

Agricultural Development Bank Limited

Environmental and Social Risk Management (ESRM) Manual, 2023 For Forest for Prosperity Project Loan



Agricultural Development Bank Limited
Risk Management Department
Head Office, Kathmandu

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Agricultural Development Bank Limited (ADBL)
Environmental and Social Risk Management (ESRM) Manual, 2023
for
Forest for Prosperity Project Loan

Preamble:

The share of credit risk outpaces the operational risk, liquidity risk, market risk and other risks that appear in the banking business. Credit risk basically refers to the loss that has been occurred or may occur to the Bank due to the failure of the clients to fulfill the obligations as per the terms and conditions set by the Bank at the time of borrowing loans. Such risk arises from the default of credit or loans, or advance taken by the borrowers or credit clients. Generally, such risk is created at different stages within the credit cycle. While disbursing a loan to a sector, the Bank needs to take into account the economic benefits it brings as well as its potential environmental and social challenges. Environmental and social risk analysis remains critical in the credit process and the overall risk management process. This Environmental and Social Risk Management (ESRM) Manual, 2023 has been issued in accordance with the Guideline on Environmental & Social Risk Management for Banks and Financial Institutions, 2022 framed by Nepal Rastra Bank and as per the Guidelines of The World Bank to strengthen the overall risk management of loans provided under Forest for Prosperity Project (FPP). Whereas, it is expedient to timely control, mitigate and manage the E&S risks likely to arise in connection with all types of credit transactions to be carried out by the Bank in the competitive financial market by identifying such risks while implementing that Guideline; now, therefore, Agricultural Development Bank Limited (ADBL) has developed and put into effect the following manual in exercise of the powers conferred by Sub-section (3) of Section 22 of the Bank and Financial Institution Act, 2017 and Clause (a)(viii) of Rule 12(8) of Agricultural Development Bank Limited Regulation.

Chapter-1: Preliminary

1. Short Title and Commencement

- (1) This Manual may be cited as the “Agricultural Development Bank Limited Environmental and Social Risk Management (ESRM) Manual, 2023 for Forest for Prosperity Project Loan”.
- (2) This Manual shall commence from the date of its approval by the bank and will be applied to the loans provided under Forest for Prosperity Project (FPP) as per the project’s Component Implementation Manual and project’s manuals.

2. Definitions

Unless the subject or the context otherwise requires, in this Manual,-

- (a) “Bank” means Agricultural Development Bank Limited.
- (b) “Rastra Bank” means Nepal Rastra Bank.
- (c) “Board” means the Board of Directors of Agricultural Development Bank Limited.
- (d) “Manual” means the Agricultural Development Bank Limited Environmental and Social Risk Management (ESRM) Manual, 2023 for Forest for Prosperity Loan
- (e) “Point” means the Point contained in this Manual.
- (f) “Credit” means a direct or indirect promise to invest money and the right to recover such amount of investment in return and the interest of such credit or payment of other charges, the refinance given against the security of credit or investment restructuring and renewal of credit, the guarantee made for repayment of credit or any other promise for such repayment, and this term also includes the facilities such as any type of credit, bank guarantee, Letter of Credit etc.
- (g) “Client or Borrower” means a person, firm, institution, cooperative or company that carries out fund or non-fund based transactions from the Bank individually or jointly or in joint venture by executing a deed of loan (*tamasuk*) or under any other written terms and conditions after opening a current/credit account in the Bank, and this term also includes the person or institution that gives guarantee in any form for credit guarantee of the customer.

- (h) “Collateral” means the moveable or immovable assets, reputation, or security or personal guarantee furnished in writing as guarantee of the credit to be extended by the Bank, and this terms also include other guarantees that are acceptable to the Bank.
- (i) “Credit Risk” means the loss that has been occurred or may occur to the Bank due to the failure of a client to fulfill the obligations as per the terms and conditions set by the Bank while borrowing loans.
- (j) “Credit Risk Management” means the policy, procedure, process, and guideline to be developed for identification, measurement, analysis, monitoring, and mitigation of credit risk of the Bank, and this term also includes to the activities to be performed thereunder.
- (k) “High-level Management” means the high-level official of the Bank as determined by the Bank from time to time.
- (l) “Emission” means the emission of greenhouse gas or any other gas, smoke or dust in the environment from a specific area in a certain period of time.
- (m) “Adaptation” means the prevention or mitigation of further loss and damage upon projecting potential impacts and risks of climate change.
- (n) “Climate Change” means a gradual change in the climate of the earth which is attributed as a direct or indirect result of human activity that alters the composition of the global atmosphere, in addition to the observed climate variability over comparable period of time.
- (o) “Climate Change Management” means the mitigation of or adaptation to the problems arising as a result of climate change, and this term also includes a totality of acts including development of policies, strategies, institutional mechanisms, provision of finance and capacity building.
- (p) “Environmental Risk” means the risk likely to be exposed to the various aspects of environment and ecosystem basically due to air, water and land pollution resulting from industrial and business activities, and this term also includes the risk related to climate and climate change.
- (q) “Social Risk” means the impact of industrial and business activities on community health and safety, all kinds of discrimination, negative impact on the indigenous peoples, community and cultural heritages or involuntary resettlement as well as

- unsafe workplace and environment, disobedience to the law related to labor rights and protection. This term also includes the potential risk of accident or injury to the persons or communities, occupational health, and safety.
- (r) “Hazardous Substance” means any substance enlisted in the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and Their Disposal, and explosives, inflammable, substances with perpetual and corrosive properties and the substances that are supposed to be used for the first time upon being processed from unused raw materials which cause adverse impact on the environment.
 - (s) “Biodiversity” means genetic diversity of ecosystem, species, and genetics within the given or specific geography, land or aquatic area or territory.
 - (t) “Mitigation” means measures to reduce the environmental and social risks/impacts including reduction or prevention of emission of greenhouse gas resulting from business activities initiated through ADBL loan.
 - (u) “Pollution” means the activities that significantly degrade, damage the environment or harm the beneficial or useful purpose of the environment by changing the environment directly or indirectly as a result of waste, chemical, heat, noise, gas electrical, electro-magnetic wave or radioactive ray.
 - (v) “Environmental Impact Assessment (EIA)” means an evaluation conducted to study the likely environmental, social and economic impacts of a proposal.
 - (w) “Initial Environmental Examination (IEE)” means an analytical study or evaluation to be conducted to ascertain whether, in implementing a proposal, the proposal does have significant adverse impacts on the environment or not, and with respect to the measures to be adopted for avoiding or mitigating such impacts by any means.
 - (x) “Brief Environment Study (BES)” means a study conducted in regard to the measures to be adopted for avoidance or reduction of adverse impacts on the environment from a proposal.
 - (y) “Environmental and Social Codes of Practice (ESCOP)” contain specific, detailed and tangible measures that would mitigate the potential environmental and social impacts caused by the business activities.
 - (z) “Supplementary Environmental Impact Assessment” means an environmental impact assessment to be made again vis-à-vis a proposal submitted in order to make revision partly in physical infrastructure, design or form, transfer or alter a structure, add a

forest area or increase the project capacity on the environmental impact assessment proposal which has been already accepted.

- (aa) “Micro, Small and Medium (MSME) Loan” means the loans to be disbursed for the establishment, expansion and operation of micro, small and medium industries. The Micro, Small and Medium enterprises here are defined as per the Component Implementation Manual.
- (bb) “Component Implementation Manual (CIM)” is the manual developed in order to facilitate the implementation of component 3 of the Forestry for Prosperity Project (FPP), notably “Forest Enterprise Improvement, and Development.”
- (cc) “Forest for Prosperity Project Loan or Loans” means loans disbursed under The World Bank’s Forest for Prosperity Project (FPP) as per the Component Implementation Manual and project’s manuals.
- (dd) “The World Bank” is an international financial institution, made up of 189 member countries.

3. Objectives of the Manual

The key objectives of this Manual are as follows:

- (1) To implement the Environmental and Social Risk Management Policy, 2022 issued by the Bank.
- (2) To maintain credit quality through identification, measurement, analysis and mitigation of potential risks underlying in the transactions of the Bank due to various environmental and social factors.
- (3) To implement analysis and mitigation measures to the impacts of loan disbursement under the FPP by the bank on the environmental and social aspects.
- (4) To implement the E&S requirements of The World Bank for loans provided under Forest for Prosperity Project.

4. Scope of the Manual

The branch office and head office shall perform the activities such as identification, measurement, mitigation, monitoring and reporting of E&S risk of the loans in the course of their disbursement, extension of limits, renewal and rescheduling/restructuring, subject to this manual applied to the Forest for Prosperity loans.

Chapter-2: Principles and Framework of Environmental and Social Risk Management

Environmental & Social Due Diligence

E&S due diligence is an approach to identify the potential risks and liabilities to be imposed on the environment and society from the loans disbursed by the Bank. Prior to disbursing loans, a decision can be made whether to disburse such loans or not by conducting a due diligence. Its detailed process is provided in Point No. 3 of Chapter-3.

5. Applicability of the Manual

The transaction types for this manual is applicable to the loans disbursed under FPP. In order to identify, manage and mitigate E&S risks, the Bank needs to develop a robust Environmental and Social Risk Management System for any of the above types of financing are required, consistent with the national laws and The World Bank's best practices. While disbursing loans as follows, the Bank shall conduct an analysis under Environmental and Social Due Diligence (ESDD) according to Point No. 3 of Chapter-3 of this Manual. In addition, details related to stakeholder engagements, labor management and its condition, and grievance redressal shall also be dealt with in this manual itself.

All loans funded by The World Bank: All loans disbursed under the grant/support received from The World Bank will comply with the E&S requirements of The World Bank and national laws. The FPP will not finance any loans mentioned on the Exclusion List (Annex 2a) and will finance only those loans mentioned in the Component Implementation Manual of FPP (Annex 2b). All the loans financed under the FPP will undergo E&S Due Diligence using the ESDD Checklist (Annex 4).

6. Roles and Responsibilities

6.1 Staffs assigned for credit processing:

The key responsibility of identifying the environmental and social risks of any loan to be disbursed shall lie with the assigned staffs for credit processing. For this purpose, the assigned staffs for credit processing shall have the following roles and responsibilities:

- To comply with the procedures and processes included in this Manual.
- To hold discussions and consultations with the client and other stakeholders, make site visit and collect necessary documents as appropriate.
- To ascertain whether permits have been obtained or not from various agencies for the proposed transaction.

- To fill out all the details in the ESDD Checklist (Annex-4) in consultation with the client.
- If any provision is required to be included in the loan proposal for mitigation of environmental and social risks in the transaction of the client, make recommendation to the Credit Administration Department accordingly.
- To provide/submit additional details/information and documents by collecting them as required by the level/administration unit/department that approves credit.
- To follow up with client if there are any pre-disbursement actions to be completed by them.

6.2 Credit Risk Officer:

The Credit Risk Officer shall have the following roles and responsibilities:

- To review the results of ESDD after it is conducted by the assigned staffs for credit processing.
- To ensure whether the client has complied with the ESDD, including E&S rating and existing laws, or not during the review.
- If any provision is required to be included in the loan proposal for mitigation of environmental and social risks in the transaction of the client, to carry out review before making any recommendations to the Credit Administration Department accordingly.
- To maintain the details of such loan if any loan involving E&S risks has been disbursed by the branch office.
- To send the details of clients, who are denied loans by the branch office due to E&S risks, to the Credit Administration Department on a monthly basis.

6.3 Credit Administration Department:

The Credit Administration Department shall have the following roles and responsibilities:

- To ensure that it has sufficient information regarding the potential E&S risks associated with the loan to be disbursed by the Bank.
- To ensure that the provisions of the loan proposal are sufficient to manage the identified E&S risks of the client.
- To provide all necessary information related to loans to the Risk Management Department.
- To make reporting of E&S risks to Nepal Rastra Bank/World Bank/other international institutions.

6.4 Risk Management Department:

The Risk Management Department shall have the following roles and responsibilities:

- To ensure that any major issue of E&S risks is not overlooked in the loans to be disbursed by the Bank
- To confirm whether necessary documents/evidence regarding the compliance of National law as well as E&S requirements of The World Bank according to transaction of the client are sufficient or not.
- To ensure the integration of the issues of E&S risks into the Annex of Credit Procedure of the Bank and Credit Process Automation Software (CPAS).
- To provide training to branch offices on E&S risks as per necessity.

6.5 Focal Point/Officer:

The Bank shall appoint an officer-level employee from relevant department as the E&S focal point. The focal point shall have the following responsibilities:

- To assist the Bank in carrying out E&S risk management.
- To support the Bank in the development, integration and implementation of the Environmental and Social Risk Management System.
- To update the high-level management on the current status loan disbursement (portfolio), and unresolved E&S issues or non-compliance in such portfolio, subject to the Environmental and Social Risk Management System of the Bank from time to time.
- To report to Nepal Rastra Bank and World Bank as and when required.
- To track the latest news on E&S risks published or broadcast in the media and to update the management process thereof.
- To assist the relevant employees for identification of E&S risks and conduction of ESDD, as per requirement.

6.6 Client:

The Client or the Borrower should have the following roles and responsibilities:

- The Client should adhere to applicable environmental and social standards, regulations and guidelines set by the Government of Nepal and the Bank. The client should also adhere to the guidelines and regulations set by The World Bank.
- The Client is required to screen and conduct BES, IEE and/or EIA to assess the potential environmental and social risks and potential impacts of the project accordingly.
- The client is required to identify and engage with the stakeholders throughout the project cycle through information dissemination, consultation and informed

participation in a manner proportionate to the risks and impact on affected communities.

- The client should establish a grievance mechanism proportionate to the risks and impacts of the projects.
- The Client should develop and adhere to a corrective action plan or Environmental and Social Codes of Practice (ESCOP), where applicable, to implement appropriate adaptation and mitigation measures to comply with the E&S requirements.
- The Client should provide all necessary information to the Bank related with the environmental and social risks and potential impacts. In case of any accidents/incidents occurred or any grievances is received, the client should notify the bank within 24 hours.

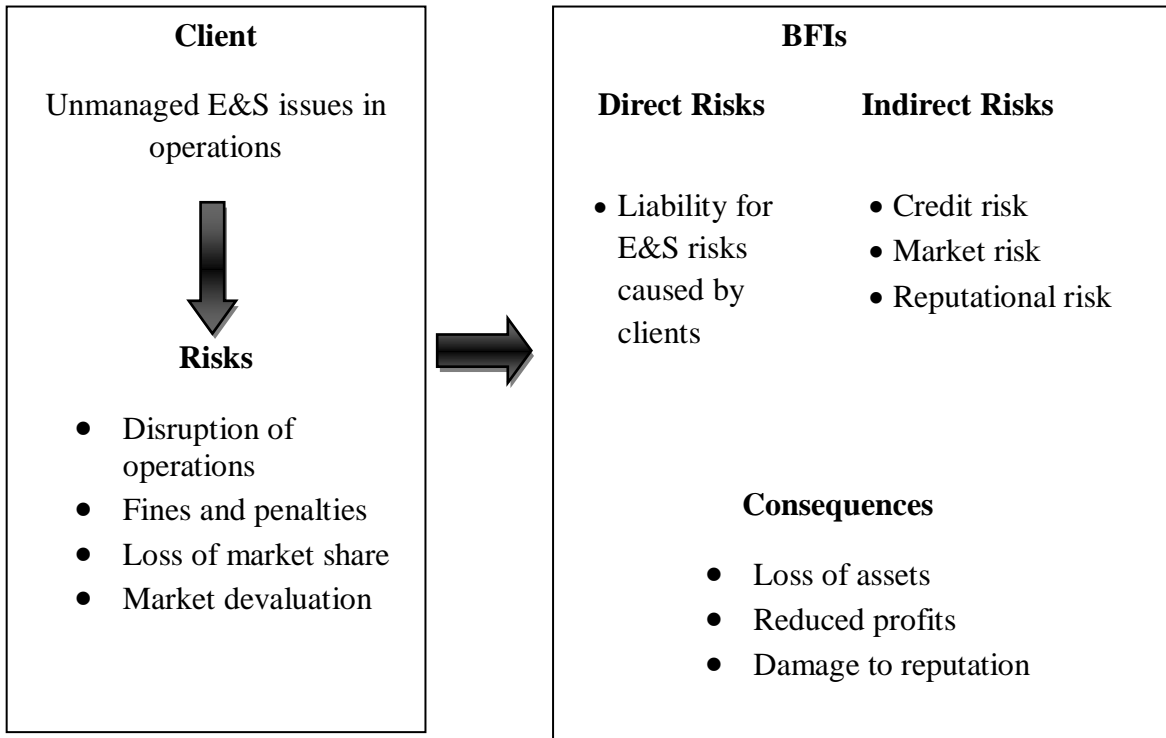
7. Typical E&S Risks for Banking and Financial Institution (BFI) Clients

Environmental risks involve potential damage to the environment and ecosystem. The principal sources of such potential damage are the air, water and land pollution resulting from industrial activities. Environmental risks are largely related to the nature (i.e., sector) of the business activity. Social risks pertain to the potential of business activities to cause an adverse impact such as damage, injury or loss to persons (e.g., employees, clients) and communities (e.g., neighbors). Social risks can include violation of labor standards, unsafe working conditions, and community impacts such as public health, safety and security, discrimination, impacts on indigenous peoples and cultural heritages, or involuntary resettlement. The details on typical E&S risks for BFI clients are provided in Annex-1.

Risks to the Bank associated with E&S risks for clients are as follows:

- Credit risk:** The Bank is exposed to credit risk when a client is unwilling and/or unable to fulfil the contractual obligations associated with a transaction as a result of E&S issues. For example, if a client faces increased capital or operating costs of complying with regulatory or supply chain E&S standards or if operating permits or pollution control certificates are absent or expired resulting in regulatory fines or penalties, there is a risk that the client cannot meet its financial obligations to the Bank. Likewise, the Bank is exposed to credit risk stemming from a reduction in the asset value of collateral associated with a transaction due to E&S problems.
- Legal risk:** The Bank is exposed to legal risks stemming from the failure of a client to comply with legal obligations. This includes fines, penalties, and costs for addressing third-party claims for damages due to negligence in managing E&S risks in a client's operations and clean-up of pollution.
- Operational risk:** The Bank faces operational risk stemming from potential disruption of client's operations as a result of E&S problems. A client's failure to effectively address E&S considerations can jeopardize its business operations, affect cash flow and ability to meet its financial obligations.

- d. **Reputational risk:** The Bank is exposed to reputational risk due to potentially negative publicity associated with a client’s poor E&S practices. This can harm a Bank’s brand value and image in the media, public and the business and financial community.



Chapter-3: E&S Risk Management Process

8. E&S Risk Management Process

The Bank shall complete the following steps while disbursing loans or managing E&S risks.

8.1 Exclusion Lists

- This Manual shall only be applicable in the case of loans financed under FPP.
- Screening shall be conducted by the client in consultation with Bank to confirm whether the proposed client and project is on the Exclusion List of the Bank and FPP or not (Annex 2a and 2b).
- If the client and the project is involved in any working area or activity mentioned in the Exclusion List, loan disbursement shall be denied to such client and project.

8.2 Initial Categorization

- Proposed loans shall be categorized by the size or type of the loans. Categories of loan shall be as follows as per the Component Implementation Manual of the FPP. All loans shall be subjected to the E&S due diligence under this manual and the prevailing law of Nepal, as required. The categorization of Micro, Small and Medium Loans is for the purpose of the FPP only.
 - Micro Loans (new/renewal/rescheduling/restructuring): A loan application up to Rs 2.4 million (USD 20,000).
 - Small Loans (new/renewal/rescheduling/restructuring): A loan application above Rs 2.4 million (USD 20,000) and up to Rs 12 million (USD 100,000)
 - Medium Loans (new/renewal/rescheduling/restructuring): A loan application above Rs 12 million (USD 100,000) and up to Rs 60 million (USD 500,000)
 - Project finance: Project Finance is the financing of long-term infrastructure, industrial projects and public services based on a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project.

8.3 E&S Risk Assessment Procedures

The following steps will be undertaken for environment and social risk assessment by client in consultation with Bank:

Step 1- E&S screening for eligibility: Screening of the activities/sub-project against a list of excluded activities as per the manual (Annex 2a and 2b)

Step 2- Screening for E&S rating/categorisation: Screening to evaluate the E&S risks should be undertaken (see Annex 4 for due diligence screening checklist). Upon completion of the E&S screening, an E&S risk rating (High, Medium, or Low) will be generated (see section 8.4 and 8.5 for detail). This will establish the relevant regulatory framework for the project as per the World Bank ESF requirement and national regulatory frameworks, along with Environment Protection Act (EPA 2019) and Environment Protection Rules (EPR 2020).

Step 3-E&S Risk Assessment and Mitigation: Based on the initial categorization and E&S rating, the client will have to carry out further E&S assessments to fulfill WB ESF and the national regulatory E&S requirements (see section 8.6 for detail).

Step 4-Escalation: Depending upon the E&S risk rating (high and medium) of the client, the staffs assigned for credit processing shall provide information to the pertinent higher relevant authority about the transaction.

Step 5-E&S Risk Monitoring and Reporting: The client must establish a mechanism to monitor the proposed environment and social remedial/mitigation aspects. In addition, the E&S performance reporting mechanism to the Bank must also be established by the client (see section 8.7 and 8.8 for detail).

8.4 Conducting E&S Due Diligence

- Necessary documents (e.g., Brief Environmental Study, IEE or EIA in accordance with Environmental Protection Rules, 2020 as well as pollution control certificates, permits as specified in Annex) shall be checked and examined to ensure whether the client has complied with the national E&S regulations as per the nature of transaction.
- Necessary E&S documents/instruments/tools as per the requirements of The World Bank will be prepared.
- If the client has any sponsor, collect and analyze information related to the latest track record and negative publicity of that sponsor.
- To analyze information available on social media.
- To obtain professionally available database.
- To obtain information on it from the records maintained in any agency under the prevailing law.

- To confirm whether the client transaction has complied with international standards or best practices regarding environmental and social issues.
- To carry out necessary inquiry/investigation by making site visits to the project. (Annex-7)
- To obtain expert opinions of third party if necessity.

8.5 Generate E&S Risk Rating

Upon completion of the ESDD Checklist (Annex 4), an E&S risk rating (ESRR) (high, medium, or low) of the client shall be generated/determined. This rating provides indication of the E&S risk and compliance level in the actual transaction, irrespective of sector activity.

- **High Risk:** Transactions typically involve clients with business activities with significant adverse E&S impacts that are diverse, irreversible or unprecedented, low capacity of loan recipient, lack of technology, and others. A potential impact is considered significant if it may be irreversible (such as loss of a major natural habitat, affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites).
- **Medium Risk:** Transactions typically involve clients with business activities with specific E&S impacts that are few in number, generally site-specific, largely reversible, low capacity and readily addressed through mitigation measures and international best practice. Medium ESRR also indicates transactions with less serious non-compliance or unresolved non-material issues.
- **Low Risk:** Transactions typically involve clients with business activities with minimal or no adverse E&S impacts. Low ESRR also means that all issues appeared to be sufficiently manageable and that were no compliance issues identified.

8.6 E&S Risk Management and Control

- For Low risk transactions, a generic Environmental and Social Codes of Practice (ESCOP) will be prepared and implemented by the Client and shall be included in the loan approval document. Annex 5 contains the generic template for ESCOP.
- For high and medium risk transactions that are eligible for support, the Client may require to prepare BES, IEE and EIA to fulfill the government regulations. To meet ESF requirements, the Client will require preparation of Environmental and Social Management Plan (ESMP) and other instruments as required. A time bound action plan with mitigation measures to the identified risks and provisions of The World Bank and prevailing National law shall be included by the client in the loan approval document. A sample time bound corrective action plan is included in Annex 6.
- The staffs assigned for credit processing shall prepare and submit an E&S Risk Summary and Risk Management Plan (Annex 8) to the Credit Authority

incorporating the results of the ESDD and recommendations on behalf of the Bank regarding any required remedial actions to be adopted by the client.

- The following documents shall be kept up-to-date, in addition to all documents related to the issues identified during inspection of the transaction of the client in the loan file.
 - (1) ESDD Checklist containing all details.
 - (2) Final approved/cleared E&S documents as per the requirements
 - (3) Copies of all permits and clearances (Approval or BES/IEE/EIA, fire safety license, audit report) received from the concerned agencies.
 - (4) E&S covenants mentioned in the loan agreement.
 - (5) E&S Risk Summary.
 - (6) Post-loan disbursement E&S supervision reports.
 - (7) The E&S documents as per The World Bank and the National Laws (if applied) as well.

8.7 E&S Risk Monitoring

- E&S issues and the compliance of mitigation measures to potential E&S issues associated with the project shall be reviewed throughout all phases of the project life cycle.
- The Bank shall carry out inspections of the project from time to time. The Branch Manager or assigned staffs for credit processing of respective Branch Office shall monitor the compliance of the E&S mitigation measures (ESCOP for low risk transaction and corrective action plan for medium and high risk transaction) at least once every quarter while conducting the credit monitoring as per the monitoring checklist (Annex 9).
- The monitoring report should be duly signed by the client and respective Branch Manager or staffs assigned for credit processing and recorded.
- The monitoring reports will be provided to The World Bank annually or as per need basis according to the nature of the risks.
- It shall be confirmed whether the validity period of the expired permits has been extended or not.
- In case of changes in the risk category from low risk to high risk while monitoring, the same needs to be escalated to one level higher authority. In case the risk has been mitigated and the risk category changes to lower risk (from high risk to medium risk, or from medium risk to low risk), this needs to be duly reported. Further in case of additional risk identified during the implementation of business activities, the same needs to be addressed through new corrective action plan or through ESCOP, where applicable.

8.8 E&S Risk Reporting

ADBL shall make provision for E&S performance reporting to senior management (in the case of internal reporting) and to Nepal Rastra Bank, shareholders, the World Bank and stakeholders (in the case of external reporting) as per the Annex10.

- The reporting mechanism of concerned staff will be carried out as per the Roles and Responsibilities mentioned in this manual (Point no. 6).
- The bank will submit the E&S reports on the implementation of E&S, including E&S manuals and E&S performance of the loans disbursed through FPP to the World Bank annual or as per need basis.
- Additionally, the Bank will notify the World Bank of any accidents/incidents or grievances received within 48 hours upon the receipt of accidents/incidents or grievances from the client.

9. Stakeholder Engagement and information disclosure:

Stakeholder engagement is an integral part of the project's environmental and social assessments, project design and its implementation. The ADBL shall establish systematic approach to stakeholder engagement that will help them build and maintain an inclusive engagement with stakeholders. The ADBL will put in place the procedures for external communications on the projects and related E&S matters, establish GRM and respond to public enquiries and concerns in timely manner. The bank will require its borrowers/loan receiptient to identify and engage with its stakeholders including communities affected by the project through information disclosure, consultation and informed participation in a manner proportionate to the risks and impacts on the affected communities.

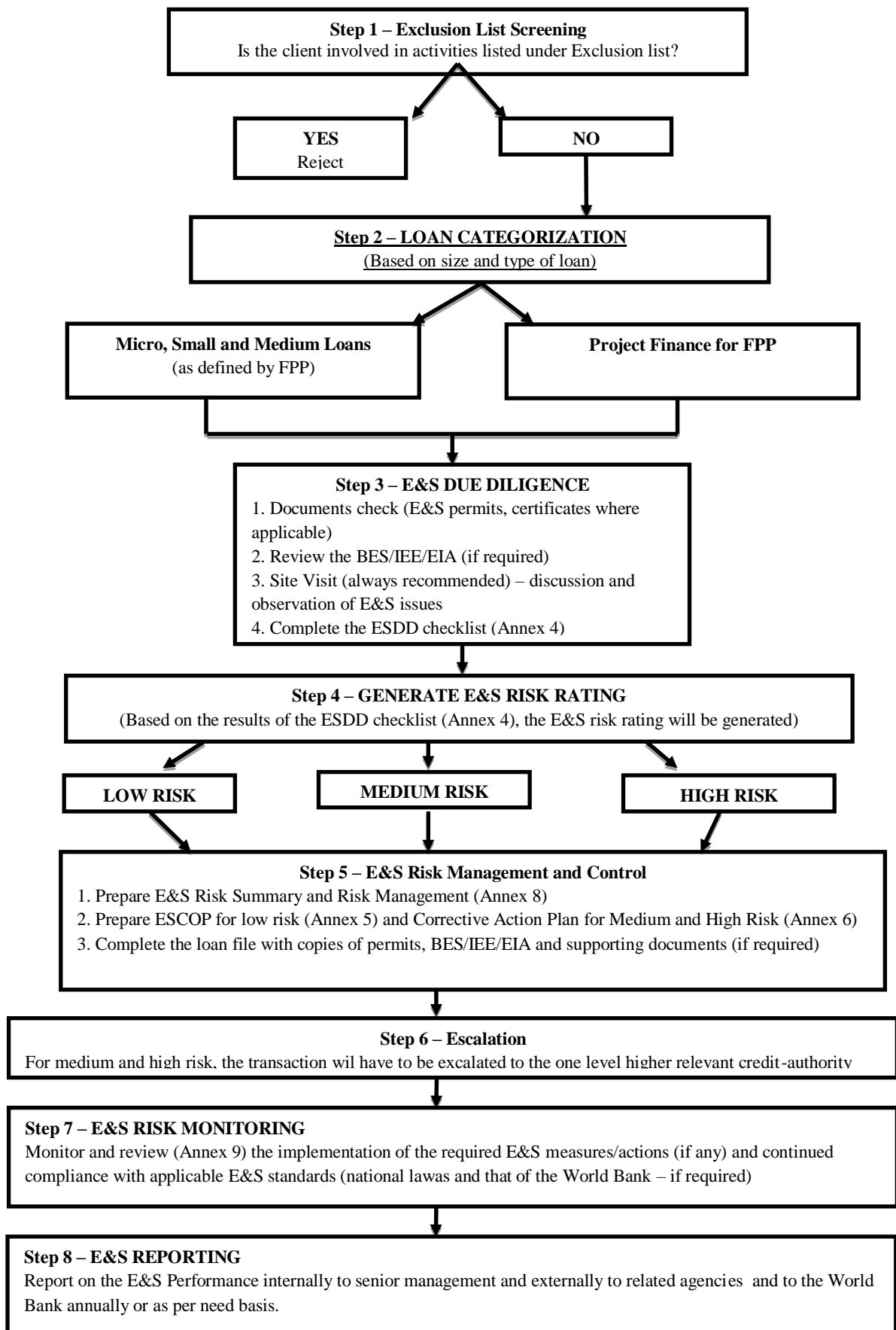
The loan receiptient will be required to:

- Identify and engage with stakeholders through-out the project life cycle, commencing such engagement as early as possible in the project development process and allow meaningful and inclusive engagement with stakeholders.
- Identify those project-affected parties (individuals or groups) who, because of their particular circumstances, may be disadvantaged or vulnerable and require different, or separate, forms of engagement.
- Disclose project information to allow stakeholders to understand the risks and impacts of the project, and potential opportunities. Information will disclosed in relevant local language and in a manner that is accessible and culturally appropriate, taking into account any specific needs of groups that may be differently or disproportionately affected by the project.
- Provide stakeholders with timely, relevant, understandable, and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion and discrimination.
- Establish a functioning GRM that is proportionate to the risks and impacts of the project.
- Develop and implement a Stakeholder Engagement Plan (SEP). The nature, scope and frequency of engagement with stakeholders will be proportionate to the nature and scale of the project and its potential risks and impacts. (Annex 11 SEP template)

10. Grievance and Redressal

- As per the Nepal Rastra Bank (NRB) requirements, the BFIs need to have a grievance and its redressal mechanism. The bank has appointed a Grievance Handling Officer (GHO) as per the requirement of NRB. The mechanism of lodging grievances and addressal of the same is recorded in the grievance register and reported on quarterly basis to NRB. The information related with the GHO – name, email address, toll free number and mobile number has been provided in the bank’s official website and the knowledge products and information materials produced by the bank as well.
- The bank shall appoint its existing Grievance Handling Officer for receiving and redressing/hearing grievances related to potential impacts of loans disbursed through FPP on the E&S.
- The grievance redressal mechanism shall be culturally appropriate and easily accessible to the persons and communities affected by loan disbursement, and the grievances shall be redressed in a transparent and impartial and timely manner.
- Project affected parties and other stakeholders will be informed about the grievance handling process through means and channels.
- Grievances may be filed through the official email address of the Bank, or through the telephone (toll free number or through mobile number of GHO) or to the nearest branch office in writing. Any grievances received through the branch office shall be reported to the Grievance Officer at the head office.
- The grievances will be recorded in the grievance register by the Grievance Handling Officer of the bank and will be forwarded to the concerned departments/personnel for addressing the grievances. All the grievances addressal will be duly recorded by the concerned departments/personnel.
- The grievances and their redressal related with the FPP shall be monitored and reported to the World Bank as well.
- The GRM will not prevent access to judicial and administrative remedies.
- The GRM put in places by the bank will also be used for addressing Gender Based Violence (GBV) and Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH)-related issues. Mechanisms for confidential reporting with safe and ethical documentation of GBV issues at local level will be established. A GBV focal person will be assigned and trained on managing and handling such grievances.

The following flow chart summarizes the steps to be followed while conducting Environmental & Social Due Diligence



Chapter-4: Miscellaneous

11. This Manual to Prevail

- (1) The provisions previously made for E&S risk management shall be deemed to have been made under this Manual itself.
- (2) The processes specified in the Guideline on Environmental & Social Risk Management for Banks and Financial Institutions, 2022 and the Directives issued by Rastra Bank on various times shall be adopted for the implementation of the processes stated in this Manual. The changes required in this manual shall be notified to the World Bank.
- (3) If the provisions stated in this Manual are inconsistent with the Directives, Acts and Rules issued by Rastra Bank, such provisions shall be deemed to have been *ipso facto* void to the extent of such inconsistency.

12. Power to Interpret

If any confusion arises in connection with the matters stated in this Manual, the power to interpret thereof shall rest with the Board.

13. Amendment

The power to make an amendment to this Manual shall rest with the Board and Chief Executive Officer, respectively. The power to make any amendment in the template as mentioned in Annexes in this manual shall rest with the Chief Executive Officer of the bank. Before making any amendment in this manual, consultation and No Objection shall be retrieved from the World Bank.

14. Capacity Building of ADBL

The FFP project or the World Bank shall provide capacity building support to the bank for E&S risk assessment, management, monitoring and reporting as per this manual to transfer the knowledge to the relevant department, Province office and Branch office for E&S risk management.

15. Annexes

Annex-1: Typical E&S risks associated with Bank clients

<p>Air Emissions and Air Quality</p>	<p>Air emissions are typically associated with processes such as raw material mining and transportation such as limestone mining for cement industries, brick kiln industries, combustion of fuel for energy production, storage of raw materials or final products or other industry-sector specific processes. The generation and release of air emissions can be managed by industries through the use of combination of energy efficiency and control techniques such as solar, water or wind energy. Quality energy that contributes to less air emissions is required to be used as far as possible.</p> <p>The Ministry of Forests and Environment or Provincial Environment Ministry or Municipality issues pollution control certificate to the industries, subject to its jurisdiction. Before submitting an application for pollution control certificate, the industries need to prepare the latest report on compliance of environmental standards according to the Environment Protection Rules, 2020. Emission standards for in-use and new diesel generators (DG) sets, industrial boilers, incinerators, cement industries, crusher industries, brick kilns and diesel generators have been introduced by the government. Similarly, Nepal Vehicle Mass Emission Standard, 2012 which limits the imports of vehicles, and Nepal Air Quality National Standard have also been put in place.</p>
<p>Water Use and Conservation</p>	<p>Generally, water use at the industry level is associated with processes such as production, manufacturing, cleaning, dyeing, cooling water, and heating systems. Beer and liquor industries, packaged water bottle factories and juice or soft drink production industries are some of the noticeable examples of highly water consuming industries. Where possible, a client's operations should reduce overall water use at the facility level by managing the water consumption associated with specific production processes.</p>
<p>Wastewater and Water Quality</p>	<p>A client's operations may generate wastewater, which can be treated on-site and/or discharged to the municipal sewage system for treatment, or directly to the surface water bodies without prior treatment. Where possible, a client's operations should avoid, minimize and control adverse impacts to human health, safety, and the environment from wastewater through the provision of the wastewater treatment system.</p> <p>The Government of Nepal has generic and specific standards for specific industries. The specific standards are as tolerance limit for industrial effluents to be discharged into inland surface waters for tanning industries, wool processing industries, fermentation industries, vegetable ghee and oil industries, paper and pulp industries, dairy industries, sugar industries, cotton textile industries, soap industries, galvanizing and electroplating industries, paint industries, non-alcoholic beverage industries and pharmaceutical industries. Generic standards are also in place for industrial effluents to be discharged into inland surface waters, into public sewers, and into inland surface waters from combined wastewater treatment plant.</p>
<p>Solid Waste</p>	<p>A client's operations may generate, store, or handle hazardous or non-hazardous solid wastes which can be discarded by disposal, open burning or incineration. Inappropriate waste disposal practices can lead to contamination of ground water or local air pollution through its burning or contamination of agricultural lands, transmission of diseases and infections or potential fines and/or penalties as stipulated</p>

	<p>in national regulations.</p> <p>Solid (non-hazardous) waste generally includes domestic trash (Paper, plastic, dust, kitchen waste), inert construction/demolition materials, empty containers (except those previously used to contain hazardous materials), and residual waste. Requirements on safe handling, collection and disposal of waste are specified in the Solid Waste Management Act, 2011. Discharge of solid waste, discharge and management of harmful and chemical waste, discharge and management of health institution-related waste have been mentioned in Rules 4, 5 and 6 of Solid Waste Management Rules, 2013 respectively. Similarly, the Section 11 (2) (i) and (j) of Local Government Operation Act, 2017 has given responsibilities to the local government for sanitation and waste management, health-related waste management, control of hazardous waste, environment risk mitigation, etc. Section 102 of the Act has also mentioned the rights of local government to formulate acts, regulations, guidelines, and standards for environmental protection pollution control, and waste management among others.</p> <p>Section 17 of the Environment Protection Act. 2019 and Rule 16 of Environment Protection Rules, 2020 have the provision for management of hazardous substances. They state that the person or organization that produces hazardous substances shall be responsible for managing such hazardous substances. In collecting, storing, processing, selling, distributing, disposing or transporting the hazardous substance, the concerned person or organization shall make its proper management at his or her own cost in a manner not to cause adverse impacts on the environment.</p>
<p>Labor and Working Conditions</p>	<p>Failure to provide a healthy and safe working environment and establish sound workers' management relationship can undermine worker commitment, productivity, and retention, result in labor strikes, and can jeopardize a client's operations. A client should document and communicate to all employees (including contract workers) their working conditions and terms of employment. These include their entitlement to wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity and paternity, vacation, or holiday, that at a minimum comply with national law. A client cannot employ children in a manner that is economically exploitative or is likely to be harmful to the child or to interfere with the child's education. A client cannot employ forced labor, which consists of any work or service not voluntarily performed by an individual but executed under threat of force or penalty. A client should take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women. A client should provide all employees with a mechanism to raise reasonable workplace concerns, confidentially or anonymously if needed, so that concerns can be addressed promptly at the management-level without any retribution.</p> <p>The Labor Act, 2017 and its Rules, 2018 provide details on such measures as adequate supply of clean and fresh air and light, provision of separate modern toilets for male and female workers and employees; supply of adequate safe drinking water; provision of the appropriate volume of ventilation, condition of light, temperature and sound; protection from dust; smoke, fumes and other impurities; avoidance of overcrowding in any room of the establishment, health checkup facilities and provision of extinguishing fire.</p>

<p>Community Health and Safety</p>	<p>A client's operations can increase the potential for community exposure to risks and impacts arising from accidents, fire, emission of polluting gases, and discharge of untreated effluents, haphazard waste disposal, high decibel noise, structural failures, and releases of hazardous materials. Some of example industries are gas factories, petrol pumps, hydropower plants etc. Communities may also be affected by impacts on their natural resources and, exposure to diseases. While acknowledging the public authorities' role in promoting the health, safety and security of the public, it is also the client's responsibility to avoid or minimize these risks and impacts that may arise from operations.</p> <p>The client needs to prevent or minimize the potential for community exposure to hazardous materials, emission of toxic gaseous, discharge of effluents or clearing of the forest they are dependent for their livelihood that may be released during pre-construction, construction and operations. If there is a potential for life-threatening hazards, the client needs to modify operations or substitute or eliminate substances causing the hazard.</p>
<p>Biodiversity and Ecosystem Services</p>	<p>These risks are particularly relevant for projects that are located in modified, natural, and critical habitats (e.g., protected areas, wetlands, national forests); that potentially impact on or are dependent on ecosystem services (e.g., tourism related activities, hospitality, extraction and processing of non-timber forest products, transmission lines) or that include the production of living natural resources (e.g., agriculture, animal husbandry, fisheries, forestry).</p> <p>The client needs to prevent or minimize the potential for his activities to impact biodiversity and ecosystem services.</p> <p>The principle legislative instruments of biodiversity and nature protection are specified in Nepal in the Forest Act, 2019, National Parks and Wildlife Conservation Act, 1973 and its Rules, CITES Act, 2017 and its Rules, 2019, Environment Protection Act 2019 and Environment Protection Rules, 2020. Environmental protection considerations are incorporated into Brief Environmental Studies (BES) / Initial Environmental Examination (IEE) / Environmental Impact Assessment (EIA). Similarly, Plant Quarantine and Protection Act (2007) prohibits the import of any plant or plant part or related materials from any country without prior approval of the government.</p>

<p>Land Acquisition and Resettlement</p>	<p>Resettlement refers both to physical displacement and to economic displacement due to land acquisition associated with a client's operations. Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse displacement.</p> <p>Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons and communities, as well as environmental damage and social stress in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided or when unavoidable minimized by design alternatives. The client should further mitigate unavoidable social and economic impacts from land acquisition and resettlement by providing timely compensation for loss of assets at replacement cost and assist displaced persons/households in their efforts to restore their livelihoods and living standards. The client needs to ensure that a grievance mechanism is in place to receive and address specific concerns about compensation and relocation that are raised by the affected persons.</p> <p>The Land Acquisition Act, 1977 is the main governing legal document to guide the process related to land acquisition and relocation in Nepal. Its compliance can help to reduce the risks resulting from involuntary resettlement.</p>
<p>Indigenous Peoples (IPs) and Vulnerable Populations (VPs)</p>	<p>Indigenous Peoples (IPs) (Adivasi Janajati) are recognized as social groups with identities that are distinct from dominant groups in national societies and are often among vulnerable segments of the population. Indigenous Peoples and Vulnerable Populations are often closely tied to their traditional or customary lands and the natural resources on these lands. While these lands may not be under their legal ownership as defined under national law, the use of these lands by communities for their livelihoods or for cultural purposes is often recognized under customary law. However, their economic, social and legal status often limits their capacity to defend their interests and rights to lands and natural and cultural resources.</p> <p>IPs and vulnerable groups are often affected by the project activities disproportionately. They are particularly vulnerable if their lands and resources are transformed, encroached upon by outsiders, or significantly degraded. A client should ensure that during operations, the identity, culture and natural resource-based livelihoods of such populations are respected and exposure to impoverishment and disease is prevented. A client should avoid, minimize adverse impacts on the IPs and VPs. Targeted and differentiated measures is needed to ensure these disadvantaged and vulnerable groups have opportunities to participate in accessing project benefits, provide feedbacks and submit grievances.</p>

Cultural and Natural Heritage	<p>If a client's operations are initiated and operated without consideration for cultural and natural heritage, there are significant legal and reputational risks. Cultural and natural heritage encompasses properties and sites of archaeological, historical, cultural, and religious significance as well as unique natural features and cultural knowledge, and innovations and practices of communities embodying traditional lifestyles, which are protected for current and future generations. Consistent with the requirements of the Convention Concerning the Protection of the World Cultural and Natural Heritage, a client is required to avoid significant damage to cultural and natural heritage due to their business activities (e.g., businesses/industries near the UNESCO sites such as Basantapur Durbar Square, Patan Durbar Square, Bhaktapur Durbar Square, Pashupatinath, Chitwan National Park, Sagarmatha National Park, Lumbini, etc.)</p>
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Annex-2a and 2b: Exclusion Lists

2a NRB

S.N.	Sector/Activities
1	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, Printed Circuit Board (PCB), Wildlife or products regulated under the convention on international Trade in Endangered Species of Wild Fauna and Flora (CITES)
2	Fishing with the use of explosives or cyanide
3	Operations impacting UNESCO World Heritage sites and other cultural heritages in Nepal
4	Illegal logging and logging operations or conversion of land for plantation use in primary tropical moist forests
5	Production or activities involving forced labor/child labor or resulting in violation of human rights or human trafficking
6	Production of activities that impinge on the lands owned, or claimed under adjudication by Indigenous people, without full documented consent of such peoples
7	Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment and any equipment where the radioactive source is considered to be trivial and or adequately shielded.
8	As per Schedule 1, Section 8 of the Industrial Enterprises Act, 2020, license from the Industrial and Investment promotion Board shall be obtained in order to establish the following industries: <ol style="list-style-type: none"> 1. Industries producing arms, ammunition, gunpowder or explosives 2. Security Printing, bank notes and coin Industries 3. Industries producing cigarettes, bidis, cigars, chewing tobacco and other goods utilizing tobacco as the basic raw materials, and electronic cigarettes 4. Microbrewery, beer, alcohol, or alcoholic substances-producing industries 5. Stone, ballast, sand excavation, processing industries; 6. Industries producing radio communication equipment; 7. Industries like the excavation of precious minerals and petroleum products; 8. Liquefied Petroleum Gas (L.P.G) refilling industries 9. All kinds of industries producing drone products or providing services through drones; 10. Other Industries requiring permission under the prevailing laws.

2b Exclusion list of FPP

- Activities that contravene Nepal's obligations under its international agreements
- Activities that are proposed to take place inside parks or protected areas, including their buffer zones
- Activities that convert or degrade critical natural habitats
- Activities that are proposed to take place in religious forests as per the National Forest Act (2019)
- Activities that require involuntary land acquisition and resettlement
- Activities that will have adverse impacts on land and natural resources subject to traditional ownership and under customary use or occupation

- Activities that have significant impacts on IPs cultural heritage that is material to the identity and or cultural and spiritual aspects of the affected IPs lives.
- Activities involving harmful or exploitative forms of forced labor and/or harmful child labor
- Any production or trade in wood or other forestry products involving raw materials other than from sustainably managed forests.

Considering the nature of the project and the environmental and social sustainability issues connected with it, the exclusion list also includes the following activities:

- Use of exotic species planted inside natural forest areas
- Introduction of alien species that have potential to become invasive
- Use of species that are not suitable for the site
- Activities that would involve significant use of chemical pesticides

Annex-3: Environmental and Social Standards (ESSs)

ESS1 Assessment and Management of Environmental and Social Risks and Impacts sets out the Borrower's responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a project supported by the Bank through Investment Project Financing (IPF), in order to achieve environmental and social outcomes consistent with the Environmental and Social Standards (ESSs).

ESS2 Labor and Working Conditions recognizes the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. Borrowers can promote sound worker-management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions.

ESS3 Resource Efficiency and Pollution Prevention and Management recognizes that economic activity and urbanization often generate pollution to air, water, and land, and consume finite resources that may threaten people, ecosystem services and the environment at the local, regional, and global levels. This ESS sets out the requirements to address resource efficiency and pollution prevention and management throughout the project life-cycle.

ESS4 Community Health and Safety addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of Borrowers to avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement - involuntary resettlement should be avoided. Where involuntary resettlement is unavoidable, it will be minimized and appropriate measures to mitigate adverse impacts on displaced persons (and on host communities receiving displaced persons) will be carefully planned and implemented.

ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources recognizes that protecting and conserving biodiversity and sustainably managing living natural resources are fundamental to sustainable development and it recognizes the importance of maintaining core ecological functions of habitats, including forests, and the biodiversity they support. ESS6 also addresses sustainable management of primary production and harvesting of living natural resources and recognizes the need to consider the livelihood of project-affected parties, including Indigenous Peoples, whose access to, or use of, biodiversity or living natural resources may be affected by a project.

ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities ensures that the development process fosters full respect for the human rights, dignity, aspirations, identity, culture, and natural resource-based livelihoods of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities. ESS7 is also meant to avoid adverse impacts of projects on Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, or when avoidance is not possible, to minimize, mitigate and/or compensate for such impacts.

ESS8: Cultural Heritage recognizes that cultural heritage provides continuity in tangible and intangible forms between the past, present and future. ESS8 sets out measures designed to protect cultural heritage throughout the project life-cycle.

ESS9: Financial Intermediaries (FIs) recognizes that strong domestic capital and financial markets and access to finance are important for economic development, growth and poverty reduction. FIs are required to monitor and manage the environmental and social risks and impacts of their portfolio and FI subprojects, and monitor portfolio risk, as appropriate to the nature of intermediated financing. The way in which the FI will manage its portfolio will take various forms, depending on a number of considerations, including the capacity of the FI and the nature and scope of the funding to be provided by the FI.

ESS10: Stakeholder Engagement and Information Disclosure recognizes the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice. Effective stakeholder engagement can improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation.

Annex-4: E&S Due Diligence Checklist

Basic Information	
Date	
Name of Client/Account	
Transaction ID	
Location	
Industry/Sector	
Product Manufactured / Traded	
Name of Relationship Official	
Business Line (Sub Sector)	

GENERAL RISKS		
#	Mark the Answer x	
1.1		Are there any legal issues associated with the client's E&S performance?
		<i>a) Client has all valid permits AND has not faced any legal claims or any serious environmental/social incident in last three years</i>
		<i>b) Client does not have all valid permits but has taken definite steps to acquire them in next six months AND/OR client has faced legal claims but has addressed or has definite plan to address all of them</i>
		<i>c) Client does not have all valid permits and has not taken any definite step to acquire them AND/OR client has faced legal claims and has no definite plan to address them</i>
		<i>d) Not applicable</i>
	Remarks:	
1.2		Have operations ever been affected by local stakeholder grievances, media or nongovernmental organization (NGO) campaigns over E&S issues?
		<i>a) There is no evidence of stakeholder grievances, negative media or NGO protest</i>
		<i>b) There is evidence of stakeholder grievances, negative media or NGO protest for a particular operation AND client has taken adequate steps to address the issue</i>
		<i>c) There is evidence of stakeholder grievances, negative media or NGO protest and client has not taken any step to address the issue</i>
		<i>d) Not applicable</i>
	Remarks:	
1.3		Is the project site and/or its routing likely to have negative impacts on sensitive areas (residential or protected sites) near the project site?
		<i>a) No sensitive areas observed</i>
		<i>b) There are a few sensitive areas, and the client has taken adequate measures to mitigate the impact of their operation on the sensitive areas as</i>

		<i>per regulations</i>
		<i>c) There are sensitive areas observed and mitigation measures are not adequate as per regulations and the client may face legal challenge in future</i>
		<i>d) Not applicable</i>
	Remarks:	
1.4	Is the project involved or will involve acquiring land with resettlement?	
		<i>a) Neither land acquisition nor involuntary resettlement observed</i>
		<i>b) There is land acquisition and voluntary resettlement and the client has taken adequate measures as per regulations to mitigate the negative impacts of displacement, to identify development opportunities for all affected persons.</i>
		<i>c) There is land acquisition and involuntary resettlement and the client has not taken adequate measure as per regulations and the client may face legal challenge in future</i>
		<i>d) Not applicable</i>
	Remarks:	

ENVIRONMENTAL, HEALTH AND SAFETY RISKS		
2.1	Is there any evidence of air and noise pollution from the client's operation violating the Environment Protection Rules 2020 or the conditions specified in the client's Pollution Control Certificate?	
		<i>a) There is no evidence of air /noise pollution and non-compliance and/or all mitigation measures and monitoring systems are in place</i>
		<i>b) There is evidence of air/ noise emission and non-compliance AND partial mitigation measure, monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</i>
		<i>c) There is evidence of air emission/noise and non-compliance AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</i>
		<i>d) Not applicable</i>
	Remarks:	
2.2	Is there any evidence of water pollution due to client's operation, violating the Environment Protection Rules 2020 or the conditions specified in the client's Pollution Control Certificate?	
		<i>a) There is no evidence of water pollution and non-compliance and /or all mitigation measures and monitoring systems are in place</i>
		<i>b) There is evidence of water pollution and non-compliance AND partial mitigation measure monitoring system is in place AND the client is addressing or has a definite plan to address the remaining issues</i>
		<i>c) There is evidence of water pollution and non-compliance AND there is no mitigation measure/monitoring system in place AND the client has no definite plan to address the issues</i>
		<i>d) Not applicable</i>

	Remarks:	
2.3	Is there any evidence of land pollution and lack of waste handling mechanism in the project operation violating the Environment Protection Rules 2020 or the conditions specified in the client's Pollution Control Certificate?	
		<i>a) There is no evidence of land contamination or lack of waste handling mechanism or non-compliance OR all mitigation measures and monitoring systems are in place</i>
		<i>b) There is evidence of land contamination or lack of waste handling mechanism or non-compliance AND partial mitigation measure, monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</i>
		<i>c) There is evidence of land contamination or lack of waste handling mechanism or non-compliance AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</i>
		<i>d) Not applicable</i>
	Remarks:	
2.4	Has the client made any investments in technologies or measures in its operation leading to cost savings by reducing energy consumption (increasing energy efficiency) or using renewable energy (solar, wind, mini-hydropower, organic fuel)?	
		<i>a) The client made investment in energy efficiency technologies / measures OR in renewable energy generation (electricity or heat) OR analyzed its operation from the energy efficiency standpoint (e.g. energy audit) and is actively pursuing opportunities for energy related cost savings.</i>
		<i>b) The client is considering identifying opportunities for cost savings from improved energy efficiency or renewable energy use but has not made any particular steps in this direction yet</i>
		<i>c) The client has never made any investment in technologies or measures for energy related cost savings and appears to be unaware of the opportunities in these areas</i>
		<i>d) Not applicable</i>
	Remarks:	
2.5	Are there any Climate Change related risks (flood, drought, cyclone etc.) and opportunities (GHG emission reduction) associated with the client's operation?	
		<i>a) Client has a robust disaster management plan to combat climatic risks AND client has procedures in place to measure, disclose, set targets and mitigate its GHG emissions</i>
		<i>b) Client has a disaster management plan but it is not robust AND there is evidence that client has intention to measure, disclose, set targets and mitigate its GHG emissions in near future</i>
		<i>c) No disaster management plan AND no definite plan to measure, disclose, set targets and mitigate its GHG emissions in future</i>
		<i>d) Not applicable</i>

SOCIAL RISKS		
3.1	Is there any evidence of increased fire risk or occupational health & safety (OHS) risk, i.e. risk of injuries at work?	
		<i>a) The client does not have any OHS concern or have mitigated them adequately</i>
		<i>b) The client has some OHS concern but has taken definite steps to correct them</i>
		<i>c) The client has OHS concern in its operation and have no plans of correcting them</i>
		<i>d) Not applicable</i>
	Remarks:	
3.2	Are the labor and working conditions poor and breaching local regulations / standards?	
		<i>a) There is proper working condition and labor practice AND there is no evidence of poor working condition or labor practice for which client may face legal challenge or labor unrest or negative media coverage or protest from activist</i>
		<i>b) There are a few evidences of poor working conditions BUT no significantly poor labor practice such as child/forced labor is present AND the client has a definite plan to improve the working condition to ensure there is no legal challenge or labor unrest or negative media coverage or protest from activist in future</i>
		<i>c) Working condition is very poor AND/OR there is presence of significantly poor labor practice such as child labor/forced labor AND client is not addressing/has no definite plan to address the issues</i>
		<i>d) Not applicable</i>
	Remarks:	
3.3	Does the project pose a threat to Community Health, Safety and Security?	
		<i>a) There is no evidence of issues that may create nuisance/accidents/injuries to the indigenous peoples & local community in the future or the company has a robust plan for community health & safety which was developed in consultation with the local community</i>
		<i>b) There are a few evidences of issues that may create nuisance/ accidents/injuries to the indigenous peoples & local community AND the client intends to address the gaps AND/OR the client has a plan for community health & safety but it is not robust or it is not developed in consultation with the community</i>
		<i>c) There is evidence of significant issues that can create nuisance/ accidents/injuries to indigenous peoples & local community AND client has no definite plan to address the gaps AND/OR does not intend to manage its impact on community health & safety</i>
		<i>d) Not applicable</i>
	Remarks:	

3.4	Is there any evidence of community consultation with key stakeholders including indigenous peoples and local community?	
		<i>a) There is evidence that the client consults /engages with the stakeholders including local community, indigenous peoples on (such as rehabilitation, compensation, their expectations as the case may be).</i>
		<i>b) There are limited /inadequate consultations with the stakeholders</i>
		<i>c) No consultations with the stakeholders</i>
		<i>d) Not applicable</i>
	Remarks:	

BIODIVERSITY RISKS		
4.1	Does the project pose a threat to habitats (e.g., modified,natural,and critical habitats; threats to endangered species)and/or risks to endangered species and/orecosystemsandecosystemservices?	
		<i>a) There is no evidence of issues that may pose a threat to habitats ecosystems and ecosystem services</i>
		<i>b) There are few evidences of issues that may pose a threat to habitats and/or ecosystems and ecosystem services</i>
		<i>b) There is evidences of significant issues that may pose a threat to habitats and/or ecosystems and ecosystem services</i>
		<i>d) Not applicable</i>
	Remarks:	
4.2	Are there any risks of loss of floral and faunal biodiversity during construction and operation?	
		<i>a) There are no risks of loss of floral and faunal biodiversity during construction and operation.</i>
		<i>b) There are limited risks of loss of floral and faunal biodiversity during construction and operation AND the client has a definite plan to prevent the loss of floral and faunal biodiversity and plans for compensatory plantations as per regulatory requirements.</i>
		<i>c) There are significant risks of loss of floral and faunal biodiversity during construction and operation AND the client has no definite plan to prevent the loss of floral and faunal biodiversity and no plans for compensatory plantations as per regulatory requirements.</i>
		<i>d) Not applicable</i>
	Remarks:	

Annex-5: Environmental and Social Code of Practice (ESCOP) Template

The Environmental and Social Code of Practice (ESCOP) shall include E&S risks and impacts that have been identified as low risk, and associated measures that will be implemented to avoid, mitigate or manage them. The ESCOP template with examples for guidance are presented below.

Issues as identified through ESDD (Examples) <i>Mention as appropriate</i>	Mitigation Measures (Example) (Adapt as necessary)	Responsibility and Timeframe
Noise Disturbance	<ul style="list-style-type: none"> • Plan activities in consultation with communities so that the noisiest activities are undertaken during periods that will result in the least disturbance (e.g., limit working hours for noisy activities working hours close to schools, hospitals, residents, places of worship, etc.) • Use noise-control methods such as fences, barriers or deflectors. • Minimise transportation of construction materials through community areas during regular working time. • Repair and maintain machineries for safe and quiet operation. 	
Air quality	<ul style="list-style-type: none"> • Minimise dust from exposed work sites or production sites by applying water on the ground regularly. • Reduce the operation hours of generators /machines /equipment /vehicles. • Control vehicle speed when driving through community areas is unavoidable so that dust dispersion from vehicle transport is minimized. • Limit idling of vehicles, machineries equipment. 	
Water quality and availability	<ul style="list-style-type: none"> • Activities should not affect the availability of water for drinking and hygienic purposes. • No soiled materials, solid wastes, or toxic or hazardous materials should be stored in, poured into or thrown into water bodies for dilution or disposal. • Avoid the use of wastewater pools particularly without impermeable liners. • Keep waste and hazardous materials away from surface water bodies, drinking water sources and do not dispose of waste in creeks or rivers. 	
Solid and Hazardous Waste	<ul style="list-style-type: none"> • Segregate construction or production waste as recyclable, hazardous and non-hazardous waste • Collect, store and transport construction or production waste to appropriately designated/ controlled dump sites. • Reuse and recycle appropriate and viable materials 	
Health and Safety	<ul style="list-style-type: none"> • When planning activities of each sub-project, discuss steps to avoid people getting hurt. • Mandate the use of personal protective equipment for workers as necessary (gloves, dust masks, hard hats, boots, and goggles). 	

	<ul style="list-style-type: none"> • Keep worksite clean and free of debris on daily basis. • Provision of first aid kit with bandages, antibiotic cream, etc. or health care facilities and enough drinking water. 	
Forest harvesting activities in plantations and natural forests	<ul style="list-style-type: none"> • Respect for any customary land tenure and use rights of indigenous peoples. • Prevention or minimisation of adverse environmental and social impacts. • Replanting as soon as possible after forest harvesting 	

Annex-6: Sample Corrective Action Plan

For the transaction risk categorized as Medium and High risk, a corrective action plan with a timeframe to implement appropriate mitigation measures to comply with E&S requirements is required to be developed by the client. The client should tailor the scope of a corrective action plan according to the specific risks identified during the E&S due diligence process or during subsequent transaction monitoring. Corrective action plans range from simple mitigation measures to detailed management plans with actions that can be measured quantitatively or qualitatively. The corrective action plan should include a description of the specific mitigation actions to be taken by the client, a timeframe for implementation and a reporting requirement to inform the bank on the status of completion. The following template is to be used for documenting the corrective action plan agreed with the client. The template also contains a few examples for guidance.

Areas of E&S concern as identified through ESDD	Corrective Actions Required	Date for completion	Action Completion Indicator	Responsibility	Cost Involved
Evidence of land pollution due to discharge of untreated effluent	Action plan may include: <ul style="list-style-type: none"> • Removal and treatment of contaminated ground soil • Construction of sewage system for industrial waste water • Construction of waste water treatment facility and discharge system for treated water 	DD/MM/YY	<ul style="list-style-type: none"> • Installation of Effluent Treatment Plant (ETP). The ETP should be operational and the qualitative parameters of treated effluent should be within limit. • The discharge of treated effluent should be through the constructed discharge system and no other modes of discharge and leakages • Qualitative parameters of treated contaminated ground soil should be within limits 		
Absence of grievance redressal mechanism	Establish a grievance redressal Mechanism	DD/MM/YY	Well established grievance redressal mechanism which is appropriately communicated to the external stakeholders		
Loss of trees, crops, perennials	Compensating for standing crops and trees	DD/MM/YY	Plantation of trees		

Annex-7: Report on Site Visit to Client's Transaction

S.N.	Particulars	Remarks
1	Name of client:	
2	Loan amount:	
3	Address:	
4	Name and position of Bank employee making site visit:	
5	Detailed description of the client's transaction:	
6	Potential impact of transaction on the environment:	
7	Potential impact of transaction on the surrounding community:	
8	Activities performed for E&S risk management:	
9	Future risk mitigation plan:	
10	Licenses/permits obtained from the concerned agencies:	
11	Availability of adequate knowledge regarding E&S adherence as per the national and the World Bank's requirement. (Please let the client know that they need to adhere to the E&S risk management as per the FFP/World Bank's requirement if they are financed through FPP)	

Labor Management Process

S.N.	Particulars	Remarks
1	Number of workers	
2	Details of workers Number of female/male Age of worker Nepali/foreigner	
3	Details and period of work	
4	Child labor or forced labor	
5	Salary details (If there is a difference in salary, it should be specified with reason)	
6	Whether there are arrangements for safe drinking water and sanitation or not for workers	
7	If there is any inconsistent provision in the contract of the worker, justification thereof	
8	Safe working environment (availability of helmet, mask, gloves etc.)	
9	Insurance coverage of workers	
11	Availability of first-aid kits for injury during work	
12	Any other observation regarding labor management	

Annex 8: E&S Risk Summary and Risk Management Plan

1. Nature of the Loan

[Nature of enterprise, project cost, physical size, existence of any property transfer or ongoing operations, any plans for new construction]

2. Environmental and Social Information Reviewed:

[e.g., IEE, EIA, pollution control certificates, state environmental review conclusion, inspection reports from labour, environmental, or sanitary authorities; warranty or representation from borrower]

3. Key Environmental and Social Issues

[What are the key environmental and social impacts, risks, liabilities and benefits associated with the transaction?]

4. Environmental Regulatory Compliance

[Does/will the existing/proposed enterprise comply with applicable standards (e.g., national environmental regulations and standards?]

5. Social Standards Compliance

[Does the borrower comply with national and World Bank's:

- public safety/sanitary regulation and standards?
- labour regulations and standards, in particular those related to occupational health and safety, the employment of children, the prohibition of forced labour, the non-discriminatory treatment of employees in the workplace, and freedom of association and the right to collective bargaining?]

6. E&S Performance Risk Rating [Low, Medium, High]:

7. Suggested Environmental and Social Covenants, Supervision and Monitoring Requirements

[List any appropriate items which should be covenanted into the loan agreement, including provision of monitoring information, adhering to E&S Covenants (ESCOP for low risk transaction and corrective action plan for medium and high risk transaction), reporting of any accidents/incidents or grievances to the bank within 24 hours of occurrence]

8. Further Actions Required

[List actions for the Credit Officer, co-investors, investment enterprise, any third part expert]

9. Capacity Development and Training

[Based on the support to be received from the FFP, this section outlines any capacity building or training that may be necessary for effective implementation of environmental and social standards. This section will be filled in consultation with Provincial Project Management Unit or Project Management Unit for any capacity development or training required under the support from FPP]

PREPARED BY:

NAME:

SIGNATURE:

DATE:

APPROVED BY:

NAME:

SIGNATURE:

DATE:

CLIENT NAME:

SIGNATURE:

DATE:

Annex 9: E&S Monitoring Checklist

S.N.	Question/Issues to check	Response
Project Summary information		
1.	Reporting period covered by this supervision report	
2.	Specification of project stage (design, construction, operation or closure stage)	
3.	Key developments and any major changes in project location and design, if any from the time of loan disbursement or from the last supervision period.	
General Information		
4.	Status of implementation of covenants/corrective action plan. Is it in line with the agreed timeframe? (i.e., if all covenants are implemented or partially implemented or not implemented or delayed implementation). If partially implemented or not implemented or delayed implementation, concerned staff to please mention the reason in the response column along with a timeline for completion of implementation as committed by the client during supervision.	
Environmental, Health and Safety Management		
5.	If there was any incidence of accidents, spills, leakages, explosions, etc. during the reporting period. If yes, what was the scale of damage (e.g., if there was any fatality, monetary loss etc.)? What was the action taken in response to the incident?	
6.	If there were any recent fines or penalties issued by the regulatory body. If yes, concerned staff to please mention the nature of violation, amount of fine/penalty paid, action taken by the client to address the issue to avoid any such fine/penalty in future	
7.	If there was any health & safety incident. If yes, what was the extent of injury—minor, major or fatal? What was the action taken in response to the incident?	
8.	If there are any new E&S risks or adverse impacts observed due to client's operation. Concerned staff to please mention the types of new E&S risks, the reason for such new E&S risks, mitigation measures undertaken by the client to address the E&S risks.	
Permits and Compliance Certificates		
9.	All the required permits, licenses and clearances in place. Concerned staff to please mention the issuance dates and duration of validity of all such permits, licenses and clearances.	
10.	Other international management systems (for e.g., ISO 14000, OHSAS 18001, SA8000) followed by the client and if they have valid certifications for those management systems?	
Grievance Redressal		
11	If there have been any recent complaints, grievance or protest received from local communities. If yes, concerned staff to please specify the nature of grievances; actions	

	taken by the client to resolve grievances and if there any outstanding issues and measures proposed by the client to resolve them.	
12.	If there were concerns raised during the stakeholder consultations carried out by the client during the reporting period. If yes, what was the approach undertaken by the client to address those concerns?	
Other Information		
13	Any other information pertaining to environmental matters, management approach, and community, media or NGO coverage that need to be mentioned. If there are any environment friendly initiatives, energy saving equipment etc. that might be relevant for the bank.	

Annex-10: Templates for reporting to NRB and the World Bank

Annual statement on Environment and Social Risk Management for (Year)

Name of the bank	Agricultural Development Bank Limited
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Prepared by:		Designation/Department	
Contact (email, phone)			

1	Policy Formulation and Governance	Yes/No	Date	Remarks
1.1	Formulation and Board Approval of an ESRM Policy (or similar policy document)			
1.2	Formulation and Board Approval of an ESRM Manual			
1.3	Nomination of an E&S Officer			

2	Employee Trainings and Capacity Building	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
2.1	Allocation of fund in the budget for ESRM Training Programs/Seminars/Workshops (in NPR)						
2.2	No. of ESRM Training Programs/Seminars/Workshops conducted in the given quarter						
2.3	No. of attendees of the ESRM Training Programs/Seminars/Workshops conducted in the given quarter						

3	Incorporation of Environment & Social Risk in Core Risk Management	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
3.1	No. of loan requests rejected due to the exclusion list						
3.2	No. of Transactions subject to Environmental & Social Due Diligence (ESDD)						
3.3	Share (% total loan value) of the transactions subject to ESDD in the total disbursed commercial (business						

	purpose) loan portfolio						
3.4	Total No. of disbursed transactions by E& S Risk Rating						
	Low						
	Medium						
	High						
3.5	Total Amount in disbursed transactions by E&S Risk Rating						
	Low						
	Medium						
	High						
3.6	No. of transactions with specific E&S Action Plan:						
3.7	No. of transactions rejected on the E&S risk management grounds:						
3.8	No. of transactions beneficial to E&S improvements						
	Renewable energy projects (e.g. hydro power plants, solar panels, biogas plants, wind power)						
	Energy Efficiency projects (e.g., efficient lighting, heating/cooling, ventilation, boiler retrofitting, facility upgrades)						
	Effluents (Wastewater) treatment plants						
	Water recycling and reuse						
	Water consumption reduction						

Annex-11: Stakeholder Engagement Plan Template

Stakeholder Engagement Plan (SEP)

Template Instructions: The overall objective of this SEP is to define a program for stakeholder engagement, including public information disclosure and consultation throughout the entire project cycle. The scope and level of detail of the SEP should be commensurate with and proportionate to the nature and scale, potential risks, and impacts of the project and the concerns of the stakeholders who may be affected by or are interested in the project.

The SEP should be clear and concise; the suggested length is **no more than 20 pages including annexes**. Each section has a suggested page limit.

1. Introduction/Project Description (suggested length: 1 page)

Describe project objectives, components, and location. Add link to Project Information Document (PID) if available.

2. Objective/Description of SEP

The overall objective of this SEP is to define a program for stakeholder engagement, including public information disclosure and consultation throughout the entire project cycle. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project activities or any activities related to the project.

3. Stakeholder identification and analysis (suggested length: 1–2 pages)

3.1. Affected parties and other interested partiesⁱ

Affected parties include local communities, community members, and other parties that may be subject to direct impacts from the Project. Specifically, the following individuals and groups fall within this category: [add list of possible affected parties, positive or negative].

3.2. Disadvantaged/vulnerable individuals or groupsⁱⁱ

Within the Project, vulnerable or disadvantaged groups may include but are not limited to the following: [add table or list of possible vulnerable groups and the barriers to accessing information, or other Project benefits. Examples include elderly people, persons with disabilities and their caretakers, women-headed households, sexual and gender minorities, the unemployed, and disadvantaged groups.

4. Stakeholder Engagement Program

4.1. Summary of stakeholder engagement done during project preparation

4.2. Summary of project stakeholder needs and methods, tools, and techniques for stakeholder engagement

Different engagement methods are proposed and cover different stakeholder needs as stated below: [insert description. Examples may include (i) structured agendas, (ii) focus group meetings/discussions, (iii) community consultations, (iv) formal meetings, (v) one-on-one interviews, and (vi) site visits.]

4.3. Stakeholder engagement plan

Complete table below.

Project Stage	Estimated Date/Time Period	Topic of Consultation/ Message	Method Used	Target Stakeholders	Responsibilities

Note: Highlight activities focused on vulnerable groups in the above table. Pay particular attention to vulnerable groups such as poor women, persons with disabilities, and others.ⁱⁱⁱ Under “Methods Used,” examples may include, as appropriate: (i) for government entities: correspondence by phone/email; one-on-one interviews; formal meetings; and roundtable discussions; and (ii) for local communities/vulnerable groups: letters to village leaders; traditional notifications; disclosure of Project documentation in a culturally appropriate and accessible manner; community meetings; focus group discussions; outreach activities.

Information will be disclosed as follows: [Briefly describe what information will be disclosed (for example, SEP; relevant E&S documents; Grievance Mechanism (GM) procedures; project orientation; regular updates on project developments); and in what formats (for example, public notices, press releases, Project website; consultation meetings; information leaflets and brochures; separate focus group meetings with vulnerable groups). Indicate which language will be used to disclose information.]

4.4. Reporting back to stakeholders

Stakeholders will be kept informed as the project develops, including reporting on project environmental and social performance and implementation of the stakeholder engagement plan and Grievance Mechanism, and on the project’s overall implementation progress.

5. Resources and Responsibilities for implementing stakeholder engagement activities (suggested length: 2 pages)

5.1. Resources

The [insert name of entity] will be in charge of stakeholder engagement activities.

The budget for the SEP is [insert] and is included in component [insert] of the project.

An example of a budget table is included below (only include those categories that apply). Complete table below:

Budget Category	Quantity	Unit Costs	Times/Years	Total Costs	Remarks
-----------------	----------	------------	-------------	-------------	---------

1. Estimated staff salaries* and related expenses					
1a. [E.g., communications consultant]					
1b. [E.g., travel costs for staff]					
1c. [E.g., estimated salaries for Community Liaison Officers]					
2. Events					
2a. [E.g., organization of focus groups]					
3. Communication campaigns					
3a. [E.g., posters, flyers]					
3b. [E.g., social media campaign]					
4. Trainings					
4a. [E.g., training on social/environmental issues for PIU and contractor staff]					
4b. [E.g., training on gender-based violence (GBV) for Project Implementing Unit (PIU) and contractor staff]					
5. Beneficiary surveys					
5a. [E.g., mid-project perception survey]					
5b. [E.g., end-of-project perception survey]					
6. Grievance Mechanism					
6a. [E.g., training of GM committees]					
6b. [E.g., suggestion boxes in villages]					
6c. [E.g., GM communication materials]					
7. Other expenses					
7a. [insert]					
TOTAL STAKEHOLDER ENGAGEMENT BUDGET:					

Note: *Salary costs can be indicative.

5.2. Management functions and responsibilities

The entities responsible for carrying out stakeholder engagement activities are [insert].

The stakeholder engagement activities will be documented through [insert].

6. Grievance Mechanism

The main objective of a GM is to assist to resolve complaints and grievances in a timely, effective, and efficient manner that satisfies all parties involved.

6.1. Description of GM

Complete table below. Examples are listed below for illustrative purposes; only include the examples that apply.

Step	Description of Process	Time Frame	Responsibility
GM implementation structure	[Describe, for example, GM structure at national, regional, and local levels]		
Grievance uptake	Grievances can be submitted via the following channels: <ul style="list-style-type: none"> • [e.g. Toll-free telephone hotline/Short Message Service (SMS) line • E-mail • Letter to Grievance focal points at local facilities • Complaint form to be lodged via any of the above channels • Walk-ins may register a complaint in a grievance logbook at a facility or suggestion box] 		
Sorting, processing	Any complaint received is forwarded to [insert], Logged in [insert], and categorized according to the following complaint types: [X/Y/Z]	Upon receipt of complaint	Local grievance focal points
Acknowledgment and follow-up	Receipt of the grievance is acknowledged to the complainant by [insert]	Within 2 days of receipt	Local grievance focal points
Verification, investigation, action	Investigation of the complaint is led by [insert] A proposed resolution is formulated by [insert] and communicated to the complainant by [insert]	Within 10 working days	Complaint Committee composed of ..., ... and ...
Monitoring and evaluation	Data on complaints are collected in [insert] and reported to [insert] every [insert]		
Provision of feedback	Feedback from complainants regarding their satisfaction with complaint resolution is collected [insert]		
Training	Training needs for staff/consultants in the PIU, Contractors, and Supervision Consultants are as follows: [insert]		
If relevant, payment of reparations following	[Describe how reparations will be handled including amounts, recipients, etc.]		

Step	Description of Process	Time Frame	Responsibility
complaint resolution			

The GM will provide an appeals process if the complainant is not satisfied with the proposed resolution of the complaint. Once all possible means to resolve the complaint have been proposed and if the complainant is still not satisfied, then they should be advised of their right to legal recourse.

7. Monitoring and Reporting

7.1. Summary of how SEP implementation will be monitored and reported

Describe SEP monitoring and reporting arrangements. Include indicators, for example, number of community meetings held to discuss project progress, number of information boards displayed, etc.). Describe involvement of stakeholders in monitoring activities, if applicable.

7.2. Reporting back to stakeholder groups

The SEP will be periodically revised and updated as necessary in the course of project implementation. [insert Quarterly or other] summaries and internal reports on public grievances, enquiries, and related incidents, together with the status of implementation of associated corrective/preventive actions, will be collated by responsible staff and referred to the senior management of the project. The [quarterly or other] summaries will provide a mechanism for assessing both the number and nature of complaints and requests for information, along with the Project's ability to address those in a timely and effective manner. Information on public engagement activities undertaken by the Project during the year may be conveyed to the stakeholders in various ways: [insert].

Annexes

These can include:

- Records of meetings or consultations (see table 1)
- Visual summaries such as stakeholder mapping or stakeholder diagrams
- Grievance submission form, etc.

Table 1. Template to Capture Consultation Minutes

Complete table below.

Stakeholder (Group or Individual)	Dates of Consultations	Summary of Feedback	Response of Project Implementation Team	Follow-up Action(s)/Next Steps	Timetable/ Date to Complete Follow-up Action(s)

Endnotes

ⁱ For the purposes of effective and tailored engagement, stakeholders of the proposed project(s) can be divided into the following core categories:

- **Affected Parties:** Persons, groups, and other entities within the Project Area of Influence (PAI) that are directly influenced (actually or potentially) by the project and/or have been identified as most susceptible to change associated with the project, and who need to be closely engaged in identifying impacts and their significance, as well as in decision-making on mitigation and management measures.
- **Other Interested Parties:** Individuals/groups/entities that may not experience direct impacts from the Project but who consider or perceive their interests as being affected by the project and/or who could affect the project and the process of its implementation in some way.
- **Vulnerable Groups:** Persons who may be disproportionately impacted or further disadvantaged by the project(s) compared with any other groups due to their vulnerable status; and that may require special engagement efforts to ensure their equal representation in the consultation and decision-making process associated with the project.
- It is important to note that sometimes projects have different components with very different sets of stakeholders for each component. Those different stakeholders should be considered in preparing the SEP.

ⁱⁱ It is particularly important to understand whether project impacts may disproportionately fall on disadvantaged or vulnerable individuals or groups, who often do not have a voice to express their concerns or understand the impacts of a project, and to ensure that awareness raising and stakeholder engagement be adapted to take into account such groups' or individuals' particular sensitivities, concerns, and cultural sensitivities and to ensure a full understanding of project activities and benefits. Engagement with vulnerable groups and individuals often requires the application of specific measures and assistance aimed at the facilitation of their participation in the project-related decision making so that their awareness of and input into the overall process are commensurate with those of other stakeholders.

ⁱⁱⁱ Examples may include (i) Women: ensure that community engagement teams are gender-balanced and promote women's leadership within these, design online and in-person surveys and other engagement activities so that women in unpaid care work can participate; consider provisions for childcare, transport, and safety for any in-person community engagement activities; there may also be women who face multiple challenges, for example, indigenous women, women with disabilities, etc. (ii) Elderly and people with existing medical conditions: develop information on specific needs and explain why they are at more risk and what measures to take to care for them; tailor messages and make them actionable for particular living conditions (including assisted living facilities), and health status; target family members; (iii) People with disabilities: provide information in accessible formats, such as braille or large print; offer multiple forms of communication, such as text captioning or signed videos, text captioning for the hearing impaired, and online materials for people who use assistive technology; and (iv) Children: design information and communication materials in a child-friendly manner and provide parents with skills to handle their own anxieties and help manage those in their children.