**Environmental and Social Risk Management Guideline for Banks in Iraq**

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# Introduction

## Foreword

## Regulatory Framework

This Guideline is developed in order to support Iraqi Banks in managing and mitigating Environmental and Social (E&S) risks in their transactions and incorporate appropriate E&S risk mitigation measures in overall credit risk management.

The main objectives of this Guideline are to:

* Raise awareness of E&S risks (e.g., climate change, biodiversity loss, poor labor management) and their potential impacts on financial stability, reputation, and operational resilience.
* Mitigate financial losses arising from E&S incidents, including regulatory penalties, project defaults, litigation costs, and reputational harm.
* Safeguard broader financial stability and help prevent systemic risks that might arise from unsustainable lending practices.
* Ensure compliance with national E&S regulations and promote alignment with internationally recognized standards (e.g., IFC Performance Standards) to harmonize risk management practices.
* Mandate the establishment of Environmental and Social Management Systems (ESMS) within banks, including governance structures, policies, and procedures to systematically identify, monitor, and address risks across transactions and project lifecycles.
* Integrate E&S risk assessments into banks' core risk management frameworks and decision-making processes, ensuring they are treated with the same rigor as financial risks.
* Strengthen institutional expertise through training, tools, and resources to improve governance and expertise in E&S risk management.
* Establish monitoring and reporting requirements for transparent disclosure of E&S risk exposures, mitigation actions, and outcomes.
* Encourage proactive engagement with affected communities and stakeholders by implementing effective grievance mechanisms.

This Guideline shall be applicable for all types of Banks in Iraq (commercial, corporate, Islamic, etc.) excluding retail banks.

The following types of transactions shall be subject to the requirements of this Guideline:

* Project Finance
* Corporate Lending (new loans, renewals, restructuring)
* SME Finance
* Microfinance
* Trade Finance

Retail Finance is excluded from this Guideline given the relatively negligible E&S risks associated with these transactions.

This Guideline requires enhanced assessment for Higher Risk Transactions[[1]](#footnote-2). This entails engaging qualified third-party E&S specialists to undertake the required E&S assessment of risks associated with these transactions and develop an E&S Action Plan (ESAP) to address the identified findings. Additionally, appropriate clauses should be included in legal agreements to ensure E&S compliance including monitoring mechanisms.

This Framework comes into effect as of July 1st, 2025. Banks will have a grace period of six (6) months following this date to plan for and start implementing concrete steps to align with the requirements stipulated within this document. The first Biannual Monitoring Report is to be submitted to the CBI in January 2026.

## Overview

The Central Bank of Iraq (CBI) is cognizant that environmental and social (E&S) risks have become critical considerations for businesses, investors, financial institutions and policymakers worldwide. E&S topics have been steadily gaining importance within the global financial ecosystem, compelling financial institutions to upgrade and modify their strategic and operational frameworks to integrate such topics. E&S risks pose material threats to credit portfolios, liquidity, and long-term viability, through financial institutions’ exposure to industries and projects with E&S impacts. For example, failure to address climate-related physical risks (e.g., collateral devaluation due to extreme weather events) or transition risks (e.g., stranded assets in carbon-intensive sectors) can trigger credit defaults and liquidity shortfalls. Similarly, social risks, such as labor rights violations or community displacement linked to financed projects, heighten legal liabilities and reputational harm.

E&S risk management should not be merely a compliance exercise but a strategic imperative. By embedding these risks into decision-making processes – from screening to approvals – banks can enhance operational resilience, and capitalize on opportunities in green finance, such as sustainability-linked loans and renewable energy investments. Market dynamics and shifting consumer preferences also compel banks to integrate E&S considerations into their risk management frameworks or face losing competitive advantage. Ultimately, banks that prioritize E&S risk management position themselves as pioneers of sustainable economic growth.

Regulatory frameworks and international standards, such as those issued by the International Finance Corporation (IFC) and the World Bank Group (WBG) provide systematic methodologies for identifying, assessing, and mitigating E&S risks. These standards support organizations, including banks, in aligning with global best-practice while addressing investor and consumer demands for transparency and accountability.

# E&S Risks and the Banking Sector

This section provides an overview of typical E&S risks, and their implications (on a national level and business level), and common mitigation measures. Additionally, implications of these E&S risks for banks, specifically are detailed.

## E&S Risks

E&S risks refer to challenges tied to climate change, pollution, resource depletion, labor conditions, community safety and security, and cultural preservation. These issues threaten ecological integrity, human health, economic resilience, and societal progress. Environmental strains such as extreme weather, air/water contamination, soil degradation, and biodiversity collapse are amplified by cultural norms, human errors, and unsustainable resource management. Meanwhile, social vulnerabilities, including exploitative labor conditions, workplace hazards, displacement, and inequalities, highlight weaknesses in oversight, supply chain accountability, and inclusive stakeholder collaboration.

**Table 1 Examples of E&S Risks**

|  |
| --- |
| **Environmental Risks[[2]](#footnote-3)** |
| **Climate Change and Extreme Weather Events** | **Overview of the risk** | The Middle East and North Africa (MENA) region is one of the world’s most vulnerable to the impacts of climate change, enduring higher temperatures, rising seas, droughts, floods, intense water scarcity and polluted air. The impact of climate change also threatens agricultural productivity, food security, and ecosystem stability, exacerbating socio-economic inequalities and resource conflicts. |
| **Implications** | * Water shortages for agriculture, industry, and domestic use.
* Increased energy demand for cooling, straining the national power grid.
* Greater frequency of extreme weather events disrupting infrastructure and livelihoods.
* Increased health risks due to heat stress and worsening air quality.
* Displacement of communities in drought-prone areas.
* Economic losses due to damage to infrastructure and reduced agricultural output.
 |
| **Potential Mitigation Measures** | * Invest in climate-resilient infrastructure and cooling technologies for workplaces.
* Implement water-efficient processes to reduce dependency on scarce water resources.
* Develop business continuity plans for extreme weather disruptions.
* Enhance workforce awareness and protection measures for heat-related health risks.
 |
| **Water Pollution and Scarcity** | **Overview of the risk** | Industrial wastewater often contains harmful constituents such as acidic pH levels, high biological/chemical oxygen demand, heavy metals, oils, solvents, and suspended solids. Improper disposal risks contaminating groundwater and surface water, endangering ecosystems and human health. |
| **Implications** | * Increased competition for water resources leading to regional conflicts.
* Agricultural losses due to salinization and lack of irrigation water.
* Declining public health due to contamination of drinking water sources and spread of waterborne diseases.
* Negative economic impact on industries reliant on water, such as oil refining and agriculture.
 |
| **Potential Mitigation Measures** | * Implement water recycling and reuse systems to reduce fresh water dependence.
* Invest in onsite water treatment technologies to prevent pollution.
* Develop partnerships with local water authorities to ensure sustainable water use.
* Conduct regular water audits to identify inefficiencies and improve conservation.
 |
| **Air Pollution** | **Overview of the risk** | Industrial operations and outdated technologies often generate  volatile organic compounds (VOCs), acid gases, particulate or dust emissions (including concentrations of mineral and metal oxides) and greenhouse gases (GHGs) such as ozone depleting compounds in large heating, ventilation and air conditioning (HVAC) and industrial process equipment.  |
| **Implications** | * Increased cases of respiratory diseases, including asthma and chronic lung conditions.
* Reduced labor productivity due to health impacts and poor air quality.
* Environmental degradation, including acid rain and damage to crops.
 |
| **Potential Mitigation Measures** | * Adopt cleaner technologies such as low-emission equipment and air filtration systems.
* Develop green logistics strategies, such as electric vehicle fleets.
* Implement workplace air quality monitoring and protective measures for employees.
* Establish green belts and afforestation programs to combat dust storms.
 |
| **Soil Contamination** | **Overview of the risk** | Soil contamination from oil spills, hazardous waste, and excessive pesticide use is a growing environmental challenge. This contamination could render large tracts of land unfit for agriculture. Heavy metals and toxic chemicals may also leach into groundwater, compounding environmental and health risks, and contributing to water scarcity. |
| **Implications** | * Declining agricultural productivity due to toxic soil conditions.
* Increased risk of cancer and other health conditions from exposure to contaminated land.
* Economic losses from unproductive land requiring costly rehabilitation.
 |
| **Potential Mitigation Measures** | * Implement soil remediation technologies, such as bioremediation and soil washing.
* Establish hazardous waste management protocols to prevent land contamination.
* Conduct regular environmental impact assessments to identify and mitigate risks.
* Develop eco-friendly agricultural practices to reduce chemical use.
* Establish soil monitoring programs to identify and address contamination hotspots.
 |
| **Waste** | **Overview of the risk** | Improper waste management practices, such as open dumping or burning, release toxic pollutants into soil, air and water. Hazardous waste (e.g., medical, industrial) poses additional risks if not handled with specialized disposal methods. |
| **Implications** | * Increased health risks from exposure to toxic waste and open dumping sites.
* Contamination of groundwater due to leaching from unmanaged waste.
* Economic losses due to inefficient recycling and waste treatment.
 |
| **Potential Mitigation Measures** | * Implement waste reduction and recycling programs within business operations.
* Establish partnerships with certified waste disposal and recycling providers.
* Develop sustainable packaging alternatives to minimize plastic waste.
* Conduct regular waste audits to optimize resource efficiency.
* Launch awareness campaigns on waste segregation and recycling.
 |
| **Loss of Biodiversity and Agricultural Decline** | **Overview of the risk** | Loss of biodiversity and agricultural decline, driven by habitat destruction, climate change, pollution, unsustainable land use, and invasive species, poses numerous risks to ecosystems, food security, and socio-economic stability. Economic losses arise from declining crop yields, damaged industries reliant on biodiversity (e.g., tourism, pharmaceuticals), and displacement of vulnerable populations.  |
| **Implications** | * Decline in fish stocks and wildlife, affecting food security and local economies.
* Loss of traditional livelihoods, including eco-tourism, fishing and farming.
* Increased desertification, further reducing arable land.
 |
| **Potential Mitigation Measures** | * Adopt sustainable sourcing practices to protect biodiversity.
* Support conservation programs and ecosystem restoration projects.
* Invest in sustainable farming techniques to protect soil and water resources.
* Develop corporate sustainability programs to enhance environmental stewardship.
* Develop reforestation and land rehabilitation programs.
 |
| **Social Risks[[3]](#footnote-4)** |
| **Labor and Working Conditions** | **Overview of the risk** | Labor risks include exploitative practices such as underpayment, unsafe working conditions, and reliance on informal, temporary, or migrant workers with limited legal protections. Additionally, child labour has been associated with sectors like agriculture, manufacturing, and artisanal mining, often driven by poverty and cultural acceptance. |
| **Implications** | * Loss of educational opportunities for children and exposure to hazardous conditions
* Increased workplace strikes and labor disputes.
* Exploitation of vulnerable workers, including refugees and informal laborers.
* Social unrest due to unfair wages and lack of job security.
 |
| **Potential Mitigation Measures** | * Enforce strict age verification in hiring and subcontractor agreements, aligned with applicable standards.
* Adopt legally-compliant contracts and undertake frequent third-party labor audits.
* Establish grievance mechanisms for workers.
* Provide training programs to improve workforce skills and safety.
 |
| **Occupational Health and Safety** | **Overview of the risk** | Workers in high-risk industries, such as construction, manufacturing or mining, face elevated hazards, including accidents, exposure to toxic substances, or fires and explosions. Risks are especially significant in environments where safety protocols are poorly enforced and protective equipment is lacking. |
| **Implications** | * Increased injury and fatality rates among workers.
* Economic losses due to lost productivity and medical costs.
* Reputational damage to companies with poor safety records.
* Project delays due to accidents and regulatory fines.
 |
| **Potential Mitigation Measures** | * Implement workplace safety regulations and enforce compliance.
* Provide proper training and protective equipment for workers.
* Establish emergency response protocols and monitoring systems.
 |
| **Community Health, Safety and Security** | **Overview of the risk** | Community health and safety risks arise from industrial activities such as air and water pollution, improper handling and disposal of solid/liquid waste, and potential major accidents (e.g., fires, explosions, or toxic substance leaks). These hazards disproportionately affect communities near industrial zones, waste sites, or high-risk facilities like chemical plants, refineries, or mining operations.  |
| **Implications** | * Increased public health risks from pollution and unsafe living conditions.
* Economic instability due to displacement and social unrest.
 |
| **Potential Mitigation Measures** | * Engage communities in environmental and social impact assessments.
* Fund CSR initiatives (e.g., water treatment plants near operational sites).
* Collaborate with private security firms and local leaders for threat assessments.
* Deploy environmental sensors to monitor pollution in real time.
 |
| **Land Acquisition, Resettlement and Displacement** | **Overview of the risk** | Large-scale infrastructure, energy, mining, or agricultural projects often necessitate land acquisition, which can result in the involuntary displacement of local populations. Compulsory land purchases, unclear land tenure systems, or inadequate consultation processes may disrupt communities, displacing residents from homes, farmland, or culturally significant areas.  |
| **Implications** | * Loss of livelihoods and housing for displaced communities.
* Legal disputes over landownership and compensation.
* Increased social tensions and conflicts.
* Operational delays from blockades by displaced communities.
 |
| **Potential Mitigation Measures** | * Conduct fair and transparent resettlement planning.
* Provide adequate compensation and livelihood restoration programs.
* Respect customary land rights and engage communities in decision-making.
* Co-develop community projects (e.g., schools, clinics) to build trust.
 |
| **Indigenous Peoples and Cultural Heritage Risks** | **Overview of the risk** | Indigenous communities and culturally significant heritage sites face threats from infrastructure development, resource extraction, looting, and armed conflicts. Industrial activities such as energy exploration, mining, or large-scale agriculture often encroach on ancestral lands, displacing Indigenous populations and degrading sacred sites.  |
| **Implications** | * Loss of cultural and religious heritage.
* Community opposition to projects that threaten heritage sites.
* Damage to Iraq’s global reputation for heritage preservation.
 |
| **Potential Mitigation Measures** | * Conduct cultural heritage impact assessments before project development.
* Avoid sensitive sites and develop heritage preservation programs.
* Engage local communities and historians in heritage protection efforts.
 |

## Implications of E&S Risks for Banks

E&S risks may result in potential financial, operational, legal, and reputational losses that occur at businesses financed by a banking institution and may potentially affect the Bank. These risks are increasingly material for banks due to:

* Regulatory shifts (e.g., EU’s Sustainable Finance Disclosure Regulation (SFDR), EU Emissions Trading System (ETS), etc.).
* Market pressures (e.g., investor demand for ESG-aligned portfolios).
* Physical risks (e.g., climate disasters impacting collateral value).
* Transition risks (e.g., stranded assets in carbon-intensive sectors).

**The following are the key implications of E&S risks for the banking sector:**

**Credit Risk:**

Banks may face credit risk when clients fail to meet financial obligations due to E&S issues. For example, clients may incur unanticipated costs (e.g., retrofitting facilities to meet E&S standards, paying fines for expired permits), reducing their ability to repay loans. Additionally, E&S issues (e.g., soil contamination, illegal logging) could reduce the market value of collateral.

**Legal Risk:**

Banks may face liability from legal obligations tied to clients’ E&S failures. 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 contamination. For example, banks may inherit legal responsibility for contamination or damage if they take possession of collateral (e.g., foreclosed industrial sites). Moreover, banks with equity stakes in clients may be sued for negligence in overseeing E&S practices.

**Operational Risk:**

Operational risk arises when a bank incurs losses due to disruptions in a client’s operations caused by E&S failures, indirectly affecting the client’s ability to meet financial obligations. For example, E&S incidents (e.g., protests over land acquisition, permit revocations, or workplace safety violations) disrupt cash flows, jeopardizing debt repayment. Operational shutdowns could also reduce the value of collateral securing loans.

**Liquid Risk:**

Liquidity risk occurs when banks face cash flow strains due to unexpected costs or delays in liquidating assets tied to E&S-compromised collateral. For example, Contaminated collateral (e.g., polluted land, industrial sites) forces banks to divert liquidity for remediation. E&S-compromised collateral (e.g. flood-prone properties, etc.) could also be rendered unsellable, locking up capital.

**Reputational Risk:**

Reputational risk stems from negative public perception of a bank’s association with clients or projects that harm environmental or social well-being, leading to financial and operational fallout. Investors, customers, and employees may boycott banks linked to controversial projects. Additionally, public outrage may trigger fines, sanctions, or mandatory project cancellations.

**Figure 1** below provides an overview of the implications of E&S risks for Banks.



**Figure 1 Overview of the Implications of E&S Risks for Banks**

# Applicable Standards

All national regulations pertaining to E&S governance will be applicable while carrying out E&S due diligence of a particular transaction. This means all relevant E&S permits, consents, licenses, and monitoring of E&S parameters as per the national regulations are to be considered.

**Key National E&S Legislations include:**

* **The Ministry of Environment Law No.37 of 2008**, which clarifies the structure and responsibilities of the Ministry, the goals it seeks to achieve, and the tasks assigned to it.
* **Environment Protection and Improvement Law No.27 of 2009**, establishing pollution control, resource management, and penalties for non-compliance.
* **The Labor Law No.37 of 2015**, which serves as the primary legislation governing employment practices across public and private sectors.
* **Kurdistan Region laws** such as Environment Protection and Improvement Law No.8 of 2008, and Environmental Protection and Improvement Authority Law No.3 of 2010.
* **The National Strategy to Reduce Environmental Pollution and Action Plan in Iraq 2022-2030**, aiming to control and reduce pollution by setting sector-specific pollution reduction targets, including industrial emissions and land rehabilitation.
* **The National Strategy to Protect and Improve the Environment in Iraq (2024-2030)**, which is designed to address Iraq’s pressing environmental challenges while aligning with global sustainability goals.
* **Nationally Determined Contribution (NDC) to the UNFCCC (2021)**, in which Iraq commits to reducing to reduce greenhouse gases by (17%) by investing 2% as unconditional contributions and 15% as conditional contributions by 2030.

Banks are required to develop their ESMS in line with the Guideline and its requirements, minimally. Adherence to the IFC Performance Standards through more sophisticated ESMSs is recommended as a best practice for large-scale project financing, though compliance remains voluntary. Entities are further encouraged to adopt Environmental and Social Management Systems (ESMS) aligned with internationally recognized frameworks such as the ISO 14001:2018 (Environmental Management Systems), the ISO 45001:2018 (Occupational Health and Safety Management), or equivalent standards to systematically identify, assess, and mitigate risks.

# ESMS Requirements

An ESMS, or Environmental and Social Management System, is a structured framework implemented by organizations to identify, assess, manage, and monitor the E&S risks and impacts associated with their activities, projects, or operations. For the context of banks, an ESMS is used to manage the E&S risks of transactions within their portfolios to ensure compliance with E&S standards, regulations, and best practices, as well as to promote sustainability and responsible business practices.

A template to support in ESMS Development is available in Annex M.

**An ESMS for a Bank typically comprises of:**

* E&S Policy
* Internal Organizational Capacity and Competency
* E&S Risk Review Procedure (with supporting tools and templates)
* Portfolio Monitoring and Review Procedure
* External Communications Mechanism/ Grievances Mechanism (please refer to **section ‎7**)

## E&S Policy

An E&S policy outlines a Bank's strategic commitment to integrating environmental and social considerations into its decision-making processes.

It serves as the foundational document for the bank’s Environmental and Social Management System (ESMS), guiding objectives, procedures, and accountability mechanisms. While there is no universal template, the policy should be tailored to the specific objectives of the Bank, reflecting strategic objectives, key E&S priorities and concerns as well as the E&S standards that clients are required to comply with.

Banks are required to establish an overarching E&S policy that should include:

* A summary of the Bank’s commitments (E&S objectives and principles) and stance on E&S matters.
* A brief statement about the scope and applicability of the policy.
* A clear statement regarding the sectors and activities the Bank will not finance/ invest in (Exclusion List).
* A commitment to develop and maintain internal capacity and structure for implementation.
* Reference relevant standards such as local regulations, the IFC Performance Standards (PSs), international protocols, industry-specific codes of practice, and other voluntary standards, where applicable.
* A summary of how the policy will be applied and how progress will be reported and, as applicable, evaluated.

Additionally, the E&S Policy should:

* Be endorsed by senior management and the board of directors or similar governing body.
* Be actively communicated to employees at all levels and functions within the Bank.
* Be publicly disclosed to relevant stakeholders (i.e. inclusion in corporate statements and reports, and publication on the Bank’s website).
* Be regularly reviewed and updated.

An Example E&S Policy is provided in Annex B.

## Internal Organizational Capacity and Competency

### Organizational Capacity Requirements

Banks shall establish and maintain a robust organizational structure that clearly defines roles, responsibilities, and authority for effectively implementing the ESMS. This involves designating qualified personnel with specific E&S responsibilities within the organization, ensuring that they have the necessary expertise to identify, assess and manage E&S risks. The implementation of the ESMS will involve staff from various departments including Relationship Management, Credit Risk, Investigations, Credit Administration, Credit Committees, Legal and Internal Auditing. Banks must ensure that responsible staff have sufficient knowledge to manage E&S risks and implement and maintain the ESMS.

**The following main roles are recommended for the various departments:**

* **ESRM/ E&S Focal Points (i.e. manager, officer, team):**
	+ Oversee implementation of the ESMS and this Manual across all lending operations.
	+ Coordinate with divisions and branches to ensure ESMS compliance.
	+ Lead client-level E&S risk assessments, including the categorization of each financing transaction and supporting with high-risk transactions due diligence and assessment.
	+ Define roles and responsibilities at all organizational levels in accordance with this Manual.
	+ Provide periodic updates to Senior Management on ESMS performance, unresolved issues, or instances of non-compliance.
	+ Upon request, advise Senior Management on sustainability matters and high-risk exposures.
	+ Liaise with external E&S Experts for the Bank.
	+ Ensure all Bank staff receive training on E&S topics based on their exposure to such issues.
	+ Annually report to the Central Bank of Iraq on the Bank’s actions regarding high-risk transactions escalated to Senior Management.
	+ Prepare the monitoring reports in line with the requirements of this Manual.
	+ Engage with relevant teams to conduct site visits, and gather required permits and documentation, particularly where IFC Performance Standards apply.
* **Senior Management:**
	+ Review and endorse ESMS policies and operational procedures prior to Board submission.
	+ Resolve escalated E&S risk issues in consultation with the Head of Credit.
	+ Support capacity-building activities and the recruitment of ESRM professionals.
* **Board of Directors:**
	+ Approve the ESMS Policy and Procedures.
	+ Set maximum exposure limits for high-risk sectors and define the Bank’s E&S goals, objectives, strategies and plans.
	+ Review internal audit findings related to ESMS implementation and oversee corrective actions.
* **Relationship Managers**:
	+ Integrate E&S risk screening into client onboarding and ongoing monitoring; and lead on communication of E&S requirements to clients.
	+ Undertake client initial screening for clients against the Exclusion List as well as a high-level review of national compliance (E&S permitting and licenses).
* **Investigations:**
	+ Conduct E&S due diligence (ESDD) for transactions and identify key E&S issues to be addressed through the various tools, questionnaires and checklists included in the ESMS.
	+ Develop Investigation Reports summarizing key E&S observations onsite.
* **Credit Risk Teams**:
	+ Assess and review any identified E&S issues as an outcome of the ESDD process and propose contractual clauses and ESAP to ensure E&S compliance.
	+ Collaborate with ESMS, credit and legal teams to integrate ESMS findings into credit decision-making and portfolio management.
	+ Maintain quality control over the ESDD process and evidentiary documentation.
	+ Escalate high-risk projects as well as unresolved E&S risk issues to Senior Management for review and approval/ determination of remedial action based on risk level.
* **Credit Administration**: Ensure E&S covenants are documented in financial agreements and monitor compliance with E&S requirements.
* **Credit Committees:** Approve/reject transactions based on E&S risk findings.
* **Legal Department**: Draft/enforce E&S covenants in financing agreements and advise on regulatory compliance.
* **Internal Audit**: Verify ESMS effectiveness and regulatory compliance through periodic reviews.

Moreover, Banks are required to recruit a dedicated ESMS Officer and appoint one or more representatives from senior management who will have overall responsibility for E&S matters and ESMS oversight. These representatives will oversee the implementation of relevant policies and requirements, and be responsible for:

* Designating staff members to be responsible for the day-to-day implementation of E&S requirements and providing support for implementation.
* Ensuring that there is adequate technical expertise available, either within the organization or through external sources, to conduct assessments and undertake ESDDs.
* Identifying training needs related to E&S matters and allocating the necessary budget for training.
* Ensure the Board and Senior Management is kept informed of challenges, successes and other important issues associated with the implementation of the ESMS.

Banks are required to appoint qualified third-party E&S specialists to undertake the required E&S assessment of risks associated with Higher Risk and other similar transactions (Category A/ B projects as per the IFC Categorization guidance).

### Capacity Building Requirements

To ensure effective implementation of the ESMS, banks must prioritize capacity building to equip staff, management, and stakeholders with the knowledge, skills, and tools required to identify, assess, and manage E&S risks.

Banks are required to design and implement effective training programs as part of their ESMS to ensure their teams have the required capacity and knowledge to undertake their responsibilities.

When planning and executing training sessions, Banks should:

1. Identify the distinct training needs for different teams within the Bank.
2. Specify the content of the training.
3. Determine the delivery method of the training.
4. Select the individuals responsible for delivering the training.
5. Set the timing and frequency of the training sessions, including the recommendation of periodic refresher sessions.
6. Establish a mechanism for assessing the effectiveness of the training program.

Minimally, the following minimum training requirements are to be delivered to the following target groups at least once, with refresher training sessions conducted as required:

**Table 2 Minimum Training Requirements**

|  |  |
| --- | --- |
| **Target Group** | **Training Focus** |
| **Senior Management and Board of Directors** | Overview of E&S risks, regulatory requirements, ESMS objectives, and strategic integration into decision-making. |
| **ESMS Focal Points** | In-depth training on the Bank’s ESMS, E&S risk assessment methodologies, monitoring, and reporting. |
| **Relationship Management** | Identifying key E&S risks in client transactions, and communicating the Bank’s E&S expectations to clients. |
| **Investigation and Credit Risk Management** | Integration of E&S risk factors into credit risk assessment, due diligence, and financial approval processes. |
| **Teams involved in ESMS Implementation** | Practical implementation of ESMS policies, ESDD, and sector-specific E&S risk considerations. |
| **Remaining Bank Staff** | General awareness on E&S policies, exclusion lists, and the ESMS. |

## E&S Risk Review Procedure

Typical E&S Risk Review for transactions comprises of five phases, that are to be integrated into the Bank’s existing financing lifecycle. These five phases are as follows:

1. Screening
2. Categorization
3. Due diligence
4. Decision-making and approval
5. Monitoring

Banks are required to develop and adopt an E&S Risk Review Procedure that details the requirements of each phase mentioned above and how it will be integrated within the credit/ financing lifecycle; and provides the required supporting tools and templates for implementation.

### Screening

Banks must establish and maintain an Exclusion List that outlines activities deemed unacceptable due to their E&S risks. Prospective transactions are to be systematically screened against this list during the credit initiation phase. This step filters out ineligible activities—such as weapons manufacturing, illegal deforestation, or practices involving forced labor—and avoids resource-intensive assessments of transactions incompatible with the bank’s E&S requirements. By terminating consideration of prohibited activities early, this phase ensures efficient resource allocation, unless an exemption is formally justified.

An Exclusion List is provided in Annex C which Banks must align with, minimally. Banks may choose to develop more strict lists based on their risk appetite.

Exclusion Lists may be developed in line with frameworks from international bodies like the IFC[[4]](#footnote-5) and the Association of European Development Finance Institutions (EDFI[[5]](#footnote-6)), which provide reference criteria for prohibited sectors or practices. These standards help banks avoid activities that conflict with global sustainability principles.

In exceptional cases, exemptions may be permitted subject to a comprehensive review procedure. This requires formal justification demonstrating overriding sustainability or developmental benefits, approval by senior management or a designated ESG governance body, and enhanced monitoring requirements if the transaction is approved.

### Categorization

Following the initial screening, transactions must be categorized based on their E&S risks in order to guide due diligence efforts ensuring they are proportionate to the identified risks, and optimizing resource allocation.

To ensure consistency, the following category definitions are globally accepted:

**Table 3 E&S Risk Categorization Guidance**

|  |  |  |
| --- | --- | --- |
| **Category** | **E&S Risk Level** | **Definition** |
| **A** | **High** | Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. |
| **B** | **Medium** | Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. |
| **C** | **Low** | Business activities with minimal or no adverse environmental or social risks and/or impacts. |
| **Category FI****Business activities involving financing financial institutions (FIs) or through delivery mechanisms involving financial intermediation. This category is further divided into:** |
| **FI-1** | **High** | When an FI’s existing or proposed portfolio includes, or is expected to include substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented. |
| **FI-2** | **Medium** | When an FI’s existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.  |
| **FI-3** | **Low** | When an FI’s existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts. |

Banks may use the categorization system established by the Ministry of Environment[[6]](#footnote-7). Additionally, Banks are encouraged to align their categorization methodology with globally recognized frameworks (e.g., IFC Guidance Note on Financial Intermediaries and EBRD Performance Requirement 9: Financial intermediaries[[7]](#footnote-8)) to maintain consistency and credibility.

E&S risk categories are dynamic; a transaction’s risk category may be reclassified as new information emerges during due diligence or monitoring (e.g., regulatory shifts or community grievances).

### Due Diligence

The preliminary E&S risk category of a credit application is used to inform the type of E&S due diligence (ESDD) required. The ESDD phase is typically associated with more information being made available by the borrower (data room, access to sites and to employees, etc) and is thus, conducted during the investigation phase of the financing lifecycle.

The ESDD of a credit application shall either be performed internally by the Bank (‘internal’) or by an external E&S expert (‘external’), depending on the level of E&S risk category of the credit application as defined in the previous section. Sample ESDD Checklists targeting SMEs and Corporate Finance, and Project Finance and Long-Term Corporate Finance are provided in Annexes E and F for internal assessments. These checklists are to be used as guidance and are tailored to be more stringent as the E&S risk increases (i.e. corporate transactions or project finance transactions). High E&S Risk projects should be assessed externally. A Sample ToR for Engaging External Experts is in Annex H.

Whether undertaken internally or externally, the ESDD shall aim to:

* Confirm compliance with the applicable E&S requirements (including national legislation), or at a minimum ensure that the client will, in the future, be able to comply with such requirements.
* Conduct a gap analysis to identify areas of non-compliance with national laws and other E&S standards.
* Identify and assess E&S risks associated with borrower operations, any implemented mitigation measures as well as the client’s capacity to manage the identified risks.
* Verify – and revise, if necessary – the preliminary client E&S risk category assigned during the screening phase and determine the final E&S risk category of the transaction and if any additional assessments are required.
* Develop an E&S Action Plan (ESAP), when necessary, that provides recommendations and corrective actions for addressing the identified E&S findings including timelines, responsibilities, and monitoring mechanisms. Based on the ESAP, relevant E&S Covenants are to be incorporated into legal agreements.

Banks are required to develop and implement their own ESDD checklists, guided by the provided templates and internationally recognized frameworks such as the IFC Performance Standards[[8]](#footnote-9), EBRD Performance Requirements[[9]](#footnote-10), BII Sector Profiles[[10]](#footnote-11), Equator Principles[[11]](#footnote-12), and UN Sustainable Development Goals (SDGs)[[12]](#footnote-13) that detail key E&S risks and guidance on how to manage them. Higher-risk transactions such as Project Finance Transactions or Medium-Term Loans (MTL) to corporate clients require more comprehensive and stringent assessment and due diligence than lower risk transactions such as Short-Term Loans or Working Capital Finance to SMEs.

Additionally, the following international institutions have developed guidance, tools and checklists that may be used for reference in developing ESMS and ESDD checklists:

* IFC ESMS Implementation Handbook[[13]](#footnote-14).
* BII ESG Toolkit for Financial Institutions[[14]](#footnote-15)
* Financial Institutions: Reports, Solutions and Tools (FIRST for Sustainability) by the IFC[[15]](#footnote-16)

The ESDD checklists are recommended to, at minimum, address the following topics:

1. Assessment and Management of E&S Risks and Impacts
* E&S Risk Assessment and Management Systems
* Organizational Capacity and Competency
* Ongoing Monitoring and Auditing
* Emergency Preparedness and Response
* Stakeholder Engagement and Grievance Mechanisms
1. Labor and Working Conditions
* Occupational Health and Safety (OHS)
* Prohibition of Child and Forced Labor
* Non-Discrimination and Equal Opportunity
* Labor and Working Conditions
* Workers Grievance Mechanism
1. Resource Efficiency and Pollution Prevention
* Pollution Prevention (Effluents and Waste Generation)
* Resource Efficiency
* Hazardous Materials Management
* Climate Change Mitigation
1. Community Health, Safety, and Security
* Community Exposure Risks
* Traffic and Safety Management
* Security Personnel
1. Land Acquisition and Involuntary Resettlement
2. Biodiversity Conservation and Sustainable Natural Resource Management
3. Indigenous Peoples
4. Cultural Heritage

The ESDD process may involve a desktop review of client documentation, or, for Higher Risk transactions, site visits conducted by internal specialists or external E&S experts. Banks must verify borrowers’ compliance with their E&S requirements through evidence-based assessments, including management plans and procedures, permits, environmental impact assessments (EIAs), and monitoring records. Findings must be documented to substantiate risk ratings and inform the development of corrective actions, where applicable.

The ESDD process will mainly provide confirmation whether the credit application complies with the Bank’s E&S requirements (including national legislation), and to what extent. Where gaps of compliance are identified, these will be highlighted, and corrective actions will be put forth to address them in an ESAP to be developed by Bank (Template is available in Annex G). The ESAP shall outline the identified issue, recommended corrective actions, associated costs (where applicable), deliverables, implementation timeline, and parties responsible for addressing the identified issues. The ESAP must specify requirements to bring the client into compliance with the Bank’s E&S requirement. It will ultimately be included in the financial documentation and agreements.

### Decision-making and Approval

All material credit decisions must be reviewed and approved by an Independent Credit Committee (ICC) or equivalent governance body. The committee’s membership should include multidisciplinary expertise, including senior representatives from Risk Assessment, Legal/Compliance, Operational Risk, and relevant business units, with recommended participation from at least one E&S Expert to ensure informed decision-making. Alternatively, committee members may complete accredited external training on E&S risk management, including sector-specific impacts, regulatory requirements, and common mitigative/ corrective measures for E&S risks.

To ensure informed decision-making, banks must integrate E&S findings into credit decisions through a concise, standardized summary appended to credit proposals/ memos. This summary should categorize risks (high, medium, low, FI), provide an overview of the ESAP, and flag regulatory non-compliance and any required conditions precedent (CPs), with clear references to supporting documentation. Proposals lacking this analysis shall be deemed incomplete.

Banks may establish multiple credit committees to review transactions, with approval authority determined by factors such as E&S risk (high, medium, low, FI), transaction type (e.g., project finance, working capital, trade finance), ticket size, and client type (corporates, SMEs, financial institutions). For example, high-value project finance deals might require approval from an ICC, while smaller working capital loans for SMEs could be delegated to the Chief Risk Officer (CRO). An approval matrix should be developed to define these parameters, ensuring alignment with risk profiles and operational scale.

Following approval, E&S risks and obligations are to be formally embedded into the transaction’s legal and operational framework. Banks must integrate E&S requirements into financial and legal documentation, including E&S clauses and the finalized ESAP, prior to disbursement. This serves as a binding commitment, aligning the client’s operations with the Bank’s E&S requirements and regulatory expectations. Therefore, E&S clauses and ESAP must be explicitly outlined in financial agreements, covenants, or side letters. These should detail timelines, reporting obligations, and consequences for non-compliance (e.g., penalties, disbursement pauses).

The inclusion of these requirements serves to:

* Establish a mutual understanding of E&S requirements, reducing risks of disputes or misinterpretations.
* Ensure the Bank and client share common goals for managing E&S risks, fostering collaborative risk mitigation.
* Ensure the borrowers are aware of the required resources to comply with the E&S requirements.
* Strengthen the Bank’s ability to monitor and enforce E&S performance through contractual mechanisms.

It is recommended to develop a set of standard E&S terms and conditions, which could be adapted to each financial agreement based on, inter alia, the type of transactions, due diligence findings, materiality of E&S risks and impacts and local and international applicable standards. These should include positive and negative covenants, project-specific E&S requirements and consequences of non-compliance. Examples of such covenants are provided in Annex J for guidance.

### Monitoring

Banks must continuously monitor their borrowers’ E&S performance against specific recommendations and the ESAP developed with its implementation timeline. Monitoring serves as a proactive tool to evaluate the borrowers’ E&S performance, manage risks, provide support and drive improvement, manage unplanned events to avoid reputational harm. In addition, monitoring activities facilitate tracking and reporting on outcomes while enhancing the quality of E&S information available to stakeholders, supporting informed decision-making.

Monitoring activities should be conducted commensurately to the identified E&S risk of the project. Higher Risk transactions require stringent mechanisms, such as frequent site visits, third-party audits, or quarterly progress reviews, to actively manage complex risks. For medium-risk clients, annual E&S monitoring reports are recommended, detailing compliance with the bank’s requirements, ESAP progress, and incident management. Low-risk transactions may only necessitate annual client declarations confirming adherence to E&S obligations, minimizing administrative burdens while maintaining oversight. A template is provided in Annex I to be referred to when developing the Bank’s own checklist.

External experts may be called in to assist in the E&S Monitoring visits of Higher Risk transactions.

**Incident Reporting**

Banks should require borrowers to report to the Bank within hours (recommended 72 hours) the occurrence of incident or accidents that could have a negative effect on the project operations, or that could result in non-compliance with national regulations. An Incident Reporting Form Template is provided in Annex J. This notification should include details on what occurred, when it happened, the findings from any initial investigations, and the corrective actions that are planned or have been implemented. Borrowers shall be required to prepare comprehensive Incident Reports, which include a root cause analysis aimed at identifying and effectively addressing the underlying causes to prevent future occurrences.

The following types of incidents/ accidents are considered as major, and worthy of notification (this list is not exhaustive):

* Sanctions or fines by E&S-related regulatory authorities.
* Fires or explosions.
* Significant fuel / Chemical spills (excess of 50L or minor quantities near sensitive receptors).
* Significant pollution discharges above limits of normal operation.
* Work-related fatalities or loss-time incidents exceeding a month (including by employees, suppliers, contractors and / or members of public).
* Incidents significantly affecting the health of employees, suppliers, contractors or members of public (including public health risks due to product quality issues).
* Incidents of fraud, bribery or money laundering.
* Major security breaches.
* Strikes or employee unrest.
* Incidents requiring operations to be substantially curtailed or shutdown.
* Indictment of E&S mismanagement receiving media coverage (TV, radio, written press, internal and social media).
* Significant community unrest or public relations incidents.

Banks are required to disclose regarding major incidents within their portfolios with relevant stakeholders, including the CBI in periodic E&S performance reports.

## Portfolio Monitoring and Review Procedure

Banks must monitor the overall E&S performance of its portfolio (I.e risk composition, percentage of ESAP alignment, etc.) This information gives the Bank a better understanding of its overall exposure to E&S risk and allows the Bank to focus on transactions and borrowers that may require additional resources to manage E&S impacts.

Banks are also required to periodically review the effectiveness of their ESMS, and adjust or update procedures, as needed, to enhance practices and efficiency, address potential changes in the E&S risk profile of their portfolio, and respond to changes in the E&S regulatory environment.

The following information about the portfolio (at least) should be maintained:

* Portfolio breakdown by industry sectors and product lines, E&S Risk of Transactions, and sample ESDD reports.
* Any cases of poor E&S performance related to a transaction.
* Any significant E&S accidents or incidents related to a transaction.
* Borrower alignment/ compliance with E&S requirements.
* The Banks clients’ exposures to high-risk activities (e.g., coal-related, palm oil, etc.).

Banks are also required to integrate requirements of the ESMS and this Manual into their Information Management System to provide an integrated platform to assess all transactions.

# Disclosure and Reporting Requirements

The Central Bank mandates that all banks adopt robust disclosure and reporting practices as part of their ESMS. These requirements aim to inform stakeholders, regulators, and the public about the bank’s management of E&S risks, while fostering market confidence in sustainable finance practices.

**Banks must publicly disclose the following information in accessible formats (e.g., annual reports, sustainability reports, websites):**

* E&S Policy and Commitments
* The Exclusion List of prohibited sectors/activities.
* Overview of E&S Risk Management Approach.
* Information about the grievance mechanism including grievance receipt channels, and a detailed description of timelines and status updates that are to be shared with Complainants.

**Banks must submit the following to the Central Bank on a semi-annual basis:**

* E&S Risk Portfolio Review:
	+ Breakdown of financed projects/transactions by risk category (e.g., high, medium, low).
	+ E&S risks by sector (e.g., energy, agriculture, infrastructure).
* Compliance Status:
	+ Adherence to the requirements of this Guideline.
	+ Adherence to the Bank’s own Exclusion List and corrective actions taken for non-compliant transactions.
	+ Updates on ESMS implementation gaps and remediation plans.
* Incident Reporting:
	+ Significant E&S incidents (e.g., pollution events, community conflicts) linked to financed projects, including root causes and mitigation measures.
* Capacity Building:
	+ Training programs conducted for staff and clients, including participation rates and outcomes.
* Assessment of the Bank’s ESMS through the IFC’s ESMS Diagnostic Tool for Financial Institutions[[16]](#footnote-17) (highlighting any changes or updates).

A template is provided in Annex L to provide a structured format for information disclosure and ensure consistency and comparability between Banks’ E&S performance.

**Banks are also required to publish annual Sustainability Reports that align with internationally recognized frameworks such as:**

* Global Reporting Initiative (GRI).
* Task Force on Climate-related Financial Disclosures (TCFD).
* EU’s International Financial Reporting Standards (IFRS) - Sustainability Disclosure Standards.

Finally, Banks are mandated to inform the CBI within seven (7) days of incident occurrence in their client operations.

The table below summarizes the required disclosure reports, frequency and deadlines:

**Table 4 CBI Disclosure Requirements**

|  |  |  |
| --- | --- | --- |
| **Report** | **Disclosure Frequency** | **Deadline of Issuance** |
| **Annual Sustainability Report** | Annual | Within 3 months of the fiscal year-end |
| **Regulatory E&S Report to the CBI** | Biannual | 1 month after half-year/ year-end closing |
| **Incident Reports** | Ad hoc | Within 7 days of incident identification |

# Grievance Redress Mechanism

To uphold accountability, transparency, and stakeholder trust, Banks are required to establish and maintain a Grievance Redress Mechanism as part of their ESMS. This mechanism ensures that concerns raised by affected stakeholders (e.g., communities, clients, employees, or civil society) regarding E&S impacts linked to the bank’s operations or financed projects are promptly addressed.

A documented procedure should be developed outlining internal mechanisms for receipt, investigation, handling, resolution, escalation and closure. The document should assign detailed roles and responsibilities for relevant staff involved in all steps of grievance management.

**The Grievance Redress Mechanism is required to meet the following criteria:**

* Be accessible to all stakeholders, especially vulnerable groups (e.g., indigenous communities, low-income populations), through multiple FREE-of-COST channels (e.g., toll-free hotlines, online portals, in-person submissions).
* Be in a language and format that is understandable to all relevant stakeholders.
* Be transparent and ensure impartiality in resolving complaints, free from retaliation against complainants.
* Provide clear timelines, procedures, and status updates to complainants.
* Protect the identity of complainants unless explicit consent is granted.
* Be prompt and culturally-sensitive, with remedies proportionate to the harm identified.
* Provide a non-judicial, voluntary process that does not replace formal legal or judicial remedies. Stakeholders shall retain the right to pursue legal action through courts or regulatory bodies including the CBI.

Banks are required to adopt an E&S Grievance Redress Mechanism that details a step-by-step procedure from grievance receipt and acknowledgement to grievance resolution and closure. This document should include organizational capacity requirements, grievance receipt channels, documentation and disclosure requirements, and required capacity building.

**Banks must explicitly inform complainants that:**

* The mechanism is an additional avenue for resolution, not a substitute for legal recourse.
* Submitting a grievance does not waive their right to pursue litigation or regulatory complaints.

# Incentives for Good E&S Performance

To encourage effective E&S risk management within the Bank’s portfolio and among its clients, banks may offer one of the following incentives and disincentives to clients who demonstrate improved E&S performance or deteriorated performance during monitoring, respectively. Clients who demonstrate exceptional E&S performance at the ESDD stage may also be eligible to these incentives.

**Incentives for Good E&S Performance for Banks’ Clients:**

* Issuance of formal Letters of Recognition and Achievement in E&S Excellence from the Bank and mention on the Bank’s website.
* Reduction in interest rates.
* Enhanced borrowing capacity through a higher debt-equity ratio.
* Greater flexibility in loan conditions.
* Improved loan-to-value ratios for borrowers.

**Disincentives for Improper E&S Performance for Banks’ Clients:**

* Increase in interest rates.
* Lower permissible debt-equity ratio for borrowers.
* Stricter loan covenants and conditions.
* More conservative loan-to-value ratios for borrowers.

Additionally, to motivate banks in adopting E&S risk management and supporting their clients in improving their own E&S performance, banks demonstrating improvement in E&S performance of their portfolios (e.g. alignment with E&S expectations and best-practice), may be eligible to receive some of the following **incentives from the CBI:**

* Based on Banks’ annual sustainability reports, the CBI will establish a formal ranking system to:
1. Issuance of formal Letters of Recognition and Achievement in E&S Excellence to the Banks and mention on the CBI’s platforms.
2. Recognize the top five most sustainable Banks each year, granting them public acknowledgment and preferential advisory support.
3. Support the five lowest-ranked Banks through targeted capacity-building and technical assistance.
* Where feasible, the CBI may integrate this sustainability ranking into the existing CAMELS framework, thereby aligning regulatory incentives with the Banks’ E&S performance.

# Annex A: E&S Risks for Different Bank Products

## Project Finance

Project finance is generally utilized for large-scale, complex initiatives (e.g., infrastructure, energy projects, dams, and power plants) where financing is secured against project assets. These projects are inherently subject to substantial E&S challenges, including issues such as involuntary resettlement, biodiversity loss, and adverse impacts on local communities, as well as risks related to worker safety and environmental contamination. Inadequate risk management can lead to operational disruptions, legal complications, and reputational damage, directly affecting the financial institution’s returns through disruptions in project-generated cash flows.

Due to heightened scrutiny from regulators, civil society, and investors, banks should typically dedicate significant resources to managing these risks. This entails engaging qualified third-party E&S specialists to undertake the required E&S assessment of risks associated with these transactions and develop an ESAP to address the identified findings. Additionally, appropriate clauses should be included in legal agreements to ensure E&S compliance including monitoring mechanisms.

## Corporate Finance

Corporate finance encompasses both debt and equity instruments used to fund specific projects or overall business expansion. The E&S risk profile varies significantly with the industry, size, and location of the business, as well as its capacity for managing these risks and maturing in E&S risk management. High-risk sectors such as mining, oil and gas, and heavy manufacturing may experience severe E&S impacts (e.g., safety hazards, significant environmental contamination), while lower-risk sectors typically face challenges related to labor standards and basic safety.

Banks’ exposure to the enterprise’s overall E&S risk profile heightens financial, liability, and reputational risks. This entails engaging qualified third-party E&S specialists to undertake the required E&S assessment of risks associated with these transactions and develop an ESAP to address the identified findings. Additionally, appropriate clauses should be included in legal agreements to ensure E&S compliance including monitoring mechanisms.

## SME Finance

Although less complex than large corporate or project investments, SMEs can encounter significant E&S challenges. SMEs face E&S risks tied to worker health/safety (e.g., manufacturing, construction) and pollution (e.g., waste disposal, chemical use). Risks escalate with company size, sector, and operational capacity to manage E&S practices. Long-term lender relationships increase exposure to liability and reputational risks.

SMEs’ smaller scale and resource constraints heighten their vulnerability to financial, legal, or operational disruptions from unmanaged E&S issues. However, the level of E&S risks associated with SMEs can typically be managed by internal resources within banks with the support of E&S due diligence (ESDD) checklists, tools and questionnaires. Appropriate clauses should also be included in legal agreements to ensure E&S compliance including monitoring mechanisms.

## Microfinance

Microfinance involves smaller, short-term loans aimed at small business owners and micro-entrepreneurs. Although individual transactions usually exhibit low E&S risks due to their limited scale, some clients may handle hazardous materials (e.g., pesticides) which would require close scrutiny to ensure the adoption of sufficient E&S controls. Credit risk arises if E&S incidents (e.g., workplace accidents) impair borrowers’ repayment capacity.

Given the overall limited E&S risk and short-term relationships in this sector, simplified ESDD processes are sufficient for E&S assessment. Appropriate clauses should also be included in legal agreements to ensure E&S compliance including monitoring mechanisms.

## Trade Finance

E&S risks stem from the production processes of traded goods, varying by industry sector (e.g., textiles, agriculture) and geographic location. Companies engaged in cross-border trade must comply with both domestic and international E&S regulations, often facing public scrutiny that can affect their reputation.

Given the short-term nature of these transactions, banks have limited control post-approval; however, implementing screening measures (such as adopting an Exclusion List) can prevent financing of products or substances subject to bans or phase-outs.

## Retail Finance

Retail transactions, which primarily serve individual consumers, generally present negligible E&S risks. There is usually no credit, liability or reputational risks due to E&S issues for Banks involved in retail banking.

# Annex B: Example E&S Policy

The Bank continually endeavors to ensure effective Environmental & Social management practices in all its activities, products and services with a special focus on the following:

* Ensuring that all activities undertaken by the Bank and its borrowers are consistent with the local and international Applicable Requirements [please list applicable requirements]
* Ensuring that all prospective clients/ transactions are reviewed against the Bank’s Exclusion List and Applicable Requirements
* Financing clients/ projects only when they are (or are expected to be) designed, built, operated and maintained in a manner consistent with the Applicable Requirements
* Making best efforts to ensure that all clients operate in compliance with the Applicable requirements on an ongoing basis, throughout the duration of the Bank’s financing
* Make available the required financial, human and other resources to properly assess prospective clients/ transactions
* Ensuring transparency in its own and its borrowers’ activities
* Ensuring that the management and the shareholders of the client companies understand the policy commitments made by the Bank in this area
* Ensuring the Bank’s E&S risk management approach is relevant and up-to-date through regular revisions.

This Policy has been reviewed and approved by the Bank’s Board of Directors. The Policy will be communicated to all staff and operational employees of the Bank. The Policy will be made publicly available to relevant stakeholders through the Bank’s website, sustainability reports, and stakeholder communications.

Signed Effective Date

# Annex C: Exclusion List

Banks will not finance any activity, production, use, distribution, business or trade involving:

* Forced labour[[17]](#footnote-18) or child labour[[18]](#footnote-19)
* Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
	+ - Ozone-depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals
		- Wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
		- Unsustainable fishing methods (e.g. blast fishing and drift-net fishing in the marine environment using nets in excess of 2.5 km in length)
* Cross-border trade in waste and waste products, unless compliant with the Basel Convention and its underlying regulations
* Destruction[[19]](#footnote-20) of High Conservation Value areas[[20]](#footnote-21)
* Radioactive materials[[21]](#footnote-22) and unbounded asbestos fibres
* Pornography and/or prostitution
* Racist and/or anti-democratic media
* In the event that any of the following products form a substantial part of a project’s primary financed business activities:[[22]](#footnote-23)
	+ - Alcoholic beverages (except beer and wine)
		- Tobacco
		- Weapons and munitions
		- Gambling, casinos and equivalent enterprises

# Annex D: IFC Thresholds

|  |  |  |  |
| --- | --- | --- | --- |
| **Loan Type** | **Amount (Rs equivalent amount as per prevailing exchange rate)** | **Tenor** | **Performance Standards (PS)\*\*\*** |
| Corporate loan not associated with project finance, such as a regular-term loan | $5 million and above | 36 months and above | PS 1 and PS 2 only\*\*\*\* |
| Corporate loan not associated with project finance, such as working capital structured as a revolving facility | Single facility amounting to $5 million and above over a three-year period\*  | 36 months and above | PS 1 and PS 2 only\*\*\*\* |
| Corporate loan not associated with project finance, such as working capital or overdraft  | Any amount | Less than 36 months | Not applicable; only the Exclusion List and national law screening required\*\*\*\* |
| Corporate loan associated with a project | Any amount if the total capital cost of the project is $10 million and above | 36 months and above | All\*\*\*\*\* |
| Project finance | Any amount if the total capital cost of the project is $10 million and above\*\* | 36 months and above | All\*\*\*\*\* |
| Corporate loan associated with a project | Any amount if total capital cost of the project is less than $10 million | Any tenor | Not applicable; only the Exclusion List and national law screening required\*\*\*\* |
| Project finance | Any amount if total capital cost of the project is less than $10 million | Any tenor | Not applicable; only the Exclusion List and national law screening required\*\*\*\* |

\*This is an aggregate value taking into consideration that many working capital loans are rolled over annually, for example, a $1.6 million loan structured as a revolving facility for up to three years.

\*\*Where leverage is limited, the bank or FI will be required to screen the transactions against key objectives of the IFC Performance Standards and make a go- or no-go decision. Examples of limited leverage include secondary market transactions or syndicated loans where Bank’s Borrower/Customers' participation is below 25% of the total loan value.

\*\*\*IFC Performance Standards can be accessed through this link: <https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards>

\*\*\*\* Please see Annex E for an Excel-based ESDD Checklist for conducting environmental and social due diligence.

\*\*\*\*\* Please see Annex F for IFC Performance Standards screening questionnaire for conducting environmental and social due diligence.

# Annex E: ESDD Questionnaire for SMEs

Please refer to the Excel-based E&S Risk Assessment Tool.

# Annex F: Comprehensive ESDD Questionnaire for Long-Term Finance

This list of questions was compiled to assist banks and financial institutions investing in project and long-term corporate finance with conducting initial screening of a business activity or a Bank’s Borrower/Customer and in identifying E&S potential impacts and risks related to the business activity or the company being financed.

**PS 1: Assessment and Management of Environmental and Social Risks and Impacts**

*Policy*

* Does the company have an overarching policy (statement) defining the environmental and social objectives and principles guiding the company’s E&S performance?
* Is this policy backed by the top management of the company?
* Does this policy specify who within the company is responsible for policy implementation?
* Was this policy communicated to all employees of the company?

*Identification of Risks and Impacts*

* Does the company have a system or procedure to screen, identify, analyze, and access the potential risks and impacts related to its business activities or projects?
* Is an emergency preparedness and response system an integrated part of the company’s risk management system?
* Has the company conducted Environmental and Social Impact Assessments (greenfield projects) or any other type of E&S assessments (limited or focused E&S assessments or E&S audits) for the projects financed?

*Organizational Capacity and Competency*

* Has the company designated specific in-house personnel, including management representatives, with clear lines of responsibilities and authority for E&S issues?
* Do the delegated personnel possess the knowledge, skills, and experience to implement the E&S policy and follow established procedures?
* Has the company allocated resources to support its E&S functions?
* Has the company allocated resources to support capacity building of relevant staff on E&S issues?
* Does the company have relevant training programmes in place for the E&S personnel?
* Does the company outsource E&S functions to a qualified third party(parties)?

*Monitoring and Review*

* Does the company have procedures in place to track and evaluate E&S performance of its operations?
* Is appropriate environmental and social performance information periodically reported internally to senior management, investors, and stakeholders (as relevant)?
* Does the company have a procedure to evaluate and record results of its monitoring activities?

*Stakeholder Engagement*

* Does the company have a mechanism for identifying its stakeholders (such as affected communities and other interested stakeholders in the company’s activities)?
* Has the company developed and implemented a Stakeholder Engagement Plan that is scaled to the project risks and impacts and development stage?
* If company activities have negative impacts on local communities, has the company established a community engagement process for affected communities?
* Does the company undertake the process of informed consultation and participation (when applicable)?

*External Communications and Grievance Mechanism*

* Does the company have a procedure to receive and process communications from external stakeholders?
* Does the company have a grievance mechanism—a procedure for receiving, addressing, and recording or documenting complaints and communications from affected communities?
* Does the grievance mechanism ensure that the confidentiality of a person raising the complaint is protected?
* Does the company ensure that the grievance mechanism is easily accessible and understandable? Is its availability communicated to affected communities?

**PS 2: Labor and Working Conditions**

*Human Resources Policy and Management*

* Does the company have a human resources policy that is consistent with requirements of national laws and PS 2?
* Is this policy clearly understandable and easily accessible to all employees?
* Does the company have policies and procedures for managing and monitoring the performance of third-party employers in terms of labor and working conditions?
* Has the company established a grievance mechanism for workers to review and address employee complaints?
* Has the company ensured that contracted workers by third parties, if any, also have access to the grievance mechanism?
* Is there a person responsible for reviewing complaints and following up on them in a timely and transparent manner?

*Working Conditions and Terms of Engagement*

* Has the company documented and communicated working conditions and terms of employment in an understandable way to all workers directly contracted (including information on working hours, rest days, overtime procedures, wages, frequency of payments, sick and maternity leave, and vacations)?
* Are the terms and working conditions in accordance with any collective agreement (if applicable)?
* Does the company identify migrant workers and ensure that such workers are engaged on substantially equivalent terms and conditions compared to non-migrant workers?
* Does the company provide accommodation to its workers?
* If so, does the company put in place and implement policies on the quality and management of the accommodation and provision of basic services?

 *Worker’s Organisation*

* Does the company allow workers to form and join workers’ organisations and bargain collectively?

*Non-Discrimination and Equal Opportunity*

* Does the company have transparent, documented procedures to ensure that employment decisions are not made on personal characteristics unrelated to job requirements?
* Does the company have any preferential employment policies in place?

*Retrenchment*

* Does the company anticipate retrenchment of a significant number of employees?
* If yes, has the company assessed any alternatives to retrenchment?
* If there are no viable alternatives, is there a retrenchment plan in place?
* If retrenchment has taken place, have workers received notice of dismissal and relevant severance payments mandated by law and collective agreements in a timely manner?

*Protecting the Workforce*

* Does the company ensure that child or forced labor, including trafficked people, is not used in its operations, including through contractors or in the primary supply chain?
* Does the company check the age of all employees?
* Does the company ensure that young workers (under the age of 18) are not employed in dangerous work and regularly monitor their health, working conditions, and hours of work?

*Occupational Health and Safety*

* Does the company provide its workers with a safe and healthy work environment?
* Where applicable, does the company provide workers with personal protective equipment and mandate that they use them?
* Has the company established and implemented occupational health and safety procedures in line with good international industry practices to prevent accidents, injuries, and diseases?
* Does the company track and report on rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities?
* Does the company have training programmes in place for workers on occupational health and safety?
* Does the company have a fire and life safety plan?

*Supply Chain*

* Where there is a high risk of significant safety issues related to supply chain workers, has the company requested its primary supply chain to introduce corrective measures to address life-threatening situations?
* Where remedy is not possible, does the company have a plan to shift the primary supply chain?

**PS 3: Resource Efficiency and Pollution Prevention**

*Resource Efficiency*

* Has the company tracked use of resources and material inputs (including daily use for energy and water)?
* Does the company implement measures for improving efficiency in its consumption of energy, water, and other resources and material inputs that are in line with international industry practices?
* Is the company a potentially significant consumer of water?

*Greenhouse Gas Emissions and Climate Risks*

* What is the company’s greenhouse gas (GHG) emissions (direct and indirect from purchased electricity)?
* Has the company considered options for reducing its GHG emissions?
* In case the company’s GHG emissions exceed the equivalent of 25,000 tons of carbon dioxide annually, does the company quantify those emissions on an annual basis?
* Are there any Climate Change related risks (flood, drought, cyclone etc.) associated with the Bank’s Borrower/Customer’s operation?
* Does the Bank’s Borrower/Customer have a robust disaster management plan to combat climate risks?

*Pollution Prevention*

* Does the company monitor air, land, and water release of pollutants?
* Has the company introduced procedures, practices, or techniques to avoid the release of pollutants? Where avoidance is not feasible, does the company try to minimize or control the intensity and mass flow of the release of pollutants?
* Where historical pollution such as land or groundwater contamination exists, has the company sought to determine whether it is responsible for mitigation measures?
* If it is determined that the company is legally responsible, has the company resolved these liabilities in accordance with national laws? If national laws do not apply, has the company adhered to international best industry practices?

*Waste Management*

* Does the company generate significant amounts of waste?
* Does the company have procedures for storing, handling, and disposing solid waste?
* In case of hazardous waste, are those procedures in line with international best industry practices?
* Is the disposal of hazardous waste conducted by third parties?
* If so, has the company ensured that the contractors are reputable and legitimate enterprises licensed by relevant government regulatory agencies and have obtained the chain of custody documentation to the final destination?

*Hazardous Materials*

* Does the company have procedures for the storage, handling, transportation, use, and disposal of hazardous materials?
* Has the Bank’s Borrower/Customer considered alternatives to the use of hazardous materials?

*Pesticide Use and Management*

* Does the company use pesticides?
* Does the company purchase, store, use, manufacture, or trade in products that fall in the World Health Organisation Recommended Classification of Pesticides by Hazard Class Ia (extremely hazardous) and Class Ib (highly hazardous)?
* If so, has the company established and implemented integrated pest management or integrated vector management approaches?
* Does the company select pesticides with the following considerations in mind: low in human toxicity, effective against target species, and known to have minimal effects on non-target species and the environment?
* Are the pesticides properly packaged and labelled (including directions for safe and appropriate use)?
* Have the pesticides been manufactured by an entity licensed by relevant regulatory agencies?
* Are the pesticides handled, stored, applied, and disposed of in accordance with the Food and Agriculture Organization’s International Code of Conduct on Pesticide Management or other international best industry practices?

**PS 4: Community Health, Safety, and Security**

*Community Health and Safety*

* Are there communities nearby the company’s facilities?
* Does the company have procedures to address community health and safety issues in the context of its operations?
* Do those procedures or practices consider how the safety of company infrastructure (including buildings and structures) and equipment may affect local communities?
* Does the company have safety procedures in place to deal with the release, transportation, and disposal of hazardous materials to avoid or minimize exposure of local communities to those materials?

*Ecosystem Services*

* Do company operations have potential negative impacts on ecosystem services?
* In provisioning services, which products do people obtain from ecosystems? In regulating services, which are the benefits people obtain from the regulation of ecosystem processes? If company operations may result in adverse health and safety impacts on ecosystem services, has the company identified mitigation measures to avoid those impacts?

*Community Exposure to Disease*

* Does the company have a procedure to avoid or minimize the communities’ exposure to water-borne, water-based, water-related, vector-borne, and communicable diseases (including those related to the influx of project labor) that could result from its operations?

*Emergency Preparedness and Response*

* Does the company’s emergency preparedness and response plan consider risks and impacts from its activities and operations on local communities?
* Has the company informed affected communities about significant potential hazards and emergency procedures in an appropriate manner?

*Security Personnel Requirements*

* Does the company hire security personnel to provide security services at their facilities?
* If so, do the contract provisions include guidelines on how security personnel shall interact with communities nearby the facility?
* Are security personnel armed?
* If so, has the company provided training on the appropriate conduct towards workers and the nearby communities?
* Have there been any allegations of unlawful or abusive acts by security personnel towards workers or nearby communities?

**PS 5: Land Acquisition and Involuntary Resettlement**

*Project Design*

* Does the proposed investment involve any planned or actual land acquisition?

*Compensation and Benefits for Displaced People*

* Has there been any physical or economic displacement as a result of land acquisition for the project?
* Has the company or other third party responsible for resettlement provided compensation to the affected people for their loss of assets at full replacement cost?

*Consultation and Grievance Mechanism*

* Has the company disclosed all relevant information on resettlement to affected people and communities, consulted with them, and facilitated their informed participation in the decision-making process?
* Has the company established an effective grievance mechanism (as required by PS 1)?

*Resettlement Planning and Implementation*

* Has the company considered alternative designs to avoid or minimize economic and physical displacement?
* Has the company identified people who will be displaced by the project regardless of their land ownership and rights as well as those eligible for compensation and assistance?
* Has the company identified the status of displaced people according to their legal rights or claims to land?
* Has the cut-off date for eligibility been established and disseminated?
* Has the company prepared a Resettlement Action Plan or resettlement framework (if physical displacement is involved) to mitigate the negative impacts of displacement, identify development opportunities, and establish entitlement for all affected people?
* Has the company prepared a Livelihood Restoration Plan (if economic but not physical displacement is involved) to offer compensation or other assistance to establish entitlement for affected people or communities?
* Were forced evictions carried out as part of this investment?

*Private Sector Responsibilities under Government-Managed Resettlement*

* Was resettlement managed by the government?
* If so, has the company supplemented government actions and bridged the gaps (if applicable) between the government-assigned entitlements and the requirements of PS 5?

**PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**

*Protection and Conservation of Biodiversity*

* Has the company identified and assessed the impacts on biodiversity as part of its operations?
* Will modified, natural, or critical habitats (as defined by PS 6) be affected by the company’s activities?
	+ - For areas of modified habitats with significant biodiversity value, has the company minimized impacts and implemented mitigation measures?
		- For natural habitats, has the company considered alternatives, consulted with stakeholders, and adequately mitigated any potential degradation of such habitats to achieve no net loss of biodiversity?
		- For critical habitats, has the company demonstrated that: 1) no viable alternatives exist; 2) there will be no measurable adverse impacts on species, habitats, and ecological processes; and 3) the mitigation strategy is designed to achieve net gains of the biodiversity values for which the critical habitats have been designated?
* Does the company conduct any operations in legally protected areas?
* If so, has the company demonstrated that the proposed operations are permitted and follow government-recognized management plans? Has the company consulted protected area sponsors and managers, affected communities, indigenous peoples, and other stakeholders (as applicable)?
* Has the company identified any alien species which may be intentionally or unintentionally introduced through its activities?
* If intentional introduction of alien species is planned, has this received government regulatory approval?
* If alien species are already established in the country or region of proposed operations, has the company exercised diligence in not spreading the alien species?

*Management of Ecosystem Services*

* Does the company’s operations have potential negative impacts on ecosystem services?
* If so, has the company conducted a systematic review to identify priority ecosystem services (as defined by PS 6)?
* Has affected communities participated in the determination of priority ecosystem services (where applicable)?
* Does the company have direct management control or significant influence over primary ecosystem services?
* If so, has the company managed to avoid adverse impacts on affected communities?
* Has the company implemented mitigation measures to minimize the impacts and maintain priority services in cases where impacts are unavoidable?

*Sustainable Management of Living Natural Resources*

* Is the company engaged in the primary production of living natural resources, including natural and plantation forestry, agriculture, animal husbandry, aquaculture, and fisheries?
* If so, is this land-based production located on unforested land or converted land?
* Where primary production practices are codified by globally, regionally, or nationally recognized standards, has the company implemented sustainable management practices in line with one or more of those standards?
* Have the company’s practices been independently verified or certified?
* In the absence of relevant standards for the particular living natural resource in the country of concern, has the company applied good international industry-operating principles, management practices, and technologies?

*Supply Chain*

* Has the company been purchasing primary production known to be produced in regions where there is a risk of significant conversion of natural or critical habitats?
* If so, has the company established procedures and verification practices to evaluate its primary suppliers and avoid those who adversely affect such areas?

**PS 7: Indigenous Peoples**

*Avoidance of Adverse Impacts*

* Is it likely that indigenous peoples will be adversely affected by the company’s operations?
* Does the ESIA (where applicable) conducted by the company identify the adverse impacts on indigenous peoples?
* Has the company identified appropriate measures to avoid or minimize impacts on indigenous peoples and opportunities for culturally appropriate sustainable development benefits for them?

*Consultation and Informed Participation*

* Has the company conducted a process of informed consultation and participation with affected indigenous communities?
* Will the company’s operations affect lands and natural resources subject to traditional ownership or under customary use by indigenous peoples?
* Will the company’s operation lead to a relocation of indigenous peoples from lands and natural resources subject to traditional ownership or under customary use?
* Will the cultural heritage of indigenous peoples be affected by the company’s operations or used for commercial purposes by the company?
* Has the company obtained free, prior, and informed consent from indigenous peoples on the design, implementation, and expected outcomes of mitigation measures for impacts on lands, natural resources, and cultural heritage, which might lead to their relocation?

*Private Sector Responsibility where Responsible for Managing Issues Concerning Indigenous Peoples Government Is*

* Does the government have a defined role in the management of issues concerning indigenous peoples in relation to the company’s operation?
* If so, has the company collaborated with the responsible government agency to the extent feasible and permitted by the agency to achieve outcomes that are consistent with PS 7?

**PS 8: Cultural Heritage**

*Protection of Cultural Heritage in Project Design and Execution*

* Is the project located in an area where cultural heritage is expected to be found?
* If so, has a “chance find procedure” been established by the company?
* Will the company’s project site contain cultural heritage or prevent access to previously accessible cultural heritage sites being used by, or that have been used by, affected communities?
* If so, has the company allowed continued access to the cultural site or provided an alternative access route?
* Is it possible that the project may affect cultural heritage?
* Will the project cause significant damage to critical cultural heritage?
* Is the project located in a legally protected area or a legally defined buffer zone?

*Project Use of Cultural Heritage*

* Will the company use cultural resources, knowledge, innovations, or practices of local communities embodying traditional lifestyles for commercial purposes?
* If so, has the company informed these communities of:
* Their rights under national laws
* The scope and nature of the proposed commercial development
* The potential consequences of such development.
1. If commercialization has proceeded, has the company:
* Entered into good faith negotiation with the affected communities embodying traditional lifestyle
* Documented their informed participation and the successful outcome of the negotiation
* Provided fair and equitable sharing of benefits from commercialization

# Annex G: ESAP Template

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ESAP #** | **Reference Standard/ Law/ Regulation** | **Issue** | **Action** | **Deliverable** | **Deadline** | **Severity/ Risk** |
| 1 |   |   |   |   |   |   |
| 2 |   |   |   |   |   |   |
| 3 |   |   |   |   |   |   |
| 4 |   |   |   |   |   |   |
| 5 |   |   |   |   |   |   |
| 6 |   |   |   |   |   |   |

# Annex H: Example ToR for External Consultants

## Introduction

The purpose of this Terms of Reference (ToR) template is to ensure that the selected Consultant performs the environmental and social (E&S) due diligence of a prospective client/ project according to the Bank’s E&S management policies and procedures.

It is [BANK NAME]’s policy that [provide a summary statement of the E&S Policy, including a mention that all clients/ projects which the BANK finance will comply with all applicable E&S laws and regulations of the host country(ies) in which the project is located and operated and the IFC Performance Standards, if applicable].

## Consultant Qualifications

The Consultant must have substantial experience in the E&S review and assessment of projects located in [Iraq], with particular focus on the support of project finance activities. He/she must be thoroughly knowledgeable of the BANK’s E&S policies and procedures, local E&S legislations as well as the IFC Performance Standards.

## Scope of Work

The Consultant will conduct the E&S appraisal of the prospective project consistent with the BANK’s policies and procedures.

[For new project appraisals, the four tasks included within the scope of this assignment are:

**1. Preliminary Review.** Review all available information and documentation related to project E&S impacts and risks. Prepare a list of additional information and/ or questions that will be needed to continue the appraisal.

**2. Site Visit and Further Review.** Conduct site inspections, review facility-based records, and interview key staff, including both facility personnel and relevant stakeholders (regulatory officials, community leaders, suppliers, and customers).

**3. E&S Performance Gaps and Necessary Corrective Actions Analyses.** Analyze the project’s E&S performance in relation to the BANK’s E&S policy and Applicable Standards. Identify these gaps and any corresponding corrective actions that will be necessary to address them. Prioritize these and recommend acceptable and justified implementation schedules.

**4. Due Diligence Report Development.** Prepare a report (see Appendix for content) summarizing the results of the E&S due diligence (ESDD) and outlining the developed E&S Action Plan. The ESDD report shall include a summary of the impacts and risks associated with the project, including the related performance gaps and corresponding correction actions that will be necessary in order for the BANK to finance.

For supervision of the BANK’s portfolio projects, the three tasks included within the scope of the assignment are:

**1. Review Monitoring Reports.** Review periodic documentation submitted by the project/ client regarding implementation of any corrective actions included as conditions of financing, as well as overall E&S performance of the client. Also, review information submitted by the client concerning significant incidents or fatalities. Identify any follow-up corrective actions that might be necessary.

**2. Site Visit and Further Review (Optional).** Where directed by the BANK, conduct site visits to confirm E&S performance and/or to investigate incidents. Identify any follow-up corrective actions that might be necessary.

**3. Supervision Report Development.** Prepare a report summarizing the findings of the supervision activity.]

## Schedule

The Consultant shall submit a draft [Due Diligence/ Supervision] Report by [insert date]. The final Report shall be submitted within 2 weeks after receiving comments from the BANK on the draft report. All reports should be written and prepared in [English] and delivered in electronic copies.

## Appendix 1: ESDD Report Structure

1. Executive Summary

Provide an overview of key E&S risks and mitigation measures and opportunities.

1. Project Description

Provides relevant information regarding the project (e.g. industry, sector of activity, site location(s), relevant E&S setting(s) information, surrounding land use(s), history, permitting status, etc.).

1. Identified Applicable Performance Standards and Legal Requirements

Provides a description of the applicable reference framework that was used and against which the project was assessed.

1. E&S Risk Categorization

Provide an assessment of the prospective client’s Risk Categorization (in terms of the [IFC E&S Risk Categorization Guidelines](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization)) providing rationale for the final categorization given.

1. E&S Due Diligence Assessment Findings

A description of the key E&S risks identified against applicable E&S requirements and standards.

1. Recommended E&S Action Plan (ESAP)

For E&S performance gaps, recommend corrective actions with corresponding schedules, indicate priorities, and advise as to how to incorporate these into the Financial Agreements, as either Conditions Precedent or Management Actions.

# Annex I: Monitoring Checklist

|  |  |  |
| --- | --- | --- |
| **S. No.** | **Questions or Things to Check** | **Response** |
| 1 | **Reporting period covered by this supervision report** |  |
| 2 | **List key developments and any major changes in project location and design, if any, from the time of advisory project commencement or from the last supervision period.****Mention any new E&S risk not foreseen earlier.** |  |
| 3 | **Status of implementation of covenants or corrective action plan:**Is it in line with the agreed timeframe? Are all covenants/corrective action plan implemented, partially implemented, or not implemented? Is implementation delayed?If partially implemented, not implemented, or delayed, please mention the reason in the response column along with a timeline for completion of implementation as committed by the borrower/customer during supervision. |  |
| 4 | **Was there any incidence of accidents (minor, major, or fatal), spills, leakages, or explosions during the reporting period?**If yes, what was the scale of damage? Was there any fatality and monetary loss? What was the action taken in response to the incident? |  |
| 5 | **Was there any recent lawsuits, fines, or penalties issued by the regulatory body related to E&S issues?**If yes, please mention the nature of violation, status of the case, amount of fine or penalty paid, action taken by the borrower/customer to address the issue to avoid any such lawsuits, fine, or penalty in future. |  |
| 6 | **Are all the required permits, licences, clearances, and other international management systems (for example, ISO 14000, OHSAS 18001, and SA8000) in place and up to date?**Please mention the issuance dates and duration of validity of all such permits, licences, and clearances. |  |
| 7 | **Has there been any recent protest, grievance, or complaints received from local communities? Any negative feedback from non-governmental organisations or in media coverage on the borrower/customer’s E&S performance?**If yes, please specify the nature of grievances, actions taken by the borrower/customer to resolve them, and any outstanding issues and measures proposed by the borrower/customer to resolve them. |  |

# Annex J: Example E&S Covenants

The purpose of this template is to outline E&S clauses that should be included in the standard term sheet and loan agreements when The Bank has identified the need for such clauses in loans with high/ moderate E&S risk.

The objective of these clauses is to ensure that investees comply with the E&S requirements of the national and local regulatory frameworks where The Bank operates.

Four types of E&S Clauses may be included in loan agreements, namely:

* + 1. **Positive Covenants:** measures or actions to be taken by the borrower;
		2. **Negative Covenants:** actions that the borrower will refrain from undertaking;
		3. **E&S Action Plan (ESAP):** E&S conditions and requirements that the borrower has to fulfil as a result of the ESDD process. Fulfilling these can be prior to loan disbursement or within a certain time frame after the loan; and
		4. **Events of Default:** An event that entitles The Bank to cancel a transaction.

The E&S clauses are to be added to the general Terms and Conditions of The Bank’s legal agreements.

**Positive Covenants**

Examples of E&S clauses in positive covenants include:

* The borrower commits to ensure compliance with all applicable laws and regulations, including, without limitation, environmental and social laws and regulations.
* The borrower shall use its best efforts to comply with relevant international standards including the International Labour Organization (ILO) Core Conventions and **[add additional standards, if applicable]**.
* The borrower, based on its E&S categorization by The Bank, shall designate appropriate resources and key E&S personnel as part of this contract.
* The borrower, based on its E&S risk exposure, shall undertake its activities in compliance with the applicable requirements.
* Immediately and no later than 72 hours after its occurrence, the borrower shall notify The Bank of any major environmental and/or social incident as a result of the borrower’s operations (e.g. death, a large fire or pollution or an adverse media campaign on E&S such as, for example, accusation of human right breach). Notification will be in the form of an SMS or email to The Bank.
* The borrower grants the right to The Bank or appointed representative to carry out E&S inspections to assess the effective implementation of the E&S requirements of this contract.
* The borrower’s employees/ staff shall operate and maintain their activities in compliance with the E&S requirements of this contract.

**Negative Covenants**

Examples of E&S clauses in negative covenants include:

* The borrower will refrain from carrying out any operations in contravention of laws, rules or regulations of the Government of Egypt and local requirements or activities that are listed in The Bank’s Exclusion List which is annexed to this contract **[specify annex reference]**.

**E&S Action Plan (ESAP)**

Examples of E&S clauses in an E&S Action Plan (ESAP) include:

* The borrower is required to provide proof of valid permits and licenses **[prior to the loan disbursement OR within one month afterwards];**
* The borrower is required to comply with local environmental, labour, occupational health & safety, land, biodiversity and other E&S regulations **[such as the IFC PS, WB EHS Guidelines, ILO, EBRD PRs depending on the E&S category of the credit]**;
* The borrower is required to implement an ESAP that is annexed to this contract **[specify annex reference]**;
* The borrower is required to undertake improvements with regard to accident prevention at its premises, especially with regard to **[specify occupational health and safety improvement – for example provide fire extinguishers] [prior to the loan disbursement OR within one month afterwards];**
* The borrower is required to undertake improvements with regard to pollution prevention at its premises, especially with regard to [**specify environmental improvement – for example provide a waste storage area OR stop discharging polluted effluent to a nearby river] [prior to the loan disbursement OR within one month afterwards];**
* The borrower is required to undertake improvements to labour and employment at its premises, especially with regard to **[specify labour and employment improvement – for example pay employees above minimum wage] [prior to the loan disbursement OR within one month afterwards].**

# Annex K: Incident Reporting Form Template

|  |
| --- |
| **INCIDENT REPORTING FORM** |
| Name of the client: Name of the affiliated company/ site: | Client Number:   |
| **Description of the incident** |
| Date of the incident: |  | Time of the incident: |  |
| Location of the incident:*(Please indicate exact location inside facility)* |  |
| Please provide details about the incident*(please describe of what happened including the circumstances, events, and the equipment, property and individuals involved)*   |
| What are the consequences of the incident? (lost time, injury, fatality, production downtime, fines, shutdown…etc) |
| Were any individuals injured?  0 Yes                      0 No  |
| **Where individuals were injured in the incident, please answer the following** |
| How many persons were injured? |  |
| *Who were they?* | *(Employee, contractor’s employee, stakeholder, etc.)* |
| What is the nature of the injuries? | *(please include specifics relating to body parts affected and time required to recover)* |
| Did the police or emergency services intervene? 0 Yes                      0 No  |
|

|  |
| --- |
| **Where emergency services intervened, please answer the following**  |
| Which emergency service? | *(police, fire brigade, ambulance, etc.)* |
| Provide details about the intervention | *(please include specifics relating to what happened, when and where)* |

What causes were identified as leading to the incident? |
| Were corrective measures undertaken to remedy the incident? 0 Yes                      0 No If yes, please describe  |
| Were corrective measures undertaken to prevent similar incidents in the future? 0 Yes               0 No If yes, please describe  |
| **Filled out by:** |
| Name:   | Phone number:  |
| Signature:  | Email address: |
| Date: |

# Annex L: Reporting Template Contents

Iraqi Banks are required to submit a semi-annual report to the Central Bank of Iraq (CBI) within 30 days after the Bank’s half-year/ year-end close. For the report to provide the CBI with adequate information regarding the Bank’s E&S performance and ESMS implementation, the report should have the following structure:

1. **Institution Details**
	* Name of Bank
	* Address
	* Country
	* Company Authorized Representative (e.g., Head of Credit Risk)
		+ Certification Statement (e.g. I certify that the data contained in this report completely and accurately represents operations during this reporting period)
		+ Signature, Title, and Date
	* Contact Details (Telephone, Mobile, Email)
	* Date of Report & Reporting Period
2. **Operational Overview**
	* Number of Branches/Outlets
	* Types of Products offered by the Bank (excluding retail)
	* International Operations, if available, detailing countries of operation and number of branches
	* Number of employees in the country
	* Majority Bank Ownership (State/Private Local/ Private Internation/Listed)
	* Global/ Parent Company name, if applicable
3. **External Financing Partners**
	* List of IFIs/ MDBs/ Donors (e.g., IFC, EIB, ADB, FMO) providing financing to the Bank
4. **Responsibility for E&S Matters**
	* Name, Title, and Contact Details of Designated Employee(s) responsible for E&S oversight
	* Overview of their responsibilities within the Bank
5. **E&S Risk Management System Overview**
	* Overview of the Bank’s approach to E&S Risk Management within the portfolio (from screening to approval) indicating internal responsibilities for implementation and applicability to different financial products offered by the Bank
	* Overview of the Bank’s approach to client monitoring after loan/ credit disbursement (e.g. site visits by the bank, monitoring questionnaires, national compliance confirmation, other)
	* Overview of the Bank’s E&S incentives for its clients, if applicable
	* Statement confirming the Bank’s compliance with CBI ESRM Framework requirements
	* If the above statement cannot be made, summary of the areas of noncompliance or partial compliance with the CBI ESRM Framework indicating planned actions for rectification
	* Any difficulties or constraints in implementing the ESMS
6. **Portfolio Breakdown & Performance**
	* Overview of number of clients screened, ESDD undertaken, External ESDD undertaken, approved transactions, rejected transactions (number), ESAPs developed
	* Overview of transactions rejected on E&S basis
	* Overview of incidents of non-compliance by borrowers with the Bank’s E&S requirements (i.e. the exclusion list or ESAP) detailing the E&S issues faced by the clients and any corrective actions posed to address the findings
	* Portfolio breakdown by industry sector and type of client (i.e. % of portfolio for SME Finance in the food and beverage industry)
	* Portfolio breakdown by E&S risk category indicating the number of clients within each category, their outstanding exposure and % of the portfolio
	* Overview of the top 10 clients, transaction types, loan size and their sectors
	* Overview of any accidents/ litigations/ fines/ penalties / complaints linked to financed clients’ projects
7. **E&S Training**
	* Overview of all E&S training activities delivered to ESMS-responsible staff over the reporting period indicating its date, topic, number and roles of attendees and training provider (internal/ external)
	* Overview of all E&S training activities delivered to Bank personnel for awareness raising over the reporting period indicating its date, topic, number and roles of attendees and training provider (internal/ external)

# Annex M: ESMS Template for Banks

Developing an ESMS requires Board commitment and senior management support to be integrated with a Bank’s existing risk management framework. A Bank can initiate the process by establishing an ESMS working group.

An ESMS includes a policy; a set of procedures to identify, assess, and manage E&S risks in financial transactions; and descriptions of the roles, responsibilities, and capacity needs of staff for E&S management and investments.

The ESMS should be designed to manage the level of E&S risks that the bank/FI is exposed to through its portfolio, both in terms of the industry sector of its Bank’s Borrower/Customers and the type of financial transactions. The management of these risks should be tailored to the organisational needs of each bank or FI as such risks can vary greatly for banking institutions, leasing companies, microfinance institutions, and private equity funds.

### ESMS Template

An ESMS is anchored in a bank or FI’s environmental and social policy and outlines the E&S management capacity of its staff and external experts, as applicable, including their designated roles and responsibilities.

It is implemented through a set of procedures for:

* Screening transactions
* Categorising transactions based on their environmental and social risks
* Conducting environmental and social due diligence
* Decision-making
* Monitoring Bank’s Borrower/Customers’ environmental and social performance
* Managing Bank’s Borrower/Customers’ non-compliance with the bank or FI’s environmental and social standards.

The procedures outlined in the ESMS should be applied to each transaction as part of a bank or FI’s overall risk management framework. For each transaction, the bank or FI is required to formally document its environmental and social review as part of its record-keeping, consider E&S findings during its decision-making process, and incorporate E&S requirements (such as a corrective action plan) as clauses in legal agreements with Bank’s Borrower/CustomeLCY

To ensure the effective implementation of the ESMS across operations, the bank or FI needs to allocate the necessary resources for internal communications and training.

As part of its commitment to good corporate practices, the bank or FI can periodically report on the environmental and social performance of transactions and measures taken to reduce overall exposure to E&S risks.

A standard ESMS template is provided below for guidance and can be customised as per each organisation’s requirements.

1. ***Background***

*This Environmental and Social Management System (ESMS) details the policy, procedures, and workflow that will be followed for financing made by (“the Company”) under the management and administration of (“the Environmental Coordinator (or other designated officer)”).*

1. ***Environmental and Social Management System***
	1. ***Policy***

*The Company continually endeavors to ensure effective environmental and social management practices in all its activities, products, and services with a special focus on the following:*

* *Ensuring that all activities undertaken by the Company are consistent with the Applicable Requirements outlined later in this document*
* *Ensuring that all projects are reviewed against the Applicable Requirements*
* *Investment projects only when they are expected to be designed, built, operated, and maintained in a manner consistent with the Applicable Requirements*
* *Making best efforts to ensure that all projects are operated in compliance with the Applicable Requirements on an ongoing basis, during the currency of the Company’s investment*
* *Ensuring transparency in its activities*
* *Ensuring that the management and the shareholders of the Bank’s Borrower/Customer companies understand the policy commitments made by the Company in this area.*

*This Policy will be communicated to all staff and operational employees of the Company.*

*Signed Effective Date*

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* 1. ***Applicable Requirements***

*The Company will ensure that all projects are reviewed and evaluated against the following environmental and social requirements:*

* *The Exclusion List for all projects*
* *The applicable national laws on environment, health, safety, and social issues and any standards established therein*
* *The IFC Performance Standards*

* 1. ***Procedures***
* *At an initial stage of inquiry, the Environmental Coordinator (or other designated officer) will apply the Exclusion List to the project. If the project involves an excluded activity, the prospective Bank’s Borrower/Customer will be so informed and further consideration of investment for the project will be terminated. Otherwise, the Environmental Coordinator will indicate the Applicable Requirements for the project.*
* *When the Environmental Coordinator (or other designated officer) indicates that the project does not involve an excluded activity, the prospective Bank’s Borrower/Customer will be informed that the Company will undertake (if required) an Environmental and Social Due Diligence (ESDD) as part of the appraisal process.*
* *The Environmental Coordinator or other designated officer will undertake (or appoint a consultant to undertake) an ESDD. Depending on the complexity of the project, the ESDD can be a desk review based on a credit officer’s site visit or require a full-scale review conducted by a technically qualified person or consultant.*
* *The Bank’s Borrower/Customer company must be able to demonstrate compliance with the Applicable Requirements. Demonstration of compliance must be to the Environmental Coordinator (or other designated officer)’s satisfaction, although the opinion of third parties such as regulatory agencies can be sought. Where compliance cannot be demonstrated, a Corrective Action Plan must be agreed to before the investment can proceed. The plan must specify all of the necessary actions to bring a project into compliance. A target completion date for each specified action must also be agreed.*
* *Prospective Bank’s Borrower/Customers must provide all requested information and the Environmental Coordinator (or other designated officer) must have concluded that the project is expected to meet the Applicable Requirements (with Corrective Action if required) prior to the Company’s decision to make an investment.*
* *Environmental and social performance will be evaluated on an annual basis, including the status of implementation of the Corrective Action. The benchmark for performance will be ongoing compliance with the Applicable Requirements. Performance evaluation will be undertaken by:*
1. *The Company’s Bank’s Borrower/Customer companies, who will provide annual reports for the Environmental Coordinator (or other designated officer) to follow up as required with further queries or site visits; and*
2. *The Environmental Coordinator (or other designated officer), who will submit to Company management performance reports prepared based on the Bank’s Borrower/Customer annual reports, the ESDD, and supervision conducted.*
* *All financing agreements will contain appropriate environmental representations, warranties, and covenants requiring that projects are in compliance in all material respects with host country environmental, health, safety, and social requirements embodied by state general laws and implementing agencies and conducted in accordance with any Applicable Requirements. For details on covenants and warranties please refer to Annex H of this document.*
	1. ***Organization and Responsibilities***
* *[FIRST AND LAST NAME] is the Environmental Manager. The Environmental Manager will have oversight for environmental and social issues, will ensure resources are made available for environmental management, and will sign the Company’s annual environmental performance report.*
* *The Environmental Coordinator is [FIRST AND LAST NAME].*
* *The responsibilities of the Environmental Coordinator include:*
1. *During due diligence, the evaluation of environmental compliance of a target Bank’s Borrower/Customer company with the Applicable Requirements;*
2. *Supervising projects in the portfolio to ensure ongoing compliance with the Applicable Requirements; and*
3. *The preparation of an annual environmental performance report based on the annual performance report prepared by the Bank’s Borrower/Customer companies.*
* *The Environmental Coordinator (or other designated officer) will ensure that these procedures are implemented for each project, and that records of environmental reviews are maintained.*
* *The Environmental Coordinator (or other designated officer) will ensure that all investment decisions are supported by appropriate due diligence documentation (including, but not limited to, an environmental section in each final Investment Memorandum).*
* *Legal Counsel will ensure that appropriate environmental representations, warranties, and covenants are incorporated in each stock purchase agreement.*
	1. ***Resources and Capabilities***
* *The Environmental Manager will work with management to ensure that adequate Company resources have been committed to the effective implementation of the environmental policy and procedures of the Company.*
* *The Environmental Coordinator (or other designated officer) will need to be technical qualified to perform due diligence or review work carried out by a consultant.*
* *The Environmental Coordinator will maintain a file of qualified environmental consultants who can be called upon to assist in conducting environmental reviews.*
	1. ***Records to Be Maintained***
* *Environmental and Social Due Diligence: This is the record of the Company’s E&S review of a project when considering it for investment and loans*
* *E&S supervision records for projects*
* *Reports to be provided to Company management*
1. ***Annexures***
	1. ***Exclusion List***
2. ***IFC Performance Standards***

*Available at* [*IFC’s Website*](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

1. ***Implementing Environmental and Social Due Diligence (ESDD)***

*An ESDD is the record of the Company’s review of a project at the time of appraisal to ensure that a project is meeting (and is expected to continue to meet)* or is expected to meet in future, as per the submitted action plan *the Applicable Performance Requirements. An ESDD is based on all or some of the following:*

* *Review of information in the public domain to check for any social/environmental controversies or news related to the project*
* *Review of the project including its environmental and social documents*
* *Discussions with project officials*
* *Site visit(s) and discussions held*
* *Some E&S knowledge will be required along with knowledge of the technical issues in the project’s industrial sector; this may require the use of an external consultant if the project is large and complex. Industry sector-wise E&S information is available at the following locations:*
* *[IFC Sector Guidelines](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines)*
1. ***Suggested ESDD Report Outline***

*Cover the following issues as applicable:*

* *Background: project description, site and environment setting, and land requirement*
* *Compliance with Applicable Requirements: Exclusion List, national regulatory requirements, and IFC Performance Standards if required*
* *Environment issues: air pollution, water pollution, solid and hazardous wastes, noise, site safety and community health, chemical hazards, and emergency management*
* *Resources utilization: water, construction material, and others*
* *Sensitive receptors: local human settlements, local ecologically sensitive areas, and sites of cultural importance*
* *Social issues: land acquisition, rehabilitation, and resettlement, indigenous peoples, impact on local livelihood, and public opinion and consultation*
* *Labor relations: no child or forced labor and compliance with national labor laws*
* *Project consultation and local disclosure*
* *Other project-specific issues*
* *Environnent management or corrective action plan*
* *Summary and recommendations*
* *Investment covenants and conditions*
1. Higher Risk Transactions are defined as ‘transactions that involve the provision by FIs of equity, project finance, or long-term corporate finance (over 36 months) to a borrower/investee to support a business activity that may include: (i) involuntary resettlement (including physical and economic displacement); (ii) risk of adverse impacts on Indigenous People; (iii) significant risks to or impacts on the environment, community health and safety, biodiversity, or cultural heritage; (iv) risk of significant retrenchment; or (v) significant occupational health and safety risks to employees. [↑](#footnote-ref-2)
2. Information is primarily obtained from:

The [WBG Climate and Development in the Middle East and North Africa 2023](https://www.worldbank.org/en/region/mena/brief/climate-and-development-in-the-middle-east-and-north-africa#:~:text=The%20Middle%20East%20and%20North%20Africa%20%28MENA%29%20region,droughts%2C%20floods%2C%20intense%20water%20scarcity%20and%20polluted%20air.);

the [World Bank Group: Country Climate and Development Report 2022 (Iraq)](https://documents1.worldbank.org/curated/en/099005012092241290/pdf/P1776390cfceae0d908ff8073b7e041bea6.pdf);

the [World Report 2025: Iraq | Human Rights Watch](https://www.hrw.org/world-report/2025/country-chapters/iraq);

the [IEA 2019: Iraq’s Energy Sector: A Roadmap to a Brighter Future](https://www.iea.org/reports/iraqs-energy-sector-a-roadmap-to-a-brighter-future);

the [National Strategy for the Protection and Improvement of the Environment in Iraq (2024) | United Nations in Iraq](https://iraq.un.org/en/279000-national-strategy-protection-and-improvement-environment-iraq); and

the [Iraq 2019: Water Crisis in Basra | Human Rights Watch](https://www.hrw.org/news/2019/07/22/iraq-water-crisis-basra). [↑](#footnote-ref-3)
3. Information is primarily obtained from:

the [Iraq Country Report | UNHCR](https://www.unhcr.org/countries/iraq#:~:text=Iraq%20hosts%20over%20300%2C000%20refugees%20and%20asylum-seekers%20%28as,in%20central%20and%20southern%20governorates%20in%20Federal%20Iraq.);

the [IRAQ 2023 HUMAN RIGHTS REPORT](https://www.state.gov/wp-content/uploads/2024/03/528267_IRAQ-2023-HUMAN-RIGHTS-REPORT.pdf);

the [UNICEF Country Annual Report 2023 (Iraq)](https://www.unicef.org/media/152576/file/Iraq-2023-COAR.pdf); and

the [Understanding Urban Informality in Iraq: Findings from the Informal Sector Enterprise Survey (2023)](https://documents1.worldbank.org/curated/en/099071223153030174/pdf/P1716390bd039e07d0996e09fadf7d2b515.pdf). [↑](#footnote-ref-4)
4. The [IFC Exclusion List (2007)](https://www.ifc.org/content/dam/ifc/doc/mgrt-pub/ifc-exclusion-list.pdf) [↑](#footnote-ref-5)
5. The [EDFI Exclusion List (2011)](https://www.deginvest.de/DEG-Englische-Dokumente/About-DEG/Our-Mandate/EDFI_DEG_Exclusion-List_en.pdf) and the [Harmonised EDFI Fossil Fuel Exclusion List (2020)](https://edfi.eu/wp-content/uploads/2024/10/EDFI-Fossil-Fuel-Exclusion-List-October-2020.pdf) [↑](#footnote-ref-6)
6. [Iraqi Ministry of Environment Categorization Lists](https://ur.gov.iq/api/storage/shared/iraqi-facts.pdf) [↑](#footnote-ref-7)
7. [IFC: Guidance Note on Financial Intermediaries](https://www.ifc.org/content/dam/ifc/doc/2023/202309-ifc-guidance-note-on-financial-intermediaries.pdf) & EBRD Performance Requirement 9: Financial intermediaries [↑](#footnote-ref-8)
8. [Performance Standards on Environmental and Social Sustainability | International Finance Corporation (IFC)](https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards) [↑](#footnote-ref-9)
9. [EBRD Environmental and Social Policy (2019)](https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html) [↑](#footnote-ref-10)
10. [Sector profiles - FI Toolkit](https://fintoolkit.bii.co.uk/sector-profiles/) [↑](#footnote-ref-11)
11. [The Equator Principles\_EP4 (2020)](https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf) [↑](#footnote-ref-12)
12. [THE 17 SDG GOALS | Sustainable Development](https://sdgs.un.org/goals) [↑](#footnote-ref-13)
13. [IFC ESMS Implementation Handbook](https://www.ifc.org/en/insights-reports/2015/publications-handbook-esms-general) [↑](#footnote-ref-14)
14. [BII Management systems – ESG FI Toolkit](https://fintoolkit.bii.co.uk/management-systems/) [↑](#footnote-ref-15)
15. [FIRST for Sustainability](https://firstforsustainability.org/) [↑](#footnote-ref-16)
16. [IFC ESMS FI Diagnostic Tool](https://www.ifcesmsdiagnostic.org/) [↑](#footnote-ref-17)
17. Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions. [↑](#footnote-ref-18)
18. Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or a higher minimum working age; in such cases, the higher age applies. [↑](#footnote-ref-19)
19. Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use; or (2) modification of a habitat in such a way that the area’s ability to maintain its role is lost. [↑](#footnote-ref-20)
20. High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see http://www.hcvnetwork.org). [↑](#footnote-ref-21)
21. This does not apply to the purchase of medical equipment, quality-control (measurement) devices or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded. [↑](#footnote-ref-22)
22. For companies, “substantial” means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, “substantial” means more than 10 % of their underlying portfolio. [↑](#footnote-ref-23)