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ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT OPERATIONS MANUAL

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ABBREVIATIONS AND ACRONYMS

AES	Agricultural Economics Specialist
B&CB	Business and Corporate Banking
DEA	Department of Environmental Affairs
EA	Environmental Assessment
EIA	Environmental Impact Assessment
EHS	Environmental Health and Safety
ESIA	Environmental and Social Impact Assessment
E&SMP	Environmental and Social Management Policy
ESMS	Environmental and Social Management System
ESMS – IT	Environmental and Social Management System - Implementation Tools
ESOM	Environmental and Social Risk Management Operations Manual
FI	Financial Intermediary
IFC	International Finance Corporation
NEMA	National Environmental Management Act
PFI	Participating Financial Intermediary
RCB	Retail Commercial Banking
REM	Retail Emerging Markets
WBG	World Bank Group

1.0 INTRODUCTION

1. Land Bank was established in 1912 and is governed by the Land and Agricultural Development Bank Act of 2002. Land Bank was given a mandate of 11 aspects, which fall into five broader areas: (i) access of the historically disadvantaged population to land, (ii) agriculture productivity, growth and job creation; (iii) gender equity; (iv) environmental sustainability; and (v) food security. The National Development Plan 2030 (NDP)¹ continues to call for a key role of Land Bank in providing financial support to land reform beneficiaries and to help them overcome difficulties in entry into commercial farming.²

2. As the leading development financial institution in the rural and agriculture sector in South Africa, Land Bank has a 29 percent market share in agricultural financing as of July 2015.

3. The World Bank has provided long-term financing for the Land Bank Financial Intermediation Project, under which Land Bank will on-lend loan proceeds to participating financial intermediaries (PFIs). The proposed project aims to address market failures in the provision of agricultural financing, access to finance for previously disadvantaged emerging farmers, and limited availability of medium to long-term financing in South Africa. It will help the bank refocus its operations to sustainably scale up lending to emerging farmers through wholesale channels along with extension services and through direct lending channels to facilitate emerging farmers' integration into established value chains. By targeting farmers and farm workers who are considerably poorer than other income earners in South Africa, the project will contribute to poverty reduction and income equality. The project will facilitate a broader and deeper financial intermediation by Land Bank and diversify its funding sources away from Government.

4. Project beneficiaries will be the target beneficiaries under CDB and CB business lines as detailed in the respective credit policies. The wholesale finance facility under CDB focuses on historically disadvantaged South Africans in primary agriculture fulfilling certain criteria, such as a maximum asset size of ZAR 3 million (~US\$261,000), access to land, farming on a full-time basis, difficulties in accessing traditional financing due to a lack of security, and existing off-take agreements or contracts in place. CB clients are either historically disadvantaged or other clients engaged primarily in secondary agriculture. According to the CB credit policy, they must be solvent, have viable business plans, and adequate security, among others. The beneficiaries will benefit from the financing provided by Land Bank for investment and working capital loans. In addition, participating financial intermediaries (PFIs) will be eligible for loans from the longer-term funding provided through the project.

5. One of the prerequisites of the World Bank Group support for the Land Bank is that PFIs integrate into their lending operations, the requirements of environmentally and socially sound and sustainable development as identified in the sustainability policies and frameworks of the World Bank Group,³ and laws and regulations of South Africa⁴. Those measures will ensure that appropriate risk management measures have been identified for implementation by the loan applicant.

6. This **Environmental and Social Risk Management Operations Manual** (ESOM) has been set up to ensure that, along with an environmental and social management system established by a PFI, each project financed by the Land Bank meets the requirements of the World Bank Group applicable to loans financed by a financial intermediary (FI). PFIs are required to have capabilities to implement their systems in a manner consistent with the guidance provided in this Manual. If a PFI does not have the capacity to implement the ESMS, Land Bank will provide guidance in supporting the PFIs to develop action plans to meet those requirements.

¹ Our Future – Make it Work: National Development Plan 2030. August 2012.

² NDP. Page222.

³ Select references are listed in Appendix 1.

⁴ Relevant South African laws and regulations are listed in Appendix 1.

7. PFIs may be exposed to environmental and social (E&S) risk through the project activities of their borrowers/investees, which then may present financial, legal, and/or reputational risks to the PFI. The E&S risks associated with the internal operations of an FI are typically limited to managing aspects related to labor and working conditions of employees, as well as ensuring the safety of employees and visitors within its premises. The E&S risk associated with an FI's lending/investment activities depends on factors such as the specific E&S circumstances associated with a borrower's/investee's operations, the sector, and the geographic context, among others.

8. A PFI that utilizes financing provided from World Bank loan proceeds to the Land Bank is required to address E&S risks based on the level of perceived risk, the type of financing undertaken and the amount of leverage that the PFI has in obtaining mitigation measures from its borrowers/investees. When a PFI provides project or long-term corporate finance, it is more exposed to the underlying E&S risks of the borrowers'/investees' operations but also has the opportunity to manage these risks at the transaction level. Considering the E&S risk in the transaction review and due diligence process is an essential element in a PFI's overall risk management efforts. This approach requires undertaking individual transaction screening and, where necessary, due diligence and monitoring, and overall E&S risk management in accordance with the resulting E&S risk profile of the portfolio. In parallel, the PFI needs to develop and maintain the requisite staff capacity for E&S risk management.

2.0 PROJECT IMPLEMENTATION ARRANGEMENTS

9. Land Bank is responsible for implementation and monitoring of the World Bank-financed Financial Intermediation Project. The Chief Financial Officer of Land Bank has been designated as the primary counterpart for the project, and will interact with the Chief Operating Officer and the respective operational teams to monitor project implementation and report to the World Bank. Dedicated staff in Land Bank have been identified for managing all aspects of the project, including ensuring compliance with environmental and social safeguards.

10. PFIs will be guided by the procedures set out in the Land Bank ESOM and ESMS in reviewing and appraising the sub-loans, and to inform the beneficiaries of environmental requirements for sub-loan appraisal, so that the subprojects can be implemented in an environmentally sound manner. The procedures and requirements will incorporate South African regulatory requirements for environmental review and the World Bank's Performance Standards for the private sector. The procedures will primarily comprise of environmental screening, environmental impact assessment, and environmental mitigation where necessary. Environmental screening will be carried out by the PFIs at an early stage in their sub-loan review procedures to determine the appropriate environmental risk category for the enterprises, and may require the contracting of external expertise in carrying out the appropriate E&S instrument depending on the level of risk and impact of the sub-loan on the environment. Following screening, an Environmental Impact Assessment (EIA) in line with the environmental classification of the sub-project may be recommended.

11. PFIs will be responsible for carrying out any environmental analysis and for confirming that the proposed sub-projects comply with the national environmental laws and regulations, and all of the World Bank's Performance Standards for the Private Sector, and for obtaining the necessary clearance from the appropriate licensing authorities. Once the analysis is performed and recommendations incorporated into the sub-project, the PFI will formally appraise the proposed sub-loan package, which would include, where appropriate, an environmental mitigation plan. The implementation of the mitigation plan will be monitored by the PFI. Any resettlement of land occupants required by agricultural activities or their intensification will comply with the relevant South African laws and regulations (Appendix 1), and be consistent with the World Bank's Performance Standard 5. The overall review process will be monitored by Land Bank.

12. Land Bank has established procedures for collecting a range of detailed data on FI performance. Submission memos for loans include detailed information on the number of emerging farmers, their assets, demographics of commercial firms' work force (including breakdown between employees and management), status, ownership, and amount of land (including differentiation among usage). This database needs to be supplemented by detailed environmental information related to the proposed sub-loan financed by the PFI. As the first interface between the farmers and the financial system, the PFIs' Agricultural and Environmental Services Officers will be responsible for data collection and reporting.

3.0 WORLD BANK PERFORMANCE STANDARDS

13. Eight Performance Standards that set out environmental and social screening procedures have been adopted by the World Bank in its OP/BP 4.03 *Performance Standards for Projects Supported by the Private Sector* for application to projects (or components thereof) financed by the World Bank that are designed, owned, constructed and/or operated by a Private Entity.⁵

14. The Performance Standards are the following:

1. Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
2. Performance Standard 2: Labor and Working Conditions
3. Performance Standard 3: Resource Efficiency and Pollution Prevention
4. Performance Standard 4: Community Health, Safety, and Security
5. Performance Standard 5: Land Acquisition and Involuntary Resettlement
6. Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Performance Standard 7: Indigenous Peoples
8. Performance Standard 8: Cultural Heritage

15. The World Bank has categorized the Land Bank Financial Intermediation project as FI, and as such, each PFI that utilizes World Bank loan proceeds coursed through the Land Bank will be required to:

- a) follow the Land Bank ESMS commensurate with the level of social and environmental risks in its portfolio, and prospective business activities;
- b) apply relevant aspects of World Bank Performance Standard 2 to its employees; and
- c) ensure that all subprojects supported by the Bank comply with applicable national and local laws and regulations and the World Bank Performance Standards.

16. Land Bank will review the existing portfolio and/or proposed business activities of the PFI to identify risks, and assess whether the ESMS developed by the PFI is appropriate for managing those risks. Projects will be categorized by the significance of their environmental and social/involuntary resettlement impacts. Significance will be determined by scrutinizing the type, location, scale, nature, and magnitude of a project's potential impacts. The environmental and social safeguard categories that Land Bank, and then, PFIs will use are:

A. Environmental

- (i) **Category B.** Projects with anticipated moderate adverse impacts on the environment. These include projects with minor environmental impacts, such as transmission lines and substations; rehabilitation projects of power plants, factories, or roads within the same corridor or footprint; and other developments anticipating moderate adverse impacts which can be mitigated by known measures. Category B projects will require the preparation of an initial environmental

⁵ The Performance Standards can be found at www.ifc.org/enviro or on the Safeguards website of the World Bank. Further information is provided in the World Bank *Performance Standards for Private Sector Activities: Guidance Note*. Additional guidance may be sought in IFC's *Good Practice Notes*, and IFC's January 2012 *Interpretation Note on Financial Intermediaries*.

examination (IEE) with an environmental mitigation and monitoring program. Any project listed (by type) as Category B, but deemed to be of significant anticipated environmental impact, can be determined to be a Category A project.

- (ii) **Category C.** Projects with no anticipated adverse environmental impacts. Category C projects require no impact assessment studies.

B. Social

- (i) **Category B.** Projects where fewer than 200 people will experience major involuntary resettlement impacts. Category B projects require a short resettlement plan. Projects that are expected to have limited impacts on indigenous peoples or ethnic minorities require specific actions favourable to indigenous peoples in the project design or in related plans (e.g. a resettlement plan).
- (ii) **Category C.** No involuntary resettlement or indigenous peoples/ethnic minorities impacts are expected. Category C projects require no plans.

17. Land Bank requires PFIs whose portfolio and/or proposed business activities present moderate to high social or environmental risks (i.e., Category FI-1 and some FI-2) to ensure that any such activities financed by the Land Bank are operated in a manner consistent with the World Bank Performance Standards. It is expected that the FI category will be FI-2, based on the expectation that the proposed portfolio will comprise subprojects that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of subprojects with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

18. Guidelines for the detailed application of key World Bank Performance Standards are in Appendix 2.

4.0 ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

19. Environmental risks and impacts inherent to the agriculture and agribusiness industry are largely related to effluent discharges from use of pesticides/herbicides in controlling weed infestation, use of fertilizer to increase crop productivity, pollution of soil and water resources from runoff, occupational health and safety of workers, efficient use of water and energy resources, solid waste disposal, and noise and air emission from industrial facilities. There may also be social risks, such as involuntary resettlement of land occupants, who may be formal tenants, those who exercise customary user rights, or manage community lands, among others. The Land Bank is responsible for ensuring that in providing loans to PFIs, those risks mentioned above are adequately assessed and where appropriate, mitigation measures are set in place.

20. Projects are categorized according to the level of impacts. Category A projects that will be subject to the full EIA process may include the following: (i) projects to restructure groups of rural land; (ii) projects to put uncultivated land or semi-natural areas to use for intensive agriculture; (iii) water management projects for agriculture; (iv) reforestation for first time that could cause adverse ecological changes and recuperation of land with a view to changing its use; (v) poultry farm installations; (vi) pig farm installations; (vii) cattle feedlots; (viii) salmon fishing; and coastal land reclamation.

21. The main environmental and social risks and impacts under the Project relate to the ability of the Land Bank to identify and manage environmental and social risks associated with its lending activities. Land Bank

has adopted an Environmental and Social Management System (ESMS; Appendix 3),⁶ which is a management system consisting of procedures, management commitment, delineation of roles and responsibilities and guidance that a PFI/PE fund follows to review and manage E&S issues and risks associated with its investments. Land Bank reviews the operations of borrowers/investees, where they present E&S risks, for compliance with national E&S laws and regulations where they exist and are applicable. Land Bank has appointed an environmental and social coordinator to supervise the implementation of the sub-projects.

22. Land Bank's commitment to environmental and social management is set out in its corporate Environmental and Social Management Policy (2012), and will be implemented through the ESMS as part of its credit approval process. The ESMS establishes the commitment to integrate environmental and social management principles into the project finance decision making process. Hence, close reference must be made to the provisions of the Land Bank ESMS when undertaking due diligence of PFI systemic structures and subprojects.

23. In accepting financing provided by Land Bank under the World Bank-financed project, each PFI is required to follow Land Bank procedures for screening, assessment, and management of the environmental and social risks and impacts of proposed transactions, which are based on the World Bank Performance Standards, as well as the financial institution's corporate practices and policies for corporate responsibility.

24. PFIs are required to develop and operate their ESMSs commensurate with the level of E&S risks in their portfolio and prospective business activities. In addition to ensuring compliance with national laws, regulations and procedures, each PFI will assess E&S risks of transactions according to World Bank Performance Standards 1 through 5, and will require its borrowers/investees to comply with these Performance Standards in their operations. All PFIs must also manage the working conditions of their workforce in accordance with relevant aspects of Performance Standard 2 on Labor and Working Conditions relates to employment practices and conditions. The Land Bank ESMS serves as a guide to the essential elements of environmental and social risk management, and may be adapted to the scale, size and complexity of individual PFI operations.

25. World Bank loan proceeds on-lent by Land Bank to PFIs cannot be used to finance activities specified in the Land Bank and World Bank Group Exclusion Lists.⁷

26. The ESMS comprises 10 Sections and seven Annexes. The text covers, among others, policy commitments, implementation guidelines, reporting requirements, documentation requirements, and institutional and implementation arrangements. The commitments of the Land Bank to comprehensive environmental and social risk assessment (ESRA) that must be followed in due diligence of projects are clearly laid out in the ESMS, particularly Section 4.2.4, which requires the Bank to ensure that:

“... all projects/farm operations financed by the Land Bank must conform to environmental and social sustainability requirements as stipulated in the local and national environmental, health and safety legislations, and, where applicable, international environmental management conventions and requirements such as:

- a) Labour standards and working conditions including occupational health and safety;*
- b) Community impacts including human rights, public health, safety and security;*
- c) Impacts on indigenous peoples and cultural heritage;*
- d) Land acquisition and involuntary settlement;*
- e) Conservation, management and sustainable use of natural biodiversity resources; and*
- f) Safeguarding of critical habitats and where feasible enhancement of natural habitats.”*

⁶ Approved by the Land Bank Board on 26 February 2015.

⁷ Listed in the Land Bank ESMS.

27. Screening for environmental risks and impacts is carried out by Land Bank during credit approval processes using the ESMS for detailed guidance. Four steps are specified:

1. Environmental and Social Screening;
2. Environmental and Social Risk Evaluation and Reporting
3. Environmental and Social Risk Approval and Control
4. Loan Monitoring – Environmental and Social Risk Monitoring

28. The ESMS also clarifies the roles and responsibilities of the key players: Land Bank Environmental and Social Sustainability (ESS) Division, Head Office; ESS Manager, Head Office; Senior Manager/Head, ESS; Hubs; Agriculture Finance Centers – Relationship Bankers and Agricultural and Environmental Services Officers

29. There will be several scenarios associated with the environmental and social assessment of subprojects financed by PFIs using World Bank loan proceeds. In all scenarios, the relevant World Bank Performance Standards will apply. The Performance Standards will prevail in the event that national environmental policies diverge from the World Bank requirements.

30. Consistent with the Performance Standards, which will apply to sub-loans financed out of World Bank loan proceeds, the Project is classified as F1-2, which categorizes the expected environmental and social risks and impacts generated from implementing the sub-loans as moderate. Of the eight Performance Standards, those that are primarily applicable are: PS1 - Assessment and Management of Environmental and Social Risks and Impacts, PS2 - Labor and Working Conditions; PS3 - Resource Efficiency and Pollution Prevention; PS4 - Community Health, Safety and Security; and PS5 - Land Acquisition and Involuntary Resettlement. PS1 and PS3 are applied because of Land Bank's involvement in financing agricultural activities that could potentially have harmful consequences on the environment, including through pollution. PS2 and PS4 are applied to Land Bank and its intermediaries to ensure that the labor and working conditions as well as the health, safety and security standards are adequate. PS5 applies because Land Bank is financing projects of land reform beneficiaries even though Land Bank is not supporting land acquisition under the REM program. As mentioned earlier, Appendix 3 provides a detailed explanation of the key Performance Standards that are likely to be applied in most projects.

31. The ESMS sets out a structured set of environmental and social assessment requirements. For direct lending, as a first step, an environmental and social screening is conducted according to the risk categorization set out in the ESMS. Credit appraisal is the second step, requiring mandatory documentation and certification by the appropriate authorities. The third step is approval of the sub-loan by the Land Bank Credit Committee after a final review of all environmental and social assessment documentation. After credit approval, negotiation of the credit agreement, and commencement of loan-financed activities, the final step is loan environmental and social risk monitoring, including reporting to the World Bank. For indirect lending to financial intermediaries, the key requirement is that the intermediary has an appropriate environmental and social management system that is adequately staffed to be able to conduct the assessments needed for approval of sub-loan activities.

32. Environmental and social assessment checklists at the sector and subsector levels are widely available, and guidance may be sought from the World Bank Group for examples. A sample due diligence checklist is provided in Appendix 4 for irrigation projects (dams/reservoirs).

33. Given that the World Bank loan proceeds will be used to finance sub-loans under the Financial Intermediation Project, a key element of the ESMS will be maintaining a database for review by the World Bank as part of its due diligence of the utilization of loan proceeds. Together with the formal monitoring reports that are to be submitted every six months using the template provided in Annex 7 of the ESMS, each PFI that utilizes

World Bank loan proceeds on-lent by Land Bank will submit an annual environmental and social performance report according to the structure presented in Appendix 5.

34. The World Bank conducts supervision missions, and from an environmental and social perspective, the frequency of those missions may vary according to the degree of environmental and social impacts. However, it is expected that the World Bank will conduct supervisions every six months.

35. During semi-annual missions, the World Bank will supervise subproject’s environmental and social safeguard arrangements in the following ways:

- (i) review of Land Bank PFI lending documentation related to environmental and social issues in sub-projects financed from World Bank loan proceeds, including field reports from Land Bank’s AES officers, and relevant environmental reports from the Department of Environmental Affairs, Department of Agriculture, and the Department of Water Affairs; and
- (ii) assess compliance with the Land Bank’s ESMS and ESOM requirements.

36. The World Bank will also assess the adequacy of institutional arrangements, such as staffing of specialists, needed to implement the Land Bank ESMS effectively.

37. The database maintained by Land Bank should be readily available to World Bank staff responsible for due diligence of the Project. Although the ESMS states that Category B and C projects will be monitored formally every two years, routine compliance with environmental and social indicators should be maintained in a database that is readily available to the World Bank for review during the implementation of the subproject. The table below presents an indicative sub-loan monitoring structure.

38. Compliance monitoring and enforcement is carried out by the Department of Environmental Affairs, Department of Water Affairs and the Department of Agriculture following their respective mandates in accordance with the EIA licenses, Water Licenses and Soil Conservation Act. Land Bank has staff in the field who report on other aspects of compliance with loans, including provision of detailed information on the limiting factors on agricultural productivity, and on livelihoods. Compliance monitoring and enforcement is carried out by the Department of Environmental Affairs, Department of Agriculture, and the Department of Water Affairs.

Monitoring of Sub-loans

Activity	Frequency	Responsibility	World Bank Role
Direct Lending by Land Bank			
Category A Compliance Monitoring	Every six months	Land Bank Environmental and Social Safeguards Manager Reports to be provided to relevant Government Departments in required formats	Six-monthly reports to be submitted to World Bank Review of subproject performance during six-monthly World Bank supervision missions
Category B and C Compliance Monitoring	Formal: Every two years Routine: For Category B, environmental and social indicators reviewed every six months	Land Bank Environmental and Social Safeguards Manager Reports to be provided to relevant Government Departments in required formats	Reports to be submitted to the World Bank, which may require audits at a frequency to be determined General review during six-monthly World Bank supervision missions
Performance Reporting	Annually	Land Bank Environmental and Social Safeguards Manager	Report to be submitted to the World Bank

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		Reports to be provided to relevant Government Departments in required formats	
Indirect Lending by Land Bank			
Review of compliance with PFI ESMS requirements	Annually	PFI ESMS Staff Review by Land Bank Environmental and Social Safeguards Manager	Report to be submitted to the World Bank
Project Completion			
Project Completion Report	Within six months of physical completion of the project	Land Bank Environmental and Social Safeguards Manager	World Bank to field a project completion mission to assess/confirm findings and recommendations of Land Bank Completion Report

REFERENCES

Interpretation Note on Financial Intermediaries, IFC 2012.

http://www1.ifc.org/wps/wcm/connect/38d1a68049ddf966af3cbfda80c2ddf3/InterpretationNote_FIs_2012.pdf?MOD=AJPERES

OP 4.03 Performance Standards for Private Sector Activities, World Bank, May 2013.

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20064564~menuPK:64701637~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>

BP 4.03 Performance Standards for Private Sector Activities, World Bank, May 2013.

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:23408638~menuPK:4564187~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>

Additional guidance for FIs on managing E&S risk in transactions is available at **FIRST for Sustainability**.

http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2.php

RELEVANT SOUTH AFRICAN LAWS

National Environmental Management Act (1998)
National Water Act (1998)
National Environmental Management: Air Quality Act (2004)
Atmospheric Pollution Prevention Act (1965)
Environmental Conservation Act (1998)
Agricultural Pest Act (1983)
Conservation of Agricultural Resources Act (1983)
National Energy Act (2008)
National Environmental Waste Act (2008)
National Environmental Management: Protected Areas Act (2004)
Animal Diseases Act (1984)
Genetically Modified Organisms Act (1983)
Occupational Health and Safety Act (1993)
National Forest Act (1998), Meat Safety Act (2000)
Mineral and Petroleum Resources Development Act (2002)
Labour Relations Act (1995)
Compensation for Occupational injuries and Diseases Act (1993)

Applying Key World Bank Performance Standards in the ESMS

For this FI-2 (moderate risk) project, the following three (3) Performance Standards are applicable as follows:

I. Applying Performance Standard 1 on Assessment and Management of E&S Risks and Impacts to FI Lending/Investment Activities

Application of Performance Standard 1 requires the development of an ESMS by each PFI to identify and manage the E&S risks associated with their portfolio on an ongoing basis (see Annex 2 for specific details on the ESMS). The type, scale, and location of the project guide the scope and level of effort devoted to the risks and impacts identification process. The scope of application of the ESMS is in part determined by the use of funds from the World Bank Group (WBG) financing.

The organizational structure that defines roles, responsibilities, and authority to implement the ESMS should be set out clearly. The ESMS should be tailored to fit the needs of the PFI and can be integrated into its existing risk management systems for credit, operational risk, finance, legal, compliance, or any other relevant system operating within the PFI, which may already consider some environmental and social (E&S) risk. These processes should be used as a foundation on which to build the additional E&S risk management elements of the ESMS.

To ensure that borrowers/investees comply with the PFI's E&S policy, the PFI should incorporate E&S provisions and investment conditions into legal agreements. Standard E&S terms are typically represented as general E&S definitions, representations and warranties, disbursement conditions, and/or covenants regarding compliance with the requirements as defined by the PFI's E&S policy.

PFI senior management should be informed regularly of the E&S risks at the portfolio level and of individual borrowers/investees, if necessary. This information gives the PFI a better understanding of its overall exposure to E&S risk, and allows the PFI to focus on transactions and borrowers/investees that may require additional resources to manage E&S impacts. PFIs should periodically review the implementation effectiveness of their ESMS, and adjust or update procedures, as needed, to enhance practices and efficiency, address potential changes in the E&S risk profile of their portfolio, and respond to changes in the E&S regulatory environment.

Performance Standard 1 also requires WBG clients to implement and maintain a procedure for external communications, consultations, disclosure, and a grievance mechanism to receive external complaints from the public regarding any aspects of operations. For the PFI, this requires implementing a process for receiving and responding to concerns from third parties—for example, concerns related to the PFI's investment activities and/or a borrower/investee in its portfolio. The process should provide publicly available and easily accessible channels (e.g., phone number, website, e-mail address, etc.) to receive communications and requests from the public for information regarding E&S issues. The PFI will assess the relevance of the external communication received and determine the level of response required, if any

Where the WBG client's operations involve activities and facilities that are likely to generate perceptible adverse impacts, Performance Standard 1 requires clients to establish and maintain an emergency preparedness and response system to respond to accidental and emergency situations. For a PFI client, this means ensuring that the necessary emergency preparedness and response plans are in place within its premises to protect the health and safety of its employees as well as that of visitors. Effective emergency preparedness and response plans should identify responsibilities and procedures for communicating different types of emergencies (e.g., fire, earthquake or robbery) to the appropriate authorities and for safe evacuation. Plans should also include specific training and practice requirements (i.e., simulations and drills). Buildings that are owned or rented/leased by the PFI that are accessible to the public should be designed, constructed, and operated in full

compliance with local building codes, local fire department regulations, local legal/insurance requirements, and in accordance with internationally accepted life and fire safety standards.

II. Applying Performance Standard 2 on Labor and Working Conditions to the PFI's Workforce

Performance Standard 2 requires WBG clients to commit to the fair treatment, non-discrimination and equal opportunity of employees, to maintain or improve employee-management relationships, and to promote compliance with national employment and labor laws. Performance Standard 2 also requires WBG clients to extend the same rights to certain third-party (contracted) employees.

For PFIs, this means (i) maintaining good working conditions and employee relationships through the adoption and implementation of clear and transparent human resources policies and procedures; (ii) reasonable conditions of employment (including non-discrimination); (iii) allowing freedom of association among employees; (iv) managing a grievance process to learn about employees' concerns and suggestions; and (v) in cases when collective dismissal of employees is unavoidable, having a fair retrenchment plan.

Human Resources Policies and Procedures

Performance Standard 2 requires WBG clients to adopt and implement human resources policies and procedures appropriate to the size of their operations and workforce. These policies and procedures should state the approach for managing employees and be consistent with the requirements of Performance Standard 2 and national law. For the PFI, this means documenting human resources policies and procedures and clearly communicating such policies and procedures to all employees. The scope and complexity of the human resources policies and procedures should be tailored to the size and nature of the PFI's workforce. The PFI should communicate employment terms to employees upon and throughout the duration of employment.

All employees should have a contract or letter of employment outlining the working relationship with the PFI, stating the employment conditions and referring to the PFI's applicable policies, procedures, and labor regulations. Employees should also have access to their employment records in accordance with national law.

A PFI will not employ children in any manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. Where Nigerian laws have provisions for the employment of minors, the PFI will follow those laws. PFIs will identify employees under the age of 18 and undertake an appropriate risk assessment and regular monitoring of health, working conditions, and hours of work.

A PFI will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty.

A PFI should not tolerate any kind of harassment of its employees, including sexual harassment or mistreatment within the workplace. The PFI's human resources policy and procedures should outline the necessary measures for preventing this type of behavior and provide a mechanism for reporting and addressing inappropriate behavior.

Working Conditions and Terms of Employment

Performance Standard 2 also requires WBG clients to provide reasonable working conditions for all employees. For PFIs, this means providing conditions and terms of employment that, at a minimum, comply with national law and Performance Standard 2. In addition to salary, this should include a safe work environment free of discrimination or harassment; maximum working hours and payment for overtime work for applicable employees/job types; health insurance; pension; and leave time for holidays, illnesses/injuries, and maternity.

Where collective bargaining agreements are in place, the PFI should verify that these meet the requirements of national law and Performance Standard 2, and provide conditions and terms of employment in line with these agreements. Where some employees are covered by collective bargaining agreements and others are not, the terms and conditions of employment as well as benefits of all employees in similar positions should be substantially equivalent. When the PFI provides fee-based services (e.g., training) to employees, these services should be provided in a non-discriminatory manner and should comply with national and international standards for quality, security, safety, and professional competency. Employee participation should not be mandatory and service fees should be at the market rate, transparent, and fair.

Employees' Organizations

This Performance Standard requires WBG clients to recognize the rights of their employees to form and join employees' organizations where permitted by law. These organizations should be freely chosen by employees and should not be under the direct influence or control of the employer or the government.

Non-Discrimination and Equal Opportunity

Additional requirements ask WBG clients not to make employment decisions on the basis of personal characteristics unrelated to job requirements. In certain situations, protection or assistance designed to increase employment of underrepresented groups in the workforce or in particular occupations are acceptable under Performance Standard 2. Such affirmative actions are not deemed to constitute discrimination and may be used where permitted by law. For the PFI, this requires applying the principles of equal opportunity and non-discrimination by basing all employment decisions (such as recruitment, hiring, working conditions, and terms of employment) on the ability of a person to perform their job duties.

Retrenchment

Performance Standard 2 also states that in the absence of alternatives to eliminating a significant number of work positions at one time, WBG clients are required to develop and implement retrenchment plans to reduce the adverse impacts on affected employees. For the PFI, this requires developing a retrenchment plan that includes an analysis of potential alternatives (options considered, number of positions saved, and a cost analysis). This process should (i) include consultations with employees to consider their concerns and ideas on adopting other measures (such as collective reductions in hours and salary) to avoid or minimize layoffs; (ii) communicate criteria for selection (which should be objective, fair, and transparent, and not based on personal characteristics unrelated to job requirements); and (iii) present compensation payments. The PFI should also establish a grievance mechanism to address potential claims that the retrenchment plan was not followed appropriately.

In cases where retrenchment cannot be avoided, the PFI should pay any outstanding back pay and benefits, as well as severance payments mandated by national law and/or collective agreements. If the PFI is required to make payments for the employees' benefit to specific third-party institutions such as pension funds or health funds, it should provide evidence of such payments to employees. Where payments can be made either to third-party institutions or as a direct cash payment to employees, the PFI should defer to the employee's preference.

Grievance Mechanism for Employees

Performance Standard 2 requires WBG clients to provide a mechanism for employees to raise workplace concerns and provide feedback. This mechanism should be clearly communicated to employees and allow for anonymous complaints to be raised and addressed. For PFIs, this requires developing a process whereby employees can state their concerns directly to human resources or management, bypassing their immediate supervisors if needed, and ensuring that matters are brought to management's attention and addressed in a timely manner. The mechanism should protect confidentiality and ensure that there is no retribution for filing grievances. The PFI should document all grievances and provide feedback to those who file complaints.

Workers Engaged by Third Parties

Performance Standard 2 also applies to contracted workers and requires WBG clients to take reasonable efforts to ensure that third parties that hire these workers are reputable and legitimate enterprises and have appropriate labor practices. For the PFI, this requires contractors hired for core functions to have the same rights and benefits as regular employees. For non-core functions, the PFI should establish policies and procedures for selecting and managing third-party employers to ensure that their labor practices are consistent with the requirements of Performance Standard 2.

III. Applying Performance Standard 5 on Land Acquisition and Involuntary Resettlement

This Performance Standard applies to physical and/or economic displacement resulting from the following types of land-related transactions:

- Land rights or land use rights acquired through expropriation or other compulsory procedures in accordance with the legal system of the host country;
- Land rights or land use rights acquired through negotiated settlements with property owners or those with legal rights to the land if failure to reach settlement would have resulted in expropriation or other compulsory procedures;
- Project situations where involuntary restrictions on land use and access to natural resources cause a community or groups within a community to lose access to resource usage where they have traditional or recognizable usage rights;
- Certain project situations requiring evictions of people occupying land without formal, traditional, or recognizable usage rights; or
- Restriction on access to land or use of other resources including communal property and natural resources such as marine and aquatic resources, timber and non-timber forest products, freshwater, medicinal plants, hunting and gathering grounds and grazing and cropping areas.

The Performance Standard does not apply to resettlement resulting from voluntary land transactions (i.e. market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures sanctioned by the national or local legal system if negotiations fail). It also does not apply to impacts on livelihoods where the project is not changing the land use of the affected groups or communities. As land purchase is not funded under REM, the main issues relate to relocation of land use affecting land tenants.

Overall, each PFI ESMS process ensures the loan application will contain questions regarding conditions related to land tenure as follows. The questions below are consistent with the existing questions asked on Form 90.

What is the status of the land holding?
Is there evidence of land tenure status (affidavit, other documentation)?
Are there outstanding land disputes?
What is the land currently being used for being used for?
Will the loan be used for any on-farm activities (such as a change in land usage or intensification) which would affect existing land tenants?

If the loan application and screening process identifies any shortcomings or issues of concern, the PFI will determine if these shortcomings or issues can be rectified in a reasonable time and manner. If it is determined these conditions cannot be resolved, the loan will not be processed.

LAND BANK ESMS

1. PURPOSE

This Environmental and Social Management System (ESMS) is intended to be a guiding tool for Environmental and Social Risk Assessment (ESRA) as part of risk management in the Land Bank Group. It comprises policy commitments, procedures, tools and internal capacity aimed at assisting the Land Bank Group identify and manage its exposure to the Environmental and Social (E&S) risks resulting from clients activities. The ESMS states the Land Bank Group's commitment to environmental and social management and explains procedures followed in identifying, assessing and managing environmental and social risks.

2. DEFINITIONS

Environment	The surroundings in which an organisation operates, including air, water, land, natural resources, flora, fauna, humans and their interaction.
Environmental Health Safety	Practice of assessing and controlling factors in the environment that can potentially affect health.
Environmental Impact	Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organization's environmental aspects.
Environmental Impact Assessment	A systematic process of identifying, assessing and reporting environmental impacts associated with an activity including basic assessment.
Environmental and Social Impact Assessment	A systematic process of identifying, assessing and reporting environmental and social impacts associated with an activity including basic assessment.
Environmental and Social Sustainability Advisory Committee	A multidisciplinary Committee advising the Land Bank Group on Environmental and Social sustainability issues and comprising representatives from all business units.
Environmental & Social Sustainability Program/Division.	Program responsible for implementing the Environmental and Social Management System and other related functions in the Land Bank Group.
Funders/Funding Institution	Any institution that invest its funds in the Land Bank Group.
Investment Officer	A person responsible for a company's investment portfolio. The Investment Officer's purpose is to understand, manage, and monitor the organization's portfolio of assets, devise strategies for growth, act

	as the liaison with investors, and recognize and avoid serious risks.
Land Bank	The Land and Agricultural Development Bank of South Africa established under Act 15 of 2002.
Land Bank Group	Land Bank and its subsidiaries.
Priority Areas	These are 19 Water Management areas identified in South Africa, these are freshwater ecosystems; they are most important for sustaining health and continued functioning of freshwater ecosystems (Atlas of freshwater, Ecosystem priority areas in South Africa, 2011).
Project	An agribusiness or rural related business being financed through the Land Bank loan subject to the necessary ability to repay.
Risk	The possibility that an event can adversely affect Land Bank Group, society and environment.
Risk Assessment	A process to determine the quantitative or qualitative value of risk related to a concrete situation and a possible threat (a part of the risk management process).
Significant impact	An impact that by its magnitude, duration, intensity or probability of occurring may have an effect on an important aspect of the environment.
Social & Environmental Due Diligence	A process of evaluating the environmental and social impact of the prospective business before making an investment.

3. BACKGROUND

- 3.1 This ESMS must be read in conjunction with the Environmental and Social Management System Implementation Tools (ESMS-IT).
- 3.2 The Land Bank Group recognizes that:
 - 3.2.1 The South African National Environmental Management Act of 1998(107) requires all organizations involved in green field projects to consider the impact of such projects on the environment and society. As such, major projects or investments are expected to undertake EIA;
 - 3.2.2 In alignment with the NEMA, the Land Bank Act of 2002(s.3), provides for the promotion, facilitation and support of programs designed to promote and develop the environmental sustainability of land and related natural resources;
 - 3.2.3 Development partners and multilateral DFIs require that their clients demonstrate adherence to sustainable finance principles as a pre-requisite for securing financial support from these institutions;

- 3.2.4 As a UNEP FI member, since 2013, it has to uphold and adhere to sustainable finance principles to which it is a signatory;
- 3.2.5 As the financier of green projects, it is expected by national law and development partners or multilateral DFIs to promote and adhere to environmental and social sustainability principles;
- 3.2.6 Agricultural and rural development projects that it finances can have adverse impacts on people and the environment, thus exposing the Bank to environmental and social risks due to direct impact of its clients on the environment and society. These risks can be categorized into three:
- a) **Risk to Clients cash flow:** If clients operations do not comply with national environmental and social standards and regulations, they can face temporary or even permanent closure. Also, Operations that are detrimental to the environment within a community can be subjected to community strikes and riots or products boycott by local and international consumers until compliance is restored. Such incidences can severely affect the cash flow of the clients and ultimately their loan repayment ability;
 - b) **Risk to guarantees of financial institutions:** Poor handling of social and environmental issues undermines the value of guarantees where considerable hidden liabilities are involved. The Bank may also later be liable for expensive clean-up or compensation activities where such liabilities exist; and
 - c) **Reputation Risk:** Financing activities that do not adhere to environmental and social sustainability principles may tarnish the reputation of the Bank as the development finance institution as it may be seen as promoting activities detrimental to the environment and society.
- 3.2.7 To effectively deliver on sustainable finance, minimize potential costs from environmental and social risks resulting from activities of its Bank's clients, protect the environment and society and comply with the requirements of NEMA, the Land Bank Act and international financial requirements, it is imperative to have the ESMS to assist in incorporating environmental and social sustainability requirements into its operations and lending activities;
- 3.2.8 The ESMS sets the foundation layer of how the Land Bank Group aspires to enhance its environmental and social footprint; and
- 3.2.9 The Bank has to align its actions to environmental and social sustainability principles within its corporate environment and encourage its clients to demonstrate efforts to support or promote environmental and social sustainability.
- 3.3 This ESMS is intended to be a guiding tool for ESRA in the three business operations of the Land Bank Group, viz., REM, RCB and B&CB and provides an overarching framework for ESRA in these three business operations. Each operation/division has tailor made guidelines integrated in its credit policy in alignment with the ESMS.
- 3.4 The ESMS consists of:
- 3.4.1 Policy commitments – which state the Land Bank Group's commitment to managing environmental and social risks it might be exposed to due to transactions and clients in its portfolio;
 - 3.4.2 Implementation guideline – which provides guidance on how to screen and categorize transactions based on their environmental and social risk, conduct environmental and social due diligence and monitor the client's environmental and social performance;

- 3.4.3 Implementation tools – for identifying, assessing and managing E&S risks;
- 3.4.4 Capacity and training needs – which comprise roles and responsibilities of staff involved at each stage of ESRA and their training plan, as well as roles and responsibilities of the Land Bank Group clients; and
- 3.4.5 Documentation and record keeping requirements – for tracking the environmental and social performance of each transaction and assessing the financial institution’s overall exposure to risk.

4. POLICY COMMITMENTS

4.1 The Land Bank Group believes that activities that are harmful to the environment and social development can affect the overall performance of projects and thus the business and reputation of the Land Bank Group. To avoid these, the Land Bank Group embraces sustainable finance and environmentally and socially sustainable development practices in project financing by integrating environmental and social management principles into project finance decision making process.

4.2 To this end the Land Bank Group commits to:

- 4.2.1 Demonstrating good corporate citizenship by ensuring that it’s business decisions do not harm the environment and society, but promote sustainable development to also benefit future generations;
- 4.2.2 Sustainable finance and Environmental and Social (ES) sustainability by establishing and implementing an effective ESMS required for ESRA;
- 4.2.3 Integrating ES sustainability and ESRA requirements in its lending criteria;
- 4.2.4 Ensuring that all projects/farm operations financed by the Land Bank must conform to environmental and social sustainability requirements as stipulated in the local and national environmental, health and safety legislations, and, where applicable, international environmental management conventions and requirements such as:
 - g) Labour standards and working conditions including occupational health and safety;
 - h) Community impacts including human rights, public health, safety and security;
 - i) Impacts on indigenous peoples and cultural heritage;
 - j) Land acquisition and involuntary settlement;
 - k) Conservation, management and sustainable use of natural biodiversity resources; and
 - l) Safeguarding of critical habitats and where feasible enhancement of natural habitats.
- 4.2.5 Financing projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the applicable requirements;
- 4.2.6 Where applicable, financing clients that develop and implement environmental management systems and management plans in line with national and international best practices;
- 4.2.7 Defining requirements for ESRA and monitoring; developing and communicating environmental and social performance standards that clients are expected to meet; and defining environmental and social roles and responsibilities for both the Land Bank Group and its clients;

- 4.2.8 Promoting sustainability by taking a proactive and innovative approach to promote projects and initiatives that are designed to deliver environmental and social benefits, including:
 - a) Supporting climate change mitigation and adaptation measures by investing in best practice climate change adaptation initiatives;
 - b) Identifying and promoting projects in environmental priority areas and/or with environmental benefits; and
 - c) Facilitating capacity building for clients to assist them with developing and implementing their environmental management programmes to improve environmental performance.
- 4.2.9 Using environmental management tools and available information to identify opportunities for future development;
- 4.2.10 Ensuring transparency in its activities by disclosing the Land Bank Group's performance on management of environmental and social sustainability issues and through stakeholders' engagement;
- 4.2.11 Ensuring that the Land Bank Group management, employees and clients understand the policy commitments made by Land Bank Group in this area; and
- 4.2.12 Providing requisite capacity for effective implementation of the ESMS.

5. IMPLEMENTATION GUIDELINE

- 5.1 This guideline provides the general framework and tools adopted by the Bank during the ESRA process and may differ slightly from one business operation (REM, RCB and B&CB) to the other as per respective credit policies and procedures.
- 5.2 In conducting the ESRA, the Land Bank Group follows a four staged approach, viz., (i) environmental and social risk screening, (ii) environmental and social risk evaluation and reporting, (iii) environmental and social risk approval and control and (iv) environmental and social risk monitoring.
- 5.3 Projects are assessed and evaluated against the following filters or applicable requirements:
 - 5.3.1 The Land Bank Group Exclusion List (ESMS-IT: Annex 1);
 - 5.3.2 Applicable national laws on environment, health, safety and labor (ESMS-IT: Annex 3);
 - 5.3.3 Project size⁸; and
 - 5.3.4 World Bank Performance Standards, required for projects financed from World Bank loan proceeds (ESMS-IT: Annex 5)⁹.
- 5.4 The Bank adopts two different lending tiers: (i) direct lending - to farmers or producers and (ii) indirect lending - through intermediaries. The first category of lending involves retail (retail emerging and retail commercial farmers) and business and corporate banking where funding is required for direct use by the clients. The second tier comprises cooperatives, warehouses or

⁸ Projects are categorised as small, medium and large depending on their value as follows: Small – projects valuing up to R20million, medium – projects valuing more than R20 million up to R100 million and large – projects valuing more than R100 million.

⁹These are World Bank performance standards developed to manage E&S risks associated with large infrastructure and industry projects and are globally accepted as environmental and social sustainability principles

processing facilities that act as intermediaries for on lending to other farmers or producers. This guideline details the generic process followed in conducting ESRA in the two tiers.

5.5.1 **Guideline and operational manual for First Tier: Direct lending to farmers and producers**

5.5.2 **Step 1: Environmental and social screening**

- a) At an initial stage of loan application or origination, the Relationship Manager in the AFC applies the Exclusion List (ESMS-IT: Annex 1) to the proposed project to determine if it does not fall within activities not financed by the Land Bank. If the project involves an excluded activity, the prospective client is informed, and further consideration of investment in the project is terminated. Otherwise, the Relationship Manager indicates the applicable requirements for the project.
- b) If the proposed activity does not involve an excluded activity, an initial Environmental and ESSD is undertaken to rate the E&S risk of the proposed activity according to low (category C), medium (category B) or high (category A) risk (Table 1 below).

Table 1: Risk Categorisation

Category	Low risk (category C)	Medium risk (category B)	High Risk (category A)
Environmental and Social Impact	Environmental and social impacts are expected to be negligible	Environmental and social impacts may be less adverse than those of category A projects. These impacts are site specific and few of them, if any, can be reversed and in most cases mitigation measures can be designed more readily than for category A projects	There may be significant adverse environmental and social impacts that are sensitive (and maybe irreversible), diverse and unprecedented. The effects may go beyond the project site
Assessment	No environmental appraisal required	Environmental and social compliance check as integrated part of the due diligence and site visit of a potential client	Environmental and Social Impact Assessment or audit by a qualified external consultant
Environmental and Social Requirements	Compliance with applicable local laws	<ul style="list-style-type: none"> • Compliance with applicable local laws • If necessary, remedial measures to be included into the loan contract 	<ul style="list-style-type: none"> • Compliance with applicable local laws • Compliance with applicable international (World Bank) performance standards • If necessary, remedial measures in the form of Environmental and Social Management Plan to be included into the contract

- c) Risk Classification Form as per ESMS-IT: Annex 2 is used for risk categorisation.
- d) Categorisation decision is guided by three criteria:
 - i) Dictates of national laws around intensive or sensitive projects (Annex 3);
 - ii) International categorisation of different economic activities/industries according to their impact on the environment and society (ESMS-IT: Annex 4); and
 - iii) World Bank performance standards (ESMS-IT: Annex 5), where applicable.
- e) The Risk Classification Form comprises 27 items and three risk categories (A, B and C).
- f) Should any of the items under each category be positively marked (i.e. a yes answer), it means the project being evaluated falls under such criteria.

For example, a project would be classified as Category A if any of the items 1 – 13 are checked ‘yes’ independent of whether items 14 – 27 have been checked ‘yes’.
Likewise, it would be classified as Category B if **none** of the items 1 – 13 are checked ‘yes’, and at least **one** of the items 14 – 26 are checked ‘yes’. Finally, a project would be classified as Category C when only item 27 is checked positively.

- g) A project has to be accompanied by verification of each of the 27 items. In the case of responses in the three categories, priority is given to category with highest ES impact.

For example, in the case where items 1, 14, 15, 16 and 17 are checked ‘yes’, item 1 places the project in the higher category, which is category A. Alternatively, if items 14 and 27 are checked ‘yes’, the project is classified as category B.
- i) The decision criteria used is included in Annexes 3 and 4. Annex 4 in ESMS-IT categorises different economic activities according to their risk level, which is also determined by the size of the project where L stands for ‘Large’, M ‘medium’ and S ‘Small’, respectively. In this case the size is determined by the amount/value of the project (see footnote 1 on page 9).

5.5.3 **Step 2: Environmental and Social Risk Evaluation and Reporting**

- a) Step 2 is about credit appraisal. If the proposed project (farm operation) falls in category B or A, the client is referred to the Department of Environmental Affairs (DEA) for a detailed Environmental and Social Impact Analysis (ESIA). For category B projects, certification by the DEA permitting the activity to go on is required. Certification indicates that DEA is satisfied that the activity will not contravene any national environmental and social laws. Where necessary, the certificate will indicate minor remedial measures which the client has to put in place to minimise ES impacts and these should form part of covenants included in the client’s contract.
- b) For Category A projects, an Environmental and Social Risk Management Plan (ESRMP) is required in addition to the ESIA. The ESRMP details how the client will mitigate potential environmental and social risks.

- c) Once the required information is complete, the application is created and the ESIA, certificate and ESRMP, where necessary, are attached to the application.
- d) The application is checked for completeness by the AFC before submitting it to the Hub for documents verification, quality assurance and first level of credit assessment.

5.5.4 **Step 3: Environmental and social risk approval and control**

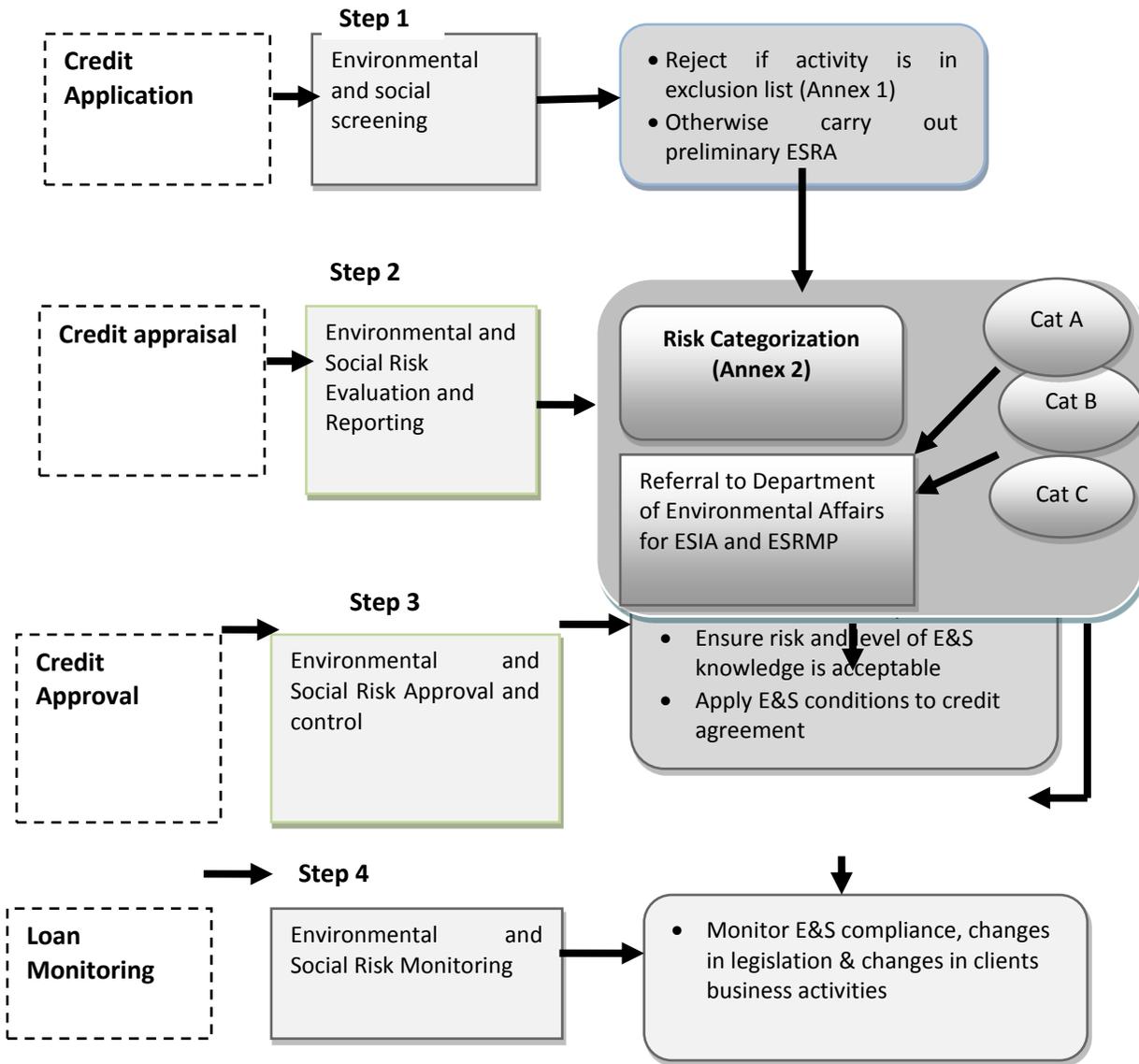
- a) After appraisal, the application is referred to the Head Office for credit approval by Credit Committee. At this stage final review of ESIA and ESRMP is done. The AES manager ensures that the E&S risk level and knowledge around it is acceptable. If acceptable, the environmental and social sustainability conditions are applied to the credit agreement by the Legal Department. In conducting the final appraisal the Credit Committee uses the checklist in Annex 6 (ESMS-IT).

5.5.5 **Step 4: Loan Monitoring – Environmental and Social Risk Monitoring**

- a) For Category A projects, environmental and social compliance is monitored on six months basis by the AES who also compiles and submits the E&S compliance report to ESS Manager,¹⁰ using reporting template in Annex 7 (ESMS-IT).
- b) ESS Manager uses the information to compile Environmental and Social Performance (ESPR) and Sustainability Reports and presents the ESPR to ORCO.
- c) Observed non-compliance is reported to the Department of Environmental Affairs.
- d) Category B& C projects are monitored every two years.
- e) Clients who do not comply with the E&S obligations do not receive further support from the Land Bank Group until such compliance is achieved, with observable evidence and reports.
- f) Routine monitoring is also done on legislation changes as well as changes in clients' business activities.
- g) The four steps are summarised in Figure 1 below:

¹⁰ This is a newly proposed role (see section 6 for details)

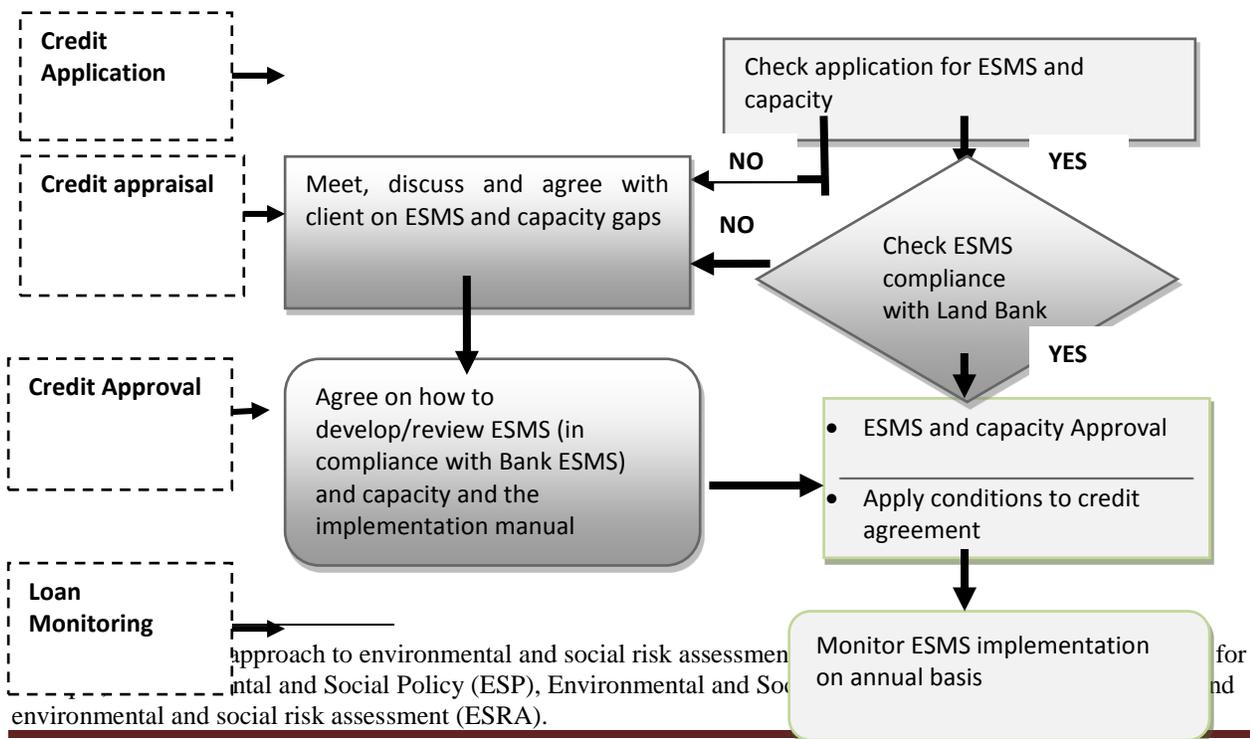
Figure 1: ESRA Process Summary for Tier 1



5.5 **Guideline and operational manual for Second Tier: Indirect lending to intermediaries**

- 5.6.1 In the initial stage of loan initiation, the Relationship Banker/Transaction Analyst checks whether the intermediary has environmental and social management system¹¹ as well as requisite capacity to implement the system using the checklist in ESMS-IT (Annex 2).
- 5.6.2 The checklist and ESMS applicable requirements are discussed with the client.
- 5.6.3 Then the application is created, with the checklist, applicable requirements, and client’s ESMS, where existing, attached. The application is then discussed with the Regional Manager.
- 5.6.4 Then the application is sent to the Agricultural Finance Centre Review Committee (AFCRC) for first level of verification and screening. If satisfied, the application is recommended for approval by Credit Committee, which may be CRMC, CRC or full Board depending on the size of the loan (see footnote 1).
- 5.6.5 At approval stage, if the ESMS and capacity are not acceptable, the conditions on how to improve or develop the ESMS and requisite capacity are applied to the credit agreement by the Legal Department. These include necessary warranties by the client that the provisions of the ESMS and applicable requirements will be enforced.
- 5.6.6 Monitoring to ensure that on lending meets ESMS requirements is done on annual basis by a Relationship Banker.
- 5.6.7 The Relationship Banker compiles and submits the E&S compliance report to the ESS Manager, using reporting template in Annex 7 (ESMS-IT).
- 5.6.8 The ESS Manager uses this report to compile the ESPR and Sustainability Reports and presents the ESRP to ORCO.
- 5.6.9 The procedure is summarised in Figure 2 below.

Figure 2: ESRA Process Summary for Tier 2



6. ROLES AND RESPONSIBILITIES

6.1 Bank roles and responsibilities

6.1.1 Environmental and social risk assessment (ESRA) and management in the Land Bank Group is the responsibility of five (5) role players:

- a) Environmental and Social Sustainability (ESS) Program/Division – Head Office¹²;
- b) Environmental and Social Sustainability Manager – Head Office¹³;
- c) Senior Manager/Head of ESS – Head Office¹⁴;
- d) The Hubs; and
- e) The AFCs – Relationship Banker and AES.

6.1.2 The ESS Division is headed by the Senior Manager/Head ESS and is responsible for:

- a) Developing the ESMS in consultation with the ESS Advisory Committee. The ESMS includes the environmental and social management policy, procedure and E&S risks screening tools comprising of exclusion list, risk categorisation, environmental and sustainability standards and reporting checklist;
- b) Facilitating alignment of the ESMS with the Bank's credit policies;
- c) Identification of ESMS implementation training needs and organising requisite training in collaboration with Learning and Development Department;
- d) Identification of resource requirements for the ESMS implementation and facilitating securement of such resources; and
- e) Preparation of Annual Environmental Performance and Sustainability Reports.

6.1.3 Senior Manager/Head ESS is responsible for leading ESS activities.

6.1.4 Environmental and Social Sustainability Manager (ESSM) is responsible for coordinating implementation of ESS activities. In the case of ESMS implementation the manager is responsible for coordinating ESRA activities in the AFCs and managing and ensuring that Relationship Bankers, Area Managers, Transaction Analysts, Senior Administrative Specialists and AESs in the AFCs conduct and monitor ESRA as per the requirements of the ESMS.

6.1.5 The Hub checks for quality and completeness of documents.

6.1.6 Relationship Bankers, Area Managers, Senior Administrative Specialists, Transaction Analysts and AESs are responsible for the implementation of the ESMS in AFCs. Specifically they:

¹² This is a newly proposed Division (see Section 10.3)

¹³ Newly proposed position (see Section 10.3)

¹⁴ Newly proposed position (see Section 10.3)

- a) Screen loan applications to assess the level of environmental and social risks through desk-top reviews or field visits where necessary;
- b) Ensure that applications are accompanied by necessary due diligence reports where applicable, i.e. ESIA and ESMP;
- c) Compile clients environmental and social risks report;
- d) Monitor clients compliance with agreed upon environmental and social sustainability standards;
- e) Report observed non-compliance, where applicable, to the Department of Environmental Affairs; and
- f) Prepare environmental and social sustainability report using a standard template/checklist and forwards to ESS Manager for inclusion in the Annual Environmental Performance and Sustainability Reports.

6.2 Clients roles and responsibilities

- 6.2.1 **Public Consultation:** Clients are required to identify interested and affected parties with the objective of disclosing relevant information about environmental impacts, risks and benefits arising from projects. Where necessary, the Land Bank Group may conduct its own public consultation as part of the environmental risk assessment process to gather more information and assess stakeholder views on the project. Where the project is undergoing an environmental impact assessment process, the client must inform the Land Bank Group so that the environmental and social personnel may be included on the interested and affected party database.
- 6.2.2 **Application to the relevant MEC or Minister:** If the assessment report of any project indicates that cumulative impact may occur as a result of the undertaking of the activity/project and the degree to which the impact may cause irreplaceable loss of resources, the project owner must apply for a permission to carry out the project from the relevant MEC or Minister. The application must be submitted with the ESIA report including the environmental management plan/measures proposed by the EAP to mitigate the risk/impact (NEMA 1998 (107) s3). It should also be noted that no person may engage in any activity in a State forest without a license (National Forest Act 84 of 1988(s4)).
- 6.2.3 **Third party performance:** It is the clients' responsibility to ensure that the project meets Land Bank Group's environmental and social requirements even if such compliance depends on the activities of a third party. A third party may be a government agency, contractor, supplier, land owner, a tenant or an operator.
- 6.2.4 **Operational changes:** Project categorisation and risk rating are based on the outcome of the environmental risk assessment process at the time of assessment. To ensure that the project rating is in line with the project activities, the clients must notify the Land Bank Group of changes in the nature and scope of projects that may have significant impact on the environment following funding approval. These changes may trigger an additional environmental risk assessment and risk rating and/or an amendment to environmental conditions.

7. REPORTING

- 7.1 Land Bank Group will compile Annual Environmental and Social Performance Report (ESPR) for inclusion in the Bank's Sustainability Report.

- 7.2 Where applicable, a customised ESPR will be done according to standard format agreed with Funding Institutions.

8. LEGAL DOCUMENTATION

- 8.1 The Land Bank Group's loan agreements with clients in respect of a project will include specific provisions reflecting the Land Bank Group's environmental requirements. These include, but are not limited to, compliance with relevant legislation, provisions for periodic reporting on environmental performance and on-going project monitoring by Land Bank Group personnel.
- 8.2 Legal documents will also include, where appropriate, the rights and/or remedies for the loan where the client fails to implement environmental requirements during the term of the legal agreement.

9. ADVISORY SERVICES

- 9.1 The Land Bank Group will advise clients on ESMS requirements as per the ESMS procedures and guideline.
- 9.2 It is the responsibility of the client to ensure that their projects comply with the Environment and Social Management (E&SM) legislation.

10. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

10.1 Approval and provision of resources

- 10.1.1 The Board of Directors (BoD), acting through the Executive Committee (EXCO), is responsible for the approval and ensuring compliance with the ESMS by Land Bank Group's business units.
- 10.1.2 The ESSD will work closely with the Risk Management Unit and Legal Department to ensure that appropriate environmental and social representations, warranties, and covenants are incorporated in each loan agreement.
- 10.1.3 The Land Bank Group will allocate appropriate resources to ensure the effective implementation of this ESMS. The Bank will maintain adequate human and financial resources to oversee the environmental risk assessment and to monitor environmental performance of projects.

10.2 Review and continuous improvement of the ESMS

- 10.2.1 The ESMS will be reviewed and amended periodically to ensure that it remains relevant and effective over time and incorporates Land Bank Group's evolving needs.
- 10.2.2 This involves identifying potential difficulties with operational aspects of the system implementation and making amendments as necessary; reviewing the system to ensure that emerging environmental and social risks of projects are detected and identified during the due-diligence process; and updating system to reflect revisions in applicable national laws.

10.3 Implementation Requirements

- 10.3.1 Existing capacity within the Bank is not adequate to implement the ESMS in its entirety, namely, ESS Division and ESS Manager and Senior Manager positions do not exist and personnel expected to implement the ESMS has not received requisite training.

- 10.3.2 For effective implementation, there is need for the creation of the ESS Division and/or the Senior Manager and Manager: Environmental and Social Sustainability positions, respectively (see Sections 6.1.1(i) – (iii).
- 10.3.3 In addition, Relationship Bankers and AESs have to receive training in the ESMS and implementation guideline and tools.
- 10.3.4 Until these requirements are met, the Bank will proceed with the current practice of addressing E&S risks.

Annex 1. World Bank Group and Land Bank Exclusion Lists

All participating financial intermediaries (PFIs) must apply the following exclusions:¹⁵

- 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 bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions¹⁶.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco¹.
- Gambling, casinos and equivalent enterprises¹.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced labor¹⁷/harmful child labor¹⁸.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

¹⁵ This exclusion list is subject to requirements of Land Bank's funding partners such as multilateral DFIs and may as such change to accommodate these requirements.

¹⁶ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

¹⁷ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

¹⁸ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

Annex 2. Environmental and Social Risk Classification Form

Branch:	Relationship Manager:	
Client name:		
CATEGORY A		
Indicate with an X whether or not there is a relation, effect or impact of the activity or project on the following items:		
Item	Yes	No
1. Generation of significant (irreversible) environmental impact that will probably affect third parties (e.g. local community, neighbors)		
2. Large-scale Industrial plants		
3. Construction of dams and reservoirs		
4. Impact on virgin forest		
5. Involuntary resettlement of communities or families		
6. Production or commercial use of agrochemicals		
7. Impact on heritage property (e.g. religious or archaeological sites)		
8. Impact on protected natural habitats or areas with high biological diversity (e.g. wetlands, coral reefs, mangroves)		
9. Impact on watersheds through large abstraction or modification programmes (e.g. flood control), irrigation or drainage		
10. Impact on indigenous peoples		
11. Impact on international waterways		
12. Listed under this category in Annex 4		
13. Is it a type of project listed in Annex 3		
Total		
CATEGORY B		
Indicate with an X whether or not there is a relation, effect or impact of the activity or project on the following items:		
Item	Yes	No
14. Wastewater production or cause an increase in current output		
15. Emission of gases or particulate matter into the air or cause an increase in current emissions		
16. Production of hazardous or non-hazardous solid waste or cause an increase in current production		
17. Handling and use of toxic substances in the form of liquids, solids or gases		
18. An increase in the use of water from the area		
19. An increase in the use of energy from the area		

20. The end product becomes a pollutant once it has been used		
21. High noise levels (within the factory and/or within the site limits)		
22. The use of ozone depleting substances (e.g. CFCs and chlorinated solvents)		
23. An impact on health and security at the workplace		
24. Presentation of environmental permits for project implementation		
25. Contamination of the ground due to the use of the location		
26. Listed under this category in Annex 4		
Total:		
CATEGORY C		
27. Listed under this category in Annex 4		
Total:		
Classification of activity or project to be financed (indicate with an X)		
Category A	<input type="checkbox"/>	Category B: <input type="checkbox"/>
		Category C <input type="checkbox"/>
Name and signature of analyst:		

Annex 3: Applicable National Laws on Environment, Health, Safety and Labor

Category A projects as dictated by SA laws

- a) Projects to restructure groups of rural land
- b) Projects to put uncultivated land or semi-natural areas to use for intensive agriculture
- c) Water management projects for agriculture
- d) Reforestation for first time that could cause adverse ecological changes and recuperation of land with a view to changing its use
- e) Poultry farm installations
- f) Pig farm installations
- g) Cattle feedlots
- h) Salmon fishing
- i) Coastal land reclamation

SA laws governing environmental and social sustainability

National Environmental Management Act (1998)
National Water Act (1998)
National Environmental Management: Air Quality Act (2004)
Atmospheric Pollution Prevention Act (1965)
Environmental Conservation Act (1998)
Agricultural Pest Act (1983)
Conservation of Agricultural Resources Act (1983)
National Energy Act (2008)
National Environmental Waste Act (2008),
National Environmental Management: Protected Areas Act (2004)
Animal Diseases Act (1984)
Genetically Modified Organisms Act (1983)
Occupational Health and Safety Act
National forest Act (1998), Meat Safety Act (2000)
Mineral and Petroleum resources Development Act (2002)
Labour Relations Act, (1995)
Compensation for Occupational Injuries and Diseases Act (1993)

Annex 4: Economic Activities According to Risk Criteria

ISIC Codes – International Standard Industrial Classification United Nations Statistics Division: Third Review

Code	Description	Risk Category		
		L	M	S
Activity scale: L (large) – M (medium) – S (small)		L	M	S
A	Agriculture, cattle farming, hunting and forestry			
01	Agriculture, cattle farming, hunting and related service activities			
0111	Growing of cereals and other crops n.e.c. ²⁹	A	B	C
0112	Growing of vegetables, horticultural specialties and nursery products	A	B	C
012	Farming of animals			
0121	Farming of cattle, sheep, goats, horses, asses, mules and hinnies; dairy farming	A	B	C
0122	Other animal farming; production of animal products n.e.c.	A	B	C
013	Growing of crops combined with farming of animals (mixed farming)			
0130	Growing of crops combined with farming of animals (mixed farming)	A	B	C
014	Agricultural and animal husbandry service activities, except veterinary activities			
0140	Agricultural and animal husbandry service activities, except veterinary activities	B	B	C
015	Hunting, trapping and game propagation including related service activities	A	B	C
0150	Hunting, trapping and game propagation including related service activities	A	B	C
02	Forestry, logging and related service activities			
0200	Forestry, logging and related service activities	A	A	B
B	Fishing			
05	Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing			
0500	Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing	A	B	B
C	Mining and quarrying			
10	Mining of coal and lignite; extraction of peat			
1010	Mining and agglomeration of hard coal	A	A	A
1020	Mining and agglomeration of lignite	A	A	A
1030	Extraction and agglomeration of peat	A	A	A
11	Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying			
1110	Extraction of crude petroleum and natural gas	A	A	A
1120	Service activities incidental to oil and gas extraction excluding surveying	A	A	A
12	Mining of uranium and thorium ores			
1200	Mining of uranium and thorium ores	A	A	A
13	Mining of metal ores			
1310	Mining of iron ores	A	A	A

²⁹ Not earlier classified

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
1320	Mining of non-ferrous metal ores, except uranium and thorium ores	A	A	A
14	Other mining and quarrying			
1410	Quarrying of stone, sand and clay	A	A	A
1421	Mining of chemical and fertilizer minerals	A	A	A
1422	Extraction of salt	A	B	B
1429	Other mining and quarrying n.e.c.	A	A	A
D	Manufacturing			
15	Manufacture of food products and beverages			
1511	Production, processing and preserving of meat and meat products	B	B	C
1512	Processing and preserving of fish and fish products	B	B	C
1513	Processing and preserving of fruit and vegetables	B	B	C
1514	Manufacture of vegetable and animal oils and fat	A	A	B
1520	Manufacture of dairy products	A	B	C
1531	Manufacture of grain mill products	A	B	C
1532	Manufacture of starches and starch products	B	B	C
1533	Manufacture of livestock feed	A	A	B
1541	Manufacture of bakery products	B	B	C
1542	Manufacture of sugar	A	A	B
1543	Manufacture of cocoa, chocolate and sugar confectionery	A	B	B
1544	Manufacture of macaroni, noodles, couscous and similar farinaceous products	B	B	C
1549	Manufacture of other food products n.e.c.	B	B	C
1551	Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials	A	A	B
1552	Manufacture of wines	A	A	B
1553	Manufacture of malt liquors and malt	A	A	B
1554	Manufacture of soft drinks; production of mineral waters	A	A	B
16	Manufacture of tobacco products			
1600	Manufacture of tobacco products	B	B	C
17	Manufacture of textiles			
1711	Preparation and spinning of textile fibres; weaving of textiles	A	B	B
1712	Finishing of textiles	A	A	B
1721	Manufacture of made-up textile articles, except apparel	B	B	C
1722	Manufacture of carpets and rugs	B	B	C
1723	Manufacture of cordage, rope, twine and netting	B	B	C
1729	Manufacture of other textile products n.e.c.	B	B	C
1730	Manufacture of knitted and crocheted fabrics and articles	B	B	C
18	Manufacture of apparel; dressing and dyeing of fur			
1810	Manufacture of apparel, except fur apparel	B	B	C
1820	Dressing and dyeing of fur; manufacture of articles of fur	A	A	B
19	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear			

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
1911	Tanning and dressing of leather	A	A	B
1912	Manufacture of luggage, handbags and the like, saddlery and harness	B	B	C
1920	Manufacture of footwear	B	B	C
20	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials			
2010	Sawmilling and planing of wood	B	B	C
2021	Manufacture of veneer sheets; manufacture of plywood, laminboard, particle board and other panels and boards	B	B	C
2022	Manufacture of builders' carpentry and joinery	B	B	C
2023	Manufacture of wooden containers	B	B	C
2029	Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	B	B	C
21	Manufacture of paper and paper products			
2101	Manufacture of pulp, paper and paperboard	A	A	B
2102	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard	A	A	B
2109	Manufacture of other articles of paper and paperboard	B	B	C
22	Publishing, printing and reproduction of recorded media(?)			
2211	Publishing of books, brochures, musical books and other publications	B	C	C
2212	Publishing of newspapers, journals and periodicals	B	C	C
2213	Publishing of recorded media	B	B	C
2219	Other publishing	B	C	C
2221	Publishing	B	B	C
2222	Service activities related to printing	B	B	C
2230	Reproduction of recorded media	B	C	C
23	Manufacture of coke, refined petroleum products and nuclear fuel			
2320	Manufacture of refined petroleum products	A	A	A
2330	Processing of nuclear fuel	A	A	A
24	Manufacture of chemicals and chemical products			
2411	Manufacture of basic chemicals, except fertilizers and nitrogen compounds	A	A	A
2412	Manufacture of fertilizers and nitrogen compounds	A	A	A
2413	Manufacture of plastics in primary forms and of synthetic rubber	A	A	B
2421	Manufacture of pesticides and other agro-chemical products	A	A	B
2422	Manufacture of paints, varnishes and similar coatings, printing ink and mastics	A	A	B
2423	Manufacture of pharmaceuticals, medicinal chemicals and botanical products	A	A	B
2424	Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toiletries	A	A	B
2429	Manufacture of other chemical products n.e.c.	A	A	B
2430	Manufacture of man-made fibres	A	B	C
25	Manufacture of rubber and plastic products			

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
2511	Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres	A	B	C
2519	Manufacture of other rubber products	A	B	C
2520	Manufacture of plastics products	A	B	C
26	Manufacture of other non-metallic mineral products			
2610	Manufacture of glass and glass products	A	A	B
2691	Manufacture of non-structural non-refractory ceramic ware	A	B	C
2692	Manufacture of refractory ceramic products	A	A	B
2693	Manufacture of structural clay products and non-refractory ceramic products	A	A	B
2694	Manufacture of cement, lime and plaster	A	A	B
2695	Manufacture of articles of concrete, cement and plaster	A	A	B
2696	Cutting, shaping and finishing of stone	B	C	C
2699	Manufacture of other non-metallic mineral products n.e.c.	A	A	B
27	Manufacture of basic metals			
2710	Manufacture of basic iron and steel	A	A	B
2720	Manufacture of basic precious and non-ferrous metals	A	A	B
2731	Casting of iron and steel	A	A	B
2732	Casting of non-ferrous metals	A	A	B
28	Manufacture of fabricated metal products, except machinery and equipment			
2811	Manufacture of structural metal products	A	B	C
2812	Manufacture of tanks, reservoirs and containers of metal	B	B	C
2813	Manufacture of steam generators, except central heating hot water boilers	B	B	C
2891	Forging, pressing, stamping and roll-forming of metal; powder metallurgy	B	B	C
2892	Treatment and coating of metals; general mechanical engineering on a fee or contract basis	B	B	C
2893	Manufacture of cutlery, hand tools and general hardware	B	B	C
2899	Manufacture of other fabricated metal products n.e.c.	B	B	C
29	Manufacture of machinery and equipment n.e.c.			
2911	Manufacture of engines and turbines, except aircraft, vehicle and cycle engines	A	A	B
2912	Manufacture of pumps, compressors, taps and valves	A	B	C
2913	Manufacture of bearings, gears, gearing and driving elements	A	B	C
2914	Manufacture of ovens, furnaces and furnace burners	B	B	C
2915	Manufacture of lifting and handling equipment	B	B	C
2919	Manufacture of other general purpose machinery	B	B	C
2921	Manufacture of agricultural and forestry machinery	A	B	C
2922	Manufacture of machine-tools	B	B	C
2923	Manufacture of machinery for metallurgy	A	A	B
2924	Manufacture of machinery for mining, quarrying and construction	A	A	B
2925	Manufacture of machinery for food, beverage and tobacco processing	A	B	C

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
2926	Manufacture of machinery for textile, apparel and leather production	B	B	C
2927	Manufacture of weapons and ammunition	A	A	B
2930	Manufacture of domestic appliances n.e.c.	A	A	B
30	Manufacture of office, accounting and computing machinery			
3000	Manufacture of office, accounting and computing machinery	A	A	B
31	Manufacture of electrical machinery and apparatus n.e.c.			
3110	Manufacture of electric motors, generators and transformers	A	A	B
3120	Manufacture of electricity distribution and control apparatus	A	A	B
3130	Manufacture of insulated wire and cable	A	A	B
3140	Manufacture of accumulators, primary cells and primary batteries	A	A	A
3150	Manufacture of electric lamps and lighting equipment	A	A	B
32	Manufacture of radio, television and communication equipment and apparatus			
3210	Manufacture of electronic valves and tubes and other electronic components	B	B	C
3220	Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy	B	B	C
3230	Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods	B	B	C
33	Manufacture of medical, precision and optical instruments, watches and clocks			
3311	Manufacture of medical and surgical equipment and orthopaedic appliances	B	B	C
3312	Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment	B	C	C
3313	Manufacture of industrial process control equipment	B	B	C
3320	Manufacture of optical instruments and photographic equipment	B	B	C
3330	Manufacture of watches and clocks	B	B	C
34	Manufacture of motor vehicles, trailers and semi-trailers			
3410	Manufacture of motor vehicles	A	A	B
3420	Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers	A	B	C
3430	Manufacture of parts and accessories for motor vehicles and their engines	B	B	C
35	Manufacture of other transport equipment	B	B	C
3511	Building and repairing of ships	A	A	B
3512	Building and repairing of pleasure and sporting boats	A	A	B
3520	Manufacture of railway and tramway locomotives and rolling stock	A	A	A
3530	Manufacture of aircraft and spacecraft	A	A	A
359	Manufacture of transport equipment n.e.c.	A	B	C
3591	Manufacture of motorcycles	A	A	B
3592	Manufacture of bicycles and invalid carriages	A	B	C
36	Manufacture of furniture; manufacturing n.e.c.			

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
3610	Manufacture of furniture	B	B	C
3691	Manufacture of jewellery and related articles	B	C	C
3692	Manufacture of musical instruments	B	C	C
3693	Manufacture of sports goods	B	C	C
3694	Manufacture of games and toys	B	C	C
3699	Other manufacturing n.e.c.	B	C	C
37	Recycling			
3710	Recycling of metal waste and scrap	A	A	B
3720	Recycling of non-metal waste and scrap	A	A	B
E	Electricity, gas and water supply			
40	Electricity, gas, steam and hot water supply			
4010	Production, collection and distribution of electricity	A	A	A
4020	Manufacture of gas; distribution of gaseous fuels through mains	A	A	A
4030	Supply of steam and hot water	B	B	C
41	Collection, purification and distribution of water			
4100	Collection, purification and distribution of water	A	A	B
F	Construction			
45	Construction			
4510	Site preparation	A	A	B
4520	Building of complete constructions or parts thereof; civil engineering	B	B	C
4530	Building installation	B	B	C
4540	Building completion	B	B	C
4550	Renting of construction or demolition equipment with operators	B	B	C
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods			
50	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel			
5010	Sale of motor vehicles	C	C	C
5020	Maintenance and repair of motor vehicles	B	B	C
5030	Sale of motor vehicle parts and accessories	C	C	C
5040	Sale, maintenance and repair of motorcycles and related parts and accessories	B	B	C
5050	Retail sale of automotive fuel	A	A	B
51	Wholesale trade and commission trade, except of motor vehicles and motorcycles			
5121	Wholesale of agricultural raw materials and live animals	B	B	C
5122	Wholesale of food, beverages and tobacco	B	C	C
5131	Wholesale of textiles, clothing and footwear	C	C	C
5139	Wholesale of other household goods	C	C	C
5141	Wholesale of solid, liquid and gaseous fuels and related products	A	A	A
5142	Wholesale of metals and metal ores	B	B	C
5143	Wholesale of construction materials, hardware, plumbing and heating	B	C	C

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
	equipment and supplies			
5149	Wholesale of other intermediate products, waste and scrap	A	B	B
5150	Wholesale of machinery, equipment and supplies	C	C	C
5190	Other wholesale	C	C	C
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods			
5211	Retail sale in non-specialized stores with food, beverages or tobacco predominating	C	C	C
5220	Retail sale of food, beverages and tobacco in specialized stores	B	B	C
5231	Retail sale of pharmaceutical and medical goods, cosmetic and toiletries	C	C	C
5232	Retail sale of textiles, clothing, footwear and leather goods	C	C	C
5233	Retail sale of household appliances, articles and equipment	C	C	C
5234	Retail sale of hardware, paint and glass	C	C	C
5239	Other retail sale in specialized stores	C	C	C
5260	Repair of personal and household goods	C	C	C
H	Hotels and restaurants			
55	Hotels and restaurants			
5510	Hotels; camping sites and other provision of short-stay accommodation	A	B	B
5520	Restaurants, bars and canteens	B	B	C
I	Transport, storage and communications			
60	Land transport; transport via pipelines			
6010	Transport via railways	B	B	C
6021	Other scheduled passenger land transport	B	B	C
6022	Other non-scheduled passenger land transport	B	C	C
6023	Freight transport by road	B	B	C
6030	Transport via pipelines	A	A	B
61	Water transport			
6110	Sea and coastal water transport	A	A	B
6120	Inland water transport	A	A	B
62	Air transport			
6210	Scheduled air transport	B	B	C
6220	Non-scheduled air transport	A	B	B
63	Supporting and auxiliary transport activities; activities of travel agencies			
6301	Cargo handling	B	C	C
6302	Storage and warehousing	A	B	C
6303	Other supporting transport activities	A	B	B
6304	Activities of travel agencies and tour operators; tourist assistance activities n.e.c.	C	C	C
6309	Activities of other transport agencies	C	C	C
64	Post and telecommunications			
6411	National post activities	C	C	C
6412	Post activities different from national post activities	C	C	C

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
6420	Telecommunications	B	C	C
J	Financial intermediation			
65	Financial intermediation, except insurance and pension funding			
6511	Central banking	C	C	C
6519	Other monetary intermediation	C	C	C
6591	Financial leasing	C	C	C
6592	Other credit granting activities	C	C	C
6599	Other financial intermediation n.e.c.	C	C	C
66	Insurance and pension funding, except compulsory social security			
6601	Life insurance	C	C	C
6602	Pension Funding	C	C	C
6603	Non-life insurance	C	C	C
67	Activities auxiliary to financial intermediation			
6711	Administration of financial markets	C	C	C
6712	Security dealing activities	C	C	C
6719	Activities auxiliary to financial intermediation n.e.c.	C	C	C
6720	Activities auxiliary to insurance and pension funding	C	C	C
K	Real estate, renting and business activities			
70	Real estate activities			
7010	Real estate activities with own or leased property	C	C	C
7020	Real estate activities on a fee or contract basis	C	C	C
71	Renting of machinery and equipment without operator and of personal and household goods			
7111	Renting of land transport equipment	C	C	C
7112	Renting of water transport equipment	C	C	C
7113	Renting of air transport equipment	C	C	C
7121	Renting of agricultural machinery and equipment	C	C	C
7122	Renting of construction and civil engineering machinery and equipment	C	C	C
7123	Renting of office machinery and equipment (including computers)	C	C	C
7129	Renting of other machinery and equipment n.e.c.	C	C	C
7130	Renting of personal and household goods n.e.c.	C	C	C
72	Computer and related activities			
7210	Hardware consultancy	C	C	C
7220	Software consultancy and supply	C	C	C
7250	Maintenance and repair of office, accounting and computing machinery	C	C	C
73	Research and development			
7310	Research and experimental development on natural sciences and engineering (NSE)	C	C	C
7320	Research and experimental development on social sciences and humanities (SSH)	C	C	C
74	Other business activities			
7411	Legal activities	C	C	C

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
7412	Accounting, book-keeping and auditing activities; tax consultancy	C	C	C
7413	Market research and public opinion polling	C	C	C
7414	Business and management consultancy activities	C	C	C
7421	Architectural and engineering activities and related technical consultancy	C	C	C
7422	Technical testing and analysis	B	B	C
7430	Advertising	C	C	C
7491	Labour recruitment and provision of personnel	C	C	C
7492	Investigation and security activities	C	C	C
7493	Building-cleaning activities	B	C	C
7494	Photographic activities	B	C	C
7495	Packaging activities	A	B	C
7499	Other business activities n.e.c.	C	C	C
L	Public administration and defence; compulsory social security			
75	Public administration and defence; compulsory social security			
7511	General (Over-all) public service activities	C	C	C
7512	Regulation of the activities of agencies that provide health care, education, cultural services and other social services excluding social security	C	C	C
7513	Regulation of and contribution to more efficient operation of business	C	C	C
7514	Ancillary service activities for the government as a whole	C	C	C
7523	Public order and safety activities	C	C	C
7530	Compulsory social security activities	C	C	C
M	Education			
80	Education			
8010	Primary education	B	B	C
8021	General secondary education	B	B	C
8022	Technical and vocational secondary education	B	B	C
8030	Higher education	B	B	C
8090	Adult and other education	B	B	C
N	Health and social work			
85	Health and social work			
8511	Hospital activities	B	B	C
8512	Medical and dental practice activities	B	B	C
8519	Other human health activities	B	C	C
8520	Veterinary activities	B	C	C
8531	Veterinary activities	B	C	C
8532	Social work without accommodation	B	C	C
O	Other community, social and personal service activities			
90	Sewage and refuse disposal, sanitation and similar activities			
9000	Sewage and refuse disposal, sanitation and similar activities	A	A	A
91	Activities of membership organizations n.e.c.			
9111	Activities of business and employers organizations	C	C	C

Code	Description	Risk Category		
		L	M	S
	Activity scale: L (large) – M (medium) – S (small)			
9112	Activities of professional organizations	C	C	C
9120	Activities of trade unions	C	C	C
9191	Activities of religious organizations	B	C	C
9192	Activities of political organizations	C	C	C
9199	Activities of other membership organizations n.e.c.	C	C	C
92	Recreational, cultural and sporting activities			
9211	Motion picture and video production and distribution	B	B	C
9212	Motion picture projection	B	B	C
9213	Radio and television activities	B	B	C
9214	Dramatic arts, music and other arts activities	B	B	C
9219	Other entertainment activities n.e.c.	B	B	C
9231	Library and archives activities	B	C	C
9232	Museums activities and preservation of historical sites and buildings	B	C	C
9233	Botanical and zoological gardens and nature reserves activities	B	B	B
9241	Sporting activities	B	B	C
9249	Other recreational activities	B	B	C
93	Other service activities			
9301	Washing, and (dry-) cleaning of textile and fur products	B	B	C
9302	Hairdressing and other beauty treatments	B	C	C
9303	Funeral and related activities	A	A	B
9309	Other service activities n.e.c.	B	B	C
P	Private households with employed persons			
95	Private households with employed persons			
9500	Private households with employed persons	C	C	C
Q	Extra-territorial organizations and bodies			
99	Extra-territorial organizations and bodies			
9900	Extra-territorial organizations and bodies	C	C	C

Source: Rojas, Edgar, A. (2010); ISIC Codes: United Nations Statistics Division – 3rd edition

Annex 5: World Bank Performance Standards

In addition to the national environmental and social sustainability performance standards, all must comply WB performance standards.¹⁹

E&S Sustainability Performance Standards

i.	Performance Standard 1: Assessment and Management of Environmental and Social Risk Impacts.
ii.	Performance Standard 2: Labour and Working Conditions
iii.	Performance Standard 3: Resource Efficiency and Pollution Prevention
iv.	Performance Standard 4: Community Health, Safety and Security
v.	Performance Standard 5: Land Acquisition and Involuntary Resettlement
vi.	Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
vii.	Performance Standard 7: Indigenous
viii.	Performance Standard 8: Cultural Heritage

Performance Standard 1: Assessment and Management of Environmental and Social Risk Impacts.

Performance standard 1 applies to business activities with environmental and social risks or likely to generate negative impacts. This requires the Bank and its intermediaries to develop Environmental and Social System. The system will assist the Bank to undertake assessments of the social and environmental impacts, risks and opportunities of the project, engage with local communities, disclose necessary information, create grievance resolution mechanisms, and manage the social and environmental risks throughout the life of the project.

Requirements:

- i. The Bank and the client must develop a policy which serves as the guideline on achieving environmental and social management system.
- ii. Establish an Environmental and Social Risk Assessment (ESRA) framework, this process consists of tools and standards for identification of risks and categorisation thereof. These will be utilised during environmental and social due diligence.
- iii. The client must develop mitigation/ management measures to avoid or minimize and compensation offset. The principle is that the impact and risk identification process should apply a mitigation plan.
- iv. Both the Bank and the client must have in-house competent capacity to implement ESMS. Also develop action plan based on consultation with stakeholders, describing how risks will be mitigated and how the performance standards will be implemented (stakeholder engagement).
- v. The Bank must develop a monitoring tool to measure the effectiveness of implementation of mitigation plans as well as adherence to compliance to laws and applicable standards.
- vi. The Bank and the client is required to design emergency plans in an integrated way and where consequently events will spill over to external communities, those communities should also be included and consulted.

Performance Standard 2: Labour and Working Conditions

Performance standard 2 requires the Bank and the client to recognise the key labour rights to promote fair treatment, non-discrimination and equal opportunity of workers, maintain and improve the worker management relationship, to promote compliance with the national employment and labor laws. This performance standard is also applicable to contracted workers.

Requirements:

¹⁹ These are IFC developed financial industry benchmark for determining, assessing and managing environmental and social risk in projects. They are aimed at ensuring that large infrastructure and industrial projects financed by subscribing institutions are developed in a manner that is socially responsible and reflects sound environmental management practices in recognition of the importance of climate change, biodiversity and human rights. The principles require that negative impacts on project affected ecosystems, communities and the climate should be avoided where possible and if the impacts are unavoidable, they should be minimised, mitigated, and/or offset.

- i. The Bank must develop human resources policies and procedures aligned to national labour laws such as Basic Conditions of Employment, Employment Equity Act, Occupational Health and Safety Act etc. This standard is applied during environmental and social due diligence.
- ii. The Bank and the client must provide all their workers with a clear and understandable employment contract. This should include clear communication of the working conditions and terms of employment in writing and also ensure that workers privacy is protected by informing the employees of any data collection and entitling them to full disclosure of the purpose of the data collection as well accessibility of their data.
- iii. In case of retrenchments the Bank is required to consult with employees and also explore viable alternatives such as reduction in working hours or salary reduction.
- iv. The Bank and the client must develop and facilitate a grievance mechanism for all their workers. A policy guiding this process should be developed.
- v. The Bank and the client is required to refrain from employing anyone under the age of 18. This includes child labour. Employees should enter into employment contracts at their own liberty.
- vi. The Bank is required to protect workers from injury and illness, this include identification of potential hazards and adequate responses through design, testing, and work processes to eliminate all avoidable risks to employees well-being.
- vii. The Bank and the client is encouraged to contract with third parties who operate in a manner consistent with performance standard.

Performance Standard 3: Resource Efficiency and Pollution Prevention

The Standard encourages resource efficiency and pollution prevention. It requires the Bank to take cognisance of economic activities that increased levels of pollution to air, water, and land and consumes finite resources in a manner that may threaten people and the environment as well as the emission of greenhouse gasses threatens the public health and wealth.

Requirements:

- i. The client is required to develop cost effective and efficient pollution prevention techniques and principles to minimise and avoid adverse impacts to the human health and environment. Furthermore, the client is required to apply measures for improving efficiency in its consumption of energy and water and other resources. The Bank should monitor if the client implement the measures.
- ii. The client is required to integrate pollution reduction into the design of product and production processes to achieve the performance standard objective of conserving raw materials, water and energy.
- iii. The client is required to adopt feasible options to reduce greenhouse gases emission in the design and operation of the project.
- iv. The clients that have projects that consume significant quantities of water should seek feasible alternative options to reduce water consumption.
- v. The clients with projects that release pollutants should prevent the release. If not possible, they should minimize or control it. Management system for controlling the pollution should be developed. This includes prevention of contamination of ground or land water.
- vi. The clients are required to develop waste disposal system during the operation of the project.
- vii. The client is encouraged to explore alternatives to any hazardous materials during the project life-cycle. Also use pesticides that are not harmful to the health of the workers and communities.

Performance Standard 4: Community Health, Safety and Security

It requires the client to identify the potential risk that may be posed by the project to the public as well as the Occupational Health and safety requirements for workers in the project. This standard is applicable during environmental and social assessment of the risk. This evaluation should result in an Action Plan for disclosure to the affected community as per Performance Standard 1.

Requirements:

- i. The client is required to identify and assess risks and impacts on the health and safety and security of affected communities during a project's life cycle and development of avoidance or control measures.
- ii. The client is required to design, construct and operate the structural components of their projects. Particular attention must be paid to those structures that will be accessed by members of the public. Structures posing a high –risk, such as construction of a dam, require the company to engage a more qualified expert. Clients should also avoid or minimize exposure of communities to hazardous material and diseases.
- iii. The clients are required to design emergency response plans based on the risks to community health and safety.

Performance Standard 5: Land Acquisition and Involuntary Resettlement

This standard requires the client to avoid or minimize displacement and avoid forced eviction of people from the land to utilize the land for the project. This standard is applied during environmental and social due diligence process. Clients are encouraged to avoid expropriation and eliminate the need to use government authority to enforce relocation of people.

Requirements:

- i. When displacements are unavoidable, the client must compensate for lost assets, which is expected to be calculated at full replacement cost, defined as the market value assets plus transaction costs adjusted to inflation. This compensation should be paid before taking possession
- ii. For any project that involves resettlement, consultation with the affected stakeholders should take place at the early stage. The client must ensure that all affected parties are involved in decision making related to the resettlement.
- iii. The client is expected to develop a mechanism for a timely and transparent resolution of grievances concerning resettlement.
- iv. For an effective resettlement the client is expected to begin with a detailed census of displaced persons as well as an inventory of affected land and assets at the household, enterprise and community level to ensure that the compensation is reasonable to everyone. The census and inventory represents a cut-off date. In recognition of the practical delays that often arise between this cut-off date and the development of the project, losses incurred during this time should be compensated.
- v. In instances where the affected communities reject compensation offers and as a result expropriation or other legal procedures are initiated, the client is expected to explore opportunities to collaborate with the responsible government department.

Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard requires the client priorities protection and conservation of biodiversity, maintaining ecosystem and managing living natural resources for sustainable development. This standard is applied during environmental and social due diligence process.

Requirements

The client is required to meet the standards set out in section 52 of the National Environmental Management: Biodiversity Act, 2004 & Genetically Modified Organisms Act, 1997.

Performance Standard 7: Indigenous People

This performance standard recognizes that indigenous peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalised and vulnerable segments of the population. In many cases, their economic, social and legal status limits their capacity to defend their rights to and interests in lands and natural and cultural resources and may restrict their ability to participate in and benefit from development. This performance is applied during environmental and social due diligence process.

Requirements:

Clients are encouraged to create opportunities for indigenous peoples to participate in, and benefit from project – related activities that may help fulfil their aspiration for economic and social development.

Performance Standard 8: Cultural Heritage

This performance standard recognizes the importance of preserving cultural heritage for current and future generations, consistent with the Convention Concerning the Protection of the World and Natural Heritage. This performance is applied during environmental and social due diligence process.

Annex 6: Checklist for Credit Committee before Loan Approval

- | | | | |
|---|------------------------------|-----------------------------|----------------------------|
| 1. Does the proposed project fall outside the exclusion list? | <input type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 2. Has the project been screened? | <input type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 3. What Risk Categorisation does it fall into? | <input type="checkbox"/> C | <input type="checkbox"/> B | <input type="checkbox"/> A |
| 4. If it falls on category A, has ESIA been conducted? | <input type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 5. Was ESIA conducted by an independent person? | <input type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 6. Has the Relationship Manager checked the ESIA report? | <input type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 7. Are there any mitigation plans recommended to curb the risk? | <input type="checkbox"/> Yes | <input type="checkbox"/> No | |
| 8. Has the Relationship Manager discussed the mitigation plans with the prospective client? | <input type="checkbox"/> Yes | <input type="checkbox"/> No | |

Environmental & Social Management System (ESMS) Checklist
Name of Intermediary: _____
Name(s) of Senior Managers: _____
Approval date: _____
ESMS policy and management commitment—<i>check all that apply:</i>
<input type="checkbox"/> Policy with regard to Environmental and Social (E&S) risk management <input type="checkbox"/> ESMS policy approved by Board <input type="checkbox"/> ESMS specifies types of investments/loans and activities it applies to (e.g., entire portfolio/investment type)
ESMS process and procedures—<i>check all that apply:</i>
<input type="checkbox"/> Documented process to assess Environmental and Social impacts and risks of its projects <input type="checkbox"/> ESMS specifies applicable requirements (e.g., Exclusion List/national laws/WB Performance Standards) <input type="checkbox"/> E&S due diligence process integrated with risk assessment procedures <input type="checkbox"/> Project site visits conducted as part of risk assessment procedures <input type="checkbox"/> Review of borrower’s applicable environment, health and safety permits <input type="checkbox"/> Loan agreements contain covenants requiring ongoing compliance with applicable requirements (e.g., national laws)
E&S monitoring and record keeping—<i>check all that apply:</i>
<input type="checkbox"/> Process for monitoring ongoing compliance with applicable requirements

- Borrowers required to report accidents/incidents within reasonable timeframe
- Borrowers required to provide periodic reports pertaining to E&S performance of projects

ESMS internal feedback and continuous improvement—*check all that apply:*

- Process for periodically reporting Environmental and Social performance information internally to senior management
- Continuous improvement process in place to revise and update ESMS (e.g., changes in national law/international best practices)

E&S external reporting—*check all that apply:*

- Annual reporting on E&S performance to PAT/WB

ESMS roles and responsibilities—*check all that apply:*

- Designated ESMS Officer
- Designated ESMS Environmental Coordinator(s)
- Description of ESMS responsibilities of different roles

ESMS capacity and resources—*check all that apply:*

- Process for communicating ESMS policy and procedures across Financial Institution
- ESMS includes tools (e.g., checklists/guidance notes) for its implementation
- Budget allocated for ESMS training
- Training plan for ESMS implementation

Checklist for Dams and Reservoirs

Category	Environmental Item	Checklist
Permits and Explanation	EIA and Environmental Permits	<ol style="list-style-type: none"> 1. Have EIA reports been completed officially? 2. Have EIA reports been approved by the Government? 3. Have EIA reports been approved unconditionally? If conditions are imposed on the approval of EIA reports, are the conditions satisfied? 4. In addition to the above approvals, have other required environmental permits been obtained from the appropriate regulatory authorities?
	Explanation to the Public	<ol style="list-style-type: none"> 1. Based on appropriate procedures, including information disclosure, have the contents of the project and the potential impacts been explained to the public adequately? 2. Had understanding been obtained from the public? 3. Have proper responses been made to comments from the public and regulatory authorities?
Mitigation Measures	Water Quality	<ol style="list-style-type: none"> 1. Does water quality of dam pond/reservoir comply with the country's ambient water quality standards? Is there a possibility that proliferation of phytoplankton and zooplankton will occur? 2. Does the quality of water discharged from the dam pond/reservoir comply with the country's ambient water quality standards? Are adequate measures, such as clearance of woody vegetation from the inundation zone prior to flooding planned to prevent water quality degradation in the dam pond/reservoir? 3. Is there a possibility that reduced the river flow downstream will cause water quality degradation resulting in areas that do not comply with the country's ambient water quality standards? 4. Has the planned discharge of water from the lower portion of the dam pond/reservoir (the water temperature of the lower portion is generally lower than the water temperature of the upper portion) considered the impacts to downstream areas?
	Wastes	Have measures been identified for earth and sand

Category	Environmental Item	Checklist
		generated by excavation to be properly treated and disposed of in accordance with national standards?
Natural Environment	Protected Areas	<ol style="list-style-type: none"> 1. Is the project site located in protected areas designated by the country's laws or international treaties and conventions? 2. Is there a possibility that the project will affect the protected areas?
	Ecosystem and Biota	<ol style="list-style-type: none"> 1. Does the project site encompass primeval forests, tropical rain forests, ecologically valuable habitats (e.g., coral reefs, mangroves, or tidal flats)? 2. Does the project site encompass the protected habitats of endangered species designated by the country's laws or international treaties and conventions? 3. Is there a possibility that the project will adversely affect downstream aquatic organisms, animals, plants, and ecosystems? 4. Have adequate protection measures been taken to reduce the impacts on the ecosystem? 5. Is there a possibility that installation of structures, such as dams will block the movement of the migratory fish species (such as salmon, trout and eel that move between rivers and sea for spawning)? 6. Have adequate measures been taken to reduce the impacts on these species?
	Topography and Geology	<ol style="list-style-type: none"> 1. Is there a possibility that reductions in sediment loads downstream due to settling of suspended particles in the reservoir will cause impacts, such as scouring of the downstream riverbeds and soil erosion? 2. Is there a possibility that sedimentation of the reservoir will cause loss of storage capacity, water logging upstream, and formation of sediment deposits at the reservoir entrance? 3. Have the possibilities of the impacts been studied, and adequate prevention measures taken?
Social	Resettlement	<ol style="list-style-type: none"> 1. Will involuntary resettlement be caused by project implementation? 2. If involuntary resettlement is expected, have

Category	Environmental Item	Checklist
		<p>efforts been made to consider options to minimize the impacts caused by resettlement?</p> <ol style="list-style-type: none"> 3. Has adequate explanation on relocation and compensation given to affected persons prior to resettlement? 4. Has the resettlement plan, including proper compensation, restoration of livelihoods and living standards, been developed based on socioeconomic studies and consistent with international good practice? 5. Does the resettlement plan pay particular attention to vulnerable groups or persons, including women, children, the elderly, the poor and disadvantaged, ethnic minorities, and indigenous peoples? 6. Have agreements with the affected persons been obtained prior to resettlement? 7. Has the organizational framework to properly implement the resettlement plan been identified or established? Are capacities and budget available to implement the plan effectively? 8. Has a plan been developed to monitor the impacts of resettlement?
	Livelihoods and Quality of Life	<ol style="list-style-type: none"> 1. Is there a possibility that the project will adversely affect the living conditions of inhabitants? Are adequate measures considered to reduce the impacts, if necessary? 2. Is there a possibility that the project will adversely affect downstream land use? In particular, is there a possibility that reductions in the supply of fertile soils to downstream areas will adversely affect agricultural production? 3. Is sufficient infrastructure (e.g., hospitals, schools, roads) available for project implementation? If existing infrastructure is insufficient, has a plan been developed to construct new infrastructure or improve existing infrastructure? 4. Is there a possibility that diseases, including communicable diseases, such as HIV/AIDS will be introduced due to in-migration of workers associated with the project? 5. Has adequate consideration been given to public

Category	Environmental Item	Checklist
		<p>health issues, if necessary?</p> <ol style="list-style-type: none"> 6. Is there a possibility that the existence of the dam will cause impacts on water navigation, such as limitations of vessel traffic and water area uses by local inhabitants? 7. Has the minimum flow required for maintaining downstream water uses been secured? 8. Is there the possibility that reductions in water flow downstream or seawater intrusion will cause impacts on downstream water uses and land uses? 9. Is there the possibility that water-borne or water-related diseases (e.g., schistosomiasis, malaria, filariasis) will be introduced?
	Cultural Heritage	<ol style="list-style-type: none"> 1. Is there a possibility that the project will damage the local archeological, historical, cultural, and religious heritage sites? 2. Have adequate measures been considered to protect those sites in accordance with national heritage laws?
	Landscape	<ol style="list-style-type: none"> 1. Is there the possibility that the project will adversely affect the local landscape? 2. Have necessary measures to address those impacts been taken?
	Ethnic Minorities and Indigenous Peoples	<ol style="list-style-type: none"> 1. Does the project comply with the country's laws associated with the rights of ethnic minorities and indigenous peoples? 2. Has consideration been given to reducing impacts of the project on the culture and lifestyle of ethnic minorities and indigenous peoples?
	Working Conditions	<ol style="list-style-type: none"> 1. Has the project proponent ensured that there is no violation of laws and ordinances associated with the working condition requirements set out in national laws and regulations? 2. Are tangible safety considerations in place for individuals involved in the project, such as the installation of safety equipment that prevents industrial accidents, and management of hazardous materials? 3. Are intangible measures being planned and implemented for individuals involved in the

Category	Environmental Item	Checklist
		<p>project, such as the establishment of a safety and health program, and safety training (including traffic safety and public sanitation) for workers etc.?</p> <p>4. Are appropriate measures being taken to ensure that security guards involved in the project do not violate safety of other individuals involved, or local residents?</p>
Others	Impacts during Construction	<ol style="list-style-type: none"> 1. Have adequate measures been considered to reduce impacts during construction (e.g., noise, vibrations, turbid water, dust, exhaust gases, and wastes)? 2. If construction activities adversely affect the natural environment (ecosystem), have adequate measures been considered to reduce impacts? 3. If construction activities adversely affect the social environment, are adequate measures considered to reduce impacts? 4. If the project involves borrow sites, or if construction activities adversely affect the natural environment (ecosystem), have adequate measures been considered to reduce impacts?
	Accident Prevention Measures	<ol style="list-style-type: none"> 1. Have adequate contingency plans and mitigation measures been developed to cover both the soft and hard aspects of the project, such as accident prevention programs, installation of prevention facilities and equipment, and safety education for workers? 2. Have adequate measures been considered for emergency response to accidental events been considered? 3. Has a warning system been established to alert the inhabitants to water discharge from the dam or reservoir?
	Monitoring	<ol style="list-style-type: none"> 1. Does the proponent develop and implement monitoring program for the environmental items that are considered to have potential impacts? 2. Are the items, methods and frequencies included in the monitoring program judged to be appropriate? 3. Has the proponent established an adequate

Category	Environmental Item	Checklist
		<p>monitoring framework (organization, personnel, equipment, and adequate budget to sustain the monitoring framework)?</p> <p>4. Are any regulatory requirements pertaining to the monitoring report system identified, such as the format and frequency of reports from the proponent to the regulatory authorities?</p>
Note	Reference to Checklists of other Sectors	Where relevant, other sector issues should also be considered, e.g., forestry for projects in the mountains including large areas of deforestation), water supply in situations of close proximity to settlements and urban areas, power and transmission lines for associated installation of power generation, transmission and distribution facilities.
	Other Environmental Issues	If necessary, the impacts to transboundary or global issues should be confirmed, e.g., the project includes factors that may cause problems, such as transboundary waste transmission and/or treatment, acid rain, destruction of the ozone layer, or global warming.

Annual PFI Environmental and Social Performance Report to Land Bank and World Bank Group

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes.

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

PORTFOLIO INFORMATION

Report Covering Period:	
From:	To:

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

Project name	Type of loan	Tenor of loan (months)	Value of exposure (US\$ mn)	Industry Sector ²⁰	Any environmental and social risks and measures taken to mitigate the risks

Environmental & Social Management System (ESMS) – First Report

Policies & Processes	Yes/No	
Has your organization developed and implemented an ESMS?		If yes, please attach a copy of the ESMS to this report.
If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your		If yes, please provide a copy of the updates including dates and reasons for the same.

²⁰ Please use any standard classification or the sectors listed in the earlier table

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organization during the reporting period?		
Has senior management signed off on the updated policy/procedure?		If yes, please provide the date and internal communication indicating the same.
Please give details of any transactions rejected on environmental, health, safety or social grounds.		
Please state any difficulties and/or constraints related to the implementation of the environmental and social procedures.		
Please describe how you ensure that your clients and their projects are operated in compliance with the National laws and regulations.		
Please give details of any material environmental and social issues associated with borrowers during the reporting period in particular.		
Capacity	Yes/No	
Please provide the name and contact information of the Environmental Officer or Coordinator who has the overall responsibility for the implementation of ESMS.		Please describe the training or learning activities the Environmental Officer or Coordinator attended during year.
Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation.		Please describe the training provided to the ESMS persons and other team members during year.
What was the budget allocated to the ESMS and its implementation during the year?		Please provide budget details including staff costs and training as well as any actual costs.
Monitoring	Yes/No	
Do you check for ongoing compliance of your projects with national regulation and any other requirements?		If yes, please describe the process including any environmental and social considerations if applicable.
Please describe how you monitor the client and project environmental and social performance.		Please describe and provide supporting documents and please provide information on the number of projects where a field visit was conducted by staff to review aspects including environmental and social issues.
Please provide details of any accidents/litigation/ complaints/ regulatory notices and fines: <ul style="list-style-type: none"> - Any incidents of non-compliance with the E&S Requirements - Covenants/ conditionalities imposed by the Bank as a result of any non-compliance 		
Reporting	Yes/No	
Is there an internal process to report on environmental and social issues to Senior management?		If yes, please explain the process, reporting format and frequency and actions taken if any.

Activities on Exclusion List	
If any, please indicate the percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in WBG excluded activities.	_____ %
If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure.	

Environmental & Social Management System (ESMS) – Consecutive Reports

Processes	Yes/No	
Have there been any updates to the ESMS or procedure?		If yes, please provide a copy of the updated procedure and reasons for the same.
Has Senior management signed off on the changes?		If yes, please provide a copy of the same.
Please provide details of the implementation budget and reasons for changes from the previous year if any.		
Were any transactions rejected on account of the exclusion list?		If yes, please provide details.
Were there any difficulties and/or constraints related to the implementation of the environmental procedures?		If yes, please provide details.
Were there any material environmental and social issues associated with borrowers during the reporting period in particular?		If yes, please provide details.
Supervision and monitoring	Yes/No	
Do you supervise the performance of your projects?		If yes, please describe how you do this and the extent of coverage of your portfolio.
Do you conduct client site visits?		If yes, please describe the process including any environmental and social issues considered.

Sustainable finance	Yes/No	
Have you made any investments in projects that have environmental and social benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, pollution management, supply chain greening, corporate social responsibility, community development etc?		If yes, please provide details.