

Environmental and Social Management System Arrangement

February 2017

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

Prepared by Sampath Bank PLC for the Asian Development Bank.

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Environmental and Social Risk Management System



Sampath Bank PLC

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Abbreviations

CEA	Central Environmental Authority
CSR	Corporate and Social Responsibility
E&S	Environmental and Social
EIA	Environmental Impact Assessment
EPL	Environmental Protection License
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESMS	Environmental and Social Management System
ESRP	Environmental and Social Review Procedure
ESRS	Environmental and Social Review Summary
IEE	Initial Environmental Examination
IFC	International Finance Corporation
NEA	National Environmental Act
NCRE	Non-Conventional Renewable Energy
SB	Sustainable Banking

1 Introduction to Environmental and Social Management System (ESMS)

An Environmental and Social Management System (ESMS) is a framework that outlines a set of policies, procedures, tools and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its clients/investors. In addition to stating a financial institution's commitment to environmental and social management, the ESMS 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 also guides the institution on 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. It ensures that the Financial Institution's activities are in compliance with its environmental and social standards.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

An ESMS provides the organizational structure, procedures and associated responsibilities required for integrating environmental and social considerations and objectives into the ongoing management decision-making processes and operations to alleviate environmental and social impacts.

Sustainable Development is essentially an integration between economic development and environmental and social protection and the issue of whether companies should consider about the impacts of their activities on the society or environment is no longer open for discussion. Sampath Bank PLC recognizes that its operations can have direct and indirect undesirable impacts on the environment and the community it operates. In line with many leading companies Sampath Bank PLC has realized the critical importance of managing and controlling the corporate social, environment and economic performance. 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. In order to do this the Bank has developed the Banks ESMS.

The flow diagram of the components on which the ESMS is given in the Figure 1. It contains the E&S policy, the management structure and review procedures and reporting requirements.

The proposed ESMS and its operational procedures shall complement the Bank's existing Environmental Sustainability Strategy (Annex 1), Social Sustainability Strategy (Annex 2)

risk management practices, Credit Approval Process (Annex 3) and operational procedures and will thereby be aligned with Bank's typical loan management cycle.

The main objectives of the ESMS are:

- To enhance the Banks understanding of environmental and social risks (E&S) associated with its transactions.
- To promote improved environmental and social risk management of client companies
- Adherence to international best Risk management practices when financing private sector activities and thereby to significantly reduce the Bank's environmental and social risks.

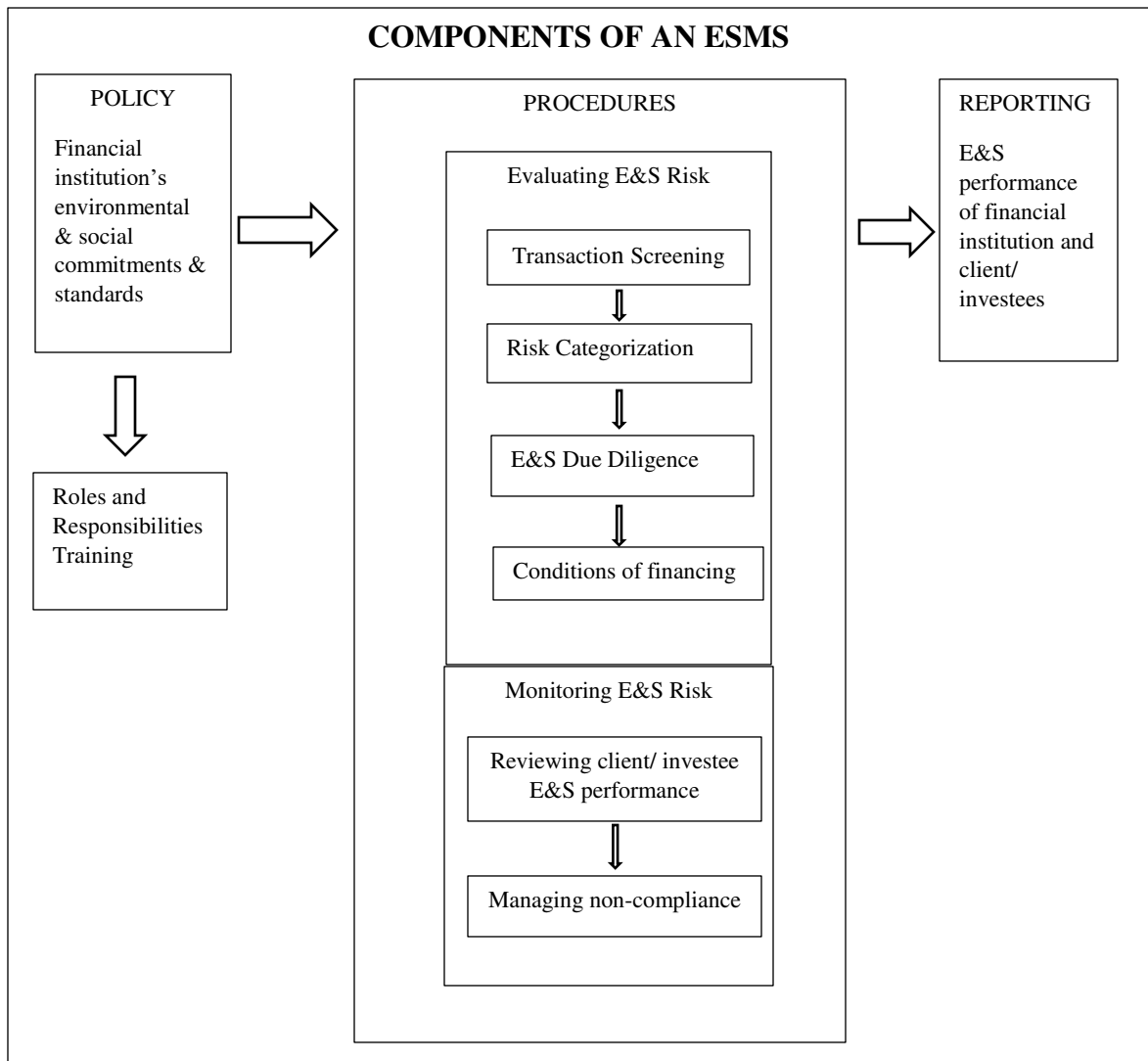


Figure 1: Components of an ESMS

The existing environmental and social strategies of the Bank provide measures to be adopted by the Bank to implement full scale E&S risk analysis and management strategies, vis-a-vis;

- *Transaction Screening* - Loan applicants for donor funded credit lines are initially screened to ensure that they will not be eligible to apply for loans which are in the Project “Exclusion List”. Other loan applications will be evaluated in accordance to the national laws, Bank's own articles and business ethics while keeping the Exclusion List for donor funded credit lines as guidance.

The ‘Exclusion List’ is given in Annex 4.

- *Risk Categorization* - E&S risk levels of the intended projects/ activities for which loans are categorized in terms of the magnitude of the social and environmental risks. With respect to E&S issues, Category ‘A’ are high risk projects/ activities, Category ‘B’ are medium risk projects/ activities and Category ‘C’ are low risk projects/ activities. The categorization process is discussed in the “E&S Risk Categorization” given in Section 3.7 of this document.
- *E&S Due Diligence* - Loan applicants are required to carry out due diligence in compliance with national requirements as per the National Environmental Act (NEA) which states the requirements for Environmental Impact Assessment (EIA) and Environmental Protection License (EPL) and, where necessary, environmental and social standards of the International Lending Bank (such as the World Bank and ADB).
- *Conditions of Financing* - Loan applicants are required to obtain environmental clearance according to the relevant national (Central Environmental Authority) and international standards. Loan applicants comply with E&S risk management requirements (implement Social and Environmental Action Plans) and
- *Reviewing clients E&S Performance* - Loan applicants ensure that periodical monitoring and reporting on the same is received by the Bank for E&S Risk compliance.
- The Banks environmental strategy is aimed at reducing the Banks’ carbon footprint.

1.1 Benefits of ESMS

Transactions between a client/investor and a financial institution, in this case the Sampath Bank PLC, can present certain risks to the financial institution. Such risks include environmental and social risks (E&S risks) in addition to reputational, legal and/or financial risks.

However, according to the International Finance Corporation (IFC) ‘environmental and social risk management benefits a financial institution by improving overall risk management, identifying new environmental business opportunities, and adding value to clients and investors, thus gaining a competitive advantage and by implementing an ESMS, a financial institutions can enhance its understanding of environmental and social risks (E&S) associated with each transaction, which can be included in the decision-making process for proceeding with a transaction’.

Through systematic assessment of the E&S risks and opportunities arising from client’s operations the ESMS facilitates the management of their exposure to risk as well. ESMS offer the following additional benefits to the Bank.

- Verify the Bank’s systems for recognizing and complying with environmental laws and regulations, and go beyond environmental compliance.
- Helps the Bank to avoid and/or manage proactively any social and environmental risks likely to arise from a project or activity for which the Bank grants a loan, by conducting social and environmental due diligence (which is discussed in section 3.2) prior to loan approval and disbursement and adequate supervision of projects during the term of the loan agreement.
- Provides the organization with assurance that the Bank is committed to meet social and environmental commitments which are intrinsic to accomplish corporate wide E&S policy requirements and show environmental leadership in the industry.
- Shows the business partners, regulatory agencies and community that Sampath Bank PLC is environmentally and socially responsible and improve relationships with relevant authorities and regulators.
- Streamlines operations.

1.2 Scope & Applicability

This Environmental and Social Management System (ESMS) details:

1. The Bank’s Environmental and Social Strategies.
2. Procedures to screen projects, assign environmental risk category, and conduct due diligence to evaluate environmental and social risks.
3. Loan Management for E&S Compliance.
4. Monitoring and record keeping.
5. ESMS review procedure for continuous improvement.
6. Applicable performance requirements.

7. Roles and responsibilities.
8. Budget, Training, and Corporate Management approval that will be integrated in the existing risk management procedures of the Sampath Bank.

With respect to the applicability of ESMS, ‘the Sampath Bank’s willingness towards establishing risk adequate Environmental and Social Management Systems into its lending procedures and thereby to request its clients to comply with Standards and Guidelines for high risk clients probably represents the biggest challenge that Sampath Bank will be facing.

The need to apply procedures laid down in the ESMS very stringently to the Bank’s lending activities is seen clearly from the above statement. The application of the ESMS including ESRP by the Bank goes beyond the current procedures adopted by the Bank in risk assessment.

Hereafter in keeping with the Bank’s E&S policy, the Bank will apply the risk categorization procedures and the requirements of undertaking due diligence, the other procedures involved in loan management, monitoring and reporting of the Bank’s lending activities, irrespective of the source of funding. The scope of application of ESMS is considered for Category A, B and C projects. The ESMS will be applied to the full range of Sampath Bank’s investment/lending activities, such as direct lending to private enterprises including corporate and project finance.

The scope of application of ESMS shall encompass therefore sustainable banking concepts, which are increasingly recognized by the banking sector globally.

1.2.1 Sustainable Banking (SB)

Sustainable Banking has been defined as a decision taken by banks to provide products and services only to customers who take into consideration the environmental and social impacts of their activities and that (Bouma et al, 2001) it aims at benefiting its customers and the economy as a whole without impacting negatively on the society and natural environment.

The Sampath Bank’s statement on “Social Sustainability Strategy” which is given in Annex 2 clearly states that it is their ultimate goal to be able to derive and sustain economic, social and environmental value, long into the future. It is also stated that the Bank has begun gauging the consequences of its actions and taking responsibility for how its business decisions are affecting shareholders, customers, employees, society and the environment.

According to the International Institute for Sustainable Development (2012) the integration of sustainability into the banking sector has taken two key directions:

- The pursuit of environmental and sustainable responsibility in a bank's operations through environmental and socially responsible initiatives
- The integration of sustainability into a bank's core businesses through the integration of environmental and social considerations into product design, mission policy and strategies. The integration has take place via mechanisms such as integration of environmental criteria into lending and investment strategy, and the development of new products that provide environmental friendly businesses with easier access to capital.

In essence sustainable banking ensures that the commercial activities of a bank does not benefit only its owners and employees but also its customers and wider economy, while at the same time mitigating any adverse effects on the natural environment and society.

As in Sustainable Development in Sustainable Banking also there are 3 dimensions; environmental, social and economic. This is sometimes referred to as "the triple bottom line" approach which ensures that banks focus on an integrated approach, an integration between economic development along with environmental protection and social stability.

The Sampath Bank PLC recognizes that:

- The Bank's credit policies guarantee that approval for loans depends on whether the project/activity is in compliance with the environmental and social standards set by the Central Environmental Authority (CEA) of Sri Lanka.
- The Bank makes a significant investment towards environmental protection, reforestation and bio-diversity conservation.
- The Bank gives priority to finance renewable and clean technology projects.

2 Environmental and Social Strategies of the Sampath Bank.

The Bank strives to ensure that all activities and projects will be in compliance with the environmental and social standards stated in the Applicable local, provincial and national laws on environment, health, safety and social issues.

The Bank's commitment to its goal and efforts to manage environmental and social risk across its operations is demonstrated in the Environmental and Social (E&S) Strategies adopted by the Bank. After approval by the Corporate Management this statement will be communicated to all employees and clients of the Bank.

Key Points in the Environmental and Social Strategies of the Bank:

- All activities undertaken by the Bank are consistent with its environmental and social standards and the requirements applicable in Sri Lanka
- All projects for which lending is considered are reviewed against the applicable requirements and projects are financed only when they are expected to be designed, built, operated and maintained in a manner consistent with the applicable requirements
- Efforts are made to ensure that all projects financed by the Bank are operated in compliance with the applicable requirements on an ongoing basis
- Clients of the Bank understand strategies made by the Bank in this area

2.1 Environmental Strategies Adopted by the Bank

The main attempt in this direction is aimed at reducing the banks' carbon footprint. This is not only to help the Bank to lighten its environmental footprint, but also to create a strong social impact that will convey a positive benefit for stakeholders of the Banks business.

The main pillars of the environmental strategy include:

- Energy saving through exploring energy efficient lighting solutions and alternative energy sources,
- Reducing paper waste through reducing paper consumption and promoting recycling whenever possible and practical,
- Carbon footprint calculation process to track our performance and benchmark our progress against our peers in the industry,
- Sustainable lending such as lending to the NCRE (Non-Conventional Renewable Energy) sector and green energy loan scheme for individuals,
- Engaging customers through enabling customers to migrate towards more eco-friendly business practices

- Environmental CSR projects to identify and address critical ecological challenges that are likely to cause destruction to the natural composition of air, water or the earth.

The Environmental Strategies adopted by the Bank is given in Annex 1.

2.2 Social Strategies Adopted by the Bank

To bridge the gap between the present and future intentions, the Bank has adopted a 360⁰ sustainability matrix that begins with their stakeholder engagement mechanism where key sustainability trends are identified and the opportunities and threats arising there from are determined. These are embedded into the Banks corporate objectives via its strategic planning process and then carried out on a day-to-day basis under the purview of its governance, risk management and product stewardship pillars.

Socially Responsive CSR Model

The socially responsive CSR model of the Bank addresses the broader systemic issues and socio-economic challenges that are affecting our communities. In deciding on what areas the Bank should focus on, and formulating its broader CSR vision, the Bank is guided by the Millennium Development Goals and the 2030 agenda for Sustainable Development, both part of the UNDP's development road map for Sri Lanka. The Bank aims to bring about positive change across a broader community demographic through our socially responsive CSR model.

To meet the objectives laid in the CSR model the Bank recognizes the crucial contribution from Transparency and good governance, community engagement and employee volunteerism.

These are discussed in detail in the "Social Sustainability Strategies" adopted by the Bank given in Annex 2.

3 Environmental & Social Review Procedure (ESRP) of the Sampath Bank

The Environmental and Social Review Procedure (ESRP) is an integral component of the ESMS. It gives the procedure adopted by the Bank to implement the ESMS.

3.1 Existing Credit Risk Management Process of Sampath Bank

Risk appraisal is fundamental to the Credit Risk Management Process of the Sampath Bank. The existing credit risk management procedure of the Bank involved the following steps

- Loan Origination and Risk Appraisal – Once an applicant submits an application for loan from the Bank to the branch manager/ relationship manager if the project is within the purview of the Banks policy, the client will be introduced to a credit officer who prepares a credit appraisal report. Site is visited when required for new facilities and projects. The appraisal was primarily based on credit viability. The report is forwarded to the branch manager/ relationship manager.
- Credit Approval and Sanction – If the project/ activity is financially viable/ credit worthy the branch manager forwards it to the regional manager with his/her recommendations. If the credit request is within the regional managers delegated limit it is approved by the Regional Manager and documentation is done by the legal department, regional office and the branch. Otherwise it is forwarded to the Head Office with his/ her recommendation.
- Credit Administration and Disbursement – Once the loan documentation is done it is disbursed
- Credit Measurement and Monitoring –Monitoring is done on utilization of funds, installment recoveries depending on the case
- Recoveries - Recovery process is primarily automated and if the loan installments are not paid for some reason, there is a robust mechanism to track such instances and alert the relevant responsible officers who are required to take appropriate measures.

The existing Credit Risk Management Procedure of the Bank is indicated in Figure 2

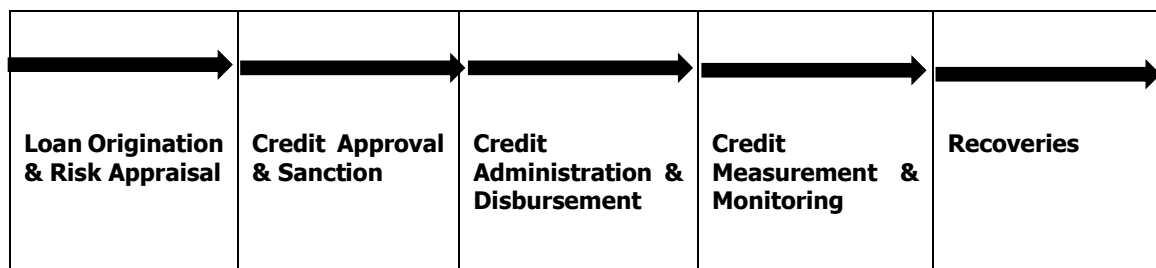


Figure 2: Credit Risk Management Process of Sampath Bank

In order to integrate E&S risks assessment into this existing Credit Risk Management Procedure several revisions/ amendments have been introduced into the Bank's lending procedure. In proposing the revisions the factors considered were,

- Principles of Good Lending and Guidelines for Lending
 - Loan applications will be initially screened in accordance to the national environmental laws, Bank's own articles and business ethics. While for donor funded credit lines an 'Exclusion list' used by the World Bank and ADB or the relevant donor would be strictly adhered to for other loan applications this list would be used as guidance.
- Duties and Responsibilities of Credit Staff / Regional Managers and Staff / Branch Managers and staff
 - At present these Bank Officers screen the loan applications for credit risks only. They will be given an additional role of evaluating the Environmental and Social Risks.
- Internal Risk Rating Systems
 - Loan applications would be categorized based on an environmental risk categorization system in line with the National Environmental Act of Sri Lanka
- Post Credit Risks
 - After the grant of the loan the projects/ activities would be monitored to see whether the anticipated E&S risks are minimized and whether any unforeseen E&S risks occur in the future.

The revised lending procedure is given in Annex 3.

3.2 Revisions introduced for Risk Adequate Credit Appraisal Procedure

Three new components were introduced in the revised credit appraisal procedure.

a. Screening for Projects/Activities under the 'Exclusion List'

For Donor funded credit lines an 'Exclusion List' based on E&S criteria is included into the Banks Credit Appraisal Procedure. This is the 'Exclusion List' used by the World Bank and ADB. While this list is applicable for the donor funded credit lines, others will be evaluated in accordance with the National Laws, Bank's own Articles and business ethics while keeping this list as a guidance.

At the early stage of lending (when the Bank will establish initial contacts with a loan applicant/ client, on receiving the loan application form from the customer the Banks Credit Officer/ Manager/ Relationship Manager is expected to refer to the 'Exclusion List' and inform the loan applicant whether the intended loan falls within the purview of the Bank's E&S strategy, as well as within the Exclusion List.

The 'Exclusion List' in case of Donor Funded Credit Lines is given in Annex 4.

b. Risk Categorization Process

The lending procedure currently used by the Bank assesses only the credit risks. A credit risk rating system is also in operation. In addition to this under the new procedure of ESMS Credit Managers will categorize the projects for which loans are requested according to potential Environmental & Social risks (A = high risk, B = medium risk, C = low risk). In order to do this the Bank staff will review the industry sector and technical aspects of project and do inspection.

The process of Risk Categorization is discussed in detail in Section 3.7 of this report.

c. Conduct due-diligence for projects to assess environmental and social risks

Steps have been introduced to for the Credit Manager to undertake Environmental & Social Due Diligence (ESDD) as part of the loan appraisal. The process would depend on the category of the project.

For Category A projects, the due diligence is a full scale review of the environmental and social risks, based on the environmental and social safe guard policies/ regulations of Sri Lanka given in the National Environmental Act and on the standards of the international lending agency where applicable. For this purpose very often a team of experts will be engaged. On completion of the due diligence process a report will be produced based on the observations.

For Category 'B' and 'C' projects the ESDD will be either a desk review or a simple review by the Credit Officer based on a site visit.

Depending on the risk category of the project the credit officer is expected to assess whether the loan applicant needs to fulfill the E&S risk mitigation compliances, for which purpose, a checklist may be used.

A sample checklist is provided in Annex 5.

The Due Diligence Process is discussed in Section 3.5.

Credit Appraisal Procedure has been revised to facilitate the above requirements.

The process that involves post disbursement of loans was also considered for integration of E&S consideration. Revisions were incorporated to mandate regular monitoring of the ESAP and reporting on same by the loan applicant who informs the Bank to submit to any other parties (lending International Banks etc.) the portfolio details of high risk projects.

The new lending procedure involving the ESMS process is given in detail in Table 1

Key Steps	Description
Initial Contact with Client	<p>Client Contacts the manager of the respective Branch of the Bank and requests for a loan. Manager interviews the Client and assesses whether the credit request falls within the purview of the Bank’s Exclusion List.</p> <p>If the answer is ‘No’, the Manager/Relationship Manager introduces the clients to the Credit Officer for follow up. If the answer is ‘Yes’, the Manager declines to accept credit request.</p> <p>Manager also briefs the clients as regards the Bank’s new Environmental and Social Sustainability Strategies.</p>
Client’s Loan Application	<p>The Credit Officer hands over relevant set of forms/ documents including a loan application form to the client. The client fills the documents required by the Bank and submits the application to the Credit Officer requesting for a credit facility.</p>
Inspection by Bank’s Staff	<p>Credit Officer visits the site and prepares an inspection report after getting an initial understanding of the nature of the project, geographic location, etc., from this inspection and the information can be fed into the next stage.</p>
E&S Risk Categorization	<p>Project risks will be screened against the Central Environment Authority’s Prescribed List for Environment Protection Licensing. Parallel to this, the Credit Officer consults with the client using a checklist to provide guidance on the identification of project risk levels and categorization.</p> <p>If the project is categorized as ‘C’, the Credit Officer can recommend that there are no E&S risks associated with the project and that the loan can be approved without requirements to comply with E&S risk mitigation actions (Due Diligence will not be required).</p> <p>If the project is categorized as ‘B’, the Credit Officer recommends and requires the loan applicant to comply with E&S risk mitigation actions per the environment and social policies, procedures, laws and regulations of the country. The CEA may require the preparation of an Initial Environment Examination (IEE) if a project falls under Category B. Loan approval is subject to the loan applicant’s submission of documentary requirements as prescribed by national law.</p> <p>If the project is categorized as ‘A’ or is a high risk project, the Credit Officer recommends and requires the loan applicant to comply with E&S risk mitigation actions per the environment and social policies, procedures, laws and regulations of the country. In the event that funding comes from a Donor Financing Institution (DFI), the DFI’s safeguards policies take precedence over national laws and regulations. i.e., ADB SPS, World Bank SSP. If a project falls under Category A, therefore, loan approval is subject to the loan applicant’s preparation of the Environment Impact Assessment (EIA) with submission of other permits and documentary requirements as prescribed by national law.</p> <p>Client meets required conditions and submits any additional document and information requested by the Bank.</p> <p>If the loan request has been categorized under ‘B’ or ‘A’, the client will also need to engage an expert or consultant to ensure that special studies are carried out in keeping with the SEAP/ ESDD summary reports and that an Environmental and Social Management Plan and other compliance documentation are prepared for the activity proposes taking into consideration the</p>

	recommendations made in the EIAs/ IEEs and the performance standards of the Lending International Bank (in case of 'A' projects).
E&S Due Diligence & Data Input	<p>Site visits will be required as part of E&S Due Diligence. This process will be managed by the Sustainability cell of the Bank. Initially The Bank may engage an external consultant/ a team of experts to undertake the E&S due diligence and the recommendations can be made in the form. (An Environmental and Social Due Diligence Summary Report/ Environmental and Social Action Plan (ESAP) is required). Eventually, with the expertise and advanced training given to Sustainability cell staff, they will be in a position to contribute to conduct due diligence. If they still need expert advice, then these proposals could be referred to external experts.</p> <p>Credit Officer inputs basic data to the system.</p>
Loan Processing	Credit Officer during credit appraisal will assess the viability of granting the loan; forward the credit application with his recommendation to the Branch Manager together with the Environmental and Social Due Diligence (ESDD) Summary Report/ SEAP along with his recommendations.
Approval/ Recommendation	<p>The Branch Manager reviews the application.</p> <p>The Branch Manager approves the facility provided the proposal is financially viable (credit worthy) and the facility is within his approval limits.</p> <p>If the facility is not financially viable the Branch Manager rejects the application.</p> <p>If the facility requested is beyond his approval limits, then he forwards the application to the regional office with his recommendations.</p> <p>The Regional Manager approves the facility if it is within his limits.</p> <p>If the approval exceeds his authority the proposal is forwarded to the head office with the Regional Manger's recommendations.</p> <p>Regional Manager may reject the proposal if he is of the view that the project is not viable.</p> <p>At the head office the proposal is forwarded to the respective authorities who hold the proper approval limits.</p>
Offer Letter	The Bank issues an offer letter informing the client that the facility is approved and giving the terms and conditions under which the facility/ loan is approved, and details of any documents required to comply with E&S Risk Mitigation Action. Loan covenants will take into consideration the compliance requirements.
Loan Documentation	<p>Once the loan is approved, the Branch Manager prepares the loan documentation.</p> <p>The branch will then execute the documents and grant the facility to the client.</p> <p>The legal department will assist the branch in preparing the legal documentation.</p> <p>Incorporate ESDD recommendation into loan covenants.</p>
Regular Monitoring	<p>Annual Monitoring of Environmental and Social Action Plan (ESAP). The client (loan applicant) will implement the relevant ESMS and regular reports are submitted to the Bank. Credit Officer/ Bank appointed independent consultants visit the site for further due diligence surveillance and submit reports to the Bank on the level of compliance by the borrower.</p> <p>Summary compliance report (Industry and sector wise) to be submitted by the Bank head office to DEG as the case may be.</p>

Table 1: Sampath Bank's revised lending procedure

3.3 Steps in Environmental and Social Review Procedure (ESRP)

The Environmental and Social Review Procedure is a key component of the ESMS. Essentially the ESRP follows the following steps:

- Initial Screening and Risk Categorization of Loan Applications
 - Rejection of projects if in the Exclusion list
- Forwarding for credit appraisal if it is a Category C project
- Filling of E&S Checklists for Category B projects and forwarding for credit appraisal
- Conducting due diligence for Category A Projects and based on outcome forwarding for credit appraisal
- Consultations and negotiations
- Loan approval
- Monitoring

In this regard it is important to identify and use the relevant formats in order to follow the required procedure at the relevant stage of risk management activity.

A summary of the E&S Review Process followed by the Bank is provided in Table 2.

Table 2: Summary of the E&S Review Process followed by the Bank

	Exclusion List (Y/N) Proceed only If No		
	Environmental Risk categorization (A/B/C)		
	C (Low Risk)	B (Medium Risk)	A (High Risk)
Due Diligence		Internal Check List (Based on desk review or site visit)	Site Visit and Conduct of Due Diligence reports by Experts
Final Approval		Standard phrases in the E&S memo	Detailed E&S Memo stating the requirements for compliance monitoring
Contract		Standard clauses	Standard Clauses/ Action plan (Complying with the International Lending Bank)
Monitoring	Only if unusual occurrence	Only if unusual occurrence	Detailed annual compliance report
Responsible Officer	Regional Manager/ Branch Manager / Credit Officer Corporate Banking Officer		Corporate Banking Officer and Sustainability Manager

3.4 Initial Screening of loan applications

Loan Initiation and Risk Appraisal Stage:

When the client expresses an interest in obtaining a loan for a particular activity, the ESRP requires that the Bank compares the details of the intended loan against the Bank's Exclusion List.

For Initial Screening purposes the Regional Manager/ Branch Manager/ Credit Officer or any other relevant Bank Officer uses an initial screening checklist for screening of Environmental and Social Impacts of Projects/ Activities. Essentially this checklist enables the Bank officer to obtain relevant information from the loan applicant to undertake this initial screening of the proposed project for E&S risks.

The information so required will include the following among others:

- Nature and type of proposed project/ Activity
- Geographical location
- Scale of the project/ activity
- Required types of Permits/ Approvals
- Status of obtaining Permits/ Approvals
- Proximity to a designated/ environmentally sensitive area
- Number of Workers
- Any previous loans obtained for similar purposes
- Amount of Loan requested
- Any environmental issues arising from the proposed activity:
- Any social issues arising from the proposed activity

The Regional Manager/ Branch Manager/ Credit Officer then compares this list with the Bank's Exclusion List and informs the prospective client of the outcome i.e :

- If the activity is listed in the Bank's Exclusion List the Regional Manager/ Branch Manager/ Credit Officer will reject the loan request.
- If the activity is not listed in the Bank's Exclusion List the Loan is accepted in principle to be processed,

Then the second stage of Screening begins. At this stage the loan application would be further reviewed and categorized into relevant environmental and social risk category. The Bank uses a list of Prescribed Projects to identify whether the particular activity/ project for which the loan will be utilized fall into high, medium or low risk categories. The procedure for E&S risk categorization is given in detail in Section 7 of this document. Once the E&S risk categorization is done, the prospective loan applicant/ client will be informed of the E&S review procedure in detail.

The Initial Screening Checklist is given in Annex 6.

3.5 Environmental and Social Due Diligence (ESDD)

An ESDD reviews 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.

ESDD involves:

- The systematic identification, quantification and assessment/ evaluation of environmental and social risks associated with the proposed project/ activity.
- Identification of mitigation measures necessary to avoid/ reduce such environmental and social risks

The extent of the ESDD and the level of detail depend on the environmental and social category assigned to a project/ activity.

3.5.1 Requirements of ESDD based on Project/ Activity Category

ESDD involves an identification of gaps between the current 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.

For donor funded credit lines (eg World Bank, ADB etc) Sampath Bank will follow the environmental and social safeguards policy of the donor financing institution (DFI).

The ESDD process depends on the risk category of the project/ activity. The process of risk categorization is done based on the list of Prescribed Projects for EIA/ IEE and Prescribed projects for EPL listed in the National Environmental Act is discussed in detail in Section 3.6 of this report.

For Category ‘A’ (High Risk) Projects/ Activities –

Loan applications falling under Category ‘A’ will be forwarded to the ‘Sustainability Cell’ of the Bank through the “Lending Products Division” for the conduct of due diligence. A full scale review and assessment of environmental and social risks, proposed mitigation measures and monitoring plan to ensure the implementation of recommended mitigation measures will be done. These will be reflected in the Environmental Impact Assessment (EIA) as prescribed in the National Environmental Act (NEA).

For facilities funded by Donor Financing Institutions (DFIs), i.e., ADB, World Bank, documentary requirements will be based on the DFIs’ safeguards policy requirements.

The ESDD review of category A projects, which will be forwarded to Sustainability cell, will be initially referred to external experts. With the expertise and advanced training given to Sustainability cell staff, 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.

The steps involved in the ESDD Review of Category A projects are:

1. Client fills E&S ‘Checklist’ for Category A projects (Annex 5)
2. Review the E&S requirements / standards in both national and international scenarios for the proposed project/ activity
3. Review the IEE/ EIA reports and other relevant documents prepared by the client in order to gain approval for the project/ activity
4. 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
5. Identify the gaps between the current E&S performance and the required standards (Gap analysis will be done by the client and reviewed by the Bank)
6. 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 Officer In Charge (OIC) of the Sustainability Cell. The OIC of the Sustainability Cell would either conduct the ESDD exercise by him/ herself (within the Bank) or by an external consultant appointed for the purpose.

For Category ‘B’ (Medium Risk) Projects/ Activities –

The projects/ activities in this category are associated with environmental and social impacts that can be readily predicted, prevented and/ or mitigated. The only form of Due Diligence requirement is the filling of a short ‘internal checklist’. This will be filled either as a desk review or a simple review by the Credit Officer based on a site visit. However, the technical views of the CEA on this project/ activity would be observed.

The ‘Internal short list’ used by the Bank for this purpose is given in Annex 5.

For Category ‘C’ (Low Risk) Projects/ Activities –

The projects/ Activities in this category are likely to cause minimal environmental or social risks and the only due diligence requirement would be the filling of the form used for initial screening. Hence, if the Project/ Activity fall into Category ‘C’, the application will be forwarded directly for credit appraisal.

The coordination of all the above activities would be done by the Officer in charge of Sustainability Cell. The OIC, Sustainability would either conduct the ESDD exercise or by an external consultant appointed for the purpose.

3.5.2 Environmental and Social Review Summary Report

Based on the due diligence the Sustainability Manager would prepare an “Environmental and Social Review Summary Report”. A format for the preparation of this report is given in Annex 7. 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 International Lending Bank
- 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 client to take necessary measures

3.6 Environmental and Social Risk Mitigation

Risk categorization is an integral part of the ESMS. Loans requested by clients are subject to a Risk categorization is an integral part of the ESMS. Loans requested by clients are subject to a process of Risk Categorization of their (potential) Environmental and Social impacts. There are three risk categories:

- Low Risk (Category ‘C’): Projects with minimal or no adverse social or environmental impacts. Environmental and social impacts are expected to be negligible. Since impacts are minimal to null, there are no specific requirements regarding E&S Risk Mitigation for Category ‘C’ Projects/ Activities.
- Medium Risk (Category ‘B’): Projects with potential limited adverse social or environmental impacts that are few in number, site-specific, largely reversible environmental and social impacts which can be readily identified and standard preventative and/ or remedial measures can be prescribed and readily addressed through mitigation measures.

These would be projects requiring an Environmental Protection License and listed under medium polluting activities. E&S Risk mitigation will be effected by way of clients agreement to comply with country specific standards, regulations and procedures.

The conditions upon which approval has been granted for the project/ activity by The Central Environmental Authority is stated in the approval and the Bank will ensure that these conditions are met by the client or that these mitigatory measures are included into the project/ activity before approval for the loan is granted.

- High Risk (Category 'A'): Projects with potential significant adverse environmental and / or social impacts which are sensitive, diverse, irreversible and/ or unprecedented. There may be highly significant, negative and/ or long-term environmental and social impacts, the magnitude of which is difficult to determine at the application stage. An impact is considered a sensitive impact if it is irreversible, affect vulnerable groups, indigenous communities, involve involuntary displacement and resettlements, or affect significant heritage sites.

For Category 'A' Projects/ Activities, the Environmental and Social Risk Mitigation Action should comply with stringent standards or guidelines. The clients who request for loans to implement such projects should follow the requirements as stipulated both under national regulations / standards and required standards of the Lending International Bank.

Often for Category 'A' Projects/ Activities the national standards would require the conduct of an Environmental Impact Assessment and depending on the nature of the activity an Environmental Protection License (EPL). In addition the Bank would prepare Environmental and Social Action Plans (encompassing any further observation made during the due diligence).

Considering the nature, location, sensitivity and scale of the project, and the nature and magnitude of its possible environmental and social impacts and issues, the Credit Officers can determine the nature and level of environmental and social assessments required the level of information disclosure and stakeholder engagement required for each project. If the information given in the loan application is not adequate the Credit Officer can use an Initial Screening using a checklist to gather the necessary information. The format for conducting an initial screening is given in Annex 6.

Categorization of projects will be done using the prescribed list of projects that fall into High, Medium and Low risk categories, issued by the Central Environmental Authority of Sri Lanka. The CEA has issued two lists of prescribed projects, one for which an IEE or EIA is required (Annex 8) and the other which lists out the activities (primarily industrial activities) that require an Environmental Protection License by CEA (Annex 11).

All those listed as prescribed projects for which an IEE or an EIA is required, i.e. those projects/ activities listed in Annex 8 will be categorized as high risk projects.

If the projects are not in this list the list of projects for which an EPL is required will be referred to. In this list those listed under part A would be categorized as High Risk Projects or Category 'A' projects, those listed under Part B would be categorized as 'Medium Risk' or Category B projects and those listed under Part C would be categorized as 'Low Risk' or Category C projects.

Environmental Impacts Assessments / Initial Environmental Examination Reports

The Bank requires that all projects listed as "Prescribed Projects" in the National Environmental Act be appraised through the EIA process of the country and that they have obtained the environmental clearance prior to loan approval. Depending on the significance of the anticipated impacts, there are two types of reports i.e. the Initial Environmental Examination (IEE) and the Environmental Impact Assessment (EIA). The Environmental Impact Assessment (EIA) Report is more comprehensive document while The Initial Environmental Examination (IEE) is a report which is comparatively less descriptive. Upon review of the description of the project/ activity the CEA would issue a TOR to the client for the preparation of an EIA/ IEE.

The list of 'Prescribed Projects' for the IEE/ EIA process is given in Annex 8. The National EIA procedure is given in Annex 9.

Category 'A' projects also include those listed as high polluting activities in the list of Prescribed Projects (Annex 11) for Environmental Protection Licensing scheme.

The approval of EIA/ IEE and issue of EPL would list a set of conditions which have to be obliged by the client. These are essentially a list of E&S Risk mitigatory measures.

In addition to national E&S standards/ requirements, the standards of the Lending International Bank also have to be adhered to by the client. Accordingly an Environmental Impacts Assessment stating mitigatory measures would have to be prepared to meet those requirements.

Mitigatory actions should be compared with the standards between country regulations and the standards of the International Lending Bank after a detailed analysis of the gaps between them and whatever the stringent standards should be adhered to. This is done at the time of due diligence by the multi-disciplinary team of environmental and social experts and an ESDD summary report shall be prepared. The format for ESDD summary report is given in Annex 7.

The ESDD will address the environmental, social, occupational health and safety aspects related to the proposed activity. The site visit is meant to verify and check if all aspects of

the ESMs are covered and thereby seek confirmation that the approach followed and the process meets the obligations of the International Lending Bank.

The review shall include:

1. The gaps between the country regulations and the obligations in terms of the International Lending Bank to be analyzed by the team dealing with due diligence and all gaps should be identified for compliance.
2. Careful review of the EIA/IEE to assess whether it has taken note of:
 - Adequate quantification of waste quantities, handling and disposal and description of existing waste at dump site.
 - Assessment of subsurface/surface water contamination from premises/existing dump site.
 - Assessment of types and quantities, disposal methods of hazardous waste present at the site and determine required mitigation/management measures.
3. Careful review of the social safeguards component (involuntary resettlement and indigenous people
 - Social aspects and community sensitivities considering involuntary resettlements, indigenous people, community health and safety risks and land alienation, and compensation.

By means of this process, recommended E&S risk mitigation actions are conveyed to the loan applicants. The conditions are eventually incorporated into the loan agreement enabling the Bank to ensure that the project applicant (borrower) will comply with same.

Very often, the mitigation actions recommended in the EIA/ IEE reports prepared for CEA approval are not sufficient in case of Category 'A' projects. In such instances the Bank can request the loan applicant to prepare a separate Environmental and Social Management Action Plan in keeping with the guidelines of the International Lending Bank in addition to the conditions of approval already given by the CEA. The officer in charge of sustainability would review this for adequacy.

The important aspects that are to be noted in the Environmental and Social Action Plan (ESAP) are:

- Whether the project has a properly defined environmental and social (Risk Management) Plan – ESRMP.
- Whether a proper organizational structure is facilitated within the project to implement same with adequate professional staff.
- Whether adequate resources are made available by the loan applicant/borrower in respect of implementing the mitigation actions.

- Public disclosure is accepted in principle by the project proponent.
- Environmental pollution risks can be mitigated by complying the country specific guidelines or those of the International lending Bank.
- Whether there is an employment policy to ensure non-discrimination. Safety of the workers and public safety.
- Whether the labor policies comply with country, as well as international standards such as non-engagement of forced labor or child labor.
- Whether involuntary resettlement will be required and, if so, whether those who will be economically and physically displaced will be compensated as per the country laws (or standards of the International Lending Bank) whichever is higher.
- Whether there will be biodiversity loss and if so how such impacts can be mitigated, whether the project will impact on the cultural heritage and the indigenous peoples' interests etc.

3.7 Dealing with loans under different risk categories

The following procedure would be used for different categories of projects/ activities.

For **Category ‘A’ projects**, the procedure requires a review and assessment of environmental and social risks and impacts through a detailed E&S due diligence process. The procedures require that the Credit Officer collects relevant E&S information using a short ‘internal checklist’. This list is given in Annex 5. The purpose of this checklist is to rule out that major environmental and social risks are hidden in the project. The information in the checklist can also be used to deal with Category ‘B’ Projects.

If the project is High-Risk, (Category ‘A’) the Bank will inform same to the Loan Applicant/ Client prior to making a loan decision. The Bank examines the project’s potential positive and negative impacts, compares them with feasible alternatives, and recommends any measures needed to prevent, minimize, mitigate or compensate for adverse impacts and to improve performance. This will require E&S Due Diligence (ESDD), the procedure of which is explained under Section 3.7.

For Category ‘A’ project, the Loan Applicant/ Client is responsible for preparing a full E&S compliance report, taking in to consideration the national requirements and/ or standards of the International Lending Bank. The Sustainability Manager of the Bank will be in charge of the ESDD. If considered necessary, the assistance of an external expert would be sought.

Category ‘B’ or the activities classified as Medium Risk are those for which the environmental and social impacts can be readily predicted, prevented and/ or mitigated given appropriate levels of a borrower’s financial and technical/ managerial capabilities.

The procedure require that the Credit Officer collects relevant E&S information using a short ‘internal checklist’ (5) which is described above under Category ‘A’ Projects. It will be ensured that the client is fully complying with local E&S regulation. If considered necessary by the Credit Officer, an action plan for compliance with local environmental and social legislation could be formulated.

Category ‘C’ or the activities classified as Low Risk are those which are likely to cause minimal environmental or social risks. For projects / activities in this category the initial screening using a format similar to what is given in Annex 6 is sufficient.

3.8 Final Approval and Contract

Thereafter the usual process of Consultations and negotiations would take place with the Applicant for loan approval. In case of Category ‘C’ Projects, E&S issues will not be of concern for loan approval or for the drawing of contract. For Category B projects E&S memo sent by the “Regional Manager/ Branch Manager/ Credit Officer” would be considered at the final approval and standard E&S clauses would be incorporated into the contract.

For Category ‘A’ Projects however, this process is more complex. After the due diligence a detailed E&S memo prepared by the “Sustainability Officer” would be tabled at the Credit Committee meeting based on the due diligence reports. Then, Standard Clauses/ Action plan (Complying with the International Lending Bank) would be incorporated into the contract

3.9 Monitoring

Requirements for monitoring also differ by the category of the project/ Activity.

For Category ‘C’ and ‘B’ projects routing monitoring for E&S issues is not required. Monitoring would be done only if there is an unusual occurrence/ complaint.

For Category ‘A’ projects on the other hand external monitoring would be conducted for monitoring of E&S issues. Based on the observations the Bank will prepare an annual Environmental and Social Monitoring report explaining the Borrower’s compliance with the Environmental and Social requirements.

Hence, for Category ‘A’ projects/ activities, 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.

At the level of the individual loan recipients, submission of E&S monitoring reports on regular intervals is an essential part of the compliance requirements. M & E reports will be prepared by the Loan Applicant/Client who will provide regular reports to the Sustainability manager (or other designated officer), who may follow up as required with further queries or site visits.

The Sustainability Manager has to monitor the Environmental and Social Performance of Category ‘A’ projects annually and visits the site occasionally, if necessary. The results of this monitoring should be fed back to the overall reporting system.

4 Addressing E&S Risks arising from Sampath Bank's lending operations

According to the IFC Guidelines, all financial institutions are exposed to some level of environmental and social risks through their clients/investors. If left unmanaged, these risks can lead to a decline in the financial institution's reputational image, costly litigation, or loss of revenue.

4.1 Types of E&S Risks in a Bank

The types of E&S risks in a Bank are : Liability Risk, Financial Risk, Reputational Risk, Credit Risk and Market Risk.

Liability Risk includes fines, penalties and costs for addressing third-party claims for damages due to negligence in managing environmental and social risks in a client's/investor's operations and clean-up of contamination. In the event the Bank is a principal shareholder of a client's/investor's operations, it may also be directly liable for all environmental and social risks associated with a client's/investor's operations.

Financial Risk : Stems from potential disruption of client's/investor's operations as a result of environmental and social problems. A client's/investor's failure to effectively address environmental and social considerations can put the business operations as well as the Bank at risk.

Reputational Risk : due to potentially negative publicity associated with a client's/investor's poor environmental and social practices and will harm its brand value and image.

Credit Risk : when a client/investor is not able to fulfill the contractual obligations as a result of environmental and social issues.

Market Risk : stems from a reduction in the value of collateral associated with a transaction due to environmental and social problems.

The Sampath Bank has strong Environmental and Risk Management and Strategies, as well as, institutional checks and balances to ensure that the Bank has been giving due consideration to addressing risks arising from its lending operations. This is apparent in the "Lending Approval Process of the Bank".

The Bank already has a separate and independent unit managing risk issues, the Banks “Risk Management Unit” through which risk clearance needs to be obtained for facilities more than Rs 100 Mn. Very importantly The Bank also has a functional and independent “Sustainability Cell” which serves as the watchdog to counter any E&S risks. This Cell plays a major role in implementing the ESMS of the Bank.

The sustainability system ensures that sustainability considerations play a core role in the Bank’s decision-making process for credit assessment and portfolio analysis. This system enables the Bank to consider environmental and social-economic issues comprehensively and move beyond merely conforming to regulation, thereby taking advantage of sustainability opportunities.

The process for risk management is well documented for the Bank. The Bank emphasizes the need for strengthening credit appraisal and analysis and capacity building and training will be conducted continuously.

The lending approval process of the Bank is shown in Annex 3.

5 Institutional Support for ESMS

Implementation of ESMS and application of ESRP is a Bank-wide activity and needs coordination all departments that deal with Credit Administration, Risk Management, Compliance Management, Legal Department, Sustainability Cell, Reporting and Human Resources and Training and Information Technology, etc., and any other committees and sub committees.

5.1 ESMS Institutional Structure:

While the responsibility of the overall implementation of ESMS lies with the Line DGM the technical support for this would be given by the Sustainability Cell of the Bank. The Cell consists of an Officer in Charge (OIC) of Sustainability and a Sustainability Coordinator. In addition the system would be supported by a Project Implementation Committee Which Comprises of 2 DGMs, Head of Refinance Unit and OIC of Sustainability Cell. .

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.

Within the Bank several cadre positions are identified with specific roles, responsibilities and authorities for managing different kinds of risks. The Bank will have two specific positions on its human resources cadre to deal with Environmental and Social risks. They are the OIC of Sustainability and Sustainability Coordinator. In addition all the regional managers and Credit Officers of the Sampath Bank will also have responsibilities with regard to implementing the ESMS. Following is a discussion on the specific roles and responsibilities of relevant officers of the Bank.

5.1.1 Roles & Responsibilities:

The responsible officers for the implementation of the ESMS in the Bank are:

- Corporate Management of the Bank,
- Line Chief Manager / Zonal Manager,
- Regional Manager,
- OIC of Sustainability,
- Branch Managers,
- Credit Officer,
- Legal Officer
- Sustainability Coordinator

Specific Roles & Responsibilities:

The specific roles and responsibilities of relevant Banks Officers for implementing the ESMS are given in Responsibility Matrix Table 3.

Table 3: Responsibility Matrix

Name of the Staff member/ Position	Responsibility
Corporate Management	<ul style="list-style-type: none"> • Commitment to E&S Policy. • Communication of the Banks environmental and social requirements and conditions for clients/ investors. • Intervene in cases of unresolved environmental and social issues or non-compliance associated with a transaction that cannot be resolved by the Loan Officers/ relationship Managers • Determines the appropriate course of action to be followed to reduce the Banks potential exposure to environmental and social risk, which may include taking legal action against the client/ investor. • Communicate ESMS requirements to other staff • Ensure adequate training of relevant officials for implementation of ESMS • Ensure that human resources are made available for the implementation of ESMS in all the relevant departments.
Line Chief Manager / Zonal Manager	<ul style="list-style-type: none"> • Linking/ interfacing the Bank’s ESMS with the Corporate Management of the Bank.
OIC of Sustainability	<ul style="list-style-type: none"> • Set up, implement and revise the ESMS • Work with management to ensure that adequate company resources have been committed to allow for the effective implementation of the environmental and social strategies and procedures of the Company. • Assessment of general environmental awareness of staff and contractors • Be in overall charge of Due Diligence • Maintenance of the Register of Legal and Other Requirements. • Control of documents, forms and records required by the ESMS. • Provide annual summary statements on E&S compliance of the Bank’s loans to relevant agencies. • Work very closely with the Legal Department and the Approving Authorities to ensure that clarifications sought from these departments are resolved with regard to procedures to be followed in respect of High Risk Projects. • In case of High Risk projects He/ She will also be responsible for liaising with the officials of relevant government Institutes and Lending International Banks with respect to know the compliance requirements. • Ensure that all loan decisions are supported by appropriate environmental and social reviews • Participate in loan decision-making process in the case of high risk projects

Sustainability Coordinator	<ul style="list-style-type: none"> • Ensure that the ESMS procedures are implemented for each project • 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 projects 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 client 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 • Maintenance of the Responsibility Matrix, including records of incumbents in positions and roles, competence requirements, competence possessed, training needs, training plans and training undertaken. • Asking client to fill Bank's E&S questionnaire for category 'A' projects. • Collect and study other relevant documents (audit reports, etc.). • Internet research on potential risks/ potential NGO interest. • Visiting the site. • Prepare an E&S Review Summary Report (typically 2-4 pages) in a pre-described format. • Make representations to the approving authorities on E&S Risks of an 'A' Category project before approval.
Regional Manager	<ul style="list-style-type: none"> • Screen projects against Applicable Requirements (e.g., Exclusion List/national laws) • Monitor and track project performance
Credit Officers	<ul style="list-style-type: none"> • Screening of the proposals/ loan applications against Excluded Activity List, Bank's lending policies and national laws. • Call for additional information from the client/ loan applicant pertaining to E&S risk evaluation. • Filling the internal check list for category 'B' projects. • Take part in Due Diligence for Category 'A' project, • Inform the Clients/ Loan applicants of the decisions based on the initial screening and initial risk categorization. • Visiting the site for follow up monitoring and take part in Annual Monitoring of E&S compliances of Category 'A' Projects. • Monitor and track project performance
Credit Committee/ Legal Department	<ul style="list-style-type: none"> • Screen projects against Applicable Requirements (e.g., Exclusion List/national laws) • Monitor and track project performance • Determine and include environment, health and safety covenants in loan agreements

Figure 3 summarizes the overall roles and responsibilities of key positions holding the responsibility of implementing the ESMS.

Roles and Responsibilities
<p>COMMITMENT TO E&S POLICY Corporate Management</p>
<p>ESMS IMPLEMENTATION OIC of Sustainability Sustainability Coordinator</p>
<p>E&S SCREENING, DUE DILIGENCE AND MONITORING OIC of Sustainability Sustainability Coordinator Loan Officer/ Relationship Managers Credit/ Investment Analyst</p>
<p>DECISION MAKING Credit/ Investment Committee</p>
<p>E&S COVENANTS Legal Department</p>

Figure 3: Roles and Responsibilities of implementing ESMS

5.1.2 Roles and Responsibilities at Each Step of the E&S Review Process

The roles and responsibilities of these respective Bank Officers at each stage of the E&S review process is given in Table 4.

Table 4: The roles and responsibilities of these respective Bank Officers at each stage of the E&S Review Process

		Exclusion List (Y/N) Proceed only If No (Regional Manager/ Branch Manager/ Credit Officer)	
		Environmental Risk categorization (as A/B/C) (Regional Manager/ Branch Manager/ Credit Officer)	
		C (Low Risk)	B (Medium Risk)
		A (High Risk)	
Due Diligence		Internal Check List (Based on desk review or site visit) (Regional Manager/ Branch Manager/ Credit Officer)	Site Visit and Conduct of Due Diligence reports by Experts (OIC of Sustainability and Sustainability Coordinator)
Final Approval		Standard phrases in the E&S memo (Regional Manager/ Branch Manager/ Credit Officer)	Detailed E&S Memo stating the requirements for compliance monitoring (Line DGM, OIC of Sustainability and Sustainability Coordinator)
Contract		Standard clauses (Legal Officer /Regional Manager/ Branch Manager/ Credit Officer)	Standard Clauses/ Action plan (Complying with the International Lending Bank) (Legal Officer, Line DGM, OIC of Sustainability and Sustainability Coordinator)
Monitoring	Only if unusual occurrence (Regional Manager/ Branch Manager/ Credit Officer)	Only if unusual occurrence (Regional Manager/ Branch Manager/ Credit Officer)	Detailed annual compliance report (OIC of Sustainability, Sustainability Coordinator)
Responsible Officer	Corporate Banking Officer, Regional Manager/ Branch Manager / Credit Officer		Corporate Banking Officer and OIC of Sustainability

It is noted that the respective Bank Officers responsible for the E&S review process for projects/ activities of Category ‘C’ and ‘B’ projects are the Regional Manager/ Branch Manager / Credit Officer and the Legal Officer of the Bank.

For Category ‘A’ projects, the responsible officers would be the Corporate Banking Officer, the OIC of Sustainability and the Legal Officer of the Bank.

6 Management Capacity and Training Needs

Sampath Bank has adequate capacities within the Bank to undertake carry out functions involved in Lending Appraisal and Credit Risk Assessments. Regional Managers, Branch Managers and Credit officers play a vital role in appraising credit requests. They directly interface with prospective loan applicants and appraise the loan against risks. With the introduction of ESMS however, these officers would have an additional task incorporated into the routine lending appraisal procedures. As discussed in the previous Section 4 which gives “Risk Assessment process of the Sampath Bank”, these officers will have to get involved from the environmental screening stage itself. This requires substantial human resources development and continuous institutional capacity improvements. To ensure effective ESMS implementation across the Bank adequate resources will be allocated to prepare and distribute ESMS documentation and materials to train staff on ESMS procedures, and to account for staff time to perform their ESMS responsibilities in their day-to-day duties.

The key components of the ESMS of the Bank include E&S risk categorization, procedure involved in due diligence and E&S compliance monitoring and reporting. Of these most important aspects would be the very first activity of the system, as the ESMS requires the Bank Officers to categorize the projects/ activities for which loans are requested by clients in terms of their E&S risk levels. The Bank intends to develop an Environmental & Social Index (EASI) with the assistance of experts to help the Regional and Branch Managers and credit officers to categorize the loans based on risk levels.

Bank Officers involved in credit administration should have a better understanding of the country’s environmental compliance requirements (Country Environment Regulations/ Standards and Country Social Safeguard Policies) which define specific requirements such as Environmental Impact Assessments (EIAs) and Environmental Protection Licenses (EPLs) and other aspects are the Lending International Banks.

Once the projects/ activities are categorized (Under A, B and C) the credit officers need to have a good understanding of the procedures to be followed thereafter. Exercising E&S due diligence in respect of high risk projects, the type of information to be sought at the time of due diligence, composition of the team of experts (depending on the nature of the activity) for which due diligence is required, preparation of the required reports and to make specific recommendations in areas that should form the loan agreements, will need additional capacity development interventions.

The capacity development of human resources for the effective implementation of ESMS is to be coordinated by Training Department. The Human Resource (HR) Department will evaluate whether there should be additional staff or whether the existing staff can manage the Sustainability Cell in view of the heavy work load of the Bank officer and also the training requirements.

The Following Bank Staff would be provided with relevant training to facilitate the implementation of ESMS

- Corporate Management
- OIC of Sustainability
- Sustainability Coordinator
- Staff at Refinance Unit
- Regional Managers
- Branch Managers
- Loan/Credit Officers
- Legal Counsel

The responsibilities of each of these officers in the implementation of ESMS are given in the previous section.

Training will be provided in the following areas.

- Overview of ESMS and its purpose
- Overview of investment portfolio by industry sector including environmental and social
- aspects of specific industry sectors
- ESMS procedures and specific staff expectations during implementation
- Review/ Updates/revisions to ESMS, as necessary
- Environmental Screening procedures
- Relevant national and international regulations

Table 5: provides the areas of training that would be provided to the respective Bank officers.

Table 6: Areas of Training required for respective Officers of Sampath Bank for implementation of the ESMS

Name of the Staff Member/ Position	Training Requirements
Corporate Management including Head of Refinance Unit	<ul style="list-style-type: none"> - Banks potential exposure to environmental and social risk - Environmental and Social Safeguard policies and regulations , (national and international lending banks) - Overview of ESMS and its purpose and global trends - ESRP of the Bank - ESMS procedures Roles and Responsibilities of officers - Course of Actions in case of non – compliance - Capacity requirements and on-going training

Name of the Staff Member/ Position	Training Requirements
OIC Sustainability and Refinance Unit staff	<ul style="list-style-type: none"> - Overview of ESMS and its purpose - Environmental and Social Safeguard policies and regulations , (national and international lending banks) - ESRP of the Bank - Setting up and implementing an ESMS for the Bank - Resource requirements for ESMS - Reporting and Communication skills for ESMS - Screening of Projects with respect to E&S risks - Risk categorization of projects - Conducting of due diligence - Environmental and Social Review Process - Monitoring of due – diligence
Sustainability Coordinator	<ul style="list-style-type: none"> - Overview of ESMS and its purpose - Environmental and social safeguard policies and regulations , (national and international lending banks) - ESRP of the Bank - Screening of Projects with respect to E&S risks - Risk categorization of projects - Monitoring and record keeping of ESMS procedures for each project - Requirements in conduct of due diligence and maintaining records - Resource requirements for conducting due diligence - Recording of environmental and social reviews - Monitoring projects for compliance with due diligence - Preparation of E&S Review Summary Reports -
Regional Manager	<ul style="list-style-type: none"> - Overview of ESMS and its purpose - Environmental and social safeguard policies and regulations , (national and international lending banks) - ESRP of the Bank - Screening of Projects with respect to E&S risks - Risk categorization of projects - Monitoring projects for compliance with due diligence
Credit Officers	<ul style="list-style-type: none"> - Overview of ESMS and its purpose - Environmental and Social Safeguard policies and regulations , (national and international lending banks) - ESRP of the Bank - Screening of Projects with respect to E&S risks - Risk categorization of projects - Usage of check lists for category ‘B’ projects. - Monitoring projects for compliance with due diligence

Name of the Staff Member/ Position	Training Requirements
Credit Committee/ Legal Department	<ul style="list-style-type: none"> - Overview of ESMS and its purpose - Environmental and social safeguard policies and regulations , (national and international lending banks) - ESRP of the Bank - Screening of Projects with respect to E&S risks - Risk categorization of projects) - Due diligence - Environmental and social reviews - Monitoring projects for compliance with due diligence - Inclusion of environment, health and safety covenants in loan agreements

In view of the above the Bank has decided to offer two streams of trainings to the above categories of bank officers. The Bank has come to an agreement with the Center of Sustainability of the Department of Forestry and Environmental Science of the University of Sri Jayewardenepura to provide the Bank Officers with this training. Based on the training requirements several modules are proposed, out of which the first module which covers an overview of ESMS of Sampath Bank will be a core module to be followed by all relevant officers including the Corporate Management. The outline of training module is given in Annex 12.

7 Credit Approval and Legal Documentation

For Category 'A' projects the OIC of Sustainability has to suggest relevant contract clauses in close cooperation with the Approving Authority.

The following standard clauses will be incorporated into the loan agreement.

- In respect of Category 'A' projects/activities, a loan covenant should explain that the borrower should comply with both the national standards and the standards of the International Lending Bank. The clauses should also explain the need for preparation of an annual monitoring report in a pre-described format, and any other clauses if deemed necessary to remedy the non-compliance.
- In respect of Category 'B' projects/activities, a loan covenant should explain that the borrower should comply with the national environmental and social standards, regulations as stipulated in the laws pertaining to environment, labor and safety, resettlement, etc.
- For category 'C' projects/ activities, it is sufficient to ask the client (in case of a serious event, based on due diligent) to remedy them before the loan is approved.

8 Grievance Handling System of the Bank

The Bank has in place a Grievance Management System through which any stake holder/ aggrieved party who is effected from a project/ activity funded by the Bank can lodge a complaint. In the case of complaints related to Environmental and Social issues these complaints would be forwarded to the Officer in Charge of Sustainability who would keep a copy of the document and maintain records of the complaints in the Sustainability Cell.

The Bank insists that the complaints must be resolved immediately (within 3 working days) and the Aggrieved Party be advised accordingly, failing which a tentative date for resolving, along with the contact details of the person who would be responsible for resolving the complaint would be sent to the aggrieved party. If the complaint cannot be resolved even by that date the aggrieved party would be advised of the new date for resolution, which shall not be beyond 30 calendar days from the date of first notification.

The Officer in charge of Sustainability shall make arrangements to follow up on complaints after resolution, by contacting the Aggrieved Party and obtaining feed back with regard to the resolution of the complaint. All follow up actions would be recorded in the relevant report itself for future reference.

The overall Grievance Handling System of the Bank is given in Annex 13.

Annex 1: Environmental Sustainable Strategies of the Sampath Bank PLC

Due to the nature of our products and services, Sampath Bank has only a limited impact on the environment and is therefore considered to be a low contributor to overall GHG emissions. We do realize however that this does not in any way reduce our responsibility towards the environment. It is why we strive to assess the impact our actions may have on the environment and based on the results of these findings we then look for ways to improve the way we do things.

Spearheading the entire effort is a broad-ranging environmental strategy aimed at reducing the banks' carbon footprint. Focusing on what we consider to be material environmental aspects relevant to our business, the strategy seeks to ensure that our people and processes are continuously evolving. This is not only to help the Bank to lighten its environmental footprint, but also to create a strong social impact that will convey a positive benefit for stakeholders of our business.

Main Pillars of our Environmental Strategy

Energy Saving

Commitment: Electricity is one of the largest contributors to the banks' carbon footprint, and in striving to control the environmental impact resulting from the consumption of electricity the Bank will adopt appropriate measures to reduce energy consumption levels, set annual targets and take necessary action to achieve these targets. This may include strategies to explore energy efficient lighting solutions and alternative energy sources.

Key Drivers

1. Annual energy audit
2. Installation of LED lighting solutions
3. Upgrading of air conditioning units at branches
4. Installation of energy-control equipment to optimize energy utilization at branches
5. Stipulated policy to maximize the use of natural light in all newly constructed branches new

Reduce Paper Waste

Commitment: Paper usage forms a significant part of Sampath Banks' environmental footprint, given the large volumes used for internal and external communication. To minimize the use of paper used on a daily basis, the Bank calls upon all business units and branches to reduce paper consumption by rethinking internal procedures, engaging in sustainable paper procurement and promoting recycling whenever possible and practical.

Key Drivers

1. Carbon Neutral Annual Report 2015
2. E-statements and combined e-statements
3. Introduction of the e-vault application
4. Implementing a just-in-time printing policy at branches
5. Expanding the e-learning framework
6. Procurement of recycled paper from CEA approved suppliers
7. Introduction of cloud technologies for archiving of data to reduce paper-based storage systems
8. Internal communications through the intranet
9. External communication through Social Media
10. Use of social media adverts to replace printed flyers
11. Using of digital informative hoardings instead of fixed hoardings
12. Use of web banners instead of polythene flex banners

Carbon Footprint Calculation

Commitment: We believe it is our duty to act responsibly to monitor, manage and review the impact our business is having on nature and its resources. Therefore since 2013 we have adopted the Carbon Footprint Calculation process to track our performance and benchmark our progress against our peers in the industry.

Initiatives for the year

Engaging Employees

Commitment Imbuing an environmentally conscious mindset among employees to ensure that the team is aligned to the banks' environmental goals

Key Drivers

1. The Sampath Bank "Environmental Pledge", which all new employees are encouraged to subscribe to
2. The "Six eco guidelines", which all employees are requested to embed into their day-to-day work ethic
3. Providing continuous training to educate employees regarding environmental aspects
4. The Sampath Bank Nature Protection Club (SNaPC), the environmental arm of the Bank, which encourages employees to become "Green" champions

Sustainable lending

Commitment Structured financing solutions for large-scale renewable energy generation projects as well as funding of energy efficiency initiatives undertaken by the SME's

Key Drivers

1. Lending to the NCRE (non-conventional renewable energy) sector
2. Green energy loan scheme for individuals
3. Solar Rooftop Power Generation Project new, an ADB funded project carried out in partnership with the Sri Lanka Sustainable Energy Authority (SLSEA)

Engaging Customers

Commitment To enable customers to migrate towards more eco-friendly business practices, giving them the opportunity to mitigate their emissions, save energy and minimize waste along with the added advantage of lower costs in the long term

Key Drivers

1. Verifying the environmental credentials of clients submitting applications for clean energy projects. These include; an environmental impact report, a Renewable energy permit issued by the Sri Lanka Sustainable Authority, and where relevant, the necessary approvals from other authorities, including; Forest Dept. / Wild Life Conservation Dept, Department of Agrarian Services, Irrigation Dept, National Building Research Organization etc.
2. Improvements to the “Sampath Vishwa” corporate portal where an inbuilt transfer facility allows corporates to make direct transfers to their clients via the mobile cash facility, a move that allows them to cut their volume of paper cheques by almost 70% new
3. Expanding the e-commerce platform to encourage customers to engage in cashless banking
4. Sampath Vishwa online banking portal
5. Sampath mobile app
6. Sampath Mobile Cash
7. Sampath Pay easy
8. Sampath Instant loan
9. The “Carbon-neutral” Holiday Stay programme new, where the Bank undertakes to completely offset the carbon emissions of any hotel stays made through Sampath credit cards, allowing users a truly guilt-free holiday experience. A hotel stay carbon footprint consists of emissions associated with energy consumption in terms of fuel & electricity usage and waste generation, during an overnight stay of a guest in a paid accommodation in the Hospitality & Tourism Industry. Teaming up with The Carbon Consulting Company, the country’s leading provider of Corporate Sustainability Solutions, the average CO₂e emissions per different types of accommodation were assessed based on a study done by the United Nations Environment Programme (UNEP) and World Tourism Organization (UNWTO).

Using this research and providing for a significant buffer, Sampath Bank will commit to bringing the carbon emissions of their customers' hotel stay to "Net Zero" status by investing in local and international green energy projects through the internationally recognized mechanism of Carbon Credits. All Sampath Credit Card customers have to do is to pay for their hotel stay using the credit card and Sampath Bank will retire the necessary amount of carbon credits corresponding to that stay through The Carbon Consulting Company.

Environmental CSR

Commitment: To identify and address critical ecological challenges likely to cause destruction to the natural composition of air, water or the earth.

Key Drivers

1. Surakimu Sundara Polhena, an ongoing initiative to restore the damaged coral reef of the Polhena beach in Matara
2. Supporting the Bird Trail new, a programme carried out by the University of Ruhuna to create awareness regarding the bird species in Sri Lanka
3. Commemoration of World Environment Day 2016 new, in partnership with Bio Diversity Sri Lanka and the Ceylon Chamber of Commerce
4. Support extended to the Field Ornithology Group of Sri Lanka (FOGSL) new to host the Birdlife International Global Council, a series of events held to mark the 40th anniversary of the FOGSL
5. Hosting the "Butterfly, Dragonfly Race 2016" new, in collaboration with the Butterfly Conservation Society of Sri Lanka to create awareness and interest regarding various Butterfly and Dragonfly species in the country

Annex 2: Social Sustainable Strategies of Sampath Bank PLC

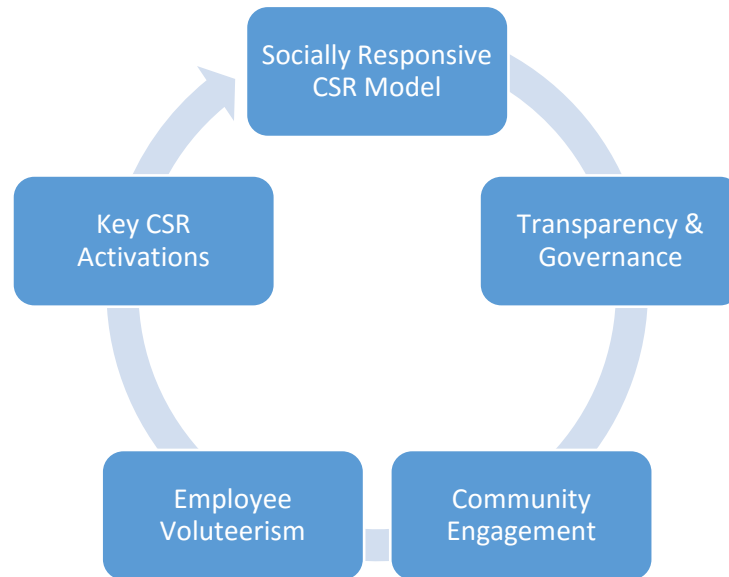
At Sampath Bank we consider ourselves as agents of change for our country and all its citizens. We want to be a trusted and reliable partner to our customers, shareholders, employees and society at large, for we believe that the prosperity of our stakeholders is what truly defines how successful we are as a bank.

It is why we are striving to reinvent ourselves as a more sustainable business that will sharpen our competitive edge in the market. And so we have begun gauging the consequences of our actions and taking responsibility for how our business decisions are affecting our shareholders, customers, employees, society and the environment. Our ultimate goal is to be able to derive and sustain economic, social and environmental value, long into the future.

To bridge the gap between where we are now and where we want to be, we have adopted a 360⁰ sustainability matrix that begins with our stakeholder engagement mechanism where we identify key sustainability trends and determine the opportunities and threats arising therefrom. These are embedded into our corporate objectives via our strategic planning process and then carried out on a day-to-day basis under the purview of our governance, risk management and product stewardship pillars.

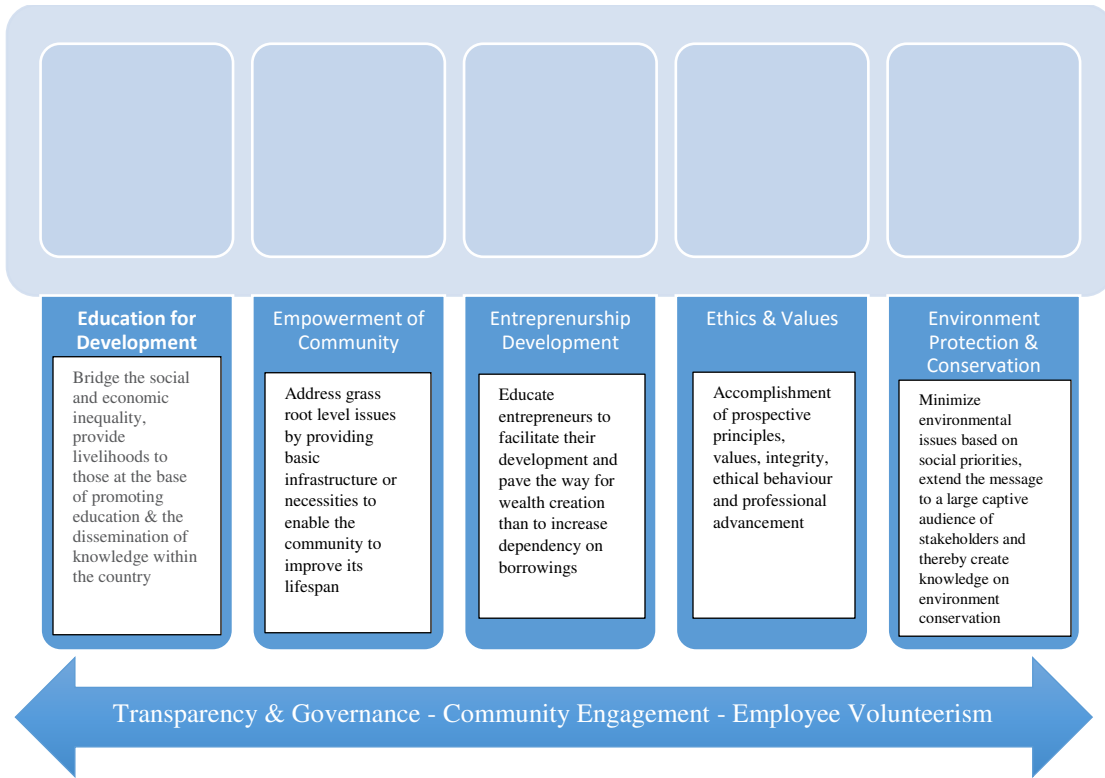
As a bank, our fundamental purpose is to be socially relevant in every possible way, so that we can make a meaningful difference in the lives of the communities we serve. It is why in our core business operations, we focus on simplifying our products, services and delivery channels in order to give communities access to much needed financial assistance. Moreover, as a responsible corporate citizen, we understand our duty to do more to address the challenges that hinder the progress of our people by working to help them grow and prosper.

Sampath Bank PLC Corporate Social Responsibility Framework

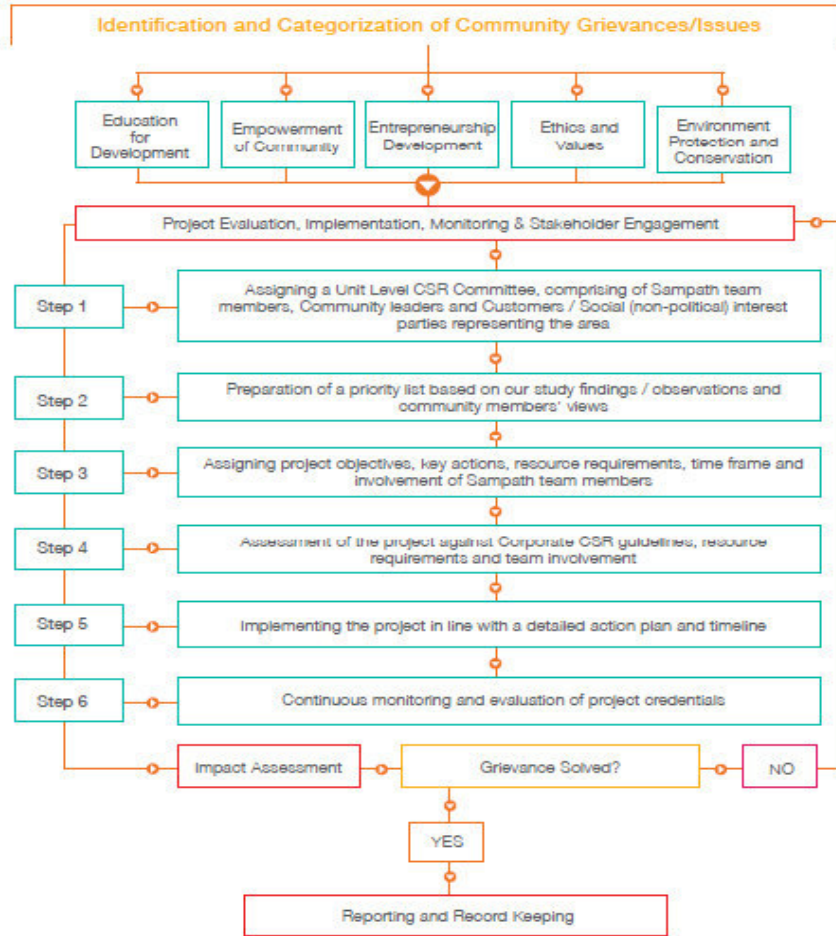


Socially Responsive CSR Model

Inspired by our transformational CSR strategy, we seek to further address the broader systemic issues and socio-economic challenges that are affecting our communities. In deciding on what areas we should focus on, and formulating our broader CSR vision, we are guided by the Millennium Development Goals and the 2030 agenda for Sustainable Development, both part of the UNDP's development road map for Sri Lanka. Simply put, our aim is to bring about positive change across a broader community demographic through our socially responsive CSR model.



Achieving the desired objectives of our socially responsible CSR model is contingent on the following;



1. Transparency and Governance

All CSR activities are carried out by Sampath Bank CSR fund, which receives an allocation of 1% of the annual post-tax profits. The stewardship of the fund is listed under the CSR steering committee led by the Managing Director. In accordance with our top-down approach, all projects are evaluated and implemented by the CSR committee by following a highly transparent Project Management Process.

2. Community Engagement

Community engagement is fundamental to the success of our socially responsible CSR model. It allows us to establish a connection with the communities we are trying to reach, understand their grievances and determine how we best we can intervene to improve their lives. In fact, most of our CSR projects originate at Department / Branch level mainly due to the close interactions between branch staff and the communities they serve, while large projects that address national burden issues are brought to our attention through various stakeholders groups and interested parties within the

community.

3. Employee Volunteerism

At Sampath Bank, we see employee participation and volunteering as yet another way in which we can reach out and positively impact the communities in which we operate. We offer a range of CSR initiatives to give our people the opportunity to actively participate in making a difference in the communities in which they work and live.

The 360^o Sustainability Matrix of the Bank

Sustainability had, has and will have always be an integral part of Sampath Bank PLC's status quo. We therefore strive to accomplish our corporate goals in sync with national priorities, while promoting global best practices for managing the economic, environmental and social impacts of the business. At the same time, we will remain true to our core banking values and adhere to the highest ethical standards, in order to manage our triple-bottom-line.

Our aim is to differentiate ourselves as an exceptional commercial bank, while at the same time ensuring the health and sustainability of our business.

We understand that achieving this begins with intuitive decision-making and smart choices that address economic, social and environmental issues both at the strategic level and in our day-to-day work. To do this we have begun to develop a range of multi-stakeholder solutions that will help reinforce the Bank's triple-bottom-line position, today, tomorrow and in the years to come.

Important Sustainability Trends

In this day and age, banks are called upon to play a wider role and the current trends seem to demand that banks not only meet the needs of their customers, but also work to empower more and more people to participate in the country's formal economic system. This means promoting greater financial inclusion and financial education among the communities.

Addressing broader environmental concerns is yet another area that has of late, been assigned to the banking sector. Here, banks are expected to make a difference, by investing in commercially viable "Green" energy projects and promoting eco-friendly business practices among stakeholders.

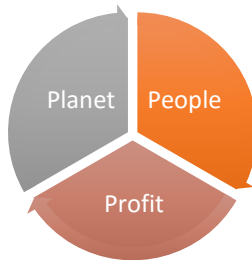
Modern day banks are also expected to go beyond their commercial operations and help society address a variety of important needs, particularly in times of crisis.

In order to survive and indeed progress in this environment, today's commercial banks would need to move beyond the traditional bricks and mortar banking norms and reinvent themselves as animators of national progress.

Strategic Focus on Triple Bottom Line

VISION: Work to create a healthier planet by supporting the environment that supports us. In doing so, we strive to challenge the way people think about the role of banks play in building a greener planet

STRATEGIC FOCUS 2015:



VISION: Use our financial prowess to trigger sustainable nation-wide development so as to raise Sri Lanka's socio-economic position in the long term

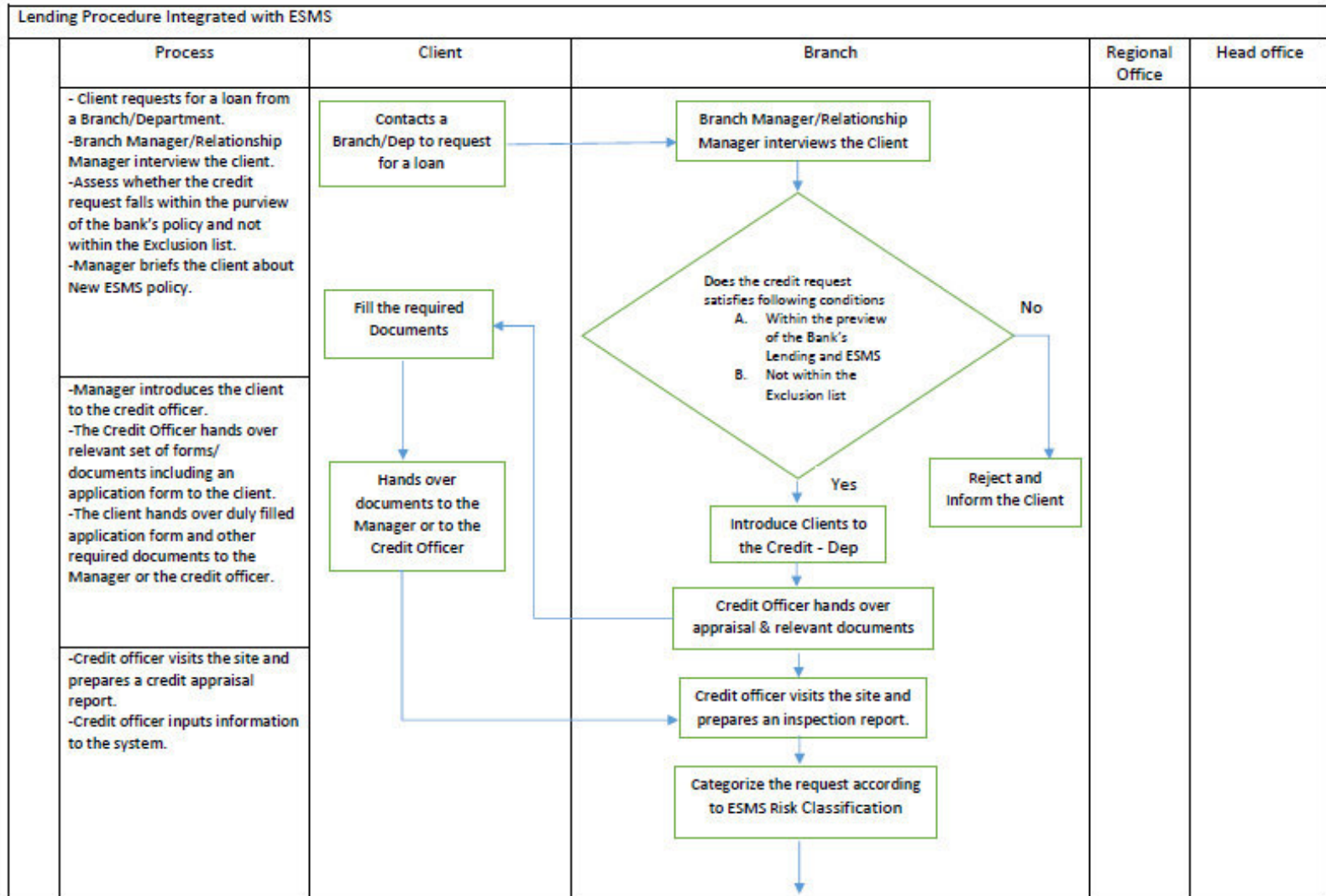
VISION: Focus on providing real solutions that enrich the lives of our clients, customers, employees, suppliers, business partners and communities connected to our work

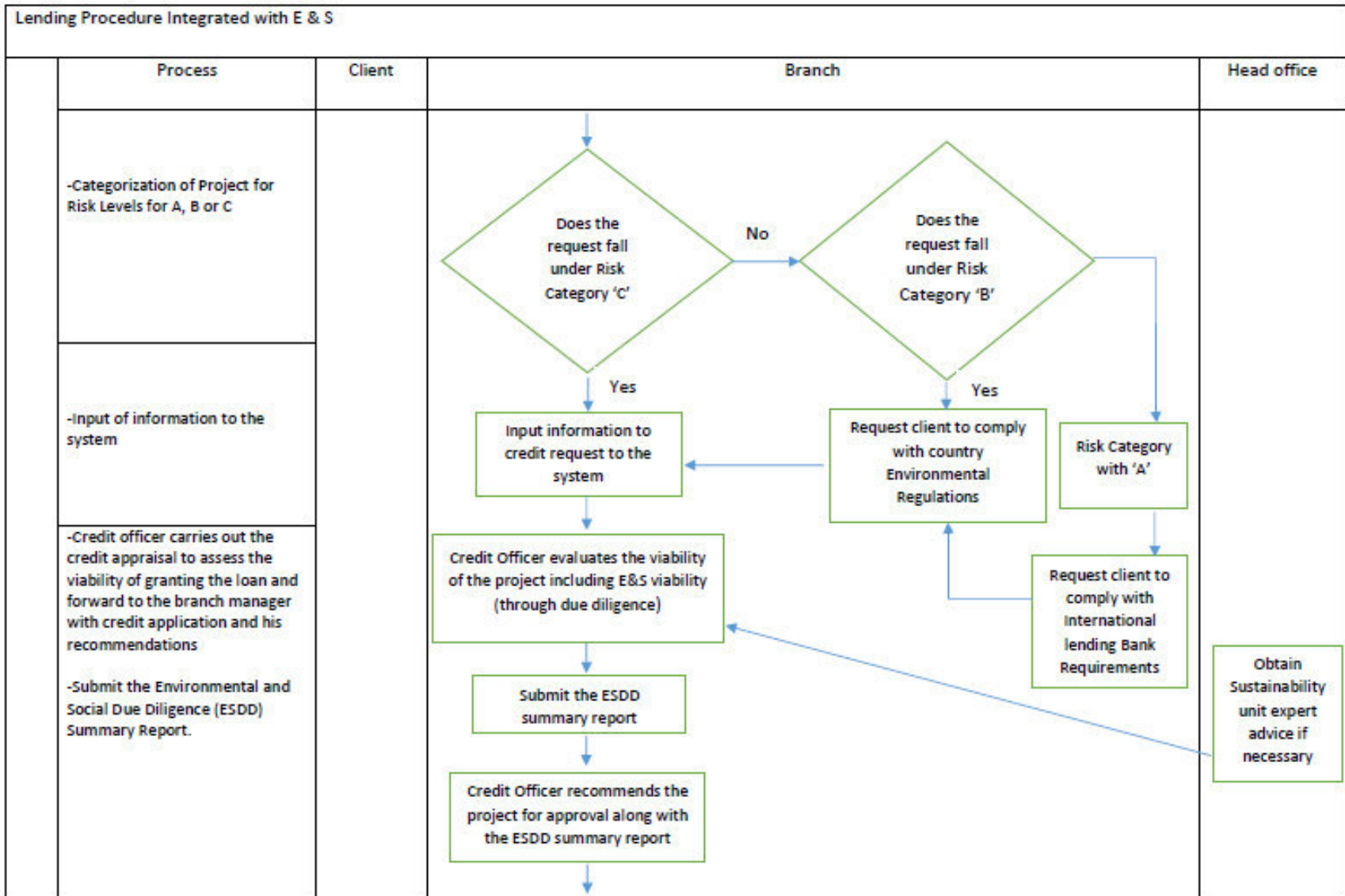
STRATEGIC FOCUS 2015:

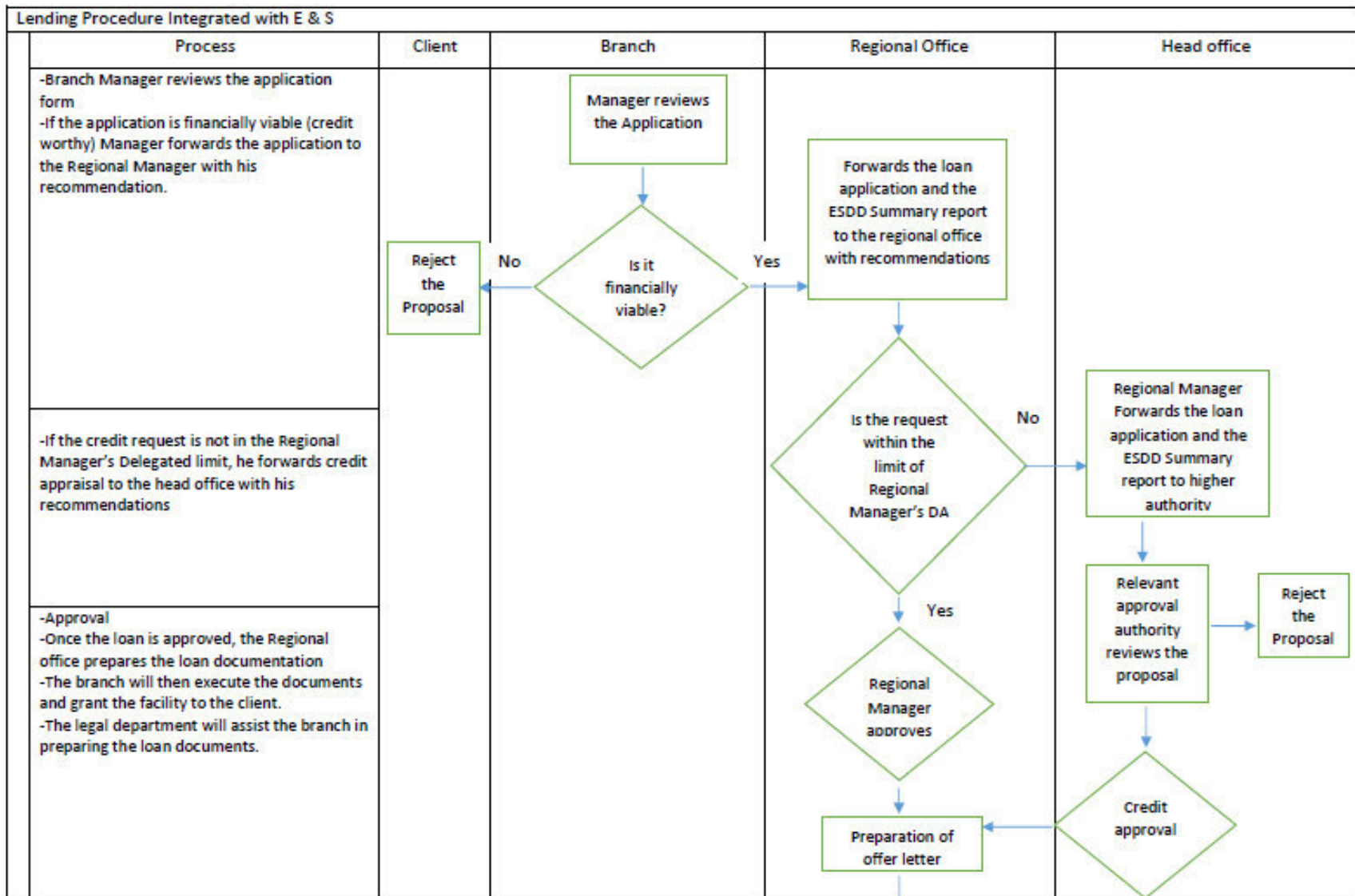
Our Sustainability Vision - 360⁰ Approach to Sustainability

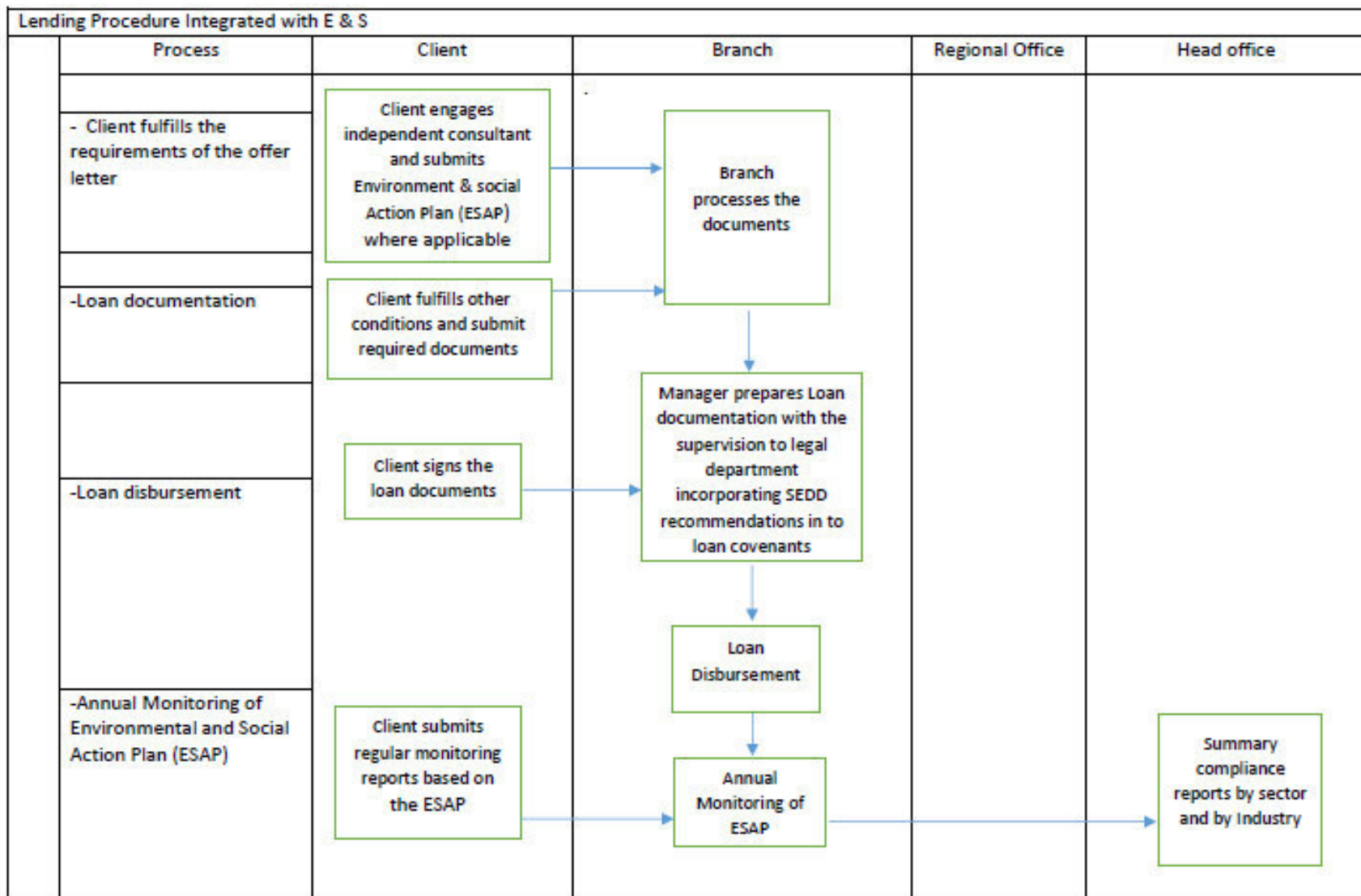


Annex 3: The New Credit Approval Process of the Bank









Annex 4: Prohibited Investment Activities List (PIAL) of the World Bank/ Asian Development Bank

The following activities do not qualify for financing from the World Bank /Asian Development Bank :

- I. Production or activities involving in harmful or exploitive forms or forced labor or child labor;

- II. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase outs or bans such as;
 - (a) pharmaceuticals, pesticides, and herbicides
 - (b) ozone depleting substances
 - (c) polychlorinated biphenyls and other hazardous chemicals
 - (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and
 - (e) transboundary trade in waste and waste products;

- III. Production of or trade in weapons and munitions including paramilitary materials
- IV. Production of or trade in alcoholic beverages excluding beer and wine;
- V. Production of or trade in tobacco;
- VI. Investment in or any trading activities pertaining to gambling, casinos and equivalent enterprises;
- VII. Production of or trade in radioactive materials including nuclear reactors and components thereof;
- VIII. Production of, trade in or use of unbound asbestos fibers;
- IX. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests and
- X. Marine and coastal fishing practices such as large scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats and use of dynamite in fishing activities.
- XI. Production and tanning activities of leather.

Annex 5: A sample ESMS 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 <input type="checkbox"/> Proximity to river/stream/pond/lake/sea <input type="checkbox"/> Proximity to protected area (e.g. forest/endangered species)/ecologically sensitive area (e.g. wetland/breeding grounds) <input type="checkbox"/> Proximity to culturally sensitive/indigenous area	
Environmental issues – check all that apply:	
Air emissions <input type="checkbox"/> Boilers <input type="checkbox"/> Generators <input type="checkbox"/> Vehicles and equipment <input type="checkbox"/> Welding and soldering <input type="checkbox"/> Furnaces and incinerators <input type="checkbox"/> On-site burning <input type="checkbox"/> Use of solvents <input type="checkbox"/> Use of fumigation <input type="checkbox"/> Evaporation of chemicals <input type="checkbox"/> Refrigeration plant <input type="checkbox"/> Use of exhaust ventilation	Waste paper <input type="checkbox"/> Waste water discharges to..... <input type="checkbox"/> Drains and grates <input type="checkbox"/> Oil separators <input type="checkbox"/> Separation tanks or filters <input type="checkbox"/> Reed beds <input type="checkbox"/> Cut-off valves <input type="checkbox"/> Foul sewers and septic tanks <input type="checkbox"/> Water treatments units <input type="checkbox"/> Cleaning operations <input type="checkbox"/> Spraying operations <input type="checkbox"/> De-watering/water pump out
Solid and hazardous wastes <input type="checkbox"/> Waste generated <input type="checkbox"/> Types of waste: <input type="checkbox"/> Hazardous waste (e.g. waste oils, pesticide	<input type="checkbox"/> Hazardous chemicals, fuels, and pesticides On-site chemicals or fuel storage <input type="checkbox"/> Protective measures against leaks/spills <input type="checkbox"/> Signs of leaks/spills <input type="checkbox"/>

<p>washings, solvents, clinical waste, asbestos)</p> <p><input type="checkbox"/> Waste disposed to.....</p>	<p>On-site spill cleanup equipment</p> <p><input type="checkbox"/> Protective measures against rain</p> <p><input type="checkbox"/> Signs of corrosion on tanks/containers</p> <p><input type="checkbox"/> Secured storage areas against theft</p> <p><input type="checkbox"/> Training on proper handling of chemicals and fuels</p> <p><input type="checkbox"/> Pesticide use and management</p>
<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>	

<input type="checkbox"/> Displacement/resettlement of local settlements <input type="checkbox"/> Impact on local settlements/livelihood <input type="checkbox"/> Impact on indigenous peoples <input type="checkbox"/> Complaints from neighbors/communities <input type="checkbox"/> On or adjacent to site of cultural/archaeological importance
Labor issues – check all that apply:
<input type="checkbox"/> No personal protective equipment provided (e.g, safety goggle/ hard hat/protective glove) <input type="checkbox"/> Inadequate employee health and safety measures (e.g., fall prevention/ventilation) <input type="checkbox"/> Inadequate working conditions (e.g, air quality/lighting/confined spaces/on-site hygiene) <input type="checkbox"/> Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay) <input type="checkbox"/> Unequal employment opportunities (e.g., discrimination against gender/ethnic group/age) <input type="checkbox"/> Payment below minimum wage <input type="checkbox"/> Employees below minimum age <input type="checkbox"/> Child or forced labor <input type="checkbox"/> No process for employees to voice complaints <input type="checkbox"/> No recognition of employee organizations/labor unions
Additional comments

Annex 6: 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)
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.....
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.....
.....
.....

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

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

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)

Address

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

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)

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.....

10. Ownership of the land (Is acquisition necessary)

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.....

11. Present Land Use

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

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

13. Permits and Approvals Required for the Project/ Activity

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

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

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.....
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17. Potential Social Impacts

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.....
.....

Annex 7: Format for Summary Report on a typical ESDD

Transaction Title: Loan to Specimen Co.

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

- 1.1 Type of transaction, amount and term: 1 year (medium term) loan for \$ 200,000 under DEG credit line.
- 1.2 Borrower/investment and its business operations: Hotel Industry
- 1.3 Purpose of transaction: Construction of a hotel with 35 Rooms

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:

- o Hotel operating permit date
- o EIA/IEE
- o Permit for discharge to water; valid-expires
- o Contract with LA to dispose solid waste water from the hotel
- o 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 8: 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 Inland deep mining and mineral extraction involving a depth exceeding 25 meter Inland surface mining of cumulative areas exceeding 10 hectares All off shore mining and mineral extractions Mechanized mining and quarrying operations of aggregate, marble, limestone, silica, quartz, and decorative stone within 1 kilometer of any residential or commercial areas7. Transportation Systems Construction of national and provincial highways involving a length exceeding 10 kilometers Construction of railway lines Construction of airports Construction of airstrips Expansion of airports or airstrips that increase capacity by 50 percent or more8. Port and harbor development Construction of ports Construction of harbors Port expansion involving an annual increase of 50% or more in handling capacity per annum9. Power generation and transmission Construction of hydroelectric power stations exceeding 50 Megawatts Construction of thermal power plants having generation capacity exceeding 25 Megawatts at a single location or capacity addition exceeding 25 Megawatts to existing plants Construction of nuclear power plants All renewable energy based electricity generating stations exceeding 50 Megawatts10. Transmission lines Installation of overhead transmission lines of length exceeding 10 kilometers and voltage above 50 Kilovolts11. Housing and building Construction of dwelling housing units exceeding 1000 units

- Construction 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 meters
Integrated multi-development activities consisting of housing, industry, commercial infrastructure covering a land area exceeding 10 hectares
12. Resettlement
Involuntary resettlement exceeding 100 families other than resettlement effected under emergency situations
 13. Water supply
All ground water extraction projects of capacity exceeding 1/2 million cubic meters per day
Construction of water treatment plants of capacity exceeding 1/2 million cubic meters
 14. 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

- | |
|--|
| <p>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</p> <p>25. Tyre and Tube Industries
 Manufacture of tyre and tubes of combined production capacity exceeding 100 tons per day from natural or synthetic rubber</p> <p>26. Sugar factories
 Manufacture of refined sugar of combined production capacity exceeding 50 tons per day</p> <p>27. Cement and Lime
 Manufacture of Cement
 Manufacture of lime employing kiln capacity exceeding 50 tons per day</p> <p>28. Paper and Pulp
 Manufacture of paper or pulp of combined production capacity exceeding 50 tons per day</p> <p>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</p> <p>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</p> <p>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.</p> <p>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 partly within the areas specified in part III of the Schedule.</p> |
|--|

- | |
|--|
| <p>The following industries if located wholly or partly within the areas specified in Part III of the Schedule.</p> |
| <p>33. Iron and Steel</p> <p>34. Non-Ferrous Basic Metal</p> <p>35. Basic Industrial Chemicals</p> <p>36. Pesticides and Fertilizer</p> <p>37. Synthetic Resins, Plastic materials and Man-made Fibres</p> <p>38. Other Chemical Products</p> <p>39. Petroleum and Petro-chemical products</p> |

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 from 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 9: National EIA Procedure

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.

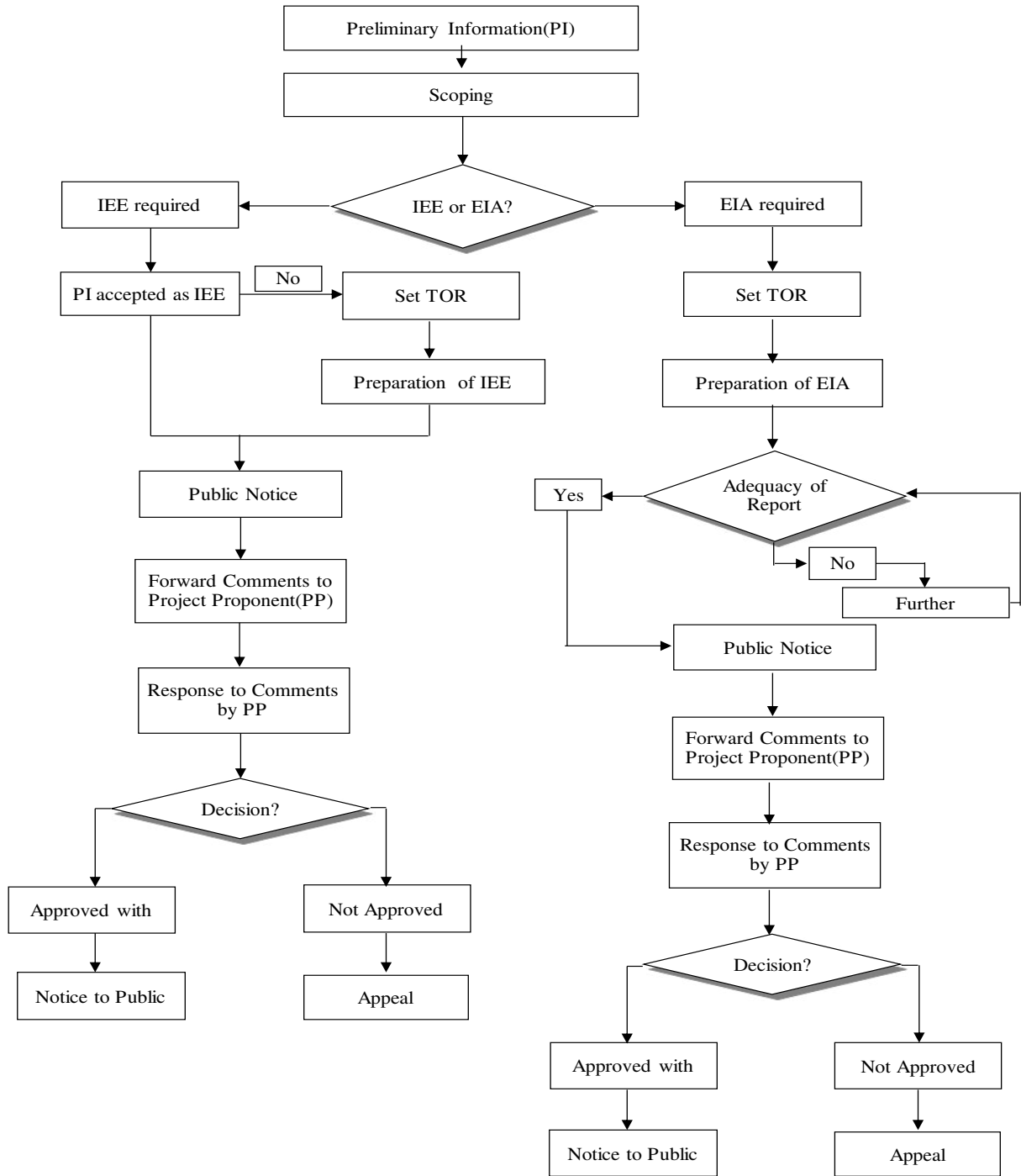
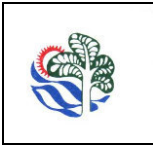


Figure 1.1 Environmental Assessment Process in Sri Lanka

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

Annex 10: Basic Environmental Information Questionnaire of CEA

APPLICATION NO	



CENTRAL ENVIRONMENTAL AUTHORITY

BASIC INFORMATION QUESTIONNAIRE

(Essential information to determine the environmental approval requirement of projects)

1. Name of the Project:
.....

2. Name of the Developer:
(Company/firm/individual).....
..

Postal
Address:.....

Phone No: Fax No:

Contact person

Name

Designation:

Phone No: Fax No:

3. Brief description of the project (Use a separate sheet)
Attach copy (ies) of pre-feasibility / feasibility study report (s) if available
4. Scale / magnitude of the project: (i.e. For a road project: Length of the trace; Tourist hotel: No. of rooms; Agriculture project: Extent of land, solid waste management projects: capacity per/day etc.)
5. Main objective(s) of the project:
6. Investment and Funding sources:
7. Location of the Project
 - i Pradeshiya Sabha:
 - ii Divisional Secretariat:.....
 - iii District
 - iv Provincial Council

Provide a location map indicating the project site, access to the site, surrounding development and infrastructure within 500 m of the site (1:50000 scale).

8. Extent of the project area (in ha):
9. Does the project wholly or partly fall within any of the following areas?

Area	Yes	No	Unaware
100m from the boundaries of or within any area declared under the National Heritage Wilderness Act No 4 of 1988			
100m from the boundaries of or within any area declared under the Forest Ordinance (Chapter 451)			
Coastal zone as defined in the Coast Conservation Act No 57 of 1981			
Any eroding area declared under the Soil Conservation Act (Chapter 450)			
Any Flood Area declared under the Flood Protection Ordinance (Chapter 449)			
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 width of more than 25 meters at any point of its course			

Any reservations 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)			
100 meters from 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			
Within a distance of one mile of the boundary of a National Reserve declared under the Fauna and Flora Protection Ordinance			

10. Present ownership of the project site:

State	Private	Other-specify

If state owned, please submit a letter of consent of the release of land from the relevant state agency

11. Present land use : (Please tick the relevant cage/s)

Land use Type		Land use Type	
Paddy		Marsh / Mangrove	
Tea		Scrub / Forest	
Rubber		Grassland / Chena	
Coconut		Built-up area	
Other Plantations / Garden		Other (pl. specify)	

12. Does the site /project require any

	Yes	No	If yes give the extent (in ha)
Reclamation of land, wetlands			
Clearing of forest			
Felling of trees			

13. Does the project envisage any resettlement

Yes	No	If yes, give the number of families to be resettled

14. Does the project envisage laying of pipelines

Yes	No	If yes, give the length of the pipeline (km)

15. Does the project involve any tunneling activities

Yes	No

16. Proposed timing and schedule including phased development:

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

18. Clearances / permits obtained or should be obtained from relevant state agencies and / or local authorities. (Attach required copies of the same)

The above information is accurate and true to the best of my knowledge. I am aware that this information will be utilized in decision-making by the relevant state authorities.

.....

Date

.....

Signature of Applicant

Annex 11: 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 or 10 or more metric tons per day.
61. Solid waste recovery/ recycling or processing plants having a capacity or 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 fibre 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 12: An outline of the Training Module on ESMS for relevant Bank Officers of Sampath Bank

Module Number	Module	Target Group	Units
1	Core Course Overview of ESMS for Sampath Bank	Core Course for all relevant Bank Officers including, Corporate Management OIC Sustainability Coordinator Refinance Unit Staff Regional Manager Credit Officers Legal Officers	<ul style="list-style-type: none"> - ‘Sustainable Banking’ - Environmental and Social Safeguard policies and regulations (national and international lending banks) - Overview of ESMS and its purpose and global trends - Sampath Bank’s E&S strategies - Integration of ESMS into Banks normal lending procedure - ESRP of the Bank - Roles and Responsibilities of respective officers - Resource requirements
2	Screening and Categorization of Projects/ Activities	OIC Sustainability Coordinator Regional Manager Credit Officers Refinance Unit Staff	<ul style="list-style-type: none"> - Typical E&S impacts associated with projects/ activities and migratory measures - Screening of projects/ activities and Risk categorization - Prescribed projects
3	Due Diligence	OIC Sustainability Coordinator Regional Manager Branch managers Credit Officers Refinance Unit Staff	<ul style="list-style-type: none"> - Due diligence process and conduct - Use of checklists - Identification of impacts - Preparation of E&S Memos
4	Contract preparation and monitoring	OIC Sustainability Coordinator	<ul style="list-style-type: none"> - Inclusion of environment, health and safety covenants in loan agreements - E&S review summary reports

Module Number	Module	Target Group	Units
		Regional Manager Branch managers Credit Officers Refinance Unit Staff Legal Officers	- Monitoring of Due Diligence / reporting and record keeping

Annex 13: Grievance Handling System

1.0 Definitions

1.1 Complaint Owner

Complaint owner shall be the person who is expected to give the final decision on the outcome of the incident in order to resolve the stake holder complaint.

1.2 Stake Holder / Aggrieved Party

The stake holder / aggrieved party is defined as any person / group of people or an organization who has any form of involvement with or effect from a project carried out with a banking relationship with us.

1.3 Officer-in-charge of Stake holder Relations The officer who is appointed by the Management to receive complaints and maintains a record for reporting, analyzing and dissemination of information. The OIC of the Sustainability Cell Unit may be appointed for this in case of Environment and Social related complaints.

2.0 Process

2.1 Channels available to stake holders / aggrieved party for voicing complaints

- I. The complaints may be made to the Bank verbally, through electronic means, by post or may be in the form of indirect casual conversation within or outside the Bank. This shall include anonymous complaints too. Therefore, a procedure for a starting point needs to be defined.

2.2 Complaints directed at top management

- I. The complaints received by the Chairman or Directors shall be directed to the Managing Director for necessary action and complaints received by the Managing Director, COO and GCFO in any form, may be directed to the line Deputy General Manager/Assistant General Manager as the Complaint Owner.
- II. The line Deputy General Manager/Assistant General Manager shall record the complaint in a prescribed format and handle the complaint on his/her own until its satisfactory conclusion.
- III. Once the complaint is resolved, he/she shall pass on the customer complaint event to the Officer in Charge- Stake Holder Relations for the purpose of recording.

2.3 Complaints received by Branch Managers / Heads of Departments

- I. If the complaint can be resolved at the point where same is received, the Head of the Department or the Branch Manager should attend to it by him/herself immediately.
- II. Although the complaint is resolved immediately, the Complaint Event must be recorded and forwarded to Officer in Charge – Stake Holder Relations for recording and follow up purposes.
- III. Any complaint on another branch / department naming the persons responsible or unnamed must be directed to the respective Department Head / Regional Manager in case of Branches. No action is required to be taken at the point at which the complaint is first received. The Department Head or the Regional Manager shall be the Complaint Owner who should take action for such complaints.

2.4 Complaints received by any other officer of the Bank

- I. The Management encourages all Officers of the Bank to report stake holder complaint events to his / her immediate supervisor or line Manager immediately. Once such events are reported, the line Manager should follow the processes as indicated in section 2.3 above.

3.0 Responsibility / time lines for responses

- I. Where possible, the complaints must be resolved immediately and the Aggrieved Party be advised accordingly.
- II. If the complaint cannot be resolved immediately, within (3) three working days of receipt of the complaint, the complaint must be acknowledged to the complainant (Aggrieved Party), giving tentative date for resolving, the name of the person who would be responsible for resolving the complaint along with his/her contact number/ official title.

If the complaint cannot be resolved by the tentative date promised, aggrieved party must be advised of the new date for resolution, which shall not be beyond 30 calendar days from the date of first notification.

- III. All such complaints must be reported to the Officer in charge – Stake Holder Relations and copy of the document must be kept in the department / branch if the complaint has to be resolved at branch / department level.

4.0 Duties of Officer in charge – Stake Holder Relations

- I. The Officer in charge – Stake Holder Relations shall receive all reports at his/her department and he/she will maintain a data base.

- II. Each report must be perused by him/her and he/she shall then follow up with the complaint owner until it is resolved to the satisfaction of all parties.
- III. Complaints received directly by the Officer in charge – Stake Holder Relations must be perused and he/she should decide if action is to be taken by him/her self or whether it needs to be escalated to the next level.
- IV. A report must be raised for such complaints and the procedure mentioned in Section 3.0 must be followed.
- V. All complaints received for the relevant period (i.e. previous month) must be tabulated with the action taken and submitted to the line DGM/AGM within the first 10 working days of following month and a copy of same must be submitted to his/her reporting officer simultaneously.
- VI. When escalation takes place, whatever documents that have been submitted by the complainant should also be submitted to the next level.

5.0 Duties of line Deputy General Manager/ Assistant General Manager

- I. The line DGM/AGM together with the Officer in Charge – Customer Relations will peruse the Stake Holder Complaint Event data base for each relevant period and take up the matters that are unresolved. It will be the responsibility of the line DGM/AGM to pursue the unresolved items with the Complaint Owner until a resolution is arrived at.
- II. The line DGM/AGM shall review the nature of each complaint and its seriousness and make recommendation to the relevant Heads of Departments/Branch Managers/Regional Managers as to the training needs, process improvements etc. required to improve the service levels.

7.0 Follow up Procedure

All recipients of complaints must ensure that a report is sent to the Officer in Charge – Stake Holder Relations, with the contact details of the Aggrieved Party.

The Officer in charge- Stake Holder should make arrangements to follow up on complaints after resolution, by contacting the Aggrieved Party and obtaining feedback with regard to the resolution of the complaint.

All follow up actions must be recorded in the relevant report itself for future reference, and the Officer in charge- Stake Holder Relations shall escalate the incident where customer dissatisfaction is revealed or where improvements are indicated / communicated by Aggrieved Party, to relevant head of business line who shall take appropriate action to improve service levels.

8.0 General

8.1 Non – reporting of complaints

The non-reporting is considered as a lost opportunity for the Bank to upgrade its service standards, which is seriously viewed by the Senior Management. If a non-reported incident were to re-surface subsequently, the first recipient of the original complaint shall be held responsible for violation.

8.2 Complaints related to non-compliance of laws, rules and standards

All complaints related to or arising out of non-compliance with laws, rules and/or standards must be reported to Manager-Compliance forthwith.

8.3 Internal Loss Event Data Reporting (ILED R)

The raising of ILED R in accordance with the existing operational procedure PRO/2015/0008 (Procedure on Internal Loss Event Data Reporting) is the responsibility of Officer in charge – Stake Holder Relations on account of complaints.