

Environmental and Social Management System Arrangement

December 2017

Sri Lanka: Small and Medium-Sized Enterprises Line of Credit Project

Prepared by People's Bank for the Asian Development Bank.

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Environmental and Social Management System

**PEOPLES BANK
SRI LANKA**

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ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

I INTRODUCTION

1. The purpose of an Environmental and Social Management System (ESMS) is to outline an institutes set of policies, procedures, tools and internal capacity to identify and manage its exposure to the environmental and social risks of its clients/investors. While it states the commitment of the institute to environmental and social management, it explains its procedures for identifying, assessing and managing environmental and social risk of financial transactions, defines the decision-making process, describes the roles, responsibilities and capacity needs of staff for doing so and states the documentation and recordkeeping requirements. It provides the necessary guidance to the institution for screening and categorizing of transactions based on their environmental and social risk, conducting environmental and social due diligence and monitoring the client's/investor's environmental and social performance. Essentially an ESMS makes sure that the Financial Institution's activities are in compliance with its environmental and social standards.

2. The People's Bank¹ recognizes that its operations can detrimentally affect the environment and the community it operates and has realized the critical importance of managing and controlling the corporate social, environment and economic performance. In view of this the Bank is determined to responsibly manage the environmental and social risks associated with its operations in order to minimize the negative impacts on the environment and its stakeholders and it is committed to conduct its business in an environmentally friendly and socially responsible manner. The ESMS of the Peoples Bank was developed for this purpose.

3. People's Bank is a state-owned commercial bank in Sri Lanka. The Bank's headquarters are located in Sir Chittampalam A. Gardiner Street in Colombo and was established on July 1, 1961. The bank has a network of 347 local branches and 387 Service Centers. The Bank offers both Retail and corporate Banking services including Online Banking and mobile Banking.

4. The People's Bank Group is amongst Sri Lanka's most economically and socially impactful entities and an integral component of the country's financial system. The Group serves nearly 18 million customers island-wide, representing the highest level of penetration and customer reach by any Bank in the country. People's Bank the Groups parent entity is Sri Lanka's second largest licensed commercial Bank.

5. Established through the Peoples Bank Act No 29 of 1961 the Bank was created with the objective of delivering banking services to the grassroots of the economy. As a State-owned institution and a key lender to the Government, the People's Bank Group is strongly committed to the Government's development agenda and ensures that the outcomes of its activities are a catalyst for the country's socio economic progress.

6. The clients of the Bank are individuals, micro enterprises, small and medium sized businesses, corporate and the Government. The products and services of the Peoples Bank are Consumer Banking, Wholesale Banking, Enterprise Banking and International Banking.

¹ In this Peoples Bank is referred to as "the bank"

7. Amongst its other operation the bank also may be financed by Donor Financing Institutions (DFIs) to finance subprojects such as the following:

- Export
- Re-export
- Livestock
- Ornamental Fish
- Fishery Trades
- Other fishery activities
- Agriculture & Agri Business
- Mining
- Electricity / Renewable Energy
- Gas
- Water Supply
- Communication
- Manufacturing of wearing apparel
- Other manufacturing - Other industries
- Tourism
- Other construction & Property Development
- Professional Services
- Printing
- Educational
- Health Services
- Warehousing
- Other Miscellaneous Services
- Self Emp. - Other Self Employment
- Trading
- Food & Beverage
- Information Technology

II ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS

Policy

8. The Peoples Bank is committed to ensure that all bank's activities are in compliance with any relevant national or international environmental and social standards and do not cause irrevocable damage to the environment or society.

9. The environmental, social and economic management policies of bank have been drafted and forwarded for approval by the Board of Director. "The People's Bank is committed to ensure that all activities/ projects / operations are in compliance with the environmental and social standards stated in the applicable local, provincial, national and international (where relevant) laws on environment, health, safety and social issues". All employees of the bank are aware of these policies and clients of the Bank will be communicated of them by the Bank.

10. Key aspects in the environmental and social policies of the bank include:

- All projects/ activities undertaken by the bank are consistent with its environmental and social standards and are in compliance with the requirements applicable in Sri Lanka
- All projects/ activities for which lending is considered are reviewed against the applicable requirements (national or international) and projects are financed only when they are expected to be designed, built, operated and maintained in a manner consistent with these requirements
- Clients of the banks understand bank's environmental and social policies

Environmental Sustainability Policy adopted by the Bank

11. As a government bank, People's Bank has taken the initiative to conduct its business process, procedures and internal housekeeping with minimum environmental impacts. To address these, the bank is committed to incorporating leading environmental practices into its business strategy and operations and to fostering environmental awareness and responsibility among the bank's employees, clients and suppliers.

The bank has initiated, its Environmental Sustainability Program named "People's Green Pulse" on March 2016 with the following objectives;

- To measure and minimize the environmental impacts due to bank operations.
- To educate and create awareness among internal and external community.
- To take the leadership in environmental friendly banking initiatives of the country.

12. Environmental responsibility policy statement of the bank states that it will systematically conduct its operations in an environmentally responsible manner in alignment with the vision of the bank and will aim to be recognized as Sri Lanka's undisputed market leader for financial services and national environmental policy and strategies, through the environmental sustainability strategies and programs of the bank.

13. The environmental sustainability policy of the bank is also termed as the People's Green Pulse. It primarily aims at reducing the environmental footprint of the bank's operations. As a service organization, the bank has a minimal impact on the environment and it is in a position to promote sustainable practices amongst its extensive customer base through the adoption of initiatives such as paperless banking.

14. The main pillars of the environmental sustainability policy include:

- Implementation of a sustainability framework spanning all divisions of the organization from head office to regional offices and the entire branch network.

- The creation of sustainability teams at all key operational levels to manage the banks environmental and social initiatives.
- Implementation of an extensive Carbon Management Program (phased over 3 years) to effectively measure, manage and mitigate the Carbon footprint of the bank
- Development and setting up of carbon management plans at all major divisions to assist in reducing the banks operational emissions.
- Facilitating special training and awareness sessions on environmental sustainability, the bank's sustainability framework and ongoing environmental initiatives of the Small and Medium Enterprise Development Unit.
- The introduction of a series of mitigation measures to improve the bank's energy efficiency. These measures include the following,
 - Use of Solar power in selected branches
 - Use of energy efficient lighting systems such as CFL and LED bulbs
 - Switching off unnecessary lights
 - Switching to energy efficient air conditioners with inverter technology
 - Engaging employees on energy conservation through awareness programs and internal communications
 - Reducing the dependency on fossil fuels by systematically migrating to renewable sources for power generation
 - Introducing solar powered solutions in branches
- Reducing paper waste through reducing paper consumption by following means
 - Encouraging the use of technology for communication
 - Double sided printing and reuse of paper wherever possible.
 - Encouraging paperless banking through electronic and mobile platforms and self banking units as part of the bank's digitization drive.
- Promotion of best practices in sustainability to a substantial audience, the bank customers through the following
 - Launching of a dedicated 'Green banking "product line in 2016
 - Reintroduction of the Young Executive Saver (YES) account featuring paperless banking
 - Introduction of concessionary loan facilities for specific products, promoting environmental sustainability including facilities to install solar power for both residential and commercial purposes and auto loans for the purchase/ lease of hybrid vehicles
 - Engaging stakeholders in the bank's sustainability commitments through initiatives such as;
 - press releases and advertisements coinciding with key environmental conservation related days such as World Environment Day and Earth Day, training sessions to help employees understand their role in making the bank the most environmentally conscious financial institution in Sri Lanka, using social media as an effective platform to communicate the bank's green agenda amongst the country's youth and digital banking drive to encourage customers and employees to use paperless solutions.
 - Future planned initiatives with respect to environmental sustainability including the bank's pledge to become a certified Carbon conscious bank at the end of their 3 year

carbon management programme, introducing a comprehensive green building policy for all its renovations, retrofits to existing buildings, and all new constructions, developed by the CCC following the Green SL rating system of the Sri Lankan green building Council.

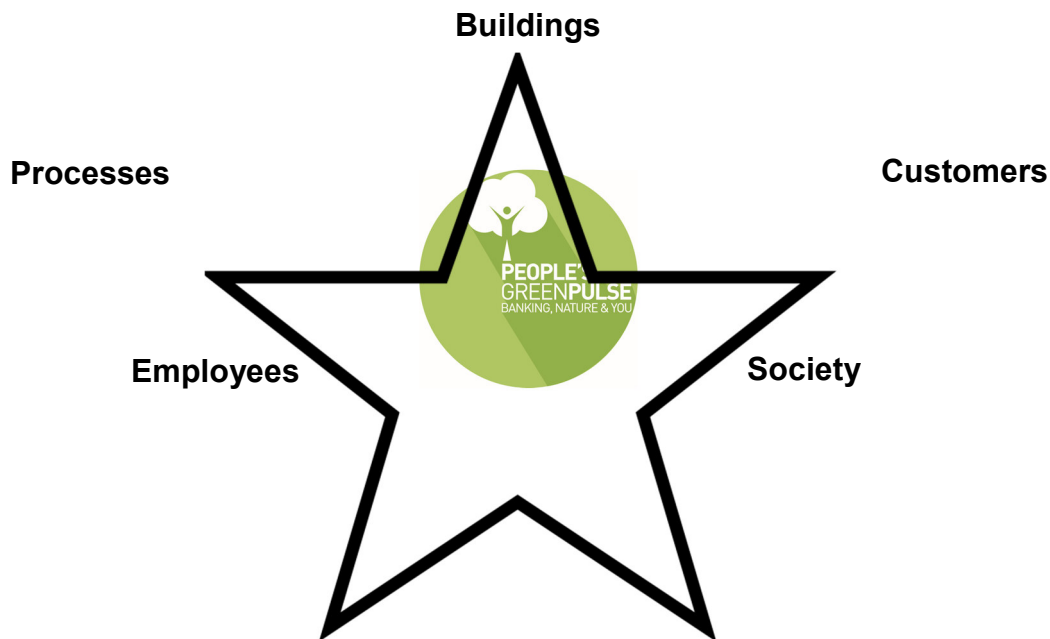
- Environmental CSR projects to identify and address critical ecological challenges that are likely to cause destruction to the natural environment.

Current/ Ongoing Initiatives

15. Following are a few of the current ongoing initiatives taken for environmental sustainability by the bank:

- The bank has implemented the sustainability reporting framework from top to bottom of the hierarchy. (Central Sustainability Committee, Regional Sustainability Officers and Branch/ Department Sustainability Officers)
- The bank has started its environmental Sustainability Program “People’s Green Pulse” and obtained the Green Pulse Oath from employees
- An extensive Carbon management program has been introduced to effectively measure, manage and mitigate the Carbon footprint of the Bank within a three year period and to be certified as a Carbon conscious bank at the end of year 2018.

Framework for future initiatives



1. BUILDINGS

- People's Bank will incorporate a structured Sub Policy focusing on "Green Building" concept into its already established umbrella "Environmental Sustainability Policy" for its entire branch network for reduced utility costs and increased worker productivity. The new "Green Building Policy" will include all new constructions as well as renovations to any existing buildings
- Certification of the branches selected to be launched under the new "Digitized Banking Programme" as Carbon neutral buildings
- Introduce Solar Power generating systems to 100 buildings according to LEED/GREENSL/CIOB Green Mark Certification guidelines
- All future buildings of the bank will be constructed according to LEED/GREENSL/CIOB guidelines
- It will be made a requirement for all contractors to follow LEED/GREENSL/CIOB Green Mark Certification for new key branches and their material will be complied accordingly
- A Checklist will be introduced for every construction for the selection process i.e. locations, site, water and energy, efficiency, material selections and day light innovative designs

2. PROCESSES

People's Bank is ideally positioned and this is the most appropriate time to take the leadership in "Greenest Bank" concept since the bank is enjoying the advantage of implementing digitization with paperless banking. The bank will take the lead in Green Banking with following processors with paperless operation:

- Cash deposit machines
- Cash recycling machines
- Widest ATM network in the country
- Loan processing in paperless process
- Internet and mobile banking
- E-statement for accounts
- Debit and Credit cards

3. CUSTOMERS

The bank strongly proposes all Strategic Business Units (SBUs) to take the leadership in implementing Green Banking concepts in their operations as a uniform practice in achieving and maintaining leadership in the following areas:

Savings

- Issue E-statements to all account holders on request
- Aggressively promote SMS and Internet Banking
- Debit Cards
- Roll-out Express Banking for new customers

Loans

- To introduce Green Loan system with interest rate advantages for loans to purchase Electric Cars, Hybrid Cars, Solar Power Systems, Compost Fertilizer production projects etc.

CSR

- Encouraging community to use solar energy instead of hydro power
- Contributing in the protection of environment by encouraging environment friendly programs

4. EMPLOYEES

- It will be necessary for the entire work force of the bank to be convinced and aware of the benefits of environmental sustainability. In this effort, apart from being aware of environmental sustainability, it is proposed to encourage staff to apply for loan facilities with concessionary interest rates to purchase solar power systems, use environmental friendly building construction methods and purchase electric hybrid vehicles.
- Bank employees will be encouraged on electronic communication and documentation.

5. SOCIETY

People's Bank will take above actions to achieve the hallmark in the industry as the most carbon conscious Bank/Green Bank in Sri Lanka by offering following benefits in its operations to the society as a whole:

- Minimum carbon emissions from its operation
- Putting carbon management in place
- Promoting and practicing environmental sustainability will work as a catalyst in educating the society as a whole

Social Responsibility Policy

16. Aligned with the People's Bank Strategic Plan 2020, the social responsibility policy of the bank focuses on child education development. "To build a well-educated citizen who is focused on own development, development of the country, conservation of the natural environment and saving for the future". The bank is also supporting the development of Heritage, Culture & Religious aspects of the communities in which it operates in order "To successful globalization processes that take into account the principle of cultural diversity which shapes our identity".

Current/ Ongoing initiatives

The bank carries out the following activities under social responsibility policy relevant to child development and heritage, culture and religious development,

- Conducting an induction program (First Day First Lesson) to uplift habit of Children's savings (not only money, but water, energy, food etc.) from the beginning of preschool & school life.
- Conducting grade five scholarship programs for that particular group of students who sit for

the grade 05 scholarship exam, in order to provide additional assistance & guidance for the examination.

- Offer scholarships and awards for the island ranked Grade 05 scholarship, O/L & A/L students to support and encourage their studies.
- Sponsorships for activities and events organized by schools, universities, educational institutes, non government organizations and personnel relevant to the development of Child Education in Sri Lanka.
- Sponsorships for numerous religious and cultural institutes for their activities and events relevant to Heritage, Culture & Religious Development
- Sponsoring and officially celebrating various religious and cultural events such as Esala Maha Perahera organized annually by Sri Lanka's most revered Sri Dalada Maligawa, Ganagarama Perahara, Vesak Ceremonies organized by state organizations, Poson Festival, Christmas Events, Thai Pongal Festivals etc.
- People's Bank People's Bank hosts Poson Bathi Gee annually on Poson Poya adjacent to the Ruwanveli Maha Seya in Anuradhapura and similarly conducting Christmas Carols in December every year.

New Initiatives

The new initiatives taken by the bank under the Social Sustainability Policy are:

- Expanding and improving comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children
- Ensuring that all children in difficult circumstances all over the country have access to, and complete, free and compulsory primary education of good quality.
- Ensuring that the learning needs of all young people and adults are met through equitable access to appropriate learning.
- Improving all aspects of the quality of education and ensuring excellence of all so that recognized and measurable learning outcomes are achieved by all, especially in literacy, numeracy and essential life skills.
- Ultimate goal is to build a well-educated citizen who is focused on own development,

development of the country, conservation of the natural environment and saving for the future.

- Placing culture at the heart of the policies constitutes an essential investment in future and a pre-condition to successful globalization processes that take into account the principle of cultural diversity.

Framework for Future Initiatives

The framework for future initiatives is given in figure 1.



Figure 1: The Framework for Future Initiatives that will be taken by the bank under its social sustainability policy

Economic Responsible Policy

17. The objectives of the Economic policy of the bank dates back to the very purpose of its establishment over five decades ago, with the vision of empowering aspiring Sri Lankans from all walks of life, particularly those at grass root level, in an era where there was limited access to financial support, and banking facilities were limited to the more affluent in society. Since its inception, the bank has continued its firm resolve throughout the decades.

Economic Policy

The Economic Policy of the bank is to empower its stakeholders and the community in alignment with its vision “to be recognized as Sri Lanka’s undisputed market leader for financial services” and Government’s economic programmes, through strategies that would enable sustainable Economic growth and National development.

Current/ Ongoing initiatives

With a longstanding history of empowering the Micro and SME sector the bank’s role over the years entails the following –

- Provide necessary financial aid to startup new SME’s and improve existing SME’s
- Acceleration of economic development while enhancing the SME sector of the country
- Creating new employment and income generating opportunities
- Enhancing export capabilities of the potential entrepreneurs
- Enhancing managerial and marketing capabilities of SMEs
- Improving quality and productivity of SME sector industries & services
- Promote environment friendly operations via funding eco friendly projects

Framework for Future Initiatives



Applicable Environmental and Social Safeguard Requirements

18. The bank will ensure that:
- (i) All subprojects are reviewed and evaluated against the national laws, regulations and standards on environment, health and safety, involuntary resettlement and land acquisition, indigenous people and physical cultural resources. Environmental protection and management in Sri Lanka is governed by the National Environmental Act (NEA) No.47 of 1980 enacted in 1980 and subsequently amended in 1988 (Amendment Act No.56). The Central Environmental Authority (CEA), the prime authority in charge of implementing the regulations of the NEA was established in 1981 through the Part IV C of the statute entitled "Approval of Projects" of the NEA. This part was later amended by Act no 53 of 2000. The relevant procedure is given in Annex 2.1. In addition to NEA, Coast Conservation Act (CCA) stipulates that the Coast Conservation Department would review and monitor development projects in the coastal area. The procedure is similar to that adopted by the CEA.
 - (ii) All subprojects financed by Donor Financing Institutions (DFI) are reviewed and evaluated against any applicable additional safeguard requirements set by the relevant DFIs.
 - (iii) All subprojects financed by DFIs are screened against the Prohibited Investment Activities List (PIAL) of the relevant DFI if such a list is available.
 - (iv) All subprojects financed by a DFI with potential significant environmental and/or social impacts are reviewed and evaluated against the safeguard requirements of the relevant DFI. These would include the safeguard requirements for environment, safeguard requirements for involuntary resettlement and safeguard requirement for indigenous people. .

III ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES

Subprojects not financed by a DFI

A. Screening and Categorization

19. An Environment and Social Due Diligence (ESDD) will be conducted to review any potential environmental and social risks associated with the projects/ activities for which a loan application is received and ensures that the transaction does not carry an environmental and social risk that would pose a potential liability/ risk to the bank.

20. The bank will ensure that the subproject has adhered to the environmental clearance requirements of the CEA. The EIA procedure of NEA, given in Annex 2.1 is summarized below

- If the subproject is listed as a Prescribed Project, requiring to undergo the EIA process the subproject company submits preliminary information of project details to the CEA by filling the Basic Information Questionnaire (BIQ) of CEA
- On review of the preliminary information the CEA decides whether the subproject requires to undergo an IEE or EIA and issues a Terms of Reference (TOR) for the EIA or IEE
- The subproject company appoints a team of consultants to conduct an EIA or IEE according to the TOR
- Once the EIA or IEE report is submitted to the CEA it will be reviewed for adequacy. If found

to be adequate it will be opened for public comments for one month.

- A technical evaluation committee (TEC) appointed by the CEA would review the EIA or IEE report and the public comments and approve or reject the subproject. Generally if approval is given it is based on meeting compulsory conditions.

21. An ESDD involves the identification of gaps between the current Environmental and Social (E&S) performance of the project and the required standards to ensure that the client is managing E&S risks in accordance with the national and internally recognized E&S risk management standards. The ESDD process depends on the risk category of the project/ activity.

22. At an initial stage of identifying a project loan applications will be screened in line with the national environmental laws, bank's own articles and business ethics. The subprojects thus screened would be categorized based on an environmental and social risk categorization system in line with the NEA of Sri Lanka. The NEA has specified two lists of projects/ activities. Those projects/ activities for which an EIA or an IEE may be required prior to its development and implementation are listed as "Prescribed Projects". This list is provided in Annex 2.2. Activities (primarily industrial activities) that require an Environmental Protection License (EPL) by CEA for operation are also listed in the NEA. This list is provided in Annex 2.3.

23. The list of Prescribed Projects requiring EIA/ IEE approval is given in the Gazette Extra Ordinary No 772/22 of 24th June 1993, No: 1104/22 dated November 1999, and no 1108/1 dated 29th November 1999. The list of Prescribed Projects consists of three parts. Part 1, gives the prescribed projects specifying the magnitude and scale of project above which they have to undergo the EIA/ IEE procedure if they are not located within the coastal zone of the country. Part 111 of the list gives areas considered as environmentally sensitive areas in the country. All those projects/ undertakings listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or partly within the areas specified in part III of the Schedule will require to undergo the EIA/ IEE procedure. Part II of the schedule lists the types of industries which need to undergo the EIA/ IEE procedure if located wholly or partly within the areas specified in Part III of the Schedule.

For Category A (High Risk) Projects/ Activities

24. Loan applications for a Category A subproject will be forwarded to the designated staff officer of the Small and Medium Enterprise Development Unit of the bank through the "Lending Division" for the conduct of due diligence. The designated staff officer would assure that the subproject company follows the EIA procedure stated in the NEA for all the projects/ activities that are included as prescribed projects. In case of such prescribed projects the procedure requires the subproject company to fill and submit a basic information questionnaire (BIQ) of the subproject to the CEA. Upon review of the subproject the CEA will then indicate whether an EIA or IEE report has to be prepared. The subproject company may get the services of an expert or team of experts to prepare the required report and submit to the CEA. Upon review of the submitted reports and public comments the CEA may either approve the subproject with conditions of approval or they may reject the project/activity due to anticipated adverse and irrevocable environmental and social repercussions.

The bank will not finance subprojects listed under the list of prescribed projects of the NEA unless and until they are granted approval by the CEA.

If they are approved by the CEA the bank will proceed with review of the loan application. As ESDD

a review and assessment of Environmental and Social risks, proposed mitigation measures and monitoring plan will be conducted to ensure that the subproject company complies with the conditions stated in the approval issued by the CEA. Initially the ESDD review of Category A projects will be done by external experts. With the expertise and advanced training given to the staff of the Sustainability Committee, they will be in a position to conduct the Due Diligence themselves. If they still need expert advice, then these proposals could be referred to external experts.

ESDD procedures and requirements

25. For Category A projects listed as prescribed projects requiring an EIA/ IEE in the NEA and which are not financed by a DFI are:

- Subproject company fills and submits the BIQ to the CEA
- Upon issue of subproject approval by the CEA review the EIA/ IEE reports and other relevant documents prepared by the subproject company
- Review the conditions of approval issued by the CEA
- Review the monitoring plan submitted for monitoring of environmental and social impacts
- Prepare an ESDD report stating the conditions and the monitoring requirements that need to be included in the loan agreement.

26. For Category A projects which are listed as Part A type of projects/ activities requiring to obtain an EPL the steps that would be followed are:

- Subproject company fills and submits the BIQ to the CEA
- Upon grant of EPL Review the conditions of approval issued by the CEA
- Prepare an ESDD report stating the conditions and requirements that need to be included in the loan agreement

The coordination of all the above activities would be done by the designated staff officer of the Small and Medium Enterprise Development Unit.

For Category B (Medium Risk) Projects/ Activities

27. The steps followed are:

- Subproject company fills and submits the BIQ to the CEA
- Upon grant of EPL, Review the conditions of approval issued by the CEA
- Prepare an ESDD report stating the conditions and requirements that need to be included in the loan agreement

The coordination of all the above activities would be done by the designated officer of the Small and Medium Enterprise Development Unit.

For Category C (Low Risk) Projects/ Activities

28. For those projects/ Activities listed as Part C projects included in the list requiring EPL for operation, the steps followed are:

- Subproject company fills and submits the BIQ to the relevant local authority (LA)
- Upon grant of EPL review the conditions of approval issued by the LA
- Prepare an ESDD report stating the conditions and requirements that need to be included in the loan agreement

For those projects/ Activities not listed in either one of the lists a report will be prepared by the credit officer based on a site visit.

The coordination of the review of Category C projects would be done by the credit officers.

29. In addition to the list of prescribed projects required to undergo the EIA/ IEE procedure reference would also be made to the list of projects for which an EPL is required. This list contains a list of industrial activities/ projects for which an EPL is required for operation by the Gazette Extra Ordinary No 1533/16 of 25th January 2008. This list consists of three parts, Part A, Part B and Part C categorized as high polluting, medium polluting and low polluting industrial activities/ projects respectively. In the screening and categorization process the bank would consider and categorize those industrial activities/ projects listed under part A as “High Risk Projects” or Category A projects, those listed under Part B as ‘Medium Risk Projects’ or Category B projects and those listed under Part C as ‘Low Risk Projects’ or Category C projects. If a subproject for which a loan application is received by the bank is not listed in either one of these lists it would be considered as a Category C project.

30. For all projects/ activities listed as Prescribed Projects (requiring EIA and IEE) and those activities/ projects requiring an EPL the loan applicant would be informed of the requirements and these approvals would be reviewed by a designated staff officer of the Small and Medium Enterprise Development Unit. All subproject investment agreements will contain appropriate environmental and social covenants requiring the subproject to be in compliance in all material respects with the applicable environmental and social safeguard requirements. The bank will adhere to the EIA and IEE process of the NEA given in Figure 1.1 of Annex 2.1 for all subprojects.

C. Compliance Monitoring and Reporting

31. The approvals granted for Category A and B projects requiring an EIA and IEE, respectively, would include required mitigation conditions and a monitoring plan establishing the monitoring processes and monitoring responsibilities of public/ private agencies and the subproject company. The subproject company will be expected to submit monitoring reports to the CEA periodically as compliance. The designated staff officer will review these reports and CEA reviews to make certain that the EIA process continues through project implementation by way of ensuring that the subproject company conducts the monitoring and complies with the approval conditions. For Category A, B and C projects that require an EPL the bank will ensure that the subproject company complies with the conditions stated in the EPL. For Category A and B projects compliance monitoring would be done by the designated staff officer. For Category C projects the compliance monitoring would be done by the credit officers.

Subprojects financed by a DFI

A. Screening and Categorization

32. For donor funded credit lines (eg World Bank, ADB etc) the bank will follow the environmental and social safeguards policy of the donor financing institution (DFI). For such sub projects the designated staff officer of the Small and Medium Enterprise Development Unit of the bank will be in charge of the ESDD. Depending on the complexity of the subproject, due diligence can be a desk review (for Category C subprojects), based on a site visit (for Category B subprojects), or a full-scale review conducted by qualified staff in charge of environmental and social safeguards, or by consultant(s) (for Category A subprojects). However, if the safeguard requirements of the relevant DFI defers from this the bank will follow the requirements specific to the relevant DFI.

33. At an initial stage of screening and categorization of a subproject, loan applications will be initially screened in line with the national environmental laws and the bank’s own articles and business ethics. Then, the designated staff officer of the Small and Medium Enterprise

Development Unit will screen the subproject using the relevant exclusion lists of the DFI. For instance for ADB financed subprojects, ADB's PIAL would be referred to and for subprojects financed by the World Bank, the IFC exclusion list of the World Bank would be referred to by the designated staff officer. If the subproject involves an activity considered as a listed activity which would not be considered for financing by the DFI, the loan application would be declined at this stage itself and the subproject company will be informed so. Otherwise (if it is not an excluded activity), the designated staff officer of the Small and Medium Enterprise Development Unit of the bank will review the applicable environmental and social safeguard requirements of the relevant DFI for the subproject and will indicate those requirements to the subproject company. If the subproject company is willing to fulfill these requirements screening and categorization step will follow.

34. For screening and categorization a preliminary rapid assessment of the likely environmental and social impacts including involuntary resettlement impacts and effects on indigenous peoples would be considered. An example of a rapid environmental assessment checklist and the social safeguard screening checklist are given in the Annexes 3.1 and 3.2 respectively. These checklists are sector-specific and are used to determine the potential environmental and/or social impacts associated with the subproject. Different loan applications would be assessed depending on the sector they belong to. The designated staff officer of the Small and Medium Enterprise Development Unit of the bank will work with the subproject company for this purpose. Rapid environmental assessment checklists of the relevant DFI would be used in this assessment. For instance the environmental assessment checklist and social safeguard screening checklist of the ADB, designed to guide the deal team in the rapid assessment of impacts would be used for ADB financed subprojects.

35. Once the checklists and the verification work are completed, the subproject will be classified as one of the following categories: Category A (with potential significant environmental and/or social impacts); Category B (with less significant environmental and/or social impacts), and Category C (with minimal or no impacts). The deal team of the bank will take care to assure that the subproject company is fully aware of the applicable safeguard requirements of the relevant DFI.

36. The bank will inform the subproject company of the requirements with respect to the ESDD and would request the subproject company to provide all required information to the deal team. For Category A and B subprojects the designated officer of the Small and Medium Enterprise Development Unit of the bank with the subproject company would prepare a due diligence report. An outline of a due diligence report which is used by the ADB is provided in Annex 3.9. The report would be forwarded to the DFI and to the subproject committee of the bank which will take into account these issues in approving the subproject. The ESDD requirements will follow specific requirements as prescribed by the DFI. For instance, for subprojects financed by ADB which are likely to be classified as Category A for either environment or social safeguards, the bank will serve as the liaison between ADB and the subproject/borrower. The bank will gather all required documents and permits from the borrower/subproject and submit these requirements to ADB for review and clearance before the subproject is approved by the bank. As policy mandates, the draft EIA report will be made publicly available at least 120 days before the approval of the subproject, and the draft RP and draft IPP will be made publicly available before the approval of the subproject.

37. *For Category A Projects/ Activities:* A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to

physical works. An environmental impact assessment is required.

- The subproject company, with guidance from the bank, answers the sector-specific rapid environmental and social assessment checklists
- Upon confirmation that the project will bring significant environment and social impacts, subproject company is required to prepare an EIA, compile all permits, and conduct stakeholder consultations, as necessary. All documentation must be compiled and submitted along with the EIA and other relevant project loan application documents.
- Upon subproject company's submission of EIA, the designated officer of the Small and Medium Enterprise Development Unit reviews the EIA report and other relevant documents prepared by the subproject company for approval
- Identify the potential impacts associated with the proposed project/ activity through review of similar projects/ activities, site visits and discussion with project officials and if necessary other stakeholders
- Identify the gaps between the current E&S performance and the required standards (Gap analysis will be done by the subproject company and reviewed by the bank)
- Based on the Gap analysis prepare an action plan to bridge the gap (if necessary) between the actual scenario and the required standards.

The coordination of all the above activities would be done by the designated staff officer of the Small and Medium Enterprise Development Unit.

38. *For Category B Projects/Activities:* A proposed project is classified as Category B if its potential adverse environmental impacts are less adverse than those of Category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for Category A projects. An initial environmental examination is required.

- The subproject company, with guidance from the bank, answers the sector-specific rapid environmental and social assessment checklists.
- Upon confirmation that the project will bring minimal environment and social impacts, require the subproject company to prepare an IEE, compile all permits, and conduct stakeholder consultations, as necessary. All documentation must be compiled and submitted along with the IEE and other relevant project loan application documents.
- The projects/ activities in this category are associated with environmental and social impacts that can be readily predicted, prevented and/ or mitigated. As due diligence the credit officer of the bank will fill up a short 'internal checklist,' either as a desk review or a simple review by the credit officer based on a site visit. The 'Internal short list" used by the Bank for this purpose is given in Annex 1.1.

39. *For Category C Projects / Activities:* A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. No environmental assessment is required although environmental implications need to be reviewed.

- The subproject company, with guidance from the bank, answers the sector-specific rapid environmental and social assessment checklists
- Upon confirmation that the project will bring no environment and social impacts, the only due diligence requirement would be the filling of the form used for initial screening. Hence, if the Project/ Activity falls into Category C, the application will be forwarded directly for credit appraisal.

The coordination of all the above activities would be done by the designated staff officer of the Small and Medium Enterprise Development Unit.

40. Based on the due diligence the designated staff officer of the Small and Medium Enterprise Development Unit would prepare an “Environmental and Social Review Summary Report”. A format for the preparation of this report is given in Annex 1.2. This summary report would be forwarded to the Loan Approving Authorities along with the loan application form. The report consists of :

- Clients compliance with the local standards/ standards of the DFI
- Gap analysis between the current E&S performance and the required standards
- If compliance cannot be shown a corrective action plan if the project/ activity is to proceed
- Guidance for the subproject company to take necessary measures

41. For all subprojects financed by DFIs, subproject investment agreements will contain appropriate environmental and social covenants requiring the subproject to be in compliance in all material respects with the applicable environmental and social safeguard requirements of the DFI

Sample DFI requirement: ADB

As an example of the requirements of DFIs, the safeguard requirements of ADB applicable for different categories of subprojects are given in Table 1. For subprojects with potential significant environmental and/or social impacts, Safeguard Requirements 1-3 of the ADB Safeguard Policy Statement will apply, including preparation of an environmental impact assessment (EIA) report and an environmental management plan (EMP), a resettlement plan (RP) and/or an indigenous peoples plan (IPP); and (ii) the subproject company shall submit these reports to the bank for review. The bank will also submit these reports to ADB for review. The definition of environment and social safeguard categorization is given in Annex 3.3. Outlines for an EIA, RP, and IPP are provided in Annexes 3.4, 3.5, and 3.6, respectively. Likewise deal team of the bank will advise the subproject company of the safeguard requirements specific for the relevant DFI.

Table 1: Safeguard Requirements for ADB funded Subprojects

Category (Risk Rating)	Environmental Safeguards	Involuntary Resettlement Safeguards	Indigenous Peoples Safeguards
Category A (with potential significant impacts)	Comply with (i) Safeguard Requirements 1 of the ADB Safeguard Policy Statement, including EIA preparation & submission, and (ii) national laws	Comply with (i) Safeguard Requirements 2 of the ADB Safeguard Policy Statement, including RP preparation & submission, and (ii) national laws	Comply with (i) Safeguard Requirements 3 of the ADB Safeguard Policy Statement, including IPP preparation & submission, and (ii) national laws
Category B (with less significant impacts)	Comply with national laws and ADB’s PIAL	Comply with national laws and ADB’s PIAL	Comply with national laws and ADB’s PIAL
Category C (with minimal or no impacts)	Comply with national laws and ADB’s PIAL	Comply with national laws and ADB’s PIAL	Comply with national laws and ADB’s PIAL

C. Compliance Monitoring and Reporting

42. Requirements for compliance monitoring and reporting will also depend on the category of the subproject and the requirements of the DFI.

43. For Category B and C subprojects periodic routine monitoring for E&S issues will be done as required by the relevant DFI. Annual monitoring of the bank's and the subproject's performance will be done as mandated by DFI safeguards policy. Incidental reports will also be submitted to reflect any complaints or unusual occurrence during implementation.

44. For Category A subprojects external monitoring would be conducted for monitoring of E&S issues. Based on the observations the designated staff officer of the Small and Medium Enterprise Development Unit will prepare an annual environmental and social monitoring report reviewing the compliance of the subproject company with the conditions stated in the relevant approvals, with the loan agreements and with the environmental and social requirements. Hence, for Category A subprojects, environmental and social performance including status of implementation of the mitigatory measures will be evaluated on an annual basis. The benchmark for performance will be the on-going compliance against the applicable requirements.

45. At the level of individual loan recipients, submission of E&S monitoring reports at regular intervals will be an essential part of the compliance requirements. Monitoring reports will be prepared by the subproject company who will provide regular reports to the designated staff officer of the Small and Medium Enterprise Development Unit who may follow up as required with further queries or site visits. The proposed outlines for annual environmental and social monitoring reports by ADB are given in Annexes 3.8 and 3.9.

46. For Category A subprojects, the designated staff officer of the Small and Medium Enterprise Development Unit will monitor the Environmental and Social Performance and visit the site occasionally. On these site visits the designated staff officer will monitor the implementation of the EMP, RP and IPP. The results of this monitoring would be fed back to the overall reporting system.

47. If there is any actual or potential breach of the compliance requirements the bank will promptly report to the relevant DFI after becoming aware of it.

48. Environmental and social performance will be evaluated on an annual basis. The benchmark for performance will be the ongoing compliance against the applicable environmental and social safeguard requirements. The bank will ensure that the subproject company prepares and submits an annual environmental and social monitoring report according to the format of the relevant DFI. A sample template (ADB) for environment and social monitoring reporting is given in Annexes 3.8 and 3.9 for subproject companies. The designated staff officer of the Small and Medium Enterprise Development Unit will review and assess the subproject company's performance on environmental and social safeguard issues.

49. For Category A and B subprojects the designated staff officer of the Small and Medium Enterprise Development Unit will prepare an annual environmental and social performance report using the templates of the relevant DFI and submit it to the bank's management and the relevant DFI. This report will be prepared upon review of the annual monitoring reports prepared by the subproject company. As an example the template used by the ADB for the purpose is given in Annex 3.12.

IV ORGANIZATIONAL RESPONSIBILITIES, RESOURCES AND CAPACITY

Organization and Responsibilities.

50. The responsibility of the overall implementation of ESMS lies with the designated staff

officer of the Small and Medium Enterprise Development Unit who will report to the Head of this Department. However Implementation of ESMS is a bank-wide activity involving coordination of the Small and Medium Enterprise Development Unit, legal department and all other departments dealing with credit administration, risk management, compliance management, legal reporting, human resources and training and information technology,

51. The Designated staff officer of the Small and Medium Enterprise Development Unit reports to the Head of Small and Medium Enterprise Development Unit of the bank. The designated staff officer has oversight for environmental and social issues and ensures that the resources are made available for environmental and social management. Amongst other duties and responsibilities, the designated staff officer will also be responsible for the following activities:

- Ensuring that the ESMS procedures are implemented for each subproject
- Maintaining records of environmental reviews
- Exercising due diligence where necessary and ensuring that all investment decisions are supported by appropriate due diligence documentation where necessary
- Evaluating the level of environmental compliance of the loan applicant.
- Supervising subprojects for their compliance with applicable E&S requirements.
- The preparation of an annual environmental performance report, based on the annual performance reports submitted by the subproject companies.
- Provision of assistance to the legal department which will ensure that appropriate environmental representations, warranties and covenants are incorporated in each stock purchase agreement.
- Maintenance of a file of qualified environmental consultants who can be called upon to assist in conducting environmental reviews
- Asking and guiding subproject company to fill Bank's E&S questionnaire for Category A projects.
- Collect and study other relevant documents (audit reports, etc.).
- Visiting the site if and when required t.
- Prepare an E&S Review Summary Report (typically 2-4 pages) in a pre-described format.

52. The bank expects all its clients to address and manage E&S risks and impacts arising from the projects/ activities they have taken a loan for. The bank would assure that this is taking place. This requires identification and assessment of likely environmental and social impacts of the proposed project/ activities, preparation of E&S risk management systems, implementation of same and progress monitoring and reporting.

53. The loan applications from subproject companies are generally received by the credit officers who will do the initial screening and categorization. Those subprojects which are categorized as Category C projects would be processed by the credit officers themselves while those categorized as Category A and B would be forwarded to the designated staff officer of the Small and Medium Enterprise Development Unit for environmental and social clearance. While processing is done by the designated officer the approval will be given by the Head of the Small and Medium Enterprise Development Unit. Once approved and loan is granted monitoring for compliance will be done by the designated officer. The designated staff officer would also maintain records of the subprojects and monitoring reports. This process is shown in Figure 1.

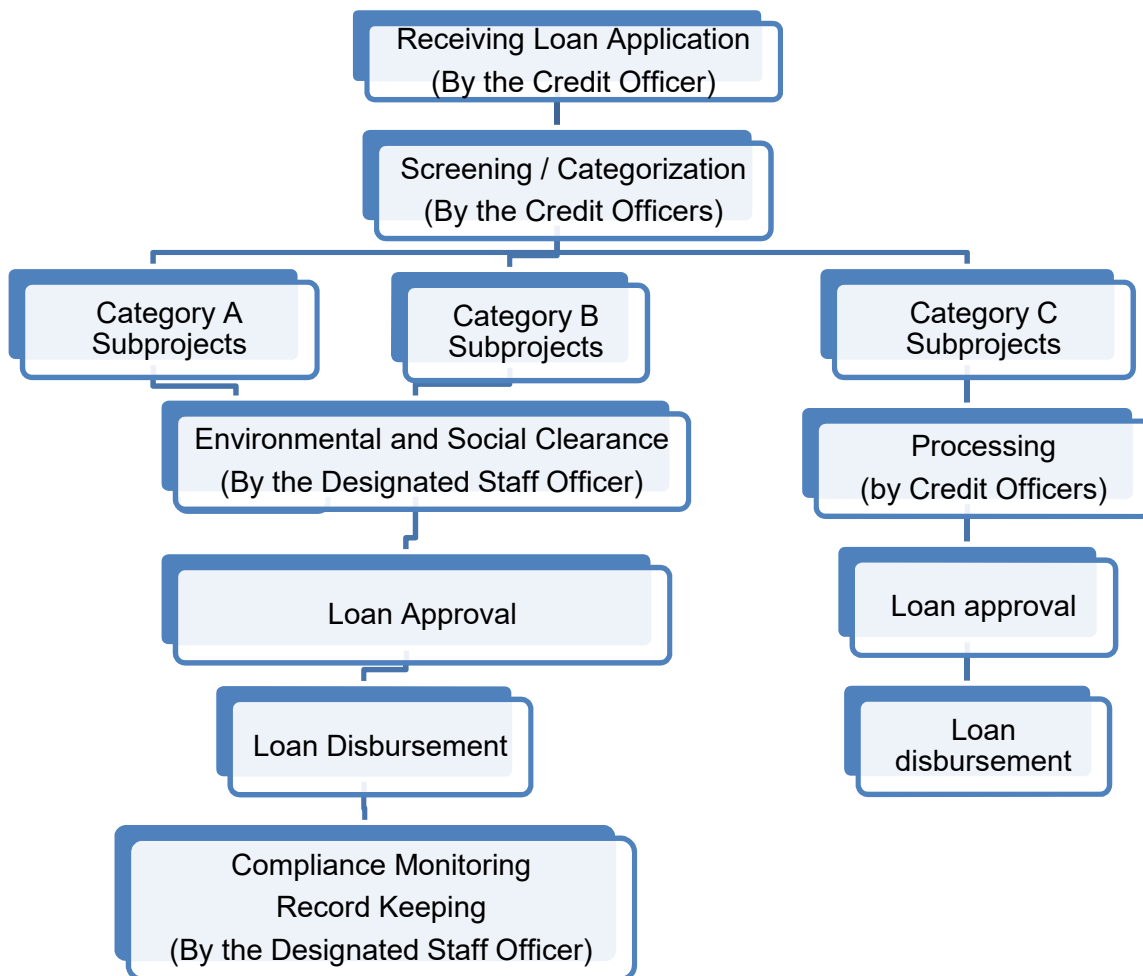


Figure 1: The procedure followed by the bank in loan processing

54. Resources and Capabilities. The designated staff officer of the Small and Medium Enterprise Development Unit would work with the Head of, Small and Medium Enterprise Development Unit and management of the bank to ensure that adequate resources have been committed to allow for the effective implementation of this ESMS policy and procedures. The designated staff officer will be technically qualified to be able to carry out the screening and due diligence or able to review the work carried out by consultant(s). S/he would attend environmental and social safeguard training related to compliance and monitoring activities sponsored and approved by DFIs. The bank would also maintain a pool of qualified environmental and social consultants who can be called upon to assist in conducting environmental and social reviews as appropriate.

Annex 1

Annex 1.1: A sample E & S Checklist

Social and Environmental Aspects Screening Checklist	
Project name : (Purpose of the loan)	Location:
Lending amount (\$m) and financial purpose)	
Sector:	Type of activity:
Brief project description:	
Site visit date:	Additional technical review required: <input type="checkbox"/> Yes
Reviewed by:	<input type="checkbox"/> No
Compliance with applicable requirements – check all that apply:	
<input type="checkbox"/> Exclusion list <input type="checkbox"/> National regulatory requirements <input type="checkbox"/> Environmental, health and safety permits granted <input type="checkbox"/> Injuries and fatalities have occurred (how and when:.....) <input type="checkbox"/> Labor-related fines (when and why :.....) <input type="checkbox"/> Environmental incidents and fines (when and why:.....)	
Management systems – Check all that apply:	
<input type="checkbox"/> No written environmental and social policy <input type="checkbox"/> No written human resources policy (e.g. employee rights/non –discrimination) <input type="checkbox"/> No written fire/safety plan or emergency prevention/preparedness/response plan <input type="checkbox"/> No environmental, health and safety training for employees <input type="checkbox"/> No procedures for managing environmental and social risks <input type="checkbox"/> No designated person in charge of environmental and social issues <input type="checkbox"/> No internal process for sharing information	
Project site – check all that apply:	
<input type="checkbox"/> Non – urban/undeveloped land	

- Proximity to river/stream/pond/lake/sea
- Proximity to protected area (e.g. forest/endangered species)/ecologically sensitive area (e.g. wetland/breeding grounds)
- Proximity to culturally sensitive/indigenous area

Environmental issues – check all that apply:

Air emissions

- Boilers
- Generators
- Vehicles and equipment
- Welding and soldering
- Furnaces and incinerators
- On-site burning
- Use of solvents
- Use of fumigation
- Evaporation of chemicals
- Refrigeration plant
- Use of exhaust ventilation

Waste paper

- Waste water discharges to.....
- Drains and grates
- Oil separators
- Separation tanks or filters
- Reed beds
- Cut-off valves
- Foul sewers and septic tanks
- Water treatments units
- Cleaning operations
- Spraying operations
- De-watering/water pump out

Solid and hazardous wastes

- Waste generated
- Types of waste:
.....
.....
- Hazardous waste (e.g. waste oils, pesticide washings, solvents, clinical waste, asbestos)
- Waste disposed to.....

- Hazardous chemicals, fuels, and pesticides
On-site chemicals or fuel storage
- Protective measures against leaks/spills
- Signs of leaks/spills
- On-site spill cleanup equipment
- Protective measures against rain
- Signs of corrosion on tanks/containers
- Secured storage areas against theft
- Training on proper handling of chemicals and fuels
- Pesticide use and management

<p>Resource consumption</p> <p><input type="checkbox"/> Materials used:</p> <p><input type="checkbox"/> Use of renewable natural resources</p> <p><input type="checkbox"/> Use of tools and equipment</p> <p><input type="checkbox"/> Water source:.....</p> <p><input type="checkbox"/> Energy source:.....</p>	<p>Nuisance</p> <p><input type="checkbox"/> Dust</p> <p><input type="checkbox"/> Noise</p> <p><input type="checkbox"/> Odors</p> <p><input type="checkbox"/> Fumes</p> <p><input type="checkbox"/> Vibrations</p> <p><input type="checkbox"/> Traffic congestion and obstructions</p>
<p>Community interactions – check all that apply:</p> <p><input type="checkbox"/> No designated person in charge of responding to questions from the community</p> <p><input type="checkbox"/> No procedures for managing community complaints</p> <p><input type="checkbox"/> Use of security personnel</p>	
<p>Social issues – check all that apply:</p> <p><input type="checkbox"/> Land acquisition required</p> <p><input type="checkbox"/> Displacement/resettlement of local settlements</p> <p><input type="checkbox"/> Impact on local settlements/livelihood</p> <p><input type="checkbox"/> Impact on indigenous peoples</p> <p><input type="checkbox"/> Complaints from neighbors/communities</p> <p><input type="checkbox"/> On or adjacent to site of cultural/archaeological importance</p>	
<p>Labor issues – check all that apply:</p> <p><input type="checkbox"/> No personal protective equipment provided (e.g, safety goggle/ hard hat/protective glove)</p> <p><input type="checkbox"/> Inadequate employee health and safety measures (e.g., fall prevention/ventilation)</p> <p><input type="checkbox"/> Inadequate working conditions (e.g, air quality/lighting/confined spaces/on-site hygiene)</p> <p><input type="checkbox"/> Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay)</p>	

- Unequal employment opportunities (e.g., discrimination against gender/ethnic group/age)
- Payment below minimum wage
- Employees below minimum age
- Child or forced labor
- No process for employees to voice complaints
- No recognition of employee organizations/labor unions

Additional comments

Annex 1.2 : Form for Initial Screening projects Environmental and Social Impacts

1. Name of the Project/ Activity

.....
2. Name and Contact Details of the Applicant

Postal Address

.....
.....
.....

E Mail Address

Phone No

Fax No

3. Contact Details of the person to be contacted in relation to Environmental Issues

Postal Address

.....
.....
.....

E Mail Address

Phone No

Fax No

4. Nature of the Project/ Activity (Give a brief Description)

.....
.....
.....
.....
.....
.....
.....

5. Magnitude/ Scale/ Extent of the Project/ Activity

.....
.....
.....
.....
.....
.....
.....
.....
.....

6. If it is an Industry

a. The Type of Industry

.....
.....
.....

b. The types of Products

.....
.....
.....

c. Factory/ Project Layout Plan (With major buildings, Unit Operations and by products and Waste Generation Points)

.....
.....

7. Location of the Project / Activity (Please attach a Location Map, Route sketch)

Pradeshiya Sabha

Divisional Secretariat

District

Province

8. Boundary of the Project/ Activity (bounded by)

North

East

South

West

9. Any designated areas within 2 km of the land (give the distance)

.....
.....
.....
.....
.....

10. Ownership of the land (Is acquisition necessary)

.....
.....
.....

11. Present Land Use

.....
.....
.....

12. Applicable laws, regulations, standards and requirements covering the proposed project

.....
.....
.....

13. Permits and Approvals Required for the Project/ Activity

.....
.....
.....
.....
.....

14. Status of Permits/ Approvals Required for the Project / Activity (pending/ obtained/ rejected)

.....
.....
.....
.....
.....

15. Number of Workers

a. During Construction

.....

b. After Construction

.....

c. Migratory Workers

.....

16. Potential Environmental Impacts

.....
.....
.....
.....
.....

17. Potential Social Impacts

.....
.....
.....

Annex 1.3: Format for Summary Report on a typical ESDD

Transaction Title:

1. Nature of the transaction and the borrower's business:

- 1.1 Type of transaction, amount and term:
- 1.2 Borrower/investment and its business operations:
- 1.3 Purpose of transaction:

2. Environmental and Social Information Reviewed and Issues Identified

[Information reviewed, e.g., representations from the borrower, copies of permits/licenses, copies of policies/procedures, environmental impact assessment report, site visit inspection reports]

- Site walks round, inspection
- Discussions with management
- Hotel operating permit dated
- Permit for discharge of waste water to the sewerage system dated
- Water extraction permit dated
- Approval for building Plan by Local Authority
- EIA/IEE Statement
- Any other documents (Safety plan / Solid Waste Management plan/Land Acquisition Plan, Soil Protection Plan)

1) Main environmental and social impacts of company operations (e.g. waste water, and solid waste generated, land acquisition occupational health and safety, public safety, labor standards, impacts on cultural heritage).

- Wastewater from process and washing operations (this is treated both on and offsite)

2) Key environmental and social concerns identified (e.g., high charges for emissions, known areas of current or future non-compliance with regulations, high worker accident rate, significant major accident risk, community grievances/protest, frequent strikes, bad worker/management relations).

3) Environmental regulatory compliance and liability

- a) Does the Borrower/investor comply with national environmental regulations and standards?

Management reported full compliance with environmental regulations

- b) Has the Borrower/investor obtained the necessary permits and approvals?

Permits inspected includes:

- Hotel operating permit date
- EIA/IEE
- Permit for discharge to water; valid-expires
- Contract with LA to dispose solid waste water from the hotel
- Wastewater quality test results
- a) Permit for extraction of water from well/River
- b) As far as we are aware no other permits are required for legal operation
- c) Has the Borrower/investor been penalized for non-compliance with environmental regulations and standards in the last two years?

Since testing in 1999 the company has been paying water charges of about \$ 1600 per year on account of slightly exceeding permitted levels as mentioned above.

d) What are the main findings of the environmental inspection reports for the Borrower's business?

1. Is the Borrower/investment subject to ongoing or pending administrative or court action because of environmental offences?

No

2. Is the Borrower/investment exposed to potentially significant environmental liabilities, such as those arising from known or suspected land/groundwater contamination, related to the Company's past or ongoing operations? If yes, specify magnitude.

No

3. Social Standards compliance:

- 3.1 Does the borrower comply with national labor and employee protection regulations, in particular those related to occupational health and safety (OHS), employment of minors, the prohibition of forced labor, and the non-discriminatory treatment of employees at the workplace, the freedom of association, and the right to bargain collectively?
- 3.2 What are the main findings of the latest OHS/Labor/sanitary inspection reports for the Borrower's business?
- 3.3 Is the Borrower subject to ongoing or pending administrative or court action because of OHS, labor or sanitary offences?
- 3.4 Does the project to be financed have any adverse effects on indigenous people, cultural or archaeological heritage? If yes, how are these impacts being mitigated?
- 3.5 Financing of new developments/major expansion projects. Does the project involve the acquisition of land, or expansion of the Company's own area? If so, do any people have to be resettled? If yes, detailed information on applicable laws/regulations (if any) and proposed resettlement and compensation of affected people must be attached to the ESDD Report.

4. Accidents

Has the Borrower/investor had any significant accidents or incidents in the last two years (e.g. oil spills, fires) involving deaths or serious injuries and/or significant environmental damage?

5. Collateral

If land is taken as collateral, is there any indication of material contamination? If yes, are there any liabilities of the company or financial institution to clean-up the land and what is their approximate magnitude?

6. Risk mitigation and monitoring:

State further actions required/planned by the Borrower/Investor, with regard to particular actions to address any environmental and social non-compliance problems and liabilities:

- Expired construction permit must be renewed.
- Have requested to check on wastewater quality to check compliance.
- Talk to worker representatives to confirm that overtime payment issue has been resolved.
- Proof requested that 16-18 year olds are employed in accordance with national labour regulations.
- Request copies of future labor inspection reports as part of annual reports on environmental and social performance.

State any risk mitigation measures to be taken by the Bank/Investor, such as environmental and social conditions, loan covenants or monitoring requirements (e.g. regular reporting from Borrower).

7. Requirements placed on company as conditions of loan:

- Renew expired construction permit; ensure all permits remain valid.
- Provide satisfactory evidence that 16-18 year olds are employed in accordance with national labor regulations.
- Inform the Bank if any material breach of regulation or product quality requirements takes place.
- Not to sell or acquire land or make any significant change to the nature of the business without approval from the Bank.

8. Environmental and Social Opportunities:

State any measures taken/planned by the Borrower/Investor, in particular any financed through the loan (other than those mentioned in section 6), to further improve the environmental or social performance of the enterprise, e.g. energy efficiency, cleaner technology, waste reduction, occupational health and safety management, community relations, etc.

Annex 2

Annex 2.1: National EIA Procedure of Sri Lanka

In Sri Lanka, environmental protection and management is governed by the National Environmental Act No.47 of 1980(NEA) which was enacted in 1980 and subsequently amended in 1988 (Amendment Act No.56). The Central Environmental Authority (CEA), the primary agency in charge of implementing the regulations of the NEA was established in 1981 through the Part IV C of the statute entitled “Approval of Projects” of the NEA. This part was later on amended by Act no 53 of 2000.

The Act No 56 requires that development projects as prescribed by the Minister in charge of the subject of Environment and as given in the NEA receive environmental clearance prior to been approved for implementation. In addition the NEA also states the Agencies who are authorized to evaluate the project for compliance with regulations as “Project Approving Agencies –PAA”. The list of PAA as prescribed by the Minister under Section 23 Y of the NEA in Gazette Extra – Ordinary No/ 978/ 13 of 4th June 1997.

Depending on the significance of the possible environmental impacts the assessments required are of two levels, an Initial Environmental Examination (IEE) or an EIA. PAAs generally determine the significance of the likely impacts based on both the context and intensity of the possible impacts. The contexts are the impact on the nation as a whole, impacts on a particular region or type of activity, and impacts on a specific community. The intensity of the impact refers to the severity, magnitude or nature of the likely impacts.

Whereas an Initial Environmental Evaluation Report (IEER) is a report that assesses the possible impacts of a prescribed project for their significance and identifies mitigation measures and recommendations, an Environmental Assessment Report (EIAR) is a more comprehensive document where alternatives to the proposed project are identified and the alternative with the least environmental impacts is assessed and mitigatory measures for this option are recommended.

1.1 Procedure for Compliance with NEA regulations

Figure 1.1 schematically shows the sequential steps of complying with the EIA regulations as stated in the NEA.

Step 1 Request for Preliminary Information

As the first step of the EIA process the lead agency of the project or the Project Proponent (PP) is required to submit to CEA the preliminary information (PI) on the proposed project as early as possible. The required information includes a description of the nature, location and possible impacts of the proposed project. The preliminary information thus supplied helps the PAA decide whether the project requires to undergo a detailed EIA or whether an IEE is sufficient.

Step 2 Scoping

Once adequate PI is submitted to the PAA a “Scoping Exercise” is conducted to determine the scope of issues to be addressed and to identify significant issues related to a proposed action. After the

scoping exercise the PAA determines whether the project requires an IEE or an EIA; If it is an IEE whether the information already supplied suffice as an IEE; the scope of the significant issues to be analyzed in the assessment report; reasonable alternatives that should be further investigated in the assessment and issues which need not be studied in detail since previous studies already contain these information. The main outcome of scoping is the “Terms of Reference” for the IEE/EIA.

Step 3 Report Preparation

Upon receipt of the TOR the PP appoints a team of consultants to conduct the environmental assessment according to the requirements of the TOR and prepare the assessment report which is submitted to the PAA who will evaluate it through its TEC for adequacy. If found to be not adequate further information will be requested for and once the PAA is satisfied as to the adequacy of the report it will be open for the commenting process.

Step 4 Commenting Process

EIA process in Sri Lanka involves the public at this stage by opening the assessment report for public comments. This is a mandatory requirement in the cases of EIA, whereas in the cases of IEE it is not so. The NEA specifies that a notice of availability of the EIA report for public review must be inserted in one Sinhala, Tamil, and English newspaper, as well as the Government Gazette. The document is open for public review for thirty days. Upon receipt of the public comments the PAA decides whether the case warrants a public hearing. The public comments received during the thirty day period are sent to the project proponent for their response. The final statement of EIA should include all substantive comments received on the draft EIA report.

Step 5 Decision Making

The PAA, in concurrence with the CEA, shall grant approval for the project subject to specified conditions or refuse to approve the project giving reasons for doing so. If the clearance is rejected the PP can appeal the decision to the Secretary of the Ministry of the Environment. A member of the public who has grievance about the decision regarding environmental clearance can seek an appeal in only in the court.

The approval must include appropriate mitigation conditions and must establish the monitoring processes and monitoring responsibilities of public/ private agencies.

Step 6 Monitoring

The EIA process continues through project implementation by way of monitoring of project environment and compliance to approval conditions.

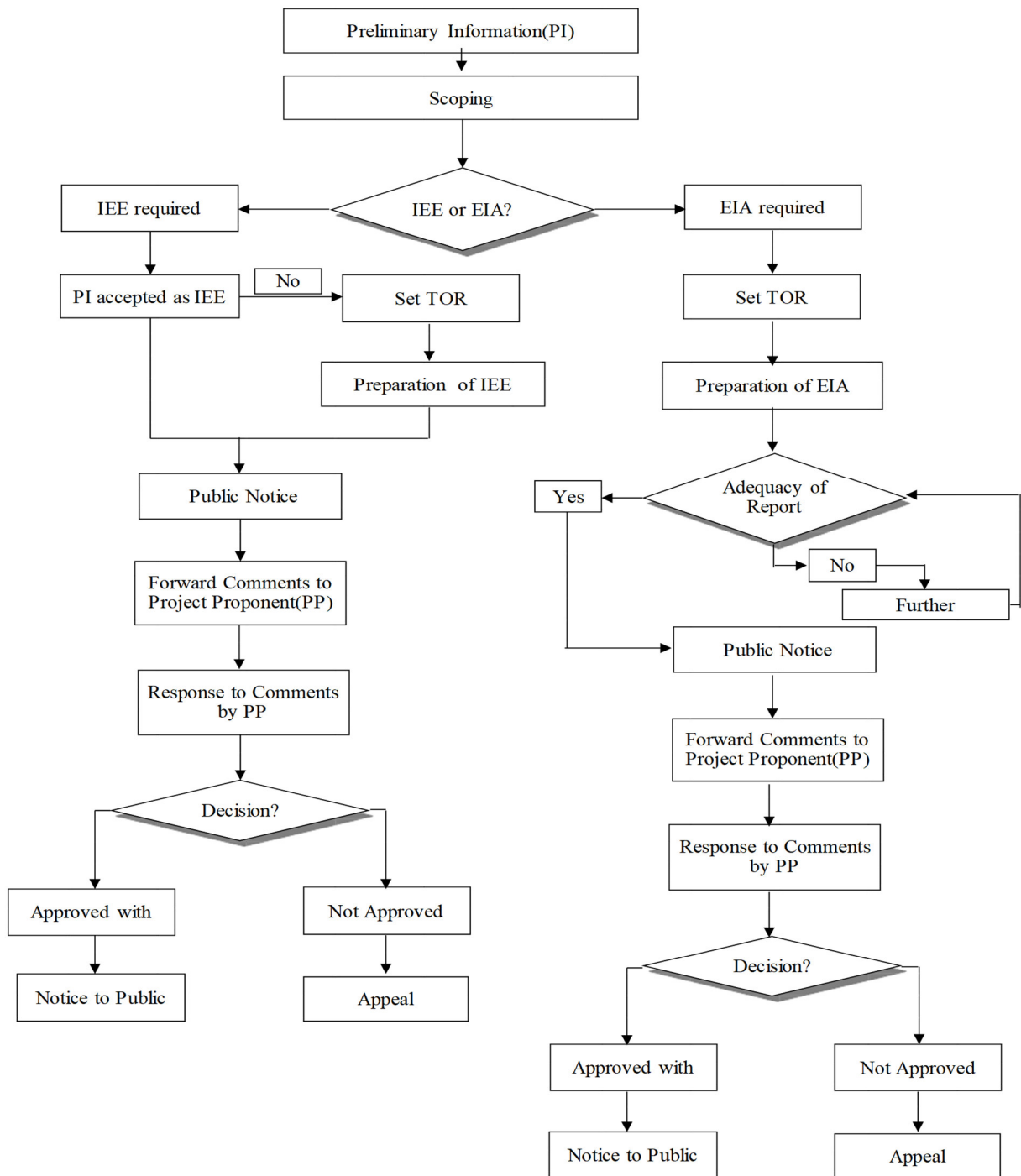


Figure 1.1 Environmental Assessment Process in Sri Lanka

Source: Guidance for Implementing the Environmental Impact Assessment Process – No 1: A general guide for Project Approving Agencies (CEA: 1998)

Annex 2.2: Prescribed Projects for IEE/ EIA

These are the Prescribed Projects set out in the Gazette Extra Ordinary No 772/22 of 24th June 1993, No: 1104/22 dated November 1999, and no 1108/1 dated 29th November 1999

Projects and undertakings if located wholly or partly outside the coastal zone as defined by Coast Conservation Act No. 57 of 1981.
<ol style="list-style-type: none">1. All river basin development and irrigation projects excluding minor irrigation works (as defined by Irrigation Ordinance chapter 453)2. Reclamation of Land, wetland area exceeding 4 hectares3. Extraction of timber covering land area exceeding 5 hectares4. Conversion of forests covering an area exceeding 1 hectare into non-forest uses.5. Clearing of land areas exceeding 50 hectares6. Mining and Mineral Extraction<ul style="list-style-type: none">Inland deep mining and mineral extraction involving a depth exceeding 25 meterInland surface mining of cumulative areas exceeding 10 hectaresAll off shore mining and mineral extractionsMechanized mining and quarrying operations of aggregate, marble, limestone, silica, quartz, and decorative stone within 1 kilometer of any residential or commercial areas7. Transportation Systems<ul style="list-style-type: none">Construction of national and provincial highways involving a length exceeding 10 kilometersConstruction of railway linesConstruction of airportsConstruction of airstripsExpansion of airports or airstrips that increase capacity by 50 percent or more8. Port and harbor development<ul style="list-style-type: none">Construction of portsConstruction of harborsPort expansion involving an annual increase of 50% or more in handling capacity per annum9. Power generation and transmission<ul style="list-style-type: none">Construction of hydroelectric power stations exceeding 50 MegawattsConstruction of thermal power plants having generation capacity exceeding 25 Megawatts at a single location or capacity addition exceeding 25 Megawatts to existing plantsConstruction of nuclear power plantsAll renewable energy based electricity generating stations exceeding 50 Megawatts10. Transmission lines<ul style="list-style-type: none">Installation of overhead transmission lines of length exceeding 10 kilometers and voltage above 50 Kilovolts11. Housing and building<ul style="list-style-type: none">Construction of dwelling housing units exceeding 1000 unitsConstruction of all commercial buildings as defined by Urban Development Authority established by the Urban Development Authority law, No. 41 of 1978 having built up area exceeding 10,000 square metersIntegrated multi-development activities consisting of housing, industry, commercial infrastructure covering a land area exceeding 10 hectares12. Resettlement<ul style="list-style-type: none">Involuntary resettlement exceeding 100 families other than resettlement effected under emergency situations13. Water supply<ul style="list-style-type: none">All ground water extraction projects of capacity exceeding 1/2 million cubic meters per dayConstruction of water treatment plants of capacity exceeding 1/2 million cubic meters14. Pipelines

- Laying of gas and liquid (excluding water) transfer pipelines of length exceeding 1 kilometer
15. Hotels
 - Construction of Hotels or holiday resorts or projects which provide recreational facilities exceeding 99 rooms or 40 Hectares, as the case may be
 16. Fisheries
 - Aquaculture development projects of extent exceeding 4 hectares
 - Construction of fisheries harbours
 - Fisheries harbour expansion projects involving an increase of 50% or more in fish handling capacity per annum
 17. All tunneling projects
 18. Disposal of Waste
 - Construction of any solid waste disposal facility having a capacity exceeding 100 tons per day
 - Construction of waste treatment plants treating toxic or hazardous waste
 19. Development of all Industrial Estates and Parks exceeding an area of 10 hectares
 20. Iron and Steel Industries
 - Manufacture of iron and steel products of production capacity exceeding 100 tons per day using iron ore as raw material
 - Manufacture of iron and steel products of production capacity exceeding 100 tons per day using scrap iron as raw material
 21. Non-Ferrous Basic Metal Industries
 - Smelting of aluminium or copper or lead of production capacity exceeding 25 tons per day
 22. Basic Industrial Chemicals
 - Formulation of toxic chemicals or production capacity exceeding 50 tons per day
 - Manufacture of toxic chemicals of production capacity exceeding 25 tons per day
 23. Pesticides and Fertilizers
 - Formulation of pesticides of combined production capacity exceeding 50 tons per day
 - Manufacture of pesticides of combined production capacity exceeding 25 tons per day
 24. Petroleum and petrochemical
 - Petroleum refineries producing gasoline, fuel oils, illuminating oils, lubricating oils and grease, aviation and marine fuel and liquified petroleum gas from crude petroleum
 - Manufacture of petro-chemicals of combined production capacity exceeding 100 tons per day from raw materials obtained from production processes of oil refinery or natural gas separation
 25. Tyre and Tube Industries
 - Manufacture of tyre and tubes of combined production capacity exceeding 100 tons per day from natural or synthetic rubber
 26. Sugar factories
 - Manufacture of refined sugar of combined production capacity exceeding 50 tons per day
 27. Cement and Lime
 - Manufacture of Cement
 - Manufacture of lime employing kiln capacity exceeding 50 tons per day
 28. Paper and Pulp
 - Manufacture of paper or pulp of combined production capacity exceeding 50 tons per day
 29. Spinning, Waving and Finishing of Textiles
 - Integrated cotton or synthetic textile mills employing spinning, weaving, dyeing and printing operations together, of combined production capacity exceeding 50 tons per day
 30. Tanneries and Leather Finishing
 - Chrome tanneries of combined production capacity exceeding 25 tons per day
 - Vegetable (bark) of combined production capacity exceeding 50 tons per day
- Provided however, where the projects and undertaking set out in items 20 to 30 are located within Industrial Estates and parks as described at (19) above, the approval shall not be necessary under the provisions of Part IV C of the Act

31. Industries which involve the manufacture, storage or use of Radio Active Materials as defined in the Atomic Energy Authority Act No. 19 of 1969 or Explosives as defined in the Explosives Act, No. 21 of 1956, excluding for national security reasons.
32. All projects and undertaking listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or party within the areas specified in part III of the Schedule.

The following industries if located wholly or partly within the areas specified in Part III of the Schedule.

33. Iron and Steel
34. Non-Ferrous Basic Metal
35. Basic Industrial Chemicals
36. Pesticides and Fertilizer
37. Synthetic Resins, Plastic materials and Man-made Fibres
38. Other Chemical Products
39. Petroleum and Petro-chemical products
40. Tyres and Tubes
41. Manufacturing and Refining of Sugar
42. Alcoholic Spirits
43. Malt Liquors and Malt
44. Cement and Lime
45. Non-metallic Mineral Products
46. Paper, Pulp and Paperboard
47. Spinning, Weaving and Finishing of Textile
48. Tanneries and Leather Finishing
49. Shipbuilding and Repairs
50. Railroad Equipment
51. Motor Vehicles
52. Air Craft

The Environmentally Sensitive areas defined in the Gazette are

1. Within 100 m from the boundaries of or within any area declared under the National Heritage Wilderness Act No. 3 of 1988; the Forest Ordinance (Chapter 451; whether or not such areas are wholly or partly within the Coastal Zone as defined in the Coast Conservation Act, No. 57 of 1981.
2. Within the following areas whether or not the areas are wholly or partly within the Coastal Zone:
 Any erodable area declared under the Soil Conservation Act (Chapter 450) Any Flood Area declared under the Flood Protection Ordinance (Chapter 449) and any flood protection area declared under the Sri Lanka Land Reclamation and Development Corporation Act, 15 of 1968 as amended by Act, No. 52 of 1982. 60 meters from the bank of a public stream as defined in the Crown Lands Ordinance (Chapter 454) and having a width of more than 25 meters at any point of its course. Any reservation beyond the full supply level of a reservoir. Any archaeological reserve, ancient or protected monument as defined or declared under the Antiquities Ordinance (Chapter 188) Any area declared under the Botanic Gardens Ordinance (Chapter 446) Within 100 meters from the boundaries of, or within, any area declared as a Sanctuary under the Fauna and Flora Protection Ordinance (Chapter 469). Within 100 meters form the high flood level contour of, or within, a public lake as defined in the Crown Lands Ordinance (Chapter 454) including those declared under section 71 of the said Ordinance.

Annex 2.3: The Prescribed Projects for which an Environmental Protection License is required by the Gazette Extra Ordinary No 1533/16 of 25th January 2008

PART A

- Chemicals manufacturing or formulating or repacking industries.
 1. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity of 1,000 kilograms per day or more.
 2. Bulk petroleum liquid or liquefied petroleum gas storage or filling facilities having a total capacity of 150 or more metric tons excluding vehicle fuel filling stations.
 3. Industries involved in the use of fiber glass as a raw material where 10 or more workers are employed.
 4. Synthetic rubber, natural rubber manufacturing or processing or rubber based industries excluding industries which manufacture less than 100 kilograms of ribbed smoke rubber sheets per day.
 5. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity one or more metric ton per batch.
 6. Industries involved in manufacturing extracting or formulating Ayurvedic, Indigenous medicinal products where 25 or more workers are employed.
 7. Chemical fertilizer manufacturing, formulating, processing or repacking Industries.
 8. Pesticides, insecticides, fungicides and herbicides manufacturing, formulating or repacking industries.
 9. Oil (mineral oil or petroleum) refineries.
 10. Dye and dye intermediate manufacturing or formulating industries.
 11. Paints (emulsion or enamel), inks, pigments, varnish, polish manufacturing or formulating industries.
 12. Petrochemical (basic or intermediates) manufacturing or formulating industries.
 13. Industrial gas manufacturing, processing or refilling industries.
 14. Asphalt processing plants.
 15. Industries involved in the manufacture of polymers or polymer based products (i.e. polythene, polyvinyl chloride (PVC), polyurethane, polypropylene, polyester, nylon, polystyrene, resins, fiberglass or other manmade fibres etc.) or polymer or polymer based products, recycling industries.
 16. All types of tyres, tubes manufacturing or tyre retreading industries.
 17. Industries involved in manufacturing or reconditioning of batteries.
 18. Any industry involved in the use of asbestos fibers as a raw material.
 19. Industries involved in manufacturing, extracting or formulating pharmaceuticals or cosmetic products including intermediates.
 20. Adhesives manufacturing industries excluding natural gums.
 21. Match sticks manufacturing industries and explosives manufacturing or formulating industries.
 22. Batik industries where 10 or more workers are employed.
 23. Textile processing (i.e. bleaching, dyeing, printing) industries or garment washing industries or textile sand blasting industries or commercial laundries where 10 or more workers are employed.
 24. Tanneries.

25. Lather finishing industries having effluent generating operations.
26. Jute processing industries.
27. Industries involved in bleaching or dyeing of natural fiber or natural fiber based industries where 25 or more workers are employed.
28. Power looms having 25 or more machines or power looms with sizing activities.
29. Sugar manufacturing industries or sugar refineries.
30. Fermentation industries (Distilleries, Breweries) or alcoholic beverages bottling plants or bottling plants having bottle washing operations.
31. Food manufacturing and processing industries including bakery products and confectioneries where 25 or more workers are employed.
32. Abattoirs.
33. Coconut oil or cinnamon oil extraction industries where 25 or more workers are employed.
34. Plants or animal oil/ fats extraction industries having production capacity of 10 litres or more per day excluding coconut oil and cinnamon oil extraction industries.
35. Instant tea or coffee processing industries.
36. Non –alcoholic beverages manufacturing industries where 25 or more workers are employed.
37. Desiccated coconut mills or coconut processing industries where 10 or more workers are employed.
38. Rice mills having wet process and having a production capacity of 5,000 kilograms or more per day.
39. All hatcheries or poultry farms having 2,500 or more birds or piggery, cattle, goats farms having animals 50 or more or having rating* for mixed farming 2,500 or more.
40. Rating for Mixed Farming = No. of Birds + 50 X (No. of Cattle + No. of Goats)
41. Animal feed manufacturing industries having a capacity of 25 or more metric tons per day.
42. Cigarettes or other tobacco products manufacturing industries where 50 or more workers are employed.
43. Industries involved in surface treatment of metal or plastic including electroplating, galvanizing and powder coating industries.
44. Iron and steel mills.
45. Foundries with any type of furnaces.
46. Non-ferrous metal processing industries including secondary process, smelting and recovery of metals.
47. Metal fabricating industries or machinery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where 24 or more workers are employed. (Including lathe workshops, welding shops, spray painting industries).
48. Cement industries (clinker grinding, manufacturing or repacking).
49. Concrete batching plants having a production capacity of 50 or more cubic meters per day.
50. Glass or glass based product manufacturing industries.
51. Lime kilns having a production capacity of 20 or more metric tons per day.
52. Ceramic industries where more than 25 or more workers are employed.
53. Mechanized mining activities with multi bore hole blasting or single bore hole blasting activities with production capacity having 600 or more cubic meters per month.
54. Crushing or processing of non-metallic minerals (i.e. limestone, dolomite apatite, rock phosphate, sand stone, feldspar, quartz, limenite, rutile, zircon, mica graphite, kaolin, etc) excluding lime shell and granite crushing activities.

55. Granite boulders making or processing industries (extracting, blasting, slicing, polishing).
56. Granite crushing (Metal crushing) industries having a total production capacity of 25 or more cubic meters per day.
57. Common wastewater (industrial or sewage) treatment plants.
58. Incinerators having a feeding capacity of 5 or more metric tons per day.
59. Water treatment plants having a treatment capacity of 10,000 or more cubic meters per day.
60. Municipal solid waste and other solid waste composting plants having a capacity of 10 or more metric tons per day.
61. Solid waste recovery/ recycling or processing plants having a capacity of 10 or more metric tons per day.
62. Solid waste disposal facility having a disposal capacity of 10 or more metric tons per day.
63. All toxic and hazardous waste treatment facility or disposal facilities or recycling/ recovering or storage facilities.
64. Industries involved in chemical treatment and preservation of wood excluding Boron treatment.
65. Saw mills having a milling capacity of 50 or more cubic meters per day or wood based industries where 25 or more workers are employed.
66. Hotels, guest houses, rest houses having 20 or more rooms.
67. Hostels and similar dwelling places where occupancy level is exceeding 200 or more.
68. Health care service centers generating infectious wastes, including medical laboratories and research centers.
69. Automobile or bicycle manufacturing or assembling industries.
70. Vehicles service stations or container yards having vehicle service activities excluding three wheeler and motor cycles services and interior clearing.
71. Railway workshops or all bus depots having vehicle servicing activities.
72. All vehicle emission testing centers.
73. Electrical power generating utilities excluding standby generators and hydro or solar or wind power generation.
74. Printing presses with lead smelting to newspaper printing or printing process which generates wastewater or colour photographs processing centers.
75. Paper and Pulp Industries or corrugated cartons manufacturing industries.
76. Any industry where 200 or more workers per shift are employed.
77. Industrial Estates approved under the part IVC of the National environmental Act including Katunayake and Biyagama Export processing Zones.
78. Zoological gardens.
79. Transmission towers providing facilities for telecommunication and broadcasting.
80. Any industry not included above which discharges 10 or more cubic meters of wastewater per day or using toxic chemicals in its process.

PART B

1. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity less than 1,000 kilograms per day.

2. Bulk petroleum liquid storage facilities excluding filling stations or liquefied petroleum gas (LP Gas) storage or filling facilities having a total capacity less than 150 metric tons.
3. Industries involved in the use of fiber glass as a raw material where less than 10 workers are employed.
4. Ribbed smoke rubber sheet manufacturing industries having a production capacity of more than 50 kilograms and less than 100 kilograms per day.
5. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity less than one metric ton per batch.
6. Industries involved in manufacturing, extracting or formulating Ayurvedic, indigenous medicinal products where more than 10 workers and less than 25 workers are employed.
7. Batik industries where less than 10 workers are employed.
8. Commercial laundries where less than 10 workers are employed.
9. Leather finishing industries having dry process operations.
10. Natural fiber based industries where less than 25 workers are employed excluding industries involved in bleaching or dyeing of natural fiber.
11. Power looms having less than 25 machines.
12. Hand Looms or knitting or embroidery industry having more than 10 looms.
13. Garment industries where 25 or more workers and less than 200 workers per shift are employed.
14. Sugar cane based industries excluding sugar factories of sugar refineries.
15. Food manufacturing and processing industries including bakery products and confectioneries where 5 or more workers and less than 25 workers are employed.
16. Cinnamon oil extracting industry where less than 25 workers are employed.
17. Rice mills having wet process with a production capacity of less than 5,000 kilograms per day.
18. Grinding mills having production capacity of more than 1,000 kilograms per month.
19. Poultry farms have 250 or more and less than 2,500 birds or piggery, cattle, goats farms having animals 5 or more and less than 50 or having rating* for mixed farming 250 and less than 2,500.
20. Rating for Mixed Farming = No. of Birds + 50 X (No. of Pigs + No. of Cattle + No. of Goats)
21. Animals fed manufacturing industries, having a capacity of less than 25 metric tons per day.
22. All ice manufacturing industries.
23. Metal fabricating industries or machinery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where less than 25 workers are employed. (Including lathe workshop, welding shops, spray painting industries).
24. Concrete batching plants having a capacity less than 50 cubic meters per day.
25. Single borehole blasting with industrial mining activities using explosives having a production capacity of less than 600 cubic meters per month.
26. Granite crushing (Metal crushing) industries having a total production capacity of less than 25 cubic meters per day excluding manual crushing operations using hand tools.
27. Municipal solid waste and other solid waste composting plants (excluding household composting) having a capacity of less than 10 metric tons per day.
28. Solid waste recovery/ recycling or processing plants having a capacity of less than 10 metric tons per day.
29. Solid waste disposal facilities a disposal capacity of less than 10 metric tons per day.
30. Hostels and similar dwelling places where occupancy level or 25 or more boarders and less than 200 borders.

31. Vehicle repairing and maintaining garages including spray painting or mobile air-conditioning activities.
32. Recycling or recovering centers of refrigerants form air-conditioners or refrigerators.
33. Three wheeler or motor cycle servicing activities or vehicle cleaning activities.
34. Any industry not included above which discharges 3 or more and less than 10 cubic meters of industrial processing wastewater per day.

PART C

1. All vehicle filling stations (liquid petroleum and liquefied petroleum gas).
2. Manufacturing of candles where 10 or more workers are employed.
3. Coconut oil extraction industries where 10 or more workers and less than 25 workers are employed.
4. Non-alcoholic beverages manufacturing industries where 10 or more workers and less than 25 workers are employed.
5. Rice mills having dry process operations.
6. Grinding mills having production capacity of less than 1,000 kilograms per month.
7. Tobacco barns.
8. Cinnamon fumigating industries with Sulphur fumigation having capacity of 500 or more kilograms per batch.
9. Edible salt packing and processing industries.
10. Tea factories excluding instant tea processing.
11. Concrete pre-cast industries.
12. Mechanized cement blocks manufacturing industries.
13. Lime kilns having a production capacity of less than 20 metric tons per day.
14. Plaster of Paris industries where less than 25 workers are employed.
15. Lime shell crushing industries.
16. Tile and brick kilns.
17. Single borehole blasting with artisanary mining activities using explosives, having capacity of less than 600 cubic meters per month.
18. Saw mills having a milling capacity of less than 50 cubic meters per day or industries involved in Boron treatment of wood or timber seasoning.
19. Carpentry workshops which use multipurpose carpentry machine or wood based industries where more than 5 workers and less than 25 workers are employed.
20. Residential hotels, guest houses, rest houses with 05 or more and less than 20 rooms.
21. Vehicle repairing or maintaining garages excluding spray-painting or mobile air-conditioners.
22. Repairing, maintaining or installation centers of refrigerators and air-conditioners.
23. Container yards excluding where vehicle servicing activities are carried out.
24. All electrical and electronic goods repairing center where more than 10 workers are employed.
25. Printing presses and later press machines excluding lead smelting.

Annex 3

Annex 3.1 : SAMPLE RAPID ENVIRONMENTAL ASSESSMENT (REA) CHECKLISTS OF ADB

Rapid Environmental Assessment (REA) Checklist

Country:

Subproject Title:

Date:

SCREENING QUESTIONS	Yes	No	REMARKS
A. Subproject Siting			
Is the Subproject area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site	<input type="checkbox"/>	<input type="checkbox"/>	
• Legally protected area (core zone or buffer zone)	<input type="checkbox"/>	<input type="checkbox"/>	
• Wetland	<input type="checkbox"/>	<input type="checkbox"/>	
• Mangrove	<input type="checkbox"/>	<input type="checkbox"/>	
• Estuarine	<input type="checkbox"/>	<input type="checkbox"/>	
• Special area for protecting biodiversity	<input type="checkbox"/>	<input type="checkbox"/>	
B. Potential Environmental Impacts			
Will the Subproject cause...			
• impairment of historical/cultural areas; disfiguration of landscape or potential loss/damage to physical cultural resources?	<input type="checkbox"/>	<input type="checkbox"/>	
• disturbance to precious ecology (e.g. sensitive or protected areas)?	<input type="checkbox"/>	<input type="checkbox"/>	
• alteration of surface water hydrology of waterways resulting in increased sediment in streams affected by increased soil erosion at construction site?	<input type="checkbox"/>	<input type="checkbox"/>	
• deterioration of surface water quality due to silt runoff and sanitary wastes from worker-based camps and chemicals used in construction?	<input type="checkbox"/>	<input type="checkbox"/>	
• increased air pollution due to subproject construction and operation?	<input type="checkbox"/>	<input type="checkbox"/>	
• noise and vibration due to subproject construction or operation?	<input type="checkbox"/>	<input type="checkbox"/>	
• involuntary resettlement of people? (physical displacement and/or economic displacement)	<input type="checkbox"/>	<input type="checkbox"/>	

GENERAL CHECKLIST

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SCREENING QUESTIONS	Yes	No	REMARKS
• disproportionate impacts on the poor, women and children, Indigenous Peoples, or other vulnerable groups?	<input type="checkbox"/>	<input type="checkbox"/>	
• poor sanitation and solid waste disposal in construction camps and work sites, and possible transmission of communicable diseases (such as STI's and HIV/AIDS) from workers to local populations?	<input type="checkbox"/>	<input type="checkbox"/>	
• creation of temporary breeding habitats for diseases such as those transmitted by mosquitoes and rodents?	<input type="checkbox"/>	<input type="checkbox"/>	
• social conflicts if workers from other regions or countries are hired?	<input type="checkbox"/>	<input type="checkbox"/>	
• large population influx during subproject construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?	<input type="checkbox"/>	<input type="checkbox"/>	
• risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during subproject construction and operation?	<input type="checkbox"/>	<input type="checkbox"/>	
• risks to community health and safety due to the transport, storage, and use and/or disposal of materials such as explosives, fuel and other chemicals during construction and operation?	<input type="checkbox"/>	<input type="checkbox"/>	
• community safety risks due to both accidental and natural causes, especially where the structural elements or components of the subproject are accessible to members of the affected community or where their failure could result in injury to the community throughout subproject construction, operation, and decommissioning?	<input type="checkbox"/>	<input type="checkbox"/>	
• generation of solid waste and/or hazardous waste?	<input type="checkbox"/>	<input type="checkbox"/>	
• use of chemicals or hazardous materials?	<input type="checkbox"/>	<input type="checkbox"/>	
• generation of wastewater during construction or operation?	<input type="checkbox"/>	<input type="checkbox"/>	

Rapid Environmental Assessment (REA) Checklist

Country:

Subproject title

Date:

SCREENING QUESTIONS	Yes	No	REMARKS
A. Subproject Siting			
Is the Subproject area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected area			
• Wetland			
• Mangrove			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
• Bay			
B. Potential Environmental Impacts			
Will the Subproject cause...			
• ecological disturbances arising from the establishment of a plant or facility complex in or near sensitive habitats?			
• eventual degradation of water bodies due to discharge of wastes and other effluents from plant or facility complex?			
• serious contamination of soil and groundwater?			
• aggravation of solid waste problems in the area?			
• public health risks from discharge of wastes and poor air quality; noise and foul odor from plant emissions?			
• short-term construction impacts (e.g. soil erosion, deterioration of water and air quality, noise and vibration from construction equipment)?			
• dislocation or involuntary resettlement of people?			

SCREENING QUESTIONS	Yes	No	REMARKS
<ul style="list-style-type: none"> disproportionate impacts on the poor, women and children, Indigenous Peoples, or other vulnerable groups? 			
<ul style="list-style-type: none"> environmental degradation (e.g. erosion, soil and water contamination, loss of soil fertility, disruption of wildlife habitat) from intensification of agricultural land use to supply raw materials for plant operation; and modification of natural species diversity as a result of the transformation to monoculture practices? 			
<ul style="list-style-type: none"> water pollution from discharge of liquid effluents? 			
<ul style="list-style-type: none"> air pollution from all plant operations? 			
<ul style="list-style-type: none"> gaseous and odor emissions to the atmosphere from processing operations? 			
<ul style="list-style-type: none"> accidental release of potentially hazardous solvents, acidic and alkaline materials? 			
<ul style="list-style-type: none"> uncontrolled in-migration with opening of roads to forest area and overloading of social infrastructure? 			
<ul style="list-style-type: none"> occupational health hazards due to fugitive dust, materials handling, noise, or other process operations? 			
<ul style="list-style-type: none"> disruption of transit patterns, creation of noise and congestion, and pedestrian hazards aggravated by heavy trucks? 			
<ul style="list-style-type: none"> disease transmission from inadequate waste disposal? 			
<ul style="list-style-type: none"> risks and vulnerabilities related to occupational health and safety due to physical, chemical, and biological hazards during subproject construction and operation? 			
<ul style="list-style-type: none"> large population increase during subproject construction and operation that cause increased burden on social infrastructure and services (such as water supply and sanitation systems)? 			
<ul style="list-style-type: none"> social conflicts if workers from other regions or countries are hired? 			
<ul style="list-style-type: none"> community health and safety risks due to the transport, storage, and use and/or disposal of materials likely to create physical, chemical, and biological hazards during construction, operation, and decommissioning? 			

Rapid Environmental Assessment (REA) Checklist

Country:

Subproject Title:

Date:

SCREENING QUESTIONS	Yes	No	REMARKS
A. Subproject Siting			
Is the subproject area adjacent to or within any of the following areas:			
• Underground utilities			
• Cultural heritage site			
• Protected area			
• Wetland			
• Mangrove			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
• Bay			
B. Potential Environmental Impacts			
Will the Subproject cause...			
• Encroachment on historical/cultural areas?			
• Encroachment on precious ecology (e.g. sensitive or protected areas)?			
• Impacts on the sustainability of associated sanitation and solid waste disposal systems?			
• Dislocation or involuntary resettlement of people?			
• Disproportionate impacts on the poor, women and children, Indigenous Peoples, or other vulnerable groups?			
• Accident risks associated with increased vehicular traffic, leading to loss of life?			

BUILDINGS

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SCREENING QUESTIONS	Yes	No	REMARKS
<ul style="list-style-type: none"> Increased noise and air pollution resulting from increased traffic volume? 			
<ul style="list-style-type: none"> Occupational and community health and safety risks? 			
<ul style="list-style-type: none"> Risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during subproject construction and operation? 			
<ul style="list-style-type: none"> Generation of dust in sensitive areas during construction? 			
<ul style="list-style-type: none"> Requirements for disposal of fill, excavation, and/or spoil materials? 			
<ul style="list-style-type: none"> Noise and vibration due to blasting and other civil works? 			
<ul style="list-style-type: none"> Long-term impacts on groundwater flows as result of needing to drain the subproject site prior to construction? 			
<ul style="list-style-type: none"> Long-term impacts on local hydrology as a result of building hard surfaces in or near the building? 			
<ul style="list-style-type: none"> Large population influx during subproject construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)? 			
<ul style="list-style-type: none"> Social conflicts if workers from other regions or countries are hired? 			
<ul style="list-style-type: none"> Risks to community safety caused by fire, electric shock, or failure of the buildings safety features during operation? 			
<ul style="list-style-type: none"> Risks to community health and safety caused by management and disposal of waste? 			
<ul style="list-style-type: none"> Community safety risks due to both accidental and natural hazards, especially where the structural elements or components of the subproject are accessible to members of the affected community or where their failure could result in injury to the community throughout subproject construction, operation, and decommissioning? 			

Rapid Environmental Assessment (REA) Checklist

Checklist 4: FISHERIES

Country:

page 1 of 2

Subproject Title:

Date:

SCREENING QUESTIONS	Yes	No	REMARKS
A. Subproject Siting			
Is the Subproject area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected area			
• Wetland			
• Mangrove			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
B. Potential Environmental Impacts			
Will the Subproject cause...			
• overexploitation of fish stocks and long-term degradation of resource base?			
• capture of non-target species and habitat damage through use of destructive fishing methods and gears?			
• accidental damage to coral reefs by divers and fishing vessel anchors?			
• pollution from oil and fuel spills and bilge flushing?			
• ecological degradation resulting from clearing for conversion of coastal wetlands to fishponds?			
• social problems arising from conflicts with other site uses?			
• downstream water pollution from discharge of pond effluents with drain water?			
• reduction of water supplies for competing uses (e.g., irrigation or domestic)?			
• restriction of water circulation, obstruction to navigation by fish pens/cages, and reduction of stream capacity from siltation?			

FISHERIES

page 2 of 2

SCREENING QUESTIONS	Yes	No	REMARKS
• dislocation or involuntary resettlement of people?			
• disproportionate impacts on the poor, women and children, Indigenous Peoples, or other vulnerable groups?			
• social problems due to land tenure and use conflicts?			
• soil erosion and siltation during construction?			
• noise and dust from construction?			
• risks and vulnerabilities related to occupational health and safety due to physical, chemical, and biological hazards during subproject construction and operation?			
• reduction of water available to downstream users during peak seasons?			
• pollution of nearby aquatic environments by pond drainage water and inadequate farm management?			
• depletion of local fish populations by stocking of wild fry/fingerlings in ponds?			
• spread of diseases and parasites from exotic cultured species or escape of pond fish to the wild?			
• large population influx during subproject construction and operation that cause increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
• social conflicts if workers from other regions or countries are hired?			
• increased community health risks due to the increased incidence or introduction of waterborne or water-related diseases?			
• risks to community health and safety due to the transport, storage, and use and/or disposal of materials likely to create physical, chemical and biological hazards during construction and operation?			

Rapid Environmental Assessment (REA) Checklist

Checklist 5: GOVERNANCE
AND FINANCE
page 1 of 2

Country:

Subproject Title:

Date:

SCREENING QUESTIONS	Yes	No	REMARKS
Will the policy reforms lead to:			
<ul style="list-style-type: none"> reductions in government expenditure that will adversely affect the delivery of public services for environmental protection, social programs, drought relief, food aid, or agricultural extensionservices 			
<ul style="list-style-type: none"> alterations in the pattern of land use or land use conflicts? 			
<ul style="list-style-type: none"> impacts on the environment through increased exploitation of natural resources (e.g. forests, fisheries, minerals)? 			
<ul style="list-style-type: none"> impacts on the environment through changes in agricultural inputs (e.g. land, water, energy, fertilizer, pesticides, biotechnology, mechanization)? 			
<ul style="list-style-type: none"> reduced incentive, capability, or resources for small and medium size enterprises (SMEs) to comply with environmental protection laws and regulations? 			
<ul style="list-style-type: none"> dismantling of environmental regulations or changes in the regulatory framework for environmental management? 			
<ul style="list-style-type: none"> any other policy outcomes that might have major environmental implications? 			
Will the subproject involve:			
<ul style="list-style-type: none"> credit lines through a financial intermediary, including micro-finance, that will finance sub-subprojects that include major infrastructure development, be located at or near an environmentally sensitive area, alter the pattern of land use or cause land use conflicts, lead to the generation of hazardous waste, or generate significant air or water pollution? 			
<ul style="list-style-type: none"> equity investments? 			
Will the subproject:			
<ul style="list-style-type: none"> include major infrastructure development? 			
<ul style="list-style-type: none"> be located at or near an environmentally sensitive area? 			

GOVERNANCE AND FINANCE

page 2 of 2

SCREENING QUESTIONS	Yes	No	REMARKS
<ul style="list-style-type: none">alter the pattern of land use or cause land use conflicts?			
<ul style="list-style-type: none">lead to the generation of hazardous waste?			
<ul style="list-style-type: none">generate significant air or water pollution?			
<ul style="list-style-type: none">cause a large population influx during subproject construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
<ul style="list-style-type: none">add infrastructure that can harm community health and safety when it is accessed or when it fails?			
<ul style="list-style-type: none">dislocation or involuntary resettlement of people?			
<ul style="list-style-type: none">disproportionate impacts on the poor, women and children, Indigenous Peoples, or other vulnerable groups?			

Rapid Environmental Assessment (REA) Checklist

Checklist 6: ROADS AND HIGHWAYS
page 1 of 2

Country:

Subproject Title:

Date:

SCREENING QUESTIONS	Yes	No	REMARKS
A. Subproject Siting			
Is the Subproject area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected area			
• Wetland			
• Mangrove			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
C. Potential Environmental Impacts			
Will the Subproject cause...			
• encroachment on historical/cultural areas; disfiguration of landscape by road embankments, cuts, fills, and quarries?			
• encroachment on precious ecology (e.g. sensitive or protected areas)?			
• alteration of surface water hydrology of waterways crossed by roads, resulting in increased sediment in streams affected by increased soil erosion at construction site?			
• deterioration of surface water quality due to silt runoff and sanitary wastes from worker-based camps and chemicals used in construction?			
• increased local air pollution due to rock crushing, cutting and filling works, and chemicals from asphalt processing?			
• risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during subproject construction and operation during subproject construction and operation?			

SCREENING QUESTIONS	Yes	No	REMARKS
• noise and vibration due to blasting and other civil works?			
• dislocation or involuntary resettlement of people?			
• dislocation and compulsory resettlement of people living in right-of-way?			
• disproportionate impacts on the poor, women and children, Indigenous Peoples, or other vulnerable groups?			
• other social concerns relating to inconveniences in living conditions in the subproject areas that may trigger cases of upper respiratory problems and stress?			
• hazardous driving conditions where construction interferes with pre-existing roads?			
• poor sanitation and solid waste disposal in construction camps and work sites, and possible transmission of communicable diseases (such as STI's and HIV/AIDS) from workers to local populations?			
• creation of temporary breeding habitats for diseases such as those transmitted by mosquitoes and rodents?			
• accident risks associated with increased vehicular traffic, leading to accidental spills of toxic materials?			
• increased noise and air pollution resulting from traffic volume?			
• increased risk of water pollution from oil, grease and fuel spills, and other materials from vehicles using the road?			
• social conflicts if workers from other regions or countries are hired?			
• large population influx during subproject construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
• risks to community health and safety due to the transport, storage, and use and/or disposal of materials such as explosives, fuel, and other chemicals during construction and operation?			
• community safety risks due to both accidental and natural causes, especially where the structural elements or components of the subproject are accessible to members of the affected community or where their failure could result in injury to the community throughout subproject construction, operation, and decommissioning.			

Annex 3.2: Social Safeguards Screening Checklists of ADB

I. Involuntary Resettlement Impact Checklist

Probable Involuntary Resettlement Effects (Please elaborate in the Remarks column)	Yes	No	Not Known	Remarks
Involuntary Acquisition of Land				
1. Will there be land acquisition?				
2. Is the site for land acquisition known?				
3. Is the ownership status and current usage of land to be acquired known?				
4. Will easement be utilized within an existing right of way (ROW)?				
5. Will there be loss of shelter and residential land due to land acquisition?				
6. Will there be loss of agricultural and other productive assets due to land acquisition?				
7. Will there be losses of crops, trees, and fixed assets due to land acquisition?				
8. Will there be loss of businesses or enterprises due to land acquisition?				
9. Will there be loss of income sources and means of livelihoods due to land acquisition?				
Involuntary Restrictions on Land Use or on Access to Legally Designated Parks and Protected				
10. Will people lose access to natural resources, communal facilities and services?				
11. If land use is changed, will it have an adverse impact on social and economic activities?				
12. Will access to land and resources owned communally or by the state be restricted?				
Information on Displaced Persons:				
Any estimate of the likely number of persons that will be displaced by the Subproject? <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, approximately how many? _____				
Are any of them poor, female-heads of households, or vulnerable to poverty risks? <input type="checkbox"/> No <input type="checkbox"/> Yes				
Are any displaced persons from indigenous or ethnic minority groups? <input type="checkbox"/> No <input type="checkbox"/> Yes				

2. Indigenous Peoples Impact Screening Checklist

KEY CONCERNS (Please provide elaborations on the	YES	N O	NOT KNOW N	Remarks
A. Indigenous Peoples Identification				
1. Are there socio-cultural groups present in or use the subproject area who may be considered as "tribes" (hill tribes, schedules tribes, tribal peoples), "minorities" (ethnic or national minorities), or "indigenous communities" in the subproject area?				
2. Are there national or local laws or policies as well as anthropological researches/studies that consider these groups present in or using the subproject area as belonging to "ethnic minorities", scheduled tribes, tribal peoples, national minorities, or cultural communities?				
3. Do such groups self-identify as being part of a distinct social and cultural group?				
4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?				
5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?				
6. Do such groups speak a distinct language or dialect?				
7. Have such groups been historically, socially and economically marginalized, disempowered, excluded, and/or discriminated against?				
8. Are such groups represented as "Indigenous Peoples" or as "ethnic minorities" or "scheduled tribes" or "tribal populations" in any formal decision-making bodies at the national or local levels?				
B. Identification of Potential Impacts				
9. Will the subproject directly or indirectly benefit or target Indigenous Peoples?				
10. Will the subproject directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts, and governance)?				
11. Will the subproject affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)?				

KEY CONCERNS (Please provide elaborations on the	YES	NO	NOT KNOWN	Remarks
12. Will the subproject be in an area (land or territory) occupied, owned, or used by Indigenous Peoples, and/or claimed as ancestral domain?				
C. Identification of Special Requirements <i>Will the subproject activities include:</i>				
13. Commercial development of the cultural resources and knowledge of Indigenous Peoples?				
14. Physical displacement from traditional or customary lands?				
15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of Indigenous Peoples?				
16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by Indigenous Peoples?				
17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by Indigenous Peoples ?				

D. Anticipated subproject impacts on Indigenous Peoples

Subproject Component/ Activity/	Anticipated Positive Effect	Anticipated Negative Effect
1.		
2.		
3.		
4.		
5.		

Annex 3.3 : Environment and Social Safeguards Categorization: Definition

Category	Environment	Involuntary Resettlement	Indigenous Peoples
A – Significant	Subprojects that anticipate significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works.	Subprojects where 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating).	Subprojects that are expected to significantly ² affect the dignity, human rights, livelihood systems, or culture of Indigenous Peoples or affects the territories or natural or cultural resources that Indigenous Peoples own, use, occupy, or claim as an ancestral domain or asset.
B – Less Significant	Subprojects with potential adverse impacts that are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be more readily designed than Category A subprojects.	Subprojects with involuntary resettlement impacts that are not deemed significant.	Subprojects that are likely to have limited impacts on Indigenous Peoples.
C – Minimal or impact	Subprojects that have minimal or no adverse environmental impacts	Subprojects with no involuntary resettlement impacts.	Subprojects that are not expected to have impacts on Indigenous Peoples.

² The significance of impacts on Indigenous Peoples is determined by assessing (i) the magnitude of impact in terms of (a) customary rights of use and access to land and natural resources; (b) socioeconomic status; (c) cultural and communal integrity; (d) health, education, livelihood, and social security status; and (e) the recognition of indigenous knowledge; and (ii) the level of vulnerability of the affected Indigenous Peoples community.

Annex 3.4 : Outline of an EIA Report for Subprojects with DFI financing (sample ADB outline)

1. An environmental assessment report is required for all environment Category A subprojects. Its level of detail and comprehensiveness is commensurate with the significance of potential environmental impacts and risks. A typical EIA report contains the following major elements, and an IEE may have a narrower scope depending on the nature of the subproject. The substantive aspects of this outline will guide the preparation of environmental impact assessment reports, although not necessarily in the order shown.

A. Executive Summary

2. This section describes concisely the critical facts, significant findings, and recommended actions.

B. Policy, Legal, and Administrative Framework

3. This section discusses the applicable safeguard requirements, including ADB's requirements and national laws, regulations and standards on environment, health, safety, involuntary resettlement and land acquisition, Indigenous Peoples, and physical cultural resources.

C. Description of the Subproject

4. This section describes the proposed subproject; its major components; and its geographic, ecological, social, and temporal context, including any associated facility required by and for the subproject (for example, access roads, power plants, water supply, quarries and borrow pits, and spoil disposal). It normally includes drawings and maps showing the subproject's layout and components, the subproject site, and the subproject's area of influence.

D. Description of the Environment (Baseline Data)

5. This section describes relevant physical, biological, and socioeconomic conditions within the study area. It also looks at current and proposed development activities within the subproject's area of influence, including those not directly connected to the subproject. It indicates the accuracy, reliability, and sources of the data.

3. Anticipated Environmental Impacts and Mitigation Measures

6. This section predicts and assesses the subproject's likely positive and negative direct and indirect impacts to physical, biological, socioeconomic (including occupational health and safety, community health and safety, vulnerable groups and gender issues, and impacts on livelihoods through environmental media, and physical cultural resources in the subproject's area of influence, in quantitative terms to the extent possible; identifies mitigation measures and any residual negative impacts that cannot be mitigated; explores opportunities for enhancement; identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions and specifies topics that do not require further attention; and examines global, transboundary, and cumulative impacts as appropriate.

4. Analysis of Alternatives

7. This section examines alternatives to the proposed subproject site, technology, design, and operation—including the no subproject alternative—in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. It also states the basis for selecting the particular subproject design proposed and, justifies recommended emission levels and approaches to pollution prevention and abatement.

5. Information Disclosure, Consultation, and Participation

8. This section:

- (i) describes the process undertaken during subproject design and preparation for engaging stakeholders, including information disclosure and consultation with affected people and other stakeholders;
- (ii) summarizes comments and concerns received from affected people and other stakeholders and how these comments have been addressed in subproject design and mitigation measures, with special attention paid to the needs and concerns of vulnerable groups, including women, the poor, and Indigenous Peoples; and
- (iii) describes the planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for carrying out consultation with affected people and facilitating their participation during subproject implementation.

6. Grievance Redress Mechanism

9. This section describes the grievance redress framework (both informal and formal channels), setting out the time frame and mechanisms for resolving complaints about environmental performance.

7. Environmental Management Plan

10. This section deals with the set of mitigation and management measures to be taken during subproject implementation to avoid, reduce, mitigate, or compensate for adverse environmental impacts (in that order of priority). It may include multiple management plans and actions. It includes the following key components (with the level of detail commensurate with the subproject's impacts and risks):

- (i) Mitigation:
 - (a) identifies and summarizes anticipated significant adverse environmental impacts and risks;
 - (b) describes each mitigation measure with technical details, including the type of impact to which it relates and the conditions under which it is required (for instance, continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; and
 - (c) provides links to any other mitigation plans (for example, for involuntary resettlement, Indigenous Peoples, or emergency response) required for the subproject.

- (ii) Monitoring:
 - (a) describes monitoring measures with technical details, including parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits and definition of thresholds that will signal the need for corrective actions; and
 - (b) describes monitoring and reporting procedures to ensure early detection of conditions that necessitate particular mitigation measures and document the progress and results of mitigation.
- (iii) Implementation arrangements:
 - (a) specifies the implementation schedule showing phasing and coordination with overall subproject implementation;
 - (b) describes institutional or organizational arrangements, namely, who is responsible for carrying out the mitigation and monitoring measures, which may include one or more of the following additional topics to strengthen environmental management capability: technical assistance programs, training programs, procurement of equipment and supplies related to environmental management and monitoring, and organizational changes; and
 - (c) estimates capital and recurrent costs and describes sources of funds for implementing the environmental management plan.
- (iv) Performance indicators: describes the desired outcomes as measurable events to the extent possible, such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods.

8. Conclusion and Recommendation

11. This section provides the conclusions drawn from the assessment and provides recommendations.

Annex 3.5 : Outline of a Resettlement Plan for Subprojects with DFI financing (sample ADB outline)

1. A resettlement plan is required for all subprojects with involuntary resettlement impacts. Its level of detail and comprehensiveness is commensurate with the significance of potential involuntary resettlement impacts and risks. The substantive aspects of the outline will guide the preparation of the resettlement plans, although not necessarily in the order shown.

A. Executive Summary

2. This section provides a concise statement of subproject scope, key survey findings, entitlements and recommended actions.

B. Subproject Description

3. This section provides a general description of the subproject, discusses subproject components that result in land acquisition, involuntary resettlement, or both and identifies the subproject area. It also describes the alternatives considered to avoid or minimize resettlement. Includes a table with quantified data and provides a rationale for the final decision.

C. Scope of Land Acquisition and Resettlement

4. This section:

- (i) discusses the subproject's potential impacts, and includes maps of the areas or zone of impact of subproject components or activities;
- (ii) describes the scope of land acquisition (provide maps) and explains why it is necessary for the main investment subproject;
- (iii) summarizes the key effects in terms of assets acquired and displaced persons; and
- (iv) provides details of any common property resources that will be acquired.

D. Socioeconomic Information and Profile

5. This section outlines the results of the social impact assessment, the census survey, and other studies, with information and/or data disaggregated by gender, vulnerability, and other social groupings, including:

- (i) definition, identification, and enumeration of the people and communities to be affected;
- (ii) description of the likely impacts of land and asset acquisition on the people and communities affected taking social, cultural, and economic parameters into account;
- (iii) discussion of the subproject's impacts on the poor, indigenous and/or ethnic minorities, and other vulnerable groups; and
- (iv) identification of gender and resettlement impacts, and the socioeconomic situation, impacts, needs, and priorities of women.

A. Information Disclosure, Consultation, and Participation

6. This section:

- (i) identifies subproject stakeholders, especially primary stakeholders;

- (ii) describes the consultation and participation mechanisms to be used during the different stages of the subproject cycle;
- (iii) describes the activities undertaken to disseminate subproject and resettlement information during subproject design and preparation for engaging stakeholders;
- (iv) summarizes the results of consultations with affected persons (including host communities), and discusses how concerns raised and recommendations made were addressed in the resettlement plan;
- (v) confirms disclosure of the draft resettlement plan to affected persons and includes arrangements to disclose any subsequent plans; and
- (vi) describes the planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for consultation with affected persons during subproject implementation.

B. Grievance Redress Mechanisms

7. This section describes mechanisms to receive and facilitate the resolution of affected persons' concerns and grievances. It explains how the procedures are accessible to affected persons and gender sensitive.

C. Legal Framework

8. This section:

- (i) describes national and local laws and regulations that apply to the subproject and identifies gaps between local laws and ADB's policy requirements; and discuss how any gaps will be addressed.
- (ii) describes the legal and policy commitments from the executing agency for all types of displaced persons;
- (iii) outlines the principles and methodologies used for determining valuations and compensation rates at replacement cost for assets, incomes, and livelihoods; and sets out the compensation and assistance eligibility criteria and how and when compensation and assistance will be provided.
- (iv) describes the land acquisition process and prepare a schedule for meeting key procedural requirements.

D. Entitlements, Assistance and Benefits

9. This section:

- (i) defines displaced persons' entitlements and eligibility, and describes all resettlement assistance measures (includes an entitlement matrix);
- (ii) specifies all assistance to vulnerable groups, including women, and other special groups; and.
- (iii) outlines opportunities for affected persons to derive appropriate development benefits from the subproject.

E. Relocation of Housing and Settlements

10. This section:

- (i) describes options for relocating housing and other structures, including replacement housing, replacement cash compensation, and/or self-selection (ensure that gender concerns and support to vulnerable groups are identified);

- (ii) describes alternative relocation sites considered; community consultations conducted; and justification for selected sites, including details about location, environmental assessment of sites, and development needs;
- (iii) provides timetables for site preparation and transfer;
- (iv) describes the legal arrangements to regularize tenure and transfer titles to resettled persons;
- (v) outlines measures to assist displaced persons with their transfer and establishment at new sites;
- (vi) describes plans to provide civic infrastructure; and
- (vii) explains how integration with host populations will be carried out.

F. Income Restoration and Rehabilitation

11. This section:

- (i) identifies livelihood risks and prepare disaggregated tables based on demographic data and livelihood sources;
- (ii) describes income restoration programs, including multiple options for restoring all types of livelihoods (examples include subproject benefit sharing, revenue sharing arrangements, joint stock for equity contributions such as land, discuss sustainability and safety nets);
- (iii) outlines measures to provide social safety net through social insurance and/or project special funds;
- (iv) describes special measures to support vulnerable groups;
- (v) explains gender considerations; and
- (vi) describes training programs.

G. Resettlement Budget and Financing Plan

12. This section:

- (i) provides an itemized budget for all resettlement activities, including for the resettlement unit, staff training, monitoring and evaluation, and preparation of resettlement plans during loan implementation;
- (ii) describes the flow of funds (the annual resettlement budget should show the budget-scheduled expenditure for key items);
- (iii) includes a justification for all assumptions made in calculating compensation rates and other cost estimates (taking into account both physical and cost contingencies), plus replacement costs; and
- (iv) includes information about the source of funding for the resettlement plan budget.

H. Institutional Arrangements

13. This section:

- (i) describes institutional arrangement responsibilities and mechanisms for carrying out the measures of the resettlement plan;
- (ii) includes institutional capacity building program, including technical assistance, if required;
- (iii) describes role of NGOs, if involved, and organizations of affected persons in resettlement planning and management; and
- (iv) describes how women's groups will be involved in resettlement planning and management.

I. Implementation Schedule

14. This section includes a detailed, time bound, implementation schedule for all key resettlement and rehabilitation activities. The implementation schedule should cover all aspects of resettlement activities synchronized with the subproject schedule of civil works construction, and provide land acquisition process and timeline.

J. Monitoring and Reporting

15. This section describes the mechanisms and benchmarks appropriate to the subproject for monitoring and evaluating the implementation of the resettlement plan. It specifies arrangements for participation of affected persons in the monitoring process. This section will also describe reporting procedures.

Annex 3.6: Outline of an Indigenous Peoples Plan (IPP) for Subprojects with DFI financing (sample ADB outline)

1. An Indigenous Peoples plan (IPP) is required for all subprojects with impacts on Indigenous Peoples. Its level of detail and comprehensiveness is commensurate with the significance of potential impacts on Indigenous Peoples. The substantive aspects of this outline will guide the preparation of IPPs, although not necessarily in the order shown.

A. Executive Summary of the Indigenous Peoples Plan

2. This section concisely describes the critical facts, significant findings, and recommended actions.

B. Description of the Subproject

3. This section provides a general description of the subproject; discusses subproject components and activities that may bring impacts on Indigenous Peoples; and identifies the subproject area.

C. Social Impact Assessment

4. This section:

- (i) reviews the legal and institutional framework applicable to Indigenous Peoples in subproject context;
- (ii) provides baseline information on the demographic, social, cultural, and political characteristics of the affected Indigenous Peoples communities; the land and territories that they have traditionally owned or customarily used or occupied; and the natural resources on which they depend;
- (iii) identifies key subproject stakeholders and elaborate a culturally appropriate and gender-sensitive process for meaningful consultation with Indigenous Peoples at each stage of subproject preparation and implementation, taking the review and baseline information into account;
- (iv) assesses, based on meaningful consultation with the affected Indigenous Peoples communities, the potential adverse and positive effects of the subproject. Critical to the determination of potential adverse impacts is a gender-sensitive analysis of the relative vulnerability of, and risks to, the affected Indigenous Peoples communities given their particular circumstances and close ties to land and natural resources, as well as their lack of access to opportunities relative to those available to other social groups in the communities, regions, or national societies in which they live;
- (v) includes a gender-sensitive assessment of the affected Indigenous Peoples' perceptions about the subproject and its impact on their social, economic, and cultural status; and
- (vi) identifies and recommends, based on meaningful consultation with the affected Indigenous Peoples communities, the measures necessary to avoid adverse effects or, if such measures are not possible, identifies measures to minimize, mitigate, and/or compensate for such effects and to ensure that the Indigenous Peoples receive culturally appropriate benefits under the subproject.

D. Information Disclosure, Consultation and Participation

5. This section:

- (i) describes the information disclosure, consultation and participation process with the affected Indigenous Peoples communities that was carried out during subproject preparation;
- (ii) summarizes their comments on the results of the social impact assessment and identifies concerns raised during consultation and how these have been addressed in subproject design;
- (iii) in the case of subproject activities requiring broad community support, documents the process and outcome of consultations with affected Indigenous Peoples communities and any agreement resulting from such consultations for the subproject activities and safeguard measures addressing the impacts of such activities;
- (iv) describes consultation and participation mechanisms to be used during implementation to ensure Indigenous Peoples participation during implementation; and
- (v) confirms disclosure of the draft and final IPP to the affected Indigenous Peoples communities.

E. Beneficial Measures

6. This section specifies the measures to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate, and gender responsive.

F. Mitigative Measures

7. This section specifies the measures to avoid adverse impacts on Indigenous Peoples; and where the avoidance is impossible, specifies the measures to minimize, mitigate and compensate for identified unavoidable adverse impacts for each affected Indigenous Peoples groups.

G. Capacity Building

8. This section provides measures to strengthen the social, legal, and technical capabilities of (a) government institutions to address Indigenous Peoples issues in the subproject area; and (b) Indigenous Peoples organizations in the subproject area to enable them to represent the affected Indigenous Peoples more effectively.

H. Grievance Redress Mechanism

9. This section describes the procedures to redress grievances by affected Indigenous Peoples communities. It also explains how the procedures are accessible to Indigenous Peoples and culturally appropriate and gender sensitive.

I. Monitoring, Reporting and Evaluation

10. This section describes the mechanisms and benchmarks appropriate to the subproject for monitoring, and evaluating the implementation of the IPP. It also specifies arrangements for participation of affected Indigenous Peoples in the preparation and validation of monitoring, and evaluation reports.

J. Institutional Arrangement

11. This section describes institutional arrangement responsibilities and mechanisms for carrying out the various measures of the IPP. It also describes the process of including relevant local organizations and NGOs in carrying out the measures of the IPP.

K. Budget and Financing

12. This section provides an itemized budget for all activities described in the IPP.

Annex 3.7: Suggested Outline of Environmental and Social Due Diligence Report

A. Introduction

1. Subproject description: title, type of subproject, location and setting, amount, size (production capacity, number of staff, etc.).
2. Environmental and social categorization and rationale.
3. Applicable Environmental and Social Requirements. (See Section II B of Bank of Ceylon's ESMS).

B. Scope of Review and Methodology

1. Documents reviewed (e.g., environmental assessment reports, involuntary resettlement plan, Indigenous Peoples plan, or environmental and social compliance audit reports, copies of permits/licenses, etc.).
2. Methodology adopted (e.g. site visit, inspection report, etc.).

C. Compliance and Liability (by relevant safeguard requirements applicable for the specific subproject, examine environmental and social issues and compliance)

1. Examine issues in terms of environmental, involuntary resettlement and indigenous peoples impacts, mitigation measures to address these issues (or corrective action plan for existing facilities) and compliance status with applicable ADB environmental and social safeguard requirements and national laws, regulations, and standards:
 - (i) Environmental Safeguards
 - (a) appropriate identification of major anticipated environmental impacts and risks;
 - (b) adequacy of environmental assessment (for Category A subprojects, including the adequacy of alternative analysis);
 - (c) compliance status with applicable requirements on (i) information disclosure, (ii) consultation with affected people and other stakeholders, (iii) occupational and community health and safety, biodiversity conservation and sustainable natural resource management, and physical cultural resources; and
 - (d) adequacy of mitigation measures and EMP (mitigation measures, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any.
 - (ii) Involuntary Resettlement Safeguards
 - (a) appropriate identification of major anticipated involuntary resettlement impacts and risks (including both physical displacement and economic displacement);
 - (b) adequacy of assessment of social impacts, information disclosure and consultation with affected people and other stakeholders;
 - (c) adequacy of compensation and benefits for displaced persons

- (d) adequacy of resettlement plan (measures to enhance or restore the livelihoods of displaced persons, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any; and
 - (e) private sector responsibilities under government-manages resettlement.
- (iii) Indigenous Peoples Safeguards
- (a) appropriate identification of major anticipated impacts on Indigenous Peoples (including potential impacts on traditional or customary lands under use; relocation of Indigenous Peoples from traditional and customary lands, and impacts on cultural resources);
 - (b) adequacy of information disclosure and meaningful consultation;
 - (c) broad community support, where applicable;
 - (d) adequacy of measures to avoid adverse impacts; and
 - (e) adequacy of Indigenous Peoples plan (benefit sharing, measures to mitigate and minimize adverse impacts, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any.
- (iv) Adequacy of grievance redress mechanism arrangements
2. Recommend mitigation measures, or corrective action plans, if gaps are identified
 3. For existing facilities including subprojects under construction, examine whether the subproject company paid pollution charges or fines/penalties for non-compliance in the last two years in accordance with national laws, whether the subproject company is exposed to potentially significant liabilities, such as those arising from known or suspected land/groundwater contamination, major accidents and incidents related to the company's past or ongoing operations, and state further actions required/planned by the subproject, in particular actions to address any non-compliance problems and liabilities. Also examine whether there are complaints from the public or local communities regarding the subproject company's environmental and social performance.
 4. State any risk control or mitigation measures to be taken by the subproject, such as conditions, loan covenants or monitoring and reporting requirements

D. Other Subproject Specific Issues, if any

E. Conclusion and Recommendations

Annex 3.8 : Suggested Scope for an Annual Environmental Monitoring Report for Subproject Companies

A. Subproject Name and Summary Information

- (i) Location
- (ii) Scale/size/capacity
- (iii) Reporting period covered by this monitoring report (month/year)
- (iv) Specification of subproject stage (design, construction, operation or closure stage)
- (v) Key developments and any major changes in subproject location and design, if any

B. Relevant Environmental Permits or Compliance Certificates

- (i) Issued by government agency(ies) (include name of agency)
- (ii) Issuance dates and duration of validity
- (iii) Permit conditions and renewal requirements
- (iv) Other standards and/or certificates (e.g., ISO 14000 Environmental Management Systems and Standards)

C. Grievance Redress Mechanism

- (i) Date established and description of organizational arrangements
- (ii) Complaints, grievance, or protests received from local communities, recorded dates and organizations involved, actions taken to resolve grievances; any outstanding issues and proposed measures for resolution

D. Occupational and Community Health and Safety

- (i) Training programs carried out
- (ii) Incidents³ recorded, including date, scale of damage and injury⁴, if any; authorities in charge of investigation/recording, and media or community reactions, if any; action taken to respond to the incident; and any outstanding issues and proposed measures
- (iii) Other health and safety events or out-reach activities

E. Environmental Management Capacity

- (i) Number of staff, qualifications and experience in environmental management
- (ii) Awareness of: (i) environmental issues, (ii) health and safety, (iii) national environmental laws and regulations, and (iv) applicable ADB's environmental safeguard requirements
- (iii) Training programs carried out
- (iv) Assessment of environmental management capacity needs (including planned capacity building programs)

³ Including incidents that have caused damage on the environment or to human health, and/or attracted attention of outside parties (e.g., fire, explosion, chemical or oil spill, and pollution release).

⁴ Including fatalities, serious injuries (requiring emergency treatment or hospitalization), lost time accidents (requiring more than one day off work to recover), and incidents involving compensation claims.

F. Stakeholder Consultation

- (i) Details of information disclosure and consultations, if any, with affected people, local communities, civil society groups, and other stakeholders
- (ii) Details of approach/methodology on addressing the concerns and issues raised at consultations

G. Compliance with Applicable Environmental Safeguard Requirements as Defined in Section II B of Bank of Ceylon’s ESMS

Implementation of EMP (citing changes in the EMP, where warranted) at construction or operation phase, focusing on mitigation measures and monitoring program. Attach copies of monitoring reports. If standards or thresholds are exceeded, specify the corrective actions implemented or to be implemented.

H. Other Information and Feedback

Please list any other information that the Bank should be aware of. This may relate to broader environmental matters, community initiatives within your company, positive media or NGO attention, training activities, management system initiatives or cost savings through process efficiency, environment-friendly processes.

Name and Signature

Name:	Date:
Position:	Phone:
Signature:	E-mail:

Annex 3.9: Suggested Scope for an Annual Social Safeguards Monitoring Report for Subproject Companies

A. Introduction

- (i) Brief subproject description

B. Physical Progress of Subproject Components with Resettlement and Indigenous Peoples Impacts

- (i) List of subproject components with resettlement and indigenous peoples impacts and progress updates (including engineering progress, and ground clearing, land acquisition and structure demolition progress)

C. Scope of Resettlement Impacts and and/or Impacts on Indigenous Peoples

- (i) Actual scope of land acquisition and resettlement (including the methodology to determine the actual scope of land acquisition and resettlement, and comparison with the scope of impacts in resettlement plan(s))
- (ii) Actual impacts on Indigenous Peoples (including the methodology to determine the actual scope of impacts on Indigenous Peoples, and comparison with the scope of impacts in Indigenous Peoples plan(s))

D. Institutional Arrangements

- (i) Key organizations involved in resettlement plan and/or IPP implementation
- (ii) Progress of activities implemented by other organizations
- (iii) Specific implementation arrangements for Indigenous Peoples

E. Compensation Rates, Payment and Assistance Delivery

- (i) Compensation rates for land, resettlement subsidies, standing crops, and trees
- (ii) Compensation for buildings and allowances for relocation
- (iii) Allocation and utilization of resettlement compensation
- (iv) Payment delivery to affected village groups and individuals
- (v) Assistance delivery to affected Indigenous Peoples

F. Status of Land Acquisition, Resettlement, and Reconstruction

- (i) Housing relocation and reconstruction
- (ii) Provision of replacement agricultural and/or commercial land
- (iii) Restoration of affected public infrastructure and facilities
- (iv) Restoration of land used for construction-related activities
- (v) Implementation progress of income restoration activities
- (vi) Support to vulnerable groups
- (vii) Implementation progress of specific measures for affected Indigenous Peoples

G. Status of Provisions for Indigenous Peoples

- (i) Culturally appropriate beneficial measures for each affected IP groups
- (ii) Mitigative measures for each affected IP groups
- (iii) Capacity Building measures for IP communities in the subproject area

(iv) Broad community support, where required

H. Consultation and Disclosure Activities and Grievance Procedures

- (i) Consultations on compensation standards and fees, relocation options, etc.
- (ii) Specific consultations conducted with Indigenous Peoples on the subproject, its impacts and assistance to Indigenous Peoples
- (iii) Any good faith negotiation to resolve major disagreements with Indigenous Peoples
- (iv) Grievances received and actions taken to address them

I. Grievance Redress Mechanism

- (i) Date established and description of organizational arrangements
- (ii) Grievances reported and resolution processes (e.g., nature of grievance, recorded dates and organizations involved, actions taken to resolve grievances, and media or community reactions (if any))

J. Compliance with Applicable Social Safeguard Requirements as Defined in the Section II B of Bank of Ceylon's ESMS

K. Concerns and Work Plan

- (iii) Concerns encountered, solutions provided and good practices established
- (iv) Work plan (staffing, training, and work schedules)

Name and Signature

Name:

Date:

Position:

Phone:

Signature:

E-mail

Annex 3.10: Outline of an Annual Environmental and Social Performance Report for Banks

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes. The Bank is required to submit the annual performance report to ADB.

Name of Organization			
Completed by (name):			
Position in organization:		Date:	
Reporting period	From:		To:

A. Portfolio Information

Report Covering Period:	
From:	To:

For the reporting period, please provide the following information about your portfolio where applicable:

Business Lines

Product line	Description	Total exposure outstanding for most recent FY year end (in US\$)	Average loan or transaction size (in US\$)
Retail banking/Consumer loans	Loans or other financial products for individuals (includes retail housing finance and vehicle leasing)		
Long term: Transactions with tenor greater than 12 months			
SME	Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than US\$ 1 million		
Subproject finance/Large Corporate finance	Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions larger than US\$ 1 million		
Trade finance			
Short term (ST): Transaction with tenor less than 12 months			
ST Corporate finance			
ST Trade finance			
Other			
Microfinance			
Other (if applicable)	Please describe		