminary risk categorisation, the responsible DBN staff will inform a) the Relevant Approval Authority to inform decision-making, and b) the prospective client of the Bank's E&amp;S requirements commensurate to the level of risks and their obligations to satisfying these.</li> <li>Loan applications will only receive go ahead once they have been endorsed by the Environment and Social Development Manager.</li> <li>Results of the E&amp;S risk categorisation will be documented in the Risk and Compliance Appraisal report and duly filed in client's Credit File.</li> <li>The Environmental and Social Development Team will note in the Risk and Compliance Appraisal report whether a GESI Assessment is required for the transaction.</li> </ul>
<b>TOOLS</b>	<ul style="list-style-type: none"> <li>E&amp;S Risk Categorisation Criteria (refer to</li> <li></li> <li>Table 1).</li> <li>E&amp;S Screening Tool containing: <ul style="list-style-type: none"> <li>E&amp;S Screening Checklist for Financial Institutions (FIs)</li> <li>E&amp;S Screening Checklist for Operating Assets / Projects (Non-FIs)</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Management Credit and Investment Committee (MCIC) E&amp;S Summary for Financial Institutions (FIs)</li> <li>○ MCIC E&amp;S Summary for Operating Assets / Projects (Non-FIs)</li> </ul>
<b>WHO</b>	<ul style="list-style-type: none"> <li>• Environment and Social Development Team (as part of the Risk and Compliance Department), supported by relevant Business Analyst, will perform the E&amp;S risk categorisation assessment.</li> <li>• The Environment and Social Development Manager will approve the preliminary E&amp;S risk categorisation assigned, and for medium to high risks, transaction and inform the Investment and SME Finance departments and ultimately the client of the conclusion drawn.</li> <li>• Relevant Approval Authority (e.g., Management Credit and Equity Investment Committee) will provide final sign off.</li> </ul>

All DBN transactions will be categorised based on the type of transaction (i.e. financing to non-financial institution or project versus financing through a financial institution) and according to the criteria outlined in E&S Risk Categorisation Criteria below (refer to Table 1).

Table 1:

DBN E&amp;S Risk Categorisation Criteria

High Risk Transactions		
	Non-Financial Institutions / Projects	Financial Institutions
Definition	<ul style="list-style-type: none"> <li>Client / project activities are likely to induce significant adverse environmental and / or social risks and / or impacts, or significantly affect environmental that are diverse, irreversible, or unprecedented or social components that are considered sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>A Financial Institutions (FI)'s existing or proposed portfolio includes, or is expected to include substantial financial exposure to business activities with potential significant adverse environmental and / or social risks and / or impacts that are diverse, irreversible, or unprecedented.</li> </ul>
Key Considerations	<ul style="list-style-type: none"> <li>High-risk greenfield operations and / or expansions of existing facilities transactions typically trigger a listed activity according to the Namibian Environmental Management Act (EMA) (2007) and require a full Environmental Assessment Process and authorised with an Environmental Clearance Certificate to commence operations.</li> </ul>	<ul style="list-style-type: none"> <li>If an FI's portfolio contains 20% or more high E&amp;S risk sectors / activities, it is typically defined as a high-risk transaction. (FI-1)</li> </ul>
Example Activities	<ul style="list-style-type: none"> <li>Any activity with a land use change or disturbance of virgin land</li> <li>Large infrastructure projects (e.g., railways, ports, harbours and terminals, airports, toll roads, long-distance pipelines, large dams, etc.),</li> <li>Extractive industries (e.g., oil &amp; gas, mining),</li> <li>Large scale primary agriculture &amp; heavy manufacturing (e.g., cement manufacturing, fertilizer production, petroleum refining, etc.),</li> </ul>	

Medium Risk Transactions		
	Non-Financial Institutions/Projects	Financial Institutions
Definition	<ul style="list-style-type: none"> <li>Client / project activities that are likely to have detrimental site-specific environmental and/or social impacts that are less adverse. Likely impacts shall be few in number, site specific, largely reversible, and readily minimized by applying appropriate management and mitigation measures or incorporating internationally recognized design criteria and standards.</li> </ul>	<ul style="list-style-type: none"> <li>When an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.</li> </ul>
Key Considerations	<ul style="list-style-type: none"> <li>Medium risk greenfield operations and / or expansions of existing facilities transactions typically require an Environmental Scoping Report according to the requirements of the EMA (2007) and its Regulations (2012) of Namibia and authorised with an Environmental Clearance Certificate to commence operations.</li> </ul>	<ul style="list-style-type: none"> <li>If an FI's portfolio contains 20% or less high E&amp;S risk sectors / activities, it is typically considered a medium risk transaction (FI-2).</li> </ul>
Example Activities	<ul style="list-style-type: none"> <li>Smaller scale infrastructure projects (e.g. moderate construction projects, upgrades to existing infrastructure, telecommunications, etc.).</li> <li>Hospitals and medical facilities of small to medium scale.</li> <li>Medium-scale food and beverage processing.</li> <li>Road-based logistics companies for non-hazardous cargo.</li> </ul>	

Low Risk Transactions		
	Non-Financial Institutions/Projects	Financial Institutions
Definition	<ul style="list-style-type: none"> <li>Client / project activities are not likely to directly, or indirectly, affect the environment adversely and are unlikely to induce adverse social impacts.</li> </ul>	<ul style="list-style-type: none"> <li>When an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.</li> </ul>
Key Consideration	<ul style="list-style-type: none"> <li>Typically, no environmental assessments are required according to the Namibian EMA (2007).</li> </ul>	<ul style="list-style-type: none"> <li>If an FI has a predominant focus (&gt;80% of total portfolio) on retail clients or micro businesses (FI-3).</li> </ul>
Example Activities	<ul style="list-style-type: none"> <li>Office-based businesses, professional services, (e.g., law firms, management consultants, accountants).</li> <li>Service industries</li> <li>Small educational facilities.</li> <li>Financial services, retail and personal banking (consumer loans, retail credit, mortgages, etc.).</li> <li>Insurance, etc.</li> </ul>	

### Potential E&S Risk Categorisation Upgrade

As a general rule, a higher risk category may be assigned when a proposed transactions presents i) contextual risks and ii) transaction specific activities involving land grab, the resettlement of people or the potential of affecting existing livelihoods, either directly (e.g. cultivated fields destroyed) or indirectly (fruit trees, wood or grazing used by nearby communities) and changing the land use of a particular land. Contextual risks refer to risks in the external environment at a country, sector or sub-national level that the client does not control but, which could negatively affect the ability of a client to meet the key E&S requirements of the Bank. An upgrade seeks to ensure that the appropriate level of interrogation into the E&S risks and impacts is undertaken.

As such, all potential clients are required to indicate in their loan applications if a proposed transaction includes these potential situations to ensure that a) the transaction does not involve land grab and /or that affected parties lose their land and livelihood as a result of such transactions; b) where involuntary resettlement is involved, the client complies with acceptable benchmarks; and c) whether there are communities that use the land for their livelihood and all this information must be contained in the Environmental Impact Assessment which must be submitted to the DBN at loan application.

The responsible DBN staff will also with the assistance of the Environment and Social Development Manager, if necessary, cross-check this information to ensure transparency.

**A categorisation tool** has been developed to support the team to objectivity assign a risk categorisation based on available information and tailored to the bank’s investment mandate. It may be used by DBN staff to categorise a transaction but should be done in collaboration with the Environment and Social Development Manager.

**Table 2** below provides a high-level illustrative example of how the E&S risk categorisation informs the reference framework, and level, scope, and requirements of the E&S risk appraisal **to be performed by the DBN.**

*Table 2: Applicable E&S Requirements for DBN*

	High Risk	Medium Risk	Low Risk
Reference Framework	<ul style="list-style-type: none"> <li>• DBN Exclusion List</li> </ul>	<ul style="list-style-type: none"> <li>• DBN Exclusion List</li> </ul>	<ul style="list-style-type: none"> <li>• DBN Exclusion List</li> </ul>
	<ul style="list-style-type: none"> <li>• Compliance with local environmental, health, safety and labour laws and regulations, and public disclosure requirements engendered therein</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with local environmental, health, safety and labour laws and regulations, and public disclosure requirements engendered therein</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with local environmental, health, safety and labour laws and regulations, and public disclosure requirements engendered therein</li> </ul>
	<ul style="list-style-type: none"> <li>• Additional E&amp;S standards and requirements (including those in place by lenders to the DBN) such as the IFC Performance Standards, World Bank EHS Guidelines, etc</li> </ul>	<ul style="list-style-type: none"> <li>• Additional E&amp;S standards and requirements such as the IFC Performance Standards, World Bank EHS Guidelines, etc.</li> </ul>	
Resources	<ul style="list-style-type: none"> <li>• Performed by an externally appointed specialist, supported by Environmental and Social Development Team) (unless adequate internal competency and expertise are available).</li> </ul>	<ul style="list-style-type: none"> <li>• Performed by competent and qualified internal resources (i.e., Environmental and Social Development Team), with external specialist input if required (e.g. instances of limited in-house capacity, expertise and/or specialist areas</li> </ul>	<ul style="list-style-type: none"> <li>• Performed by competent and qualified internal resources (i.e., Environmental and Social Development Team).</li> </ul>

Outputs		requiring interrogation).	
	<ul style="list-style-type: none"> <li>E&amp;S Action Plan (ESAP) and any specific E&amp;S conditions (including monitoring and reporting requirements).</li> </ul>	<ul style="list-style-type: none"> <li>ESAP and any specific E&amp;S conditions (including monitoring and reporting requirements).</li> </ul>	<ul style="list-style-type: none"> <li>Standard E&amp;S Commitment Plan (ESCP) as conditions precedent to draw down.</li> </ul>

### STEP 3: E&S Risk Identification and Appraisal

<b>WHAT</b>	<ul style="list-style-type: none"> <li>Ensure the proposed transaction complies with Namibian legislation and applicable DBN E&amp;S requirements, including, where relevant, the requirements of funders.</li> <li>Determine risk exposure associated with the proposed transaction to inform the DBN's decision-making processes.</li> <li>E&amp;S risk appraisal involves independently reviewing outcomes of any regulatory E&amp;S assessments, identifying and / or interrogating material E&amp;S risks and impacts potentially associated with the client's business activity, and appraising the client's capacity to responsibly manage E&amp;S issues.</li> <li>Determine whether the client's/project's risks and impacts can be mitigated and managed. This includes defining recommended avoidance measures, mitigation measures, and / or corrective actions for any risks and impacts identified, including any conditions precedent.</li> </ul>
<b>HOW</b>	<ul style="list-style-type: none"> <li>Commensurate to the level of risk associated with the proposed transaction, the E&amp;S risk appraisal can be based upon a desktop review, conversations with the client (i.e., direct client engagement), site visit(s), and / or based on the review by technically qualified experts (either client staff, independent third-party experts, or both).</li> <li>The types of risk appraisal undertaken by the Bank are detailed below, including the use of E&amp;S Appraisal Tools by the responsible DBN staff (refer to the risk related procedures (high, medium or low) below).</li> <li>Where deemed necessary in the Risk and Compliance Appraisal report, a GESI Assessment (as per the DBN Gender Equity and Social Inclusivity Standard) will be undertaken in line with the requirements of the relevant funders.</li> </ul>
<b>OUTPUT</b>	<ul style="list-style-type: none"> <li>Based on the risk appraisal findings, DBN will either confirm or modify the preliminary E&amp;S risk</li> </ul>

	<p>categorisation assigned. If it becomes evident that the preliminary E&amp;S risk categorization is not appropriate for the proposed transaction, it should be re-categorised (and the basis for that action documented).</p> <ul style="list-style-type: none"> <li>• The risk appraisal effort and findings should be sufficient that, when summarised by the DBN staff, it allows the Relevant Approval Authority to make an informed decision regarding the acceptability of the E&amp;S risks and impacts associated with the proposed transaction.</li> <li>• The responsible DBN staff must ensure all minimum, and any additional, applicable E&amp;S requirements are communicated to the prospective client.</li> </ul>
<b>WHO</b>	<ul style="list-style-type: none"> <li>• Environment and Social Development Team (as part of the Risk and Compliance Department).</li> <li>• External Consultant / Expert (as required).</li> <li>• Relevant Approval Authority (e.g., Management Credit and Investment Committee).</li> </ul>

The following three sections outline the steps undertaken by the DBN for low, medium, and high transactions, respectively. These procedures will be applied on a transaction-by-transaction basis.

### ***Low E&S Risk Transactions***

The following procedure shall be followed when a proposed transaction is categorised as low risk:

<b>WHAT</b>	<ul style="list-style-type: none"> <li>• E&amp;S risk appraisal will be limited to direct engagement with the client to discuss the DBN's minimum E&amp;S requirements and gauge the level of compliance with these. This includes basic applicable environmental, health, safety, and labour laws and regulations and DBN's Standard E&amp;S Commitment Plan (ESCP).</li> <li>• Define any specific E&amp;S conditions for the loan agreement.</li> </ul>
<b>HOW</b>	<ul style="list-style-type: none"> <li>• The responsible DBN staff will assess the prospective client's compliance against set minimum requirements by reviewing E&amp;S information and documentation provided through the loan application process as well as direct engagements with the client, where feasible.</li> <li>• Areas of non-compliance will be stipulated as condition precedents or a condition subsequent, depending on the severity of the non-compliance, in loan agreements. These conditions will be presented to, and at the discretion of the Relevant Authorising Authority.</li> <li>• A standard E&amp;S Commitment Plan (ESCP) contained within the loan agreements will guide the client's compliance with these requirements.</li> <li>• Where a GESI Assessment determines it to be necessary, a GESI Action Plan (as per the DBN</li> </ul>



	Gender Equity and Social Inclusion Standard) will be developed and included as part of the ESCP.
<b>OUTPUT</b>	<ul style="list-style-type: none"> <li>E&amp;S Commitment Plan (ESCP) agreed upon and incorporated into the DBN loan agreement, including any conditions precedent and / or conditions subsequent to disbursement of the funds.</li> </ul>
<b>TOOLS</b>	<ul style="list-style-type: none"> <li>Form A: E&amp;S Risk Appraisal for Low-Risk Transactions (refer to <i>Error! Reference source not found.</i>) containing: <ul style="list-style-type: none"> <li>E&amp;S Questions</li> <li>E&amp;S Summary</li> <li>Standard E&amp;S Commitment Plan Template</li> </ul> </li> <li>PS 12: Gender Equity and Social Inclusion (refer to <b>Annex 3</b>)</li> </ul>
<b>WHO</b>	<ul style="list-style-type: none"> <li>Environment and Social Development Team (as part of the Risk and Compliance Department), supported by the relevant Business Analyst.</li> <li>Relevant Authorising Authority (e.g., Management Credit and Investment Committee) to provide final sign off to proceed with the transaction.</li> </ul>

## Medium E&S Risk Transactions

The following procedure shall be followed when a proposed transaction is categorised as medium risk. Instances whereby a medium risk transaction requires the support of an external specialist, the DBN will follow the approach outlined in the High transaction section below.

<b>WHAT</b>	<ul style="list-style-type: none"> <li>Identify the E&amp;S risks and impacts associated with the prospective client's business activity, assess compliance with the DBN E&amp;S requirements, including those of the DBNs funders, and whether the client has the capacity to manage the risks and impacts identified. This includes evaluating the adequacy of third-party expert assessments (e.g., EIA, ESIA, RAP, EMP etc) and verifying the information submitted by the client to regulatory authorities regarding such risks.</li> <li>Determine recommended avoidance or mitigation measures for any risks and impacts identified, with associated corrective actions to address these, including any conditions precedents.</li> <li>Verify the preliminary E&amp;S risk categorisation (including likelihood to move to a higher risk category).</li> <li>Ensure that the prospective client appoints an reputable Assessment Practitioner (EAP), including ensure that the proposals submitted in the EMP/ESMP for the work are realistic and</li> </ul>
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	of appropriate quality.
<b>HOW</b>	<p>Responsible DBN Staff (supported by external specialist as needed) will undertake a document review and engage with the client, including a site visit, to identify material E&amp;S risks and impacts associated with the proposed transaction. This involves:</p> <ul style="list-style-type: none"> <li>○ Review documents and information (e.g., environmental clearance certificate, ESIA, ESMP, abbreviated Resettlement Action Plan, etc) submitted to the bank. (Additional guidance on evaluating third party assessments is provided on <b>page 27</b>).</li> <li>○ Populate the Medium Risk E&amp;S Risk Appraisal Form, developed using the Namibian and Funders E&amp;S requirements, to guide the assessor during the appraisal process.</li> <li>○ Conduct site visit(s) to ground truth information gathered and ensure that the client understands the nature of the E&amp;S risks and impacts associated with its business activity and demonstrates capacity to manage those risks.</li> <li>○ Develop an E&amp;S Action Plan recording any material E&amp;S risks, impacts and opportunities identified with a proposed transaction during the appraisal process. This will include key findings, recommended corrective actions, associated costs, completion timelines, assigned responsibilities, etc. Where a GESI Assessment determines it to be necessary, a GESI Action Plan (as per the DBN Gender Equity and Social Inclusion Standard) will be developed and included as part of the E&amp;S Action Plan.</li> <li>○ Present findings to Relevant Authorising Authority to inform decision-making.</li> </ul> <ul style="list-style-type: none"> <li>● Areas of non-compliance identified will be stipulated as condition precedents or a condition subsequent, depending on the severity of the non-compliance, in loan agreements. These conditions will be presented to, and at the discretion of the Relevant Authorising Authority.</li> </ul>
<b>OUTPUT</b>	<ul style="list-style-type: none"> <li>● E&amp;S Action Plan agreed upon and incorporated into the DBN loan agreement, including any conditions precedent and / or conditions subsequent to disbursement of the funds.</li> <li>● Prepare a <b><i>Brief E&amp;S Risk Summary</i></b> to be included in the relevant documentation to the Relevant Approving Authority.</li> </ul>
<b>TOOLS</b>	<ul style="list-style-type: none"> <li>● Form B: E&amp;S Risk Appraisal Form for Medium Risk (Financial Institutions) refer to <i>Error! Reference source not found.</i> containing:</li> <li>● E&amp;S Questionnaire</li> <li>● E&amp;S Action Plan Template</li> <li>● E&amp;S Summary for Risk and Compliance Committee</li> </ul>

	<ul style="list-style-type: none"> <li>• Form C: E&amp;S Risk Appraisal Form for Medium Risk (Operating Assets / Projects) (refer to <i>Error! Reference source not found.</i>) containing:</li> <li>• E&amp;S Questionnaire</li> <li>• E&amp;S Action Plan Template</li> <li>• E&amp;S Summary for Risk and Compliance Committee</li> <li>• List of Reputable Environmental Assessment Practitioner as contained here: <a href="https://eapan.org/registered-members">https://eapan.org/registered-members</a></li> <li>• DBN PS 12: Gender Equity and Social Inclusion (refer to <b><i>Annex 3</i></b>)</li> </ul>
<b>WHO</b>	<ul style="list-style-type: none"> <li>• Environmental and Social Development Team (as part of the Risk and Compliance Department), supported by relevant Business Analyst.</li> <li>• External Consultant / Expert (as required).</li> <li>• Relevant Authorising Authority (e.g., Management Credit and Investment Committee) to provide final sign off to proceed with the transaction.</li> </ul>

**N.B:** It is necessary for DBN staff to identify the particular E&S risks and impacts of concern and allow the client to demonstrate adequate risk control and mitigation measures are in place (or within adequate time periods).

## ***High E&S Risk Transactions***

The following procedure shall be followed when a prospective transaction is categorised as high risk. Importantly, instances whereby an external consultant is not appointed, the risk appraisal approach outlined in medium risk transactions should be followed.

<b>WHAT</b>	<ul style="list-style-type: none"><li>• Appoint external specialist to identify the E&amp;S risks and impacts associated with the prospective client's business activity, assess compliance with the DBN E&amp;S requirements, and whether the client has the capacity to manage these risks and impacts identified.</li><li>• Determine recommended avoidance or mitigation measures for any risks and impacts identified, with associated corrective actions to address these, including any conditions precedents.</li><li>• Verify the preliminary E&amp;S risk categorisation.</li><li>• Work closely with the prospective client ensure that the proposals submitted for the work are realistic and of appropriate quality.</li></ul>
<b>HOW</b>	<ul style="list-style-type: none"><li>• Gather as much information as possible regarding the nature of the E&amp;S risks and impacts associated with the proposed transaction in order to make an informed decision regarding its compliance with applicable standards and acceptability to the DBN.</li><li>• Responsible DBN Staff will populate an E&amp;S Risk Appraisal Terms of Reference (ToR) to appoint an external E&amp;S specialist in accordance with the DBN's E&amp;S Policy and ESMS. The ToR will clearly outline the consultant qualification requirements, applicable standards, approach for undertaking the E&amp;S risk appraisal, and reporting templates (specifically structure of the corrective action plan). This will include provisions around assessing transaction collateral from an E&amp;S perspective.</li><li>• Responsible DBN Staff shall review the proposals received and must chose a knowledgeable E&amp;S specialist with experience working in the target sector / sub-sector and applicable E&amp;S and industry-specific regulations and standards.</li><li>• Where possible, the responsible DBN Staff will work closely with the external specialist, including engaging with the client, accompanying site visits, etc.</li><li>• Areas of non-compliance will be stipulated as condition precedents or a condition subsequent, depending on the severity of the non-compliance, in loan agreements. These conditions will be presented to, and at the discretion of the Relevant Authorising Authority.</li></ul>

<b>TOOLS</b>	<ul style="list-style-type: none"> <li>E&amp;S Risk Appraisal Terms of Reference (ToR) for External Consultants (refer to <i>Error! Reference source not found.</i>).</li> <li>E&amp;S Risk Appraisal Summary Template (refer to <i>Error! Reference source not found.</i>).</li> </ul>
<b>OUTPUT</b>	<ul style="list-style-type: none"> <li>E&amp;S Risk Appraisal Report (developed by external specialist), including an E&amp;S Action Plan.</li> <li>Environmental and Social Development Manager to prepare a <b><i>Detailed Environmental and Social Risk Summary</i></b> to be included in the relevant transaction documentation to the credit authority.</li> </ul>
<b>WHO</b>	<ul style="list-style-type: none"> <li>Environmental and Social Development Team (as part of the Risk and Compliance Department), supported by relevant Business Analyst.</li> <li>External Consultant / Expert (as required).</li> <li>Relevant Authorising Authority (e.g., Management Credit and Investment Committee) to provide final sign off to proceed with the transaction.</li> </ul>

### ***Additional Risk Appraisal Guidance***

#### **Key ESIA Considerations**

- All clients that trigger a listed activity (typically medium and high-risk transactions) according to the Environmental Management Act (2007), will be subjected to a scoping report as required by Namibia's environmental laws.
- The Namibian regulations will indicate whether a full environmental and social impact assessment (ESIA) is expected or whether a scoping study should be adequate, of which will need to be provided by the client and reviewed by the DBN.
- If a scoping study or full ESIA is required and not provided by the client upfront, then the risk appraisal process will be kept in abeyance until such work has been completed.
- The Environmental and Social Development Manager will consider the scoping report submitted and the summarised E&S risks and impacts and how they are to be managed by the client.
- He or she will then identify any risks that the project may not be approved at the DEA, otherwise instruct the client to continue with the submission to the DEA, if this has not yet been done.
- Should the scoping reveal that further work is needed, i.e., a full ESIA or limited further studies, then the Environmental and Social Development Manager will agree with the client what these studies should be.

- A scoping appraisal report will be documented. If the scoping process is complete (i.e., no uncertainties or detailed assessment required) the application may be recommended for approval subject to Environmental Clearance.
- The ES Management Plan (ESMP) becomes part of the E&S covenants with the DBN.
- Medium and high risk transactions will only proceed to the Credit Review Process once a scoping study is in place. If the scoping study indicates the requirement of a full ESIA, the application will only proceed to the Credit Review Process once the ESIA has been submitted to the DBN.
- Medium and high risk transactions may only be submitted to the final Authorising Authority once the Environmental and Social Development Manager is satisfied that all E&S risks have been appropriately addressed in line with the DBNs ESMS

#### **Key Considerations for Greenfield / Brownfield Transactions**

- Risk appraisals for high risk transactions focus on the conclusions of independent, third-party assessments (e.g. ESIA / Scoping Study) and the results of stakeholder engagements, including the ESMP, which spells out all compliance and standard E&S management issues. E&S recommendations will be made based on the results of a scoping report, an ESMP, an abbreviated RAP (if applicable) and any other bank action plans as applicable.
- Risk appraisals for medium risk transactions typically require an Environmental Scoping Report according to the requirements of the EMA (2007) and its Regulations (2012) of Namibia. Resulting in an ESMP, and an Abbreviated RAP.
- For low-risk transactions, environmental assessments are not necessary according to the Environmental Management Act (2007). The risk appraisal will focus on identifying any non-compliance against existing legislation and ensuring that the client has a plan to remedy the non-compliance in a reasonable time frame.
- The E&S risk categorisation and risk appraisal will take into considerations the findings of the ESIA / scoping study.
- Some transactions may prove to be more complicated than originally anticipated and require further work, whilst others may be solved with design modifications, or with simple management techniques, eliminating the need for further E&S work.

#### **Key Considerations for Operating Asset Transactions**

- For operating assets, focus will be on the implementation of ESMP and / or existing E&S systems and the identification of additional E&S risks and impacts associated with the business activities.

#### **Key Considerations for FI Transactions**

- For FI's, the Bank will assess the adequacy of the FI's systems, procedures and internal capacity and competencies to identify, assess and manage E&S risks and impacts associated with its financing activities.

#### **Key Considerations for Collateral**

- For every transaction where real estate is offered for collateral, the DBN will ensure that the appraisal of the property offered includes consideration of potential environmental contamination, heritage issues and other applicable E&S risks (e.g., presence of asbestos, etc).

## 5. E&S Risk Control and Monitoring

### 5.1. E&S Clauses in Legal Agreements

<b>WHAT</b>	<ul style="list-style-type: none"><li>• Determine appropriate E&amp;S covenants and provisions for inclusion into loan agreements.</li><li>• Ensure that the necessary actions are taken by the client to rectify E&amp;S risks and impacts identified during the risk appraisal process and that the level of risk exposure is rendered acceptable to the DBN throughout the term of the loan.</li></ul>
<b>HOW</b>	<ul style="list-style-type: none"><li>• Responsible DBN staff will ensure that appropriate E&amp;S warranties and covenants are incorporated in each loan agreement to ensure compliance of the client with the applicable E&amp;S requirements. The Standard ESCP/ESAP/ESMP will form the basis of these agreements and must include proper documented action plans and monitoring schedules that can be followed by the DBN.</li><li>• E&amp;S covenants to include in loan agreement, where applicable, are as follows:<ul style="list-style-type: none"><li>○ Standard ESCP/ESAP/ESMP/agreed upon and timetable to mitigate the risk after loan disbursement.</li><li>○ A financial estimate of the costs of mitigation, over the loan period, including rehabilitation, and incorporation of these costs into the feasibility study or business plan of the client.</li><li>○ Actions by the Bank to limit its exposure to environmentally and socially derived liabilities in the transaction (e.g., monitoring and/or reporting requirements, insurance, warranties by the client, etc.).</li><li>○ Reporting requirements regarding non-compliances, major environmental or social incidents, etc.</li></ul></li><li>• The Environmental and Social Development Manager will determine the nature of E&amp;S requirements to be covenanted in the loan agreement and to convey that information to the DBNs legal counsel and to the Credit and Lending Departments.</li><li>• Prior to disbursement, DBN and the client shall agree upon the applicable E&amp;S requirements. In addition, clients shall prove to the DBN that agreed conditions precedent have been completed (e.g., completion of full ESIA process, etc), if applicable.</li></ul>
<b>OUTPUT</b>	<ul style="list-style-type: none"><li>• Final loan agreement with appropriate E&amp;S clauses contained within.</li></ul>
<b>TOOLS</b>	<ul style="list-style-type: none"><li>• E&amp;S Clauses Guidance Note (refer to <i>Error! Reference source not found.</i>).</li></ul>



<b>WHO</b>	<ul style="list-style-type: none"> <li>Environmental and Social Development Team (as part of the Risk and Compliance Department), supported by relevant Business Analyst and Legal Advisory.</li> </ul>
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<p><b>Deferrals and Waivers</b></p> <ul style="list-style-type: none"> <li>Where E&amp;S documents cannot be provided by the client as soon as required, it shall be recorded included in the E&amp;S comment section of the Risk and Compliance Appraisal Report and decision bodies paper as a condition precedent to drawdown in order to manage turnaround time and compliance with DBN's E&amp;S requirements.</li> <li>In the case of deferrals, exceptional approval should be sought from the DBN Executive Management as conditions subsequent for the client, owning the responsibility of providing the requisite documents as stated agreed in the approval.</li> <li>In the case of waivers, exceptional approval can only be obtained from DBN Executive Management at the Management Credit and Investment Committee.</li> </ul>	
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## 5.2. E&S Monitoring

<b>WHAT</b>	<ul style="list-style-type: none"> <li>Monitoring and reporting of E&amp;S performance during the term of the funding to ensure that the DBN clients remain compliant with the applicable E&amp;S requirements.</li> <li>The type and level of monitoring activities required for each client is commensurate with the level of E&amp;S risk exposure associated with the business. Therefore, the DBN determines the appropriate level / type of monitoring on an individual client basis, based on the outcomes of the E&amp;S Risk Appraisal. For example, regular monitoring visits by DBN staff<sup>2</sup></li> <li>Where a transaction includes a GESI Action Plan, a GESI responsive M&amp;E Framework needs to be developed, and project performance should be monitored and reported in accordingly.</li> </ul>
	<p><b>Requirements for All Transactions</b></p> <ul style="list-style-type: none"> <li>All clients are requested to report in a timely manner to the DBN the occurrence of any major unplanned E&amp;S events or incidents (i.e., fires, incidents of bribery or corruption,</li> </ul>

<sup>2</sup> For example, if the DBN credit risk appraisal procedures mandate regular monitoring visits to the client during the term of the loan (e.g. quarterly), information regarding the status potential significant E&S risk issues should be included in the periodic monitoring report

<p><b>HOW</b></p>	<p>labour strikes, health and safety issues, environmental pollution incident, etc.) that could materially impact on its operations and / or performance.</p> <p><b>Requirements for High and Medium Risk Transactions</b></p> <ul style="list-style-type: none"> <li>• <b>Monthly/Quarterly / Annual Reporting:</b> Clients will be requested to provide regular feedback based on a self-reporting template. Depending on the nature of the transaction this may occur on a monthly/quarterly / biannual / annual basis (defined as part of loan agreement). This will provide the DBN with updates on compliance with applicable E&amp;S requirements and verification of milestones included in the ESMP/ESCP/ESAP.</li> </ul> <p><b>Note:</b> The client is responsible for renewing its Environmental Clearance Certificate every three years. A report should be required from the client with such an application, which provides a review of the previous 3-year period, stating the status of all risks, how they are managed, and which highlights any pertinent environmental and social challenges and how they are addressed.</p> <ul style="list-style-type: none"> <li>• <b>Regular Monitoring Site Visits:</b> Site visit(s) will be conducted on an annual basis by the DBN Environmental and Social Development Team (and supported by external specialist as required) to: <ul style="list-style-type: none"> <li>○ Ground truth the client's E&amp;S practices, systems and resourcing and identify any areas of strength and weaknesses, etc.</li> <li>○ Evaluate progress against action plans and possible barriers to completion.</li> <li>○ Define recommendations for improving E&amp;S performance.</li> <li>○ Raise awareness around E&amp;S aspects, why it is important and emphasis the Bank's expectations.</li> </ul> </li> </ul> <p><b>Requirements for Low-Risk Transactions</b></p> <ul style="list-style-type: none"> <li>• <b>Annual Reporting:</b> Clients will be requested to populate a simple annual E&amp;S Reporting Template to provide an update on the status of their E&amp;S performance and compliance with applicable E&amp;S requirements.</li> <li>• <b>Periodic Monitoring Site Visits:</b> Whenever possible, the DBN will conduct periodic site visits to low risk clients (ideally annually) to confirm and assess E&amp;S performance.</li> </ul>
<p><b>OUTPUT</b></p>	<ul style="list-style-type: none"> <li>• On-going and appropriate oversight of each client's E&amp;S performance to inform risk management and decision-making processes.</li> </ul>
<p><b>TOOLS</b></p>	<ul style="list-style-type: none"> <li>• DBN PS 12: Gender Equity and Social Inclusion (refer to <i><b>Annex 3</b></i>)</li> <li>• Annual E&amp;S Reporting Template for Financial Institutions - Medium and High-Risk Clients (refer to <i>Error! Reference source not found.</i>)</li> <li>• Annual E&amp;S Reporting Template for Operating Assets or Projects - Medium and High-Risk</li> </ul>

	<p>Clients (refer to <i>Error! Reference source not found.</i>)</p> <ul style="list-style-type: none"> <li>• Annual E&amp;S Reporting Template for Low-Risk Clients (refer to <i>Error! Reference source not found.</i>)</li> <li>• Monitoring E&amp;S Site Visit Reporting Template (refer to <i>Error! Reference source not found.</i>)</li> <li>• Major Incident Reporting (refer to <i>Error! Reference source not found.</i>)</li> </ul>
<b>WHO</b>	<ul style="list-style-type: none"> <li>• Environmental and Social Development Team (as part of the Risk and Compliance Department), supported by relevant Portfolio Manager.</li> </ul>

### **Refusal to Comply with DBN Requirements**

If a client refuses to comply with the stipulated E&S terms and conditions in the legal agreements between themselves and the DBN, the following will apply:

- If a deadline or activity is missed, the Environmental and Social Development Manager/Portfolio Manager overseeing the relationship must provide a reminder notification to the client within 30 days.
- In the event of non-performance, the Environmental and Social Development Manager/Portfolio Manager shall send a reminder notice to the client in writing, requesting an explanation for the missed deadline/activity within 30 days of the first notice.
- The Environmental and Social Development Manager is required to produce a report to the Head of the Risk and Compliance Department/Executive Management of the Bank on clients who have not complied after the second reminder notice.
- If the non-compliance does not show satisfactory improvement after 24 months, at the instance of Executive Management based on the E&S Manager's recommendation, the Bank may call up this facility - if all remediation procedure is exhausted when dealing with the client on this specific matter.

## **6. E&S Reporting**

### **6.1. Internal Loan Book Reporting**

The Environmental and Social Development Team will use the E&S monitoring information gathered from clients to generate internal DBN E&S reports. This seeks to assess overall E&S risks and impacts

of the Bank's loan book and drive and support E&S performance of its clients and the Bank through results-based management. It also allows the Bank to disseminate E&S information to internal and external stakeholders, thereby demonstrating the Bank's efforts.

As part of this, the DBN will compile E&S reports for the Risk and Compliance Committee on E&S risks and impacts on monthly basis and to the Board Audit and Risk Committee on a quarterly basis. The Board Audit and Risk Committee will in turn report to Board. This alerts the Bank management of key E&S issues across the loan book that may require attention or further interrogation (refer to *Error! Reference source not found.*).

## **6.2. External Reporting**

The DBN seeks to keep its investors and other relevant stakeholders informed on the Bank's E&S performance. In order to do so, the Bank will produce an Annual E&S Report for distribution to relevant parties. This report aims to showcase the work that has been done on E&S aspects as well as how the Bank is performing from an E&S perspective. Notably, the report content and structure will evolve year-on-year.

## **7. E&S Resources and Organisational Structure**

The effective execution and implementation of the ESMS relies on the appointment of competent E&S resources and functions with sufficient capacity to drive E&S efforts within the Bank and across its investment portfolio. As such, DBN has established the Environmental and Social Development Team comprising of an Environmental and Social Development Manager and supporting Officer(s). The Environmental and Social Development Manager's key duties include:

- Oversee the implementation, improvements and maintenance of the ESMS;
- Oversee the identification, categorisation and associated E&S risk management requirements for all transactions
- Ensure that all transactions decisions are supported by appropriate E&S documentation and that records are kept.
- Ensure that the necessary warranties, conditions, covenants and other safeguards are included in all loan agreements
- Conduct monitoring activities to ensure on-going monitoring and review of client's compliance with the Bank's E&S requirements contained in loan agreements.
- Appropriately manage and address any significant E&S incidents arising across the portfolio.

- Ensure other DBN E&S resources execute their duties and achieve the goals of the ESMS.

The Environmental and Social Development Officers report to the Environmental and Social Development Manager and are primarily responsible for the successful execution and operation of the ESMS, including conducting risk appraisals and monitoring activities, providing technical support and reporting on client's E&S compliance as well as internal information management and administration.

The Environmental and Social Development Team reports to the Head of the Risk and Compliance Department and will guide the implementation of the ESMS process. This team will coordinate and ensure that all transactions that are eligible for funding with DBN are appropriately screened for E&S risks and that these are addressed in each transaction.

Each ESMS procedure specifies the departments or services concerned by the respective procedure as well as the functions, committees or managers that may also be involved in the implementation of the procedure.

**The implementation of the ESMS is the responsibility of all the DBN employees.**

## **GESI Resources**

DBN recognises the need to appoint/contract individuals with the relevant gender equity and social inclusion skillsets to drive gender mainstreaming in project development and implementation beyond risk-mitigation/management approach, towards a more progressive opportunities-based approach. This is specifically required at the stage of identifying potential projects/investments, to include GESI-responsiveness in the design thereof. Doing so is in alignment with DBN's intention to invest in ways that promote positive social transformations. Where an E&S Commitment Plan or Action Plan includes a GESI Action Plan, a GESI lead or focal point person must be appointed/contracted with the requisite expertise and experience to oversee the implementation and reporting processes.

## **8. Training and Capacity Building**

DBN is committed to providing all relevant staff members with appropriate training to help mitigate E&S risks and impacts associated with its financing activities and the implementation of the ESMS. This includes employees with key E&S responsibilities in the implementation of the ESMS or who

are particularly exposed to the E&S risks related to the operations of DBN as well as employees who are not directly involved with E&S matters to build knowledge and awareness. Further, DBN has made provision for training applicable staff in basic matters of gender equity and social inclusion.

On an annual basis, the Bank shall conduct a review of its internal training requirements and any existing annual training programme (outlining the scope and schedule of various ES training sessions conducted during the year). This review shall determine what skills and competencies are needed within the Fund to address any gaps that exist. This includes developing and / or revising an annual training plan which defines the training requirements and associated timelines.

## **9. Continuous Updates and Improvements**

DBN has devised an internal review and reporting procedure to capture updates to national E&S laws and to continuously improve ESMS System functioning. In addition, this includes reviewing and updating of the ESMS and Manual on an annual basis to ensure the system is aligned with emerging E&S trends and best practice, remains relevant to the Bank's operating context, mandate and business activities and importantly, to permit continual improvement.

This function will reside with the Environmental and Social Development Manager.

## 10. DBN ESMS Summary

