

TFP Environmental and Social Procedures

The Agreement establishing the European Bank (EBRD) requires the Bank to 'promote in the full range of its activities, environmentally sound and sustainable development. This 'Sustainability Mandate' also applies to the lending and investment activities of Financial Intermediaries supported by EBRD, such as local commercial banks.

These Procedures were developed to operationalise EBRD's Sustainability Mandate and Environmental and Social Policy for banks participating in the Trade Finance Programme (TFP). They outline EBRD's environmental and social requirements for TFP transactions and the due diligence process to be followed by participating banks (PBs) when considering applications for trade finance.

In line with EBRD's Environmental and Social Policy, the term "social" is used in this document to include (i) labour standards and working conditions including occupational health and safety, and (ii) community issues, such as public health, safety and security, gender equality, impacts on indigenous peoples and cultural property, and involuntary resettlement.

The basic procedures for PBs can be summarised as follows:

1. Activities, products and substances listed on the TFP Environmental and Social Exclusion List as set out in *Annex 1* are **not eligible** for TFP transactions.

For commodity trade finance transactions with tenors of up to 12 months (under international sales contracts)¹, no further environmental and social due diligence is required

2. Following the attached Environmental and Social Due Diligence Guidelines, determine whether or not a transaction is in an **Environmentally or Socially Sensitive Sector**, as set out in *Annex 2*.
3. For TFP transactions that involve environmentally/socially high risk activities or substances specified in *Annex 2 (1)*, PBs **must submit the results of their environmental and social due diligence to EBRD in the form of Annex 3 – Environmental and Social Review Summary (ESRS)** when applying for EBRD support or financing.
4. For TFP transactions that involve environmentally/socially high risk activities or substances specified in *Annex 2 (2)*, PBs **must submit the results of their environmental and social due diligence to EBRD in the form of Annex 3 – Environmental and Social Review Summary (ESRS)** when applying for EBRD support or financing **in case if:**

(a) the amount of the transaction is over USD 1mln AND the tenor is over 1 year
OR

(b) the amount of the transaction is over USD 5 million, regardless of the tenor,

5. Further guidance to help determine whether a transaction should be considered environmentally/socially high, medium or low risk is available in *Annex 4*.

¹ A **commodity** is a good which is supplied without qualitative differentiation across a market. A commodity has full or partial fungibility; that is, the market treats it as equivalent or nearly so no matter who produces it. Generally, these are basic resources and agricultural products such as iron ore, crude oil, coal, salt, sugar, coffee beans, soybeans, aluminium, copper, rice, wheat, gold, silver, palladium, and platinum. Soft commodities are goods that are grown, while hard commodities are the ones that are extracted through mining. Energy commodities include electricity, gas, coal and oil.

Special features of **commodity trade** are the high contract amounts and potential short term price fluctuations, as a result financing decisions often have to be taken within a few hours..

6. Clients receiving support through the TFP must **comply with local and national environmental, sanitary, health, safety and labour regulations and standards.**
7. PBs should provide EBRD TFP team with the contact details of the person responsible for environmental and social issues relating to TFP transactions and the implementation of these procedures.

**ATTACHED ENVIRONMENTAL AND SOCIAL DUE DILIGENCE
GUIDELINES AND ANNEXES WILL HELP YOU TO FOLLOW THE
ABOVE PROCEDURES.**

TFP Environmental and Social Due Diligence Guidelines

I. Environmental and social due diligence: Aims and Objectives

Environmental and social appraisal – also called ‘environmental and social due diligence (ESDD)’ - should be an **integral part of the credit appraisal process**, because environmental and social risk may translate into credit risk. If a client company has problems in these areas, this may affect its ability to honour loan repayments or contractual obligations with their off-takers, for example because:

- the company has to make major investments in order to meet regulatory requirements;
- the companies’ activities are scaled down, suspended or closed down by the local authorities due to non-compliance problems.

The process outlined in these Procedures will help PB staff :

- to ensure compliance with EBRD’s environmental and social requirements for the TFP;
- to identify any environmental and social issues associated with a particular client/transaction;
- to identify and evaluate the financial implications related to environmental and social issues;
- to minimise exposure to financial risks associated with these issues;
- to maximise opportunities for environmental or social benefits and minimise the potential for adverse environmental and social impacts (such as pollution or accidents) associated with clients;
- to protect the PB and EBRD from reputational risk associated with financing companies with a poor environmental and social record.

EBRD has prepared a range of further guidance materials and information to help PBs conduct environmental and social due diligence and to implement the TFP environmental and social requirements. These materials are included in EBRD’s comprehensive electronic manual ‘Environmental and Social Risk Management for Financial Institutions’ (“the eManual”). PBs should ensure that they have a copy of the latest version of the eManual and work with their IT departments to make it available to all relevant bank staff. The eManual is available from EBRD’s web-site².

II. Timing of environmental and social due diligence

Since environmental and social risk can have material financial implications, PBs should conduct environmental and social due diligence **early in the transaction appraisal process**. This is particularly important for high risk transactions where more detailed investigations are needed, which may take some time. In the case of transactions listed in *Annex 2*, where EBRD environmental sign-off is required, **PBs are strongly advised to submit the ESRS to EBRD as early as possible in order to avoid potential delays in transactions processing that may occur if initial review by EBRD leads to the need to obtain further environmental or social information.** In addition, PBs are encouraged to liaise informally with the EBRD TFP Team at the beginning of the due diligence so that the environmental and social experts can provide advice and guidance if needed.

² <http://www.ebrd.com/enviro/tools/fi.htm>
20/07/2015

III. Stages within the Environmental and Social Due Diligence (ESDD) Process

Step 1: Check eligibility of transaction against Environmental and Social Exclusion List

The first step in the EDD process is to screen out transactions not eligible for TFP support. Activities, products and substances listed in the **Environmental and Social Exclusion List (Annex 1)** are not eligible for TFP transactions. In addition, any applicants/end-users or sub-borrowers involved in the production, use of, or trade in such products **are not eligible** for TFP transactions.

- Check the business activity of applicants for trade finance instruments or sub-borrowers and the products which are to be imported, exported and/or financed.
- Description of the goods on the clients' application form should be sufficiently precise to avoid uncertainty. Request more information if in doubt.
- In the case financing of exports to non-OECD countries, PBs should use their best efforts to also check the business activity of the recipients of the goods ('end users'). End users may be different from the applicant (e.g. an applicant seeks cover for export of a turbine for use in a hydropower project – the company developing the hydropower project is the end user).
- Whenever possible receive a warrant or a confirmation from the applicant regarding compliance of all aspects of the transaction with the Environmental and Social Exclusion List.
- If further clarification is needed, request copies of import/export licences or other regulatory certification of legal trade. Please note that regulatory compliance does not necessarily give absolute assurance that the goods are not on the Environmental and Social Exclusion List.

Any transaction in conflict with the Environmental and Social Exclusion List should be rejected. In cases of doubt whether a particular transaction is eligible, PB staff should reject the application, obtain expert opinion or contact the EBRD TFP team for advice at an early stage, providing as much information as possible about the applicant/sub-borrower and the underlying goods.

No further environmental and social due diligence is required for commodity trade finance transactions of up to 12 months. For all other transactions, proceed to Step 2.

Step 2: Identifying transactions with high environmental/social risk

Transactions with high environmental/social risk may have highly significant, negative and/or long-term environmental or social impacts and contingent liabilities associated with them. Financing of such activities may also entail significant reputational risk for the PB and for EBRD and therefore requires detailed due diligence.

Environmental and social risk is mainly determined by the business activity of the applicant / end user (guarantees) or sub-borrower (cash advances). PBs should use the list of Environmentally and Socially Sensitive Sectors (*Annex 2*) and the Environmental and Social Risk Categorisation List (*Annex 4*) to identify the business environmental/social risk associated with clients. **All activities listed in Annex 2 are high risk.**

If the proposed transaction is rated environmentally/socially high risk, proceed to Step 3.

If it is rated low or medium risk, proceed to Step 4.

Step 3: Conducting environmental and social due diligence on high risk transactions

As the magnitude of environmental and social issues that may be associated with high risk transactions is difficult to determine at the loan application stage, **the PB must conduct further investigations and summarise the outcome of their findings for transactions in sectors/ with activities/ goods listed in Annex 2 in an Environmental and Social Review Summary (ESRS) in the form of Annex 3.**

Further environmental/social investigations should focus on:

- **For cash advances:** on the sub-borrower, and the use of proceeds (e.g.: working capital; use for a specific project).
- **For guarantees:** normally, on the applicant. However, if the applicant requires support for export of capital goods and equipment to non-OECD countries, PBs should use their best efforts to investigate the end user, i.e. the company/project for which the goods are destined.

In the sections below, the term “beneficiary companies” will be used to describe sub-borrowers, applicants, and relevant end users.

Environmental and social due diligence activities for high risk transactions

- Site visits should be carried out whenever possible (if geographically possible).
- PBs will need to ask beneficiary companies to respond to the questions stated in the ERS Formats (*Annex 3*), and to provide supporting documentation, in particular copies of permits (which must be current and valid), and of any recent inspection reports.
- PBs should obtain third party information on the beneficiary company’s environmental and social performance. Possible sources of information:
 - Regulatory environmental/sanitary/labour authorities and inspectorates, to establish whether they believe the company to be in compliance, and if not, what action (if any) they intend to take. Following an inspection, the enforcement authorities typically summarise in the inspection report the required and recommended corrective actions by the company to achieve regulatory compliance. Regulatory and inspection authorities should also be able to provide information on any imminent changes in regulatory requirements.
 - Web/media searches on companies/projects can be used to find criticism/complaints or positive assessments related to the company/project from the public/media/environmental/labour/human rights organizations.
- When considering longer term finance (either as one or as several revolving transactions), PBs should employ an independent local expert to conduct an audit of the environmental and social conditions of the beneficiary company or otherwise help PBs with the environmental and social appraisal.
- Any problems or issues of concern arising from the environmental and social due diligence must be discussed with the client. Financing in such cases may be acceptable if the client is taking appropriate steps to rectify the problems identified, i.e.:
 - The beneficiary company has an environmental and social action plan (ESAP) or similar corrective action plan in place (or agrees to put one in place) which will address any material problems within a reasonable time frame. If the company was recently inspected by the environmental, labour or sanitary authorities, this plan could be based on the requirements and recommendations issued by the relevant inspectorate(s) ;
 - Funds will be available to implement this corrective action plan;
 - In the case of cash advances: implementation of the ESAP/corrective action plan should be included in the requirements of the legal agreement with the sub-borrower (see **Step 5** below).
- **The PB should summarise the outcome of the environmental and social due diligence using the ESRS template (Annex 3). For transactions listed in Annex 2, the ESRS must be presented to EBRD for approval prior to submitting an application for a guarantee or cash advance.**
- **Transactions listed in Annex “(1) will be benchmarked by EBRD against the Performance Requirements of EBRD’s Environmental and Social Policy, and will be expected to meet relevant PRs**

as well as national regulations and standards. Exceptionally, these requirements may also be set for transactions in Annex 2(2), depending on the severity of environmental and social impacts and issues associated with the beneficiary company. The EBRD strongly encourages PBs to discuss Annex 2 cases early in their due diligence process. EBRD will assist PBs with the appraisal of these transactions and with determining appropriate mitigation measures and, if necessary, will specify conditions under which the transaction may proceed.

- For environmentally/socially high risk transactions, **EBRD may on occasion require PBs to report to EBRD periodically (e.g. annually)** on the environmental and social performance of the client company. Such a requirement would be specified in EBRD's environmental and social approval of the transaction.

Step 4: Dealing with low and medium risk transactions

N.B.: Preparation of an ESRS is not required for medium and low risk transactions; PBs may submit applications to EBRD without attaching an ESRS.

PBs should use the Environmental and social Risk Categorisation List (*Annex 4*) to identify low and medium environmental and social risks associated with clients.

In addition, the overall risk is also influenced by the amount and tenor of the transaction (the larger the amount and the longer the tenor, the higher the risk) and the nature of the security (land and buildings are typically higher environmental risk than intangible assets). For example, a transaction involving a low risk business activity would be upgraded to medium risk if a site with a history of industrial use is taken as security; a transaction involving a medium risk business activity would be classified low risk if the transaction tenor is very short (less than 6 months), and the amount small (up to USD 50,000).

Low risk:

These include transactions involving activities whose environmental and social impacts are expected to be negligible. Therefore, **no further environmental and social due diligence is needed**. However, sub-borrowers/applicants are required to **comply with applicable environmental, sanitary, health and safety and labour regulations or product standards**. Appropriate representations should therefore be obtained from the client confirming compliance.

Medium risk:

This would include finance for projects/activities in sectors where it is likely that environmental and social impacts can be readily identified and standard preventative and/or remedial measures can be prescribed within the client company's financial and technical/managerial capabilities.

It is difficult to generalise the amount of environmental and social due diligence needed on medium risk given the large variety of activities and PBs will have to judge what is appropriate for each transaction. However, a **regulatory compliance check** should always be carried out on beneficiary companies, and a site visit is also recommended, if possible. PB staff can use the *Sub-sectoral Environmental and Social Guidelines*³, which outline the main environmental and social issues and associated financial implications associated with different industry sub-sectors, as guidance for issues to look out for during a site visit and/or to raise in discussions with clients. **If there are any issues of non-compliance, PBs should ask beneficiary companies what remedial actions they have taken/planned to address the problem.**

Step 5: Integrating environmental and social clauses into contracts with clients and transaction monitoring

Once the environmental and social due diligence is completed, PBs need to ensure that the **findings are adequately reflected in the contracts with clients**. In the case of cash advances or guarantee agreements, appropriate provisions should be included in the loan / guarantee agreement with the client. In the case of L/Cs, PBs may use, e.g., side-letters to agree any issues of concern with the applicant.

³ (available from EBRD's website <http://www.ebrd.com/enviro/index.htm> > policy and publications > sub-sectoral environmental guidelines), and on the eManual.

- Regulatory compliance warranties from the client and, where applicable, loan provisions requiring regulatory compliance will be sufficient for all low risk and many medium risk transactions.
- For some medium risk and most high risk transactions where the client company has non-compliance issues that need to be addressed, PBs should also require the client company to take corrective action (such as implementing an ESAP, see Step 3 above).
- Where finance is provided in several disbursements, it may be possible to make later disbursements subject to the condition that certain environmental or social mitigation measures have been implemented.
- For high risk transactions of over one year, clients should be required to report at least annually to the PB on their environmental and social performance record, including any instances of non-compliance with regulatory requirements and, if applicable, the ESAP, any accidents, results of any inspection reports, awards, public complaints, etc.

IV. Organisational capacity within the PB

PBs will maintain human resources policies, management systems and practices in accordance with EBRD PR 2 – Labour and Working Conditions.

To achieve better results in the implementation of the Environmental and Social Guidelines, PBs are required to appoint a member of management to have overall responsibility for environmental and social matters and the implementation of the Guidelines. Depending on the size of the PB and the type and volume of its trade finance activities, the PB should also

- appoint one or more staff responsible for overseeing the day-to-day application of the Guidelines, and providing implementation support; and
- ensure that adequate technical expertise is available to them to assess transactions with potentially high environmental or social risks, either in-house or as external specialists.

The PBs will ensure that the Environmental and Social Guidelines are clearly communicated to all relevant staff, and provide appropriate training to ensure that staff have the necessary capabilities and support to implement them.

The PB should also have a system in place for dealing with external communication on environmental and social matters, for example a point of contact for dealing with public enquiries and concerns related to environmental and social matters. The PB will respond to such enquiries and concerns in a timely manner.

Annex 1: TFP Environmental and Social Exclusion List

The following activities, products and substances **are not eligible** for TFP transactions. In addition, any applicants or end-users¹ involved in production or trade of such products **are not eligible** for TFP transactions.

- Trade in wildlife or production of or trade in wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);²
- Release into the natural environment of genetically modified organisms (GMOs) or trade in GMOs to be released into the natural environment;
- Production, distribution, sale and trade in pesticides, herbicides, pharmaceuticals and other hazardous substances subject to international phase-outs or bans³;
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
- Production, storage, treatment, disposal or trade in radioactive materials and radioactive wastes, excluding trade in medical or quality control equipment, etc where the radioactive source is trivial and/or adequately shielded;
- Production of, or trade in, products containing PCBs (polychlorinated biphenyls); ⁴
- Production or use of, or trade in, unbonded asbestos fibres and asbestos-containing products ;
- Transboundary trade in waste or waste products;
- Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements;⁵
- Production or use of, or trade in, in chlorofluorocarbons (CFCs), halons and other ozone depleting substances subject to international phase-out;⁶
- Production of or trade in round wood and/or primary forestry products⁷ unless the wood is verified to be of legal and sustainable origin. ⁸
- Production of or trade in palm oil unless from growers certified by RSPO, or undergoing certification⁹

¹ Note that for the purpose of this guide, only end users located in non-OECD countries should be considered

² The lists of CITES protected species are available at www.cites.org/eng/app/index.shtml.

³ Reference documents are EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard.

⁴ PCB: Polychlorinated biphenyls - a group of highly toxic chemical. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

⁵ This includes: tankers which do not have all required MARPOL and SOLAS certificates (including, without limitation, ISM Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State control (Paris MOU), and tankers due for phase out under regulations 13G and 13H of Annex I of MARPOL. No single hull tanker over 25 years old should be used

⁶ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in widely publicised 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the EBRD.

⁷ Primary forest products include sawn timber and wood processing residues

⁸ Acceptable verification systems include: (i) sustainable forest management certification by FSC (Forest Stewardship Council) or PEFC (Pan-European Forest Certification); (ii) the buyer's/seller's own wood supply management and control system, such as FSC Chain-of-Custody or Controlled Wood certified system; or (iii) other tracking-of-origin system verified by a reputable independent third party.

- Production of soy in the Amazon region or trade in soy produced in the Amazon region, unless from growers certified by RTRS¹⁰
- Production of cotton in Uzbekistan or trade in cotton¹¹ produced in Uzbekistan
- Activities involving harmful or exploitative forms of forced labour or child labor, discriminatory practices, or practices which prevent employees from lawfully exercising their rights of association and collective bargaining;¹²
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage;¹³
- Other activity in violation of host country (i.e. national) health, safety, labour and environmental laws or regulations;
- Lack of export or import licenses or other evidence of authorization of transit to/from country of export/import.

⁹ Roundtable on Sustainable Palm Oil, <http://www.rspo.org/>. For palm oil from growers undergoing RSPO certification to be eligible, at a minimum, the RSPO P&C Assessment Notification has to be published on the RSPO website

¹⁰ Round Table on Responsible Soy Association, <http://www.responsiblesoy.org/>

¹¹ This includes seed cotton, cotton lint and cotton yarn

¹² Reference documents are the ILO Declaration on Fundamental Principles and Rights at Work and ILO conventions 29 and 105 (forced and bonded labour), 87 (freedom of association), 98 (right to collective bargaining), 100 and 111 (discrimination), 138 (minimum age) 182 (worst forms of child labour).

¹³ Relevant international conventions include, without limitation: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; Convention on Biological Diversity.

Annex 2: Environmentally and Socially Sensitive Sectors

(1) The following products and/or applicants/ end-users involved in following activities may be considered for TFP transactions, however preparation of an Environmental and Social Review Summary is obligatory by the Issuing Bank and should be sent to EBRD for approval.

- Activities within, adjacent to, or upstream of land occupied by indigenous peoples and/or vulnerable groups including lands and watercourses used for subsistence activities such as livestock grazing, hunting, or fishing
- Activities within, adjacent to, or upstream of designated protected areas under national law or international conventions, sites of scientific interest, habitats of rare/endangered species, fisheries of economic importance, and primary/old growth forests of ecological significance¹
- Activities which may affect adversely sites of cultural or archaeological significance
- Activities involving involuntary resettlement
- Activities in the nuclear fuel production cycle (uranium mining, production, enrichment, storage or transport of nuclear fuels)
- Energy generation using nuclear fuels (**excluding electricity import/export**)
- Activities involving construction and/or major extension of dams, reservoirs and hydro cascades

(2) The following products and/or applicants/ end-users involved in following activities are eligible for TFP transactions. However Participating Banks must complete the Environmental and Social Review Summary and send it to EBRD for review and approval if:

(a) the amount of the transaction is over USD 1mln AND the tenor is over 1 year
OR

**(b) the amount of the transaction is over USD 5 million regardless of the tenor,
N.B. Trade in commodities with tenors of up to 12 months (under international sales contracts) is exempt from this rule.**

- Oil and gas development
- Crude oil refineries and petrochemical facilities
- Power generation: Thermal, gas turbine and diesel driven power stations; onshore wind farms
- Installations for the production of non-ferrous metals
- Integrated iron and steel mills
- Integrated chemical installations (e.g. fertiliser production, soda ash, chlor alkali electrolysis, pharmaceutical production)
- Mining, on-site extraction and processing of metal ores or coal
- Large-scale cement and lime processing plants
- Pulp and paper manufacturing
- Construction of motorways, express roads and lines for long-distance railway traffic and of airports
- Pipelines, terminals, and associated facilities for the large-scale transport of gas, oil, and chemicals.

¹ Principal reference documents are the IUCN Guidelines on Protected Areas

- Construction of overhead electrical power lines.
- Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tonnes; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1,350 tonnes.
- Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic metres or more.
- Hazardous waste storage, treatment including incineration or disposal.
- Municipal waste water treatment plants
- Municipal solid waste-processing and disposal facilities.
- Large-scale tourism and retail development.
- Large-scale land reclamation.
- Large-scale commercial logging.
- Large-scale primary agriculture/silviculture involving intensification or conversion of natural habitats.
- Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
- Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows.

**ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY (ESRS)
FORMATS
FOR SENSITIVE SECTORS**

A. SUB-BORROWER/ APPLICANT DETAILS

Name	
Address	
Business description/ production data (products, annual volume, main export markets if any)	

B. TRANSACTION DETAILS

Type of transaction (e.g loan, letter of credit, guarantee)	
Amount, currency	
Tenor	
Purpose of transaction (e.g. financing of import of equipment, financing of production and export of products, etc)	

C. ENVIRONMENTAL AND SOCIAL INFORMATION OBTAINED (to be attached to the ESRS)

Copy of latest environmental, sanitary, and labour/health and safety inspection reports

Copy of any action plan agreed with authorities (including cost and schedule)

Copy of any recent third party environmental /safety/labour audit/assessment

D. OTHER INFORMATION REVIEWED (pls delete/ add as appropriate)

Corporate Environmental/Sustainability Policy

Copies of permits/ licences

Representation from Company

Site visit report

Statement/ opinion of competent authorities

Other – pls state

E. THE SUB-BORROWER/ APPLICANT REPRESENTATIONS (hereafter - “the Company”)

Taking as much space as necessary, please provide answers to the following.

1. Validity of Current Operation Permits for Environment, Health, Safety and Labour

- Are all permits necessary for operation obtained?
- Do they cover all of the Company’s operations?
- Specify validity of permits and areas covered and key parameters

2. Environmental, Health, Safety and Labour Regulatory Compliance Status

- To what extent does the Company comply with national environmental, sanitary, and health & safety regulations and standards?
- Does the Company comply with national labour and employee protection regulations, in particular those related to employment of minors, the prohibition of forced labour, the

non-discriminatory treatment of employees at the workplace, and freedom of association and the right to collective bargaining?

- Specify areas of non-compliance for above two points
- Specify any excess charges or fines/penalties paid by the Company for pollution in the last two years, and the reason(s) for these charges/penalties
- Is the Company subject to ongoing or pending administrative or court action because of environmental, sanitary, and labour/health, safety issues? If yes, specify the reason(s).
- When were the last inspections of the Company's business from the environmental, sanitary, and labour/health and safety authorities?
- Please list the main findings, enforcement actions and recommendations given in the inspection reports?
- Specify which actions/investments for corrective measures have been agreed with the authorities to achieve compliance with regulatory requirements (including costs and planned schedule). Explain progress made by the company with implementing these actions and investments.

3. Liabilities

- Is the Company exposed to significant liabilities due to known or suspected soil or groundwater contamination from past operations? If yes, specify

4. Accidents and Incidents

- State any significant accidents or incidents occurred at the Company in the last two years (e.g. oil spills, fires) involving deaths or multiple serious injuries and/or significant environmental or material damage

5. Collateral

- If land is taken as collateral, is there any indication of material contamination? If yes, are there any liabilities of the Issuing/Borrowing Bank as a pledge holder to clean-up the land and what is their approximate magnitude?

F. RISK MITIGATION AND MONITORING

If the **Company is not in compliance with regulatory requirements or if there are potential liabilities** associated with collateral, specify any contractual requirements of the Participating Bank, such as loan conditions or covenants requiring corrective actions, and/or environmental reporting obligations of the applicant/sub-borrower.

G. COMPLETE THIS SECTION FOR NEW DEVELOPMENTS AND EXPANSION PROJECTS ONLY (otherwise delete)

- Has the Company obtained the necessary permits/approvals for planning/ construction/ operation?- Is an Environmental Impact Assessment (EIA) / OVOS required by law? If yes, has the company carried out the EIA/OVOS in accordance with regulatory requirements?
- Has the EIA/OVOS been disclosed to the local public that may be affected by the project? Are statutory public hearings required, and if so, have they been held?
- Has the EIA/OVOS been completed and approved by the regulatory authorities? CIS countries: Has a positive conclusion of the State Ecological Expertisa Review been obtained?
- Will any of the Company's facilities be within, adjacent to, or upstream of
 - land occupied by indigenous peoples and/or vulnerable groups, such as lands used for subsistence activities such as livestock grazing or hunting?
 - cultural or archeological heritage?If yes, how are impacts on these groups and/or structures being mitigated?

- Does the project involve expansion of the company's sanitary protection zone and/or the acquisition/lease of land? If yes, please specify
- Does the project involve the involuntary resettlement of people? If yes, detailed information on proposed resettlement and compensation of affected people must be attached to the ERS.
- Specify any environmental, health & safety, and social mitigation and management plans included in the project plans. State how they meet OVOS/EIA requirements and conditions for the project, if any.
- Will the company meet relevant EU Industrial Emissions (integrated pollution prevention and control) Best Available Techniques or any other international standard of good practice? Please specify.

H. COMPLETE THIS SECTION FOR TRANSACTIONS IN SPECIFIC SECTORS ONLY (otherwise delete)

1. STEEL MILLS

(i) Company production data (tons per annum) for pig iron, steel, liquid metal, and coke.

(ii) Company key emission data:

- Air emission data for dust, SO₂, PAH, CN (Cyanide), and heavy metals such as lead and mercury, stated in t/year and mg/Nm³ for key emission points.
- Quantity of solid waste, and how it is disposed or recycled
- Effluent data (waste water pollutants)

N.B.: Companies are normally required to collect these data under national law for the authorities and can simply copy the most recent information they hold on file.

(iii) Does the company currently operate **open hearth furnaces**? How many? If yes, please provide details of any plans to modernise and/or replace these furnaces, including the time frame for these actions.

(iv) Please state any significant **explosions** that occurred at the company site in the last 2 years, and remedial action taken.

(v) Is the company required to **resettle residents from its existing Sanitary Protection Zone**? If yes, please provide detailed information on resettlement plan and compensation of affected people.

(vi) Please provide details of **any investment plan for environmental or safety improvements** within the Company, indicating estimated time schedule and costs

SIGNATURE: _____

DATE: _____

