Covid 19 Crisis Response Facility – Environmental and Social Management System

BANK OF CEYLON
SRILANKA

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ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

I INTRODUCTION

1. An Environmental and Social Management System (ESMS) outlines and institutes a set of policies, procedures, tools and internal capacity to identify and manage its exposure to the environmental and social risks of its clients/investors. It states the commitment of the institute to environmental and social management and explains its procedures for identifying, assessing and managing environmental and social risks of financial transactions. It also defines the decision-making process, describes the roles, responsibilities of staff for doing so and states the documentation and recordkeeping requirements. It provides the necessary guidance to the institution for screening and categorizing of transactions based on their environmental and social risk, conducting environmental and social due diligence and monitoring the client's/ investor's environmental and social performance. In essence an ESMS makes sure that the Financial Institution's activities are in compliance with its environmental and social standards.

2. The Bank of Ceylon[1] (BOC) recognizes that some of its operations can detrimentally affect the environment and the community it operates and has realized the critical importance of managing and controlling the corporate social, environment and economic performance. Hence, the bank is determined to responsibly manage the environmental and social risks associated with its operations in order to minimize the negative impacts on the environment and its stakeholders and it is committed to conduct its business in an environmentally friendly and socially responsible manner. The ESMS of the Bank of Ceylon was developed for this purpose.

3. BOC which was founded in 1939 is a government-owned, major commercial bank in Sri Lanka. Its head office is located in Colombo, the political and commercial capital of Sri Lanka. The bank has a network of 646 branches, 773 automated teller machines (ATMs), 164 Cash Deposit Machines (CDM), 424 Cash Recycling Machines (CRM), 14 Regional loan centers 15 SME Centres within the country. Under the umbrella of the BOC Group, 10 subsidiaries and Four associate companies are in operation as of 15th March 2021. Five of these are fully owned subsidiaries.

4. BOC is amongst Sri Lanka's most economically and socially impactful entities and an integral component of the country's financial system. The Group serves nearly 13.7 million customers island-wide. The clients of the bank are individuals, micro enterprises, small and medium sized businesses, corporate and the Government. The products and services of the bank are Consumer Banking, Wholesale Banking, Enterprise Banking and International Banking.

5. Amongst its other operation the bank also may be financed by Donor Financing Institutions (DFIs) to finance subprojects such as the following:

[1] In this document the Bank of Ceylon would be referred to as BOC or "the bank".

- Agriculture & Fishing
- Manufacturing
- Tourism
- Transport
- Construction
- Trading
- Information Technology & Telecommunication
- Financial and Business Services
- Infrastructure
- Education
- Health
- Media and Entertainment
- Consumer Lending

II ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS

Policy

1. The Bank of Ceylon is committed to ensure that all activities/ projects / operations are in compliance with the environmental and social standards stated in the applicable local, provincial, national and international (where relevant) laws on environment, health, safety and social issues".

2. The Revised Sustainability Policy (inclusive of both Environmental and Social policies) of the bank (Annex 1.1) has been approved by the Board of Directors on 19th March 2019. In developing the Sustainability Policy the bank has recognized the crucial role it plays in allocating financial resources. While the financial services may be used for activities harmful to the environment, human existence and social equity, banks can also be powerful agents of change.

3. The banks "Sustainability Policy," states the bank's Vision as "Sustainable Development through Environmental, Social and Economic bottom-line". The core of the bank's sustainable strategy is "Sustainability is a Lifestyle", reflecting the manner in which the bank operates, where sustainability is embedded in every decision taken and every activity carried out and where every employee is encouraged to live these values. The bank's sustainable mission is: "to be a responsible corporate citizen by operating the business in an environmentally responsible, socially equitable and economically sound manner."

4. The Sustainability Goals of the bank are

- to ensure that the bank creates value to society in and through every decision and action taken,
- to minimize adverse impacts to the environment and society,
- to engage in meaningful and sustainable CSR initiatives that will uplift society and promote National Economic Growth and
- to inculcate socially responsible values among bank's employees.

5. The Sustainability Objectives of the bank are as follows:

- Integrate sustainability into key business decisions and initiatives,
- Implement an operational process to minimise the bank's carbon footprint,
- Implement responsible waste disposal systems,
- Promote renewable energy,
- Implement CSR initiatives that will promote national economic growth through the bank's strategic CSR initiatives of Education, Entrepreneurship, National Heritage Protection, Livelihood Development, Health Care Development, Environmental Protection, Sports Development and Supporting Infrastructure Development in the Country through Government Sponsored Projects by Granting Facilities/ Loans,
- Uplifting society's most needed segments
- Inculcate sustainability values internally through training and development and the promotion of employee volunteerism and staff welfare programmes
- Inculcate sustainability values externally through awareness programmes and publicity

- Maintain healthy supplier relationships.

6. When evaluating the bank's strategies and decisions the following key questions would be answered

- What would be the impact on the environment, society and stakeholders by the banks' proposed strategy/s and decision/s?
- How will they be affected by the planned activities of the bank?
- What is the magnitude of the impact?
- What are the long term and short term impacts?
- What alternative action can be taken to mitigate the adverse impacts?
- What alternative strategy/s and decision/s can be taken?

7. The Sustainability framework of the bank, commonly referred to as "Triple Bottom Line (TBL), i.e., people (social), planet (environmental), and profit (economic), states the bank's commitment to consider environmental and social aspects in all their activities. These three bottom lines - Economic, Environmental and Social - of the bank are given in the "Sustainability Policy" of the Bank in Annex 1.1.

8. <u>Economic Bottom Line</u>

The most important aspect of a bank's sustainability programme is managing the impact that its operations, products/services and customer relationships have on the financial sector. The banks sustainability policies also extend to taking steps to ensure sustainability of the stakeholders. The strategic initiatives taken by the bank under the economic bottom line are:

- Triple bottom line concept - Integrating sustainability into the bank's business strategy and decision-making processes
- Ethical business - Conducting all business activities in an ethical and transparent manner.
- Responsible lending - Integrating environmental and social criteria into the lending strategy.
- Prudent risk management - Integrating the bank's risk management process and managing environmental, social and reputational risks conservatively
- Research & Development - Timely assessment of the emerging global and local conditions and harnessing its opportunities and threats to achieve better business sustainability.
- Product development - Including environmental and social considerations in the development and offering of products and services.
- Responsible investment - Integrating environmental and social criteria into investment strategies
- Customer relations - Provision of information related to bank's products or services for the customer to make an informed purchase decision
- Supplier relations – Ensuring that suppliers also adhere to the social and environmental principles adopted by the bank.
- Accept responsibility in the bank's sphere of influence - Ensuring that the bank's sustainability commitment is translated in all strategic partnerships of the Bank.

9. Environmental bottom line

- Minimising the Carbon Footprint of the business operations through "Green Banking" process - Committing to comply with relevant legislation and requirements to prevent pollution and understanding the effects of bank's activities on the environment and to

continually improve its environmental performance by supporting initiatives such as:

- Waste minimization through digitization
- Introducing “Green Products” by reducing carbon emission
- Introducing digital services/ products to reduce paper usage
- Recycling of natural resources
- Reduction of material and energy consumption
- Responsible waste disposal

- Environmental Literacy - Training/ educational programs for employees on environmental protection, ecosystem services, conservation needs and bank’s environmental practices
  - Dedicated staff made available for environmental management with specific roles.
  - Creating awareness among customers, suppliers and other stakeholders on bank’s environmental policy and measures to encourage compliance/ co-operation.
- Promoting Renewable Energy Among Customers - Encouraging Innovative and Sustainable Products

10. Social bottom line

The bank considers its employees as it’s most important asset and hence an important stakeholder. Accordingly, priority is given to providing an environment where they are treated with respect and giving priority to their health and safety and valuing diversity. Uplifting the society by promoting National Economic Growth is also considered by the bank as of primary importance. The key areas of importance that are considered are education, entrepreneurship, national heritage protection, livelihood development, health care development, environmental protection, sports development and infrastructure development.

- Community Relations – Initiatives are
  - Strategic CSR initiatives on education, entrepreneurship, national heritage, livelihood development, environmental conservation, social development, and supporting infrastructure development in the country through Government sponsored projects
  - Philanthropic CSR initiatives on uplifting society’s most needed segments and employee volunteerism

- Employee Relations – Initiatives are
  - Implementing policies and guidelines to promote the sustainability vision, ensuring human rights, ensuring employee development and establishing openness and transparency

These are discussed in detail in the “Sustainability Policy” of the bank.

Applicable Environmental and Social Safeguard Requirements

11. The BOC will ensure that:

(i) All subprojects are reviewed and evaluated against the national laws, regulations and standards on environment, health and safety, involuntary resettlement and land acquisition, indigenous peoples and physical cultural resources. In Sri Lanka, environmental protection and management is governed by the National Environmental Act No.47 of 1980(NEA) which was enacted in 1980 and subsequently amended in 1988 (Amendment Act No.56). The Central Environmental Authority (CEA), the primary agency in charge of implementing the regulations of the NEA was established in 1981 through the Part IV C of the statute entitled “Approval of Projects” of the NEA. This part was later on amended by Act no 53 of 2000. Coast Conservation Act stipulates that the development projects in coastal area should be reviewed and monitored by the Coast Conservation Department. The basic process is similar to that of the CEA.

(ii) All subprojects financed by a Donor Financing Institution (DFI) are reviewed and evaluated against any applicable additional safeguard requirements set by the relevant DFI.

(iii) All subprojects financed by DFIs are screened against the Prohibited Practices List (PPL) of the relevant DFI if such a list is available.

(iv) All subprojects financed by a DFI with potential significant environmental and/or social impacts are reviewed and evaluated against the safeguard requirements of the relevant DFI. These would include the safeguard requirements for environment, safeguard requirements for involuntary resettlement and safeguard requirement for indigenous people.

III ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES

Subprojects not financed by a DFI

A. Screening and Categorization

12. An Environment and Social Due Diligence (ESDD) will be conducted to review any potential environmental and social risks associated with the projects/ activities for which a loan application is received and ensures that the transaction does not carry an environmental and social risk that would pose a potential liability/ risk to the bank.

13. The bank will ensure that the subproject has adhered to the environmental clearance requirements of the CEA. The NEA EIA procedure given in Annex 2.1 is summarized below

- If the subproject is listed as a Prescribed Project, requiring to undergo the EIA process the subproject company submits preliminary information of project details to the CEA by filling the Basic Information Questionnaire (BIQ) of CEA

- On review of the preliminary information the CEA decides whether the subproject requires to undergo an IEE or EIA and issues a Terms of Reference (TOR) for the EIA or IEE

- The subproject company appoints a team of consultants to conduct an EIA or IEE according to the TOR.

- Once the EIA or IEE report is submitted to the CEA it will be reviewed for adequacy. If found to be adequate it will open for public comments for one month.

- A technical evaluation committee (TEC) appointed by the CEA would review the EIA or IEE report and the public comments and approve or reject the subproject. Generally if approval is given it is based on meeting compulsory conditions.

14. An ESDD involves an identification of gaps between the current Environmental and Social (E&S) performance of the project and the required standards to ensure that the client is managing E&S risks in accordance with the national and internally recognized E&S risk management standards. The ESDD process depends on the risk category of the project/ activity.

15. At an initial stage of identifying a project, loan applications will be initially screened in line with the national environmental laws, bank's own articles and business ethics. The projects/ activities for which loans are applied would be categorized based on an environmental and social risk categorization system in line with the National Environmental Act (NEA) of Sri Lanka. The NEA has given two lists of projects, one, the list of "Prescribed Projects" for which an IEE or EIA is required for development and operation and the other which lists out the activities (primarily industrial activities) that require an Environmental Protection License (EPL) by CEA for operation

16. The list of Prescribed Projects for EIA/ IEE approval is given in the Gazette Extra Ordinary No 772/22 of 24th June 1993, No: 1104/22 dated November 1999, and no 1108/1 dated 29th November 1999. Part 1 of Annex 2.2 lists the prescribed projects specifying the magnitude and scale of project above which they have to undergo the EIA/ IEE procedure. All projects and undertaking listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or partly within the areas specified in part III of the Schedule will need to undergo the EIA/ IEE procedure. Part II of the schedule lists the types of industries which need to undergo the EIA/ IEE procedure if located wholly or partly within the areas specified in Part III of the Schedule. Part II of the schedule list the types of industries which need to undergo the EIA/ IEE procedure if located wholly or partly within the areas specified in Part III of the Schedule.

For Category A (High Risk) Projects/ Activities Will not be entertained under AIIB loan scheme

For Category B (Medium Risk) Projects/ Activities

1. The steps followed are:

- Subproject company fills and submit the BIQ to the CEA
- Upon grant of EPL Review the conditions of approval issued by the CEA
- Prepare an ESDD report stating the conditions and requirements that need to be included in the loan agreement

The coordination of all the above activities would be done by the designated officers of the Sustainability Committee.

For Category C (Low Risk) Projects/ Activities

2. For those projects/ Activities listed as Part C projects included in the list requiring EPL for operation, the steps followed are:

- Subproject company fills and submit the BIQ to the relevant local authority (LA)
- Upon grant of EPL Review the conditions of approval issued by the LA
- Prepare an ESDD report stating the conditions and requirements that need to be included in the loan agreement

For those projects/ Activities not listed in either one of the lists a report will be prepared by the credit officer upon a site visit. The coordination of the review of Category C projects would be done by the credit officers.

3. In addition to the list of prescribed projects for EIA/ IEE requirements the list of projects for which an EPL is required will also be referred to in the screening and categorization stage. This list provides a list of industrial activities/ projects for which an EPL is required for operation by the Gazette Extra Ordinary No 1533/16 of 25th January 2008. This list consists of three parts, Part A, Part B and Part C categorized as high polluting, medium polluting and low polluting activities/ projects. In the screening/ categorization procedure of the bank those listed under part A would be categorized as “High Risk Projects” or Category A projects, those listed under Part B would be categorized as ‘Medium Risk Projects’ or Category B projects and those listed under Part C would be categorized as ‘Low Risk Projects’ or Category C projects.

4. For all projects/ activities listed as Prescribed Projects (requiring EIA and IEE) and those requiring an EPL the loan applicant would be informed of the requirements and these approvals would be reviewed by the designated staff officers of the Sustainability Committee. All subproject investment agreements will contain appropriate environmental and social covenants requiring subproject to be in compliance in all material respects with the applicable environmental and social safeguard requirements. The bank will adhere to the EIA and IEE process of the NEA given in Figure 1.1 of Annex 2.1 for all subprojects.

C. Compliance Monitoring and Reporting

5. The approvals granted for Category B projects requiring an EIA and IEE, respectively, would include required mitigation conditions and a monitoring plan establishing the monitoring processes and monitoring responsibilities of public/ private agencies and the subproject company. The bank will ensure that the EIA process continues through project implementation by way of ensuring that the subproject company conducts the monitoring and complies with the approval conditions. For Category A, B and C projects that require an EPL the bank will ensure that the subproject company complies with the conditions stated in the EPL. While the monitoring would be done by the designated staff officers of the sustainability committee For Category B projects, for Category C projects the monitoring would be done by the credit officers.

Subprojects financed by a DFI

A. Screening and Categorization

6. At an initial stage of screening and categorization of a subproject, loan applications will be initially screened in line with the national environmental laws and the bank's own articles and business ethics. In addition, for sub projects financed by DFIs the designated staff officers of the Sustainability Committee will apply the relevant exclusion lists (Annex 4.0) of the DFI. For instance for AIIB financed sub projects, AIIB's PPL would be referred to and for subprojects financed by the World Bank, the IFC exclusion list of the World Bank would be referred to. If the subproject involves an activity considered as a listed activity which would not be financed by the DFI, the subproject company will be informed that the subproject will not be considered for financing by the bank. Otherwise (if it is not an excluded activity), the designated staff officers of the Sustainability Committee will indicate the applicable environmental and social safeguard requirements of the relevant DFI for the subproject to the subproject company. If the subproject company is willing to fulfill these requirements screening and categorization step will follow.

7. For screening and categorization a preliminary rapid assessment of the likely environmental and social impacts including involuntary resettlement impacts and effects on indigenous peoples would be considered. A rapid environmental assessment checklist and the social safeguard screening checklist as per the agreed formats of DFI. These checklists are sector-specific and are used to determine the potential environmental and/or social impacts associated with the subproject. Different loan applications would be assessed depending on the sector they belong to. The designated staff officers of the Sustainability Committee will work with the subproject company for this purpose. Rapid environmental assessment checklists of the relevant DFI would be used in this assessment.

8. Once the checklists and the verification work are completed the subproject will be classified as one of the following categories: Category A (with potential significant environmental and/or social impacts); Category B (with less significant environmental and/or social impacts), and Category C (with minimal or no impacts). The deal team of the bank will take care to assure that the subproject company is fully aware of the applicable safeguard requirements of the relevant DFI.

9. The bank will inform the subproject company of the requirements with respect to the ESDD and would request the subproject company to provide all required information to the deal team. For Category B subprojects the designated staff officers of the sustainability committee with the subproject company would prepare a due diligence report. The report would be forwarded to the DFI and to the subproject committee of the bank which will take into account these issues in approving the subproject. The ESDD requirements will follow specific requirements as prescribed by the DFI.The bank will gather all required documents and permits from the borrower/subproject and submit these requirements to AIIB for review and clearance before

the subproject is approved by the bank. As policy mandates, the draft EIA report will be made publicly available at least 120 days before the approval of the subproject, and the draft RP and draft IPP will be made publicly available before the approval of the subproject.

10. *For Category B Projects/ Activities:* A proposed project is classified as Category B if its potential adverse environmental impacts are less adverse than those of Category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for Category A projects. An initial environmental examination is required.

- The subproject company, with guidance from the bank, answers the sector-specific rapid environmental and social assessment checklists
- Upon confirmation that the project will bring minimal environment and social impacts, require subproject company to prepare an IEE, compile all permits, and conduct stakeholder consultations, as necessary. All documentation must be compiled and submitted along with the IEE and other relevant project loan application documents.
- The projects/ activities in this category are associated with environmental and social impacts that can be readily predicted, prevented and/ or mitigated. As due diligence the credit officer of the bank will fill of a short 'internal checklist,' either as a desk review or a simple review by the credit officer based on a site visit. The 'Internal short list" used by the Bank for this purpose is given in Annex 1.2.

11. *For Category C Projects/ Activities:* A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. No environmental assessment is required although environmental implications need to be reviewed.

- The subproject company, with guidance from the bank, answers the sector-specific rapid environmental and social assessment checklists

- Upon confirmation that the project will bring no environment and social impacts, the only due diligence requirement would be the filling of the form used for initial screening. Hence, if the Project/ Activity fall into Category C, the application will be forwarded directly for credit appraisal.

12. The coordination of all the above activities would be done by the designated staff officers of the Sustainability Committee.

13. Based on the due diligence the designated staff officers of the Sustainability Committee would prepare an "Environmental and Social Review Summary Report". A format for the preparation of this report is given in Annex 1.3. This summary report would be forwarded to the Loan Approving Authorities along with the loan application form.

The report consists of:

- Clients compliance with the local standards/ standards of the DFI
- Gap analysis between the current E&S performance and the required standards
- If compliance cannot be shown a corrective action plan if the project/ activity is to proceed
- Guidance for the subproject company to take necessary measures

14. For all subprojects financed by DFIs, subproject investment agreements will contain appropriate environmental and social covenants requiring the subproject to be in compliance in all material respects with the applicable environmental and social safeguard requirements of the DFI.

15. The safeguard requirements of AIIB applicable for different categories of subprojects are given in Table 1 as an example of DFI requirements. The definition of environment and social safeguard categorization is given in Annex 3.1. For subprojects with potential significant environmental and/or social impacts, Safeguard Requirements 1-3 of the AIIB Safeguard Policy Statement will apply, including preparation of an environmental impact assessment (EIA) report and an environmental management plan (EMP), a resettlement plan (RP) and/or an indigenous peoples plan (IPP); and (ii) the subproject company shall submit these reports to the bank for review. The bank will also submit these reports to AIIB for review. Outlines for an EIA, RP, and IPP are provided in Annexes 3.2, 3.3, and 3.4, respectively. Likewise deal team of the bank will advise the subproject company of the safeguard requirements specific for the relevant DFI.

Table 1: Safeguard Requirements for DFI funded Subprojects

Category (Risk Rating)	Environmental Safeguards	Involuntary Resettlement Safeguards	Indigenous Peoples Safeguards
Category B (with less significant impacts)	Comply with national laws and AIIB's PPL	Comply with national laws and AIIB's PPL	Comply with national laws and AIIB's PPL
Category C (with minimal or no impacts)	Comply with national laws and AIIB's PPL	Comply with national laws and AIIB's PPL	Comply with national laws and AIIB's PPL

16. Requirements for monitoring also differ by the category of the subproject and also by the requirements of the DFI.

17. For Category B and C projects periodic routine monitoring for E&S issues will be done as required by the relevant DFI. Annual monitoring of the bank's and the subproject's performance will be done as mandated by DFI safeguards policy. Incidental reports will also be submitted to reflect any complaints or unusual occurrence during implementation.

18. At the level of the individual loan recipients, submission of E&S monitoring reports at regular intervals will be an essential part of the compliance requirements. Monitoring reports will be prepared by the subproject company who will provide regular reports to the Sustainability Committee who may follow up as required with further queries or site visits. The proposed outlines for annual environmental and social monitoring reports will be as per the agreed formats with DFI.

19. The bank will promptly report to the relevant DFI any actual or potential breach of the compliance requirements after becoming aware of it.

20. Environmental and social performance will be evaluated on an annual basis. The benchmark for performance will be the ongoing compliance against the applicable environmental and social safeguard requirements. The bank will ensure that the subproject company prepares and submits an annual environmental and social monitoring report according to the format of the relevant DFI. The designated staff officers of the Sustainability Committee will review and assess the subproject company's performance on environmental and social safeguard issues.

21. Based on the review of the annual monitoring reports for Category B subprojects prepared by the subproject company, the designated staff officers of the Sustainability Committee will prepare an annual environmental and social performance report using the templates of the relevant DFI and submit it to the bank's management and the DFI.

IV ORGANIZATIONAL RESPONSIBILITIES, RESOURCES AND CAPACITY

Organization and Responsibilities.

22. Implementation of ESMS is a bank-wide activity involving coordination of the Sustainability Committee, legal department and all other departments dealing with credit administration, risk management, compliance management, legal reporting, human resources and training and information technology, and any other relevant committees and sub committees. However, the overall responsibility will be with the Sustainability Committee of the bank.

23. Officers are designated by the Sustainable Committee to the Sustainability Unit. These designated officers of the Sustainability Committee are assigned by Branch Credit Range-I, Branch Credit Range-II, Development Banking Division and Corporate Credit Division for the operationalization of ESMS as and when such requirements arise. These designated officers report to the Secretary of the Sustainability Committee. The designated staff officers have oversight for environmental and social issues and ensure that the resources are made available for environmental and social management. In addition the designated staff officers would sign and submit the annual environmental and social performance report to relevant DFIs in case of Donor financed subprojects. They would ensure that the relevant DFI is notified if and when the responsible staff has been changed or replaced with new staff.

24. The loan applications from subproject companies are generally received by the credit officers who will do the initial screening and categorization. Those subprojects which are categorized as Category C projects would be processed by the credit officers themselves while those categorized as Category B would be forwarded to the Secretary of the Sustainability Committee who would forward it to designated staff officers for environmental and social clearance. While processing is done by the designated staff officers the approval will be given by the sustainability committee. Once approved and loan is granted monitoring for compliance will be done by the designated staff officers. The designated staff officers would also maintain records of the subprojects and monitoring reports. This process is shown in Figure 1.

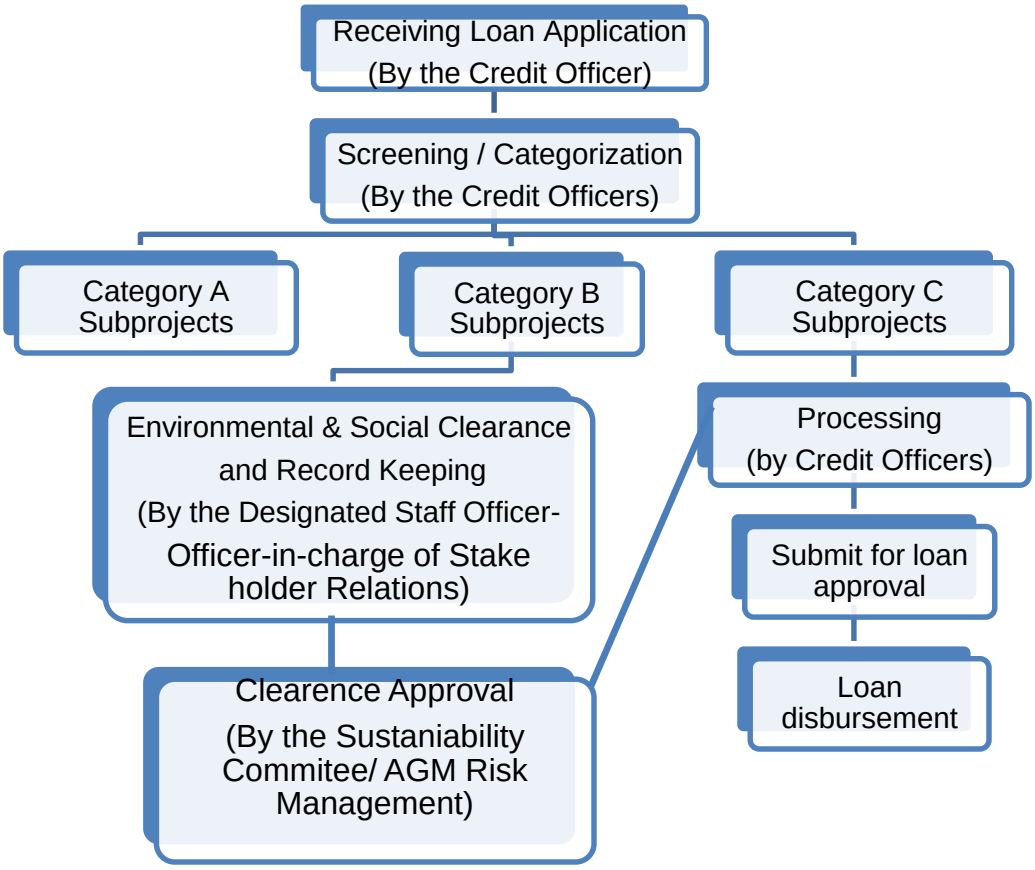

Figure 1: The procedure followed by the bank in loan processing under COVID 19 Crisis Respose Facility.

25. The Sustainability Committee of the bank had been formed with the intention of integrating sustainability into key business decisions, processes and initiatives to become a responsible corporate citizen by operating the business in an environmentally responsible, socially equitable and economically sound manner. The charter is to evaluate, develop, promote, implement and monitor sustainability principles and practices through the organization which will deliver values to the bank's stakeholders. The Board of Directors regularly oversee and monitor the sustainability policy implemented by the bank through the bank's Sustainability Committee headed by the General Manager who is also the Chairman of the Sustainability Committee.

26. The structure of the Sustainability Committee is given in Figure 2

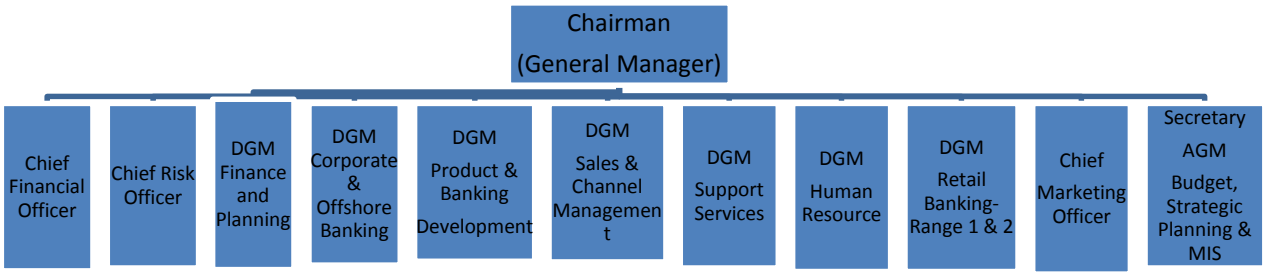

Figure 2: Structure of the Sustainability Committee

27. Headed by the General Manager the Sustainability Committee includes DGM - Product and Development Banking, Chief Financial Officer, DGM - Sales and Channel Management, DGM - Support Services, DGM - Human Resources, DGM - Retail Banking, DGM - Finance and Planning, Chief Marketing Officer, and AGM Budget and Strategic Planning (who is also the secretary of the Committee). Each member is assigned with specific areas to monitor. The Quorum of the committee is any four members including the Chairman of the committee.

28. Key objectives of the Sustainability Committee are:

- Make appropriate guidance and directions on enhancing financial inclusions of the country through financial literacy programs and other activities among the less privileged people of the society.
- Provide Guidance and directions on CSR initiatives that will promote national economic growth through the bank's strategic CSR initiatives of education, entrepreneurship, national heritage protection, livelihood development, health care development, environmental protection, sports development and supporting infrastructure development in the country through Government / Non Government and bank's own initiatives to uplift the economy and the society.
- Inculcate sustainability values internally through training and development and the promotion of employee volunteerism and participation in CSR initiatives of the Bank.
- Inculcate sustainability values internally through training and development and the promotion of employee volunteerism and participation in CSR initiatives of the Bank.
- Inculcate sustainability values externally through awareness programmes and publicity
- Provide advice to business unit managers to help them build business cases so they can acquire the resources and expertise to implement sustainability initiatives.
- Guiding senior management on implementing environmental sustainability (Green Banking concept and additional sustainability initiatives) within the organization.
- Where appropriate, set up and coordinate a team of volunteers to champion workplace sustainability awareness and activities (e.g. waste recycling, energy management and procurement)
- Recommend appropriate strategies to supplier relationship

29. Responsibilities of the Sustainability Committee

- Conduct committee meetings on regular schedule
- Review of initiatives already in place within the organization
- Search for new initiatives and organizations or community leaders to develop relationships with.
- Determine the Bank's investment percentage on annual sustainability activities. This percentage may vary in relation to the profit before tax (PBT).

30. Members of the Sustainability Committee will monitor specific areas that have been assigned to them as given in Table 2.

Table 2: Specific Areas Assigned to individual members of the Sustainability Committee

Member	Impact Areas
Chief Financial Officer	• Economic Value addition – Trend Monitoring • Distribution of income among stakeholders • Indirect economic benefits arising out of Bank's operations • Financial performance • Socio economic contribution • Monitoring of CSR Budget • Sustainability reporting to public

DGM – Finance and Planning	• Monitoring sustainability budget • Introduce and monitor the execution of CSR projects initiated by the Bank and the major CSR projects on which Bank becomes the Official Banking Partner • Sustainability Reporting to the Public • Lead the Sustainability Unit of the bank • Promote sustainable and the responsible banking practices across the Bank
Chief Risk Officer	• Ensure ESMS of the Bank is functioning properly • Ensuring the identified risks and impact areas mentioned in section 5 and alarm each sustainability committee member to take appropriate actions to maintain those risks in desired levels. • Governance and compliance • Monitoring brand reputation risk • Identifying and providing recommendations on customer privacy and data security for relevant authorities
DGM Corporate & Offshore Banking	• Decide the green lending portfolio of the Corporate lending • Initiatives to introduce innovative lending products for Green initiatives • Facilitating the financing to the large scale projects of national importance
DGM – Product & Banking Development	• Micro-finance platform and how it is implemented across the branch network. • Product innovation and development to meet customer perception and expectations • Design new Green Banking products/ services or incorporate Green Banking concept into existing products/ services • Development lending portfolio – The extent of its contribution to spur the priority sector growth along key drivelines. • Introduction of digitalization and technology and diversifying the products
DGM – Support Services	• Material, energy and fuel usage • Building physical infrastructure with Green Banking initiatives to reduce carbon footprint • Digitization process to reduce carbon emersion • Introduction of renewable energy solutions • Other initiatives towards reducing carbon footprint • Recycling and energy saving mechanism • Delivery point ambience, customer access and service level point • Responsible procurements • Energy and fuel consumption • Waste management
DGM – Human Resources	• Introduction of e-based facilities and electronic/ digital devises among staff through the digitization process to reduce carbon footprint • Decent labour practices

	• Defined benefits plan obligations and Fund adequacy • Human rights issues • Team skill development and lifelong leaning • Career path development • Work life balance initiatives • Interaction with trade unions • Promote triple bottom-line initiatives among staff • Industrial peace and labour management relations • Talent management • Diversity and equal opportunity • Labour rights (Contract and outsourced) • Bribery and Anti- corruption
DGM – Sales & Channel Management	• Introduce digital channels to minimize carbon emersion. • Outreach expansion policy and progress • Provincial development • Financial inclusion • Customer privacy and data security • Responsible lending • Customer experience
DGM – Retail Banking – Range 1 and 2	• Development and up scaling of SMEs • Responsible lending by adopting Green lending initiatives
Chief Marketing Officer	• Corporate social responsibility (CSR) initiatives • Execution of identified strategic CSR projects in line with Sustainability Policy of the bank • Brand reputation • Communicate customers on activities conducted on triple bottom-line

31. **Resources and Capabilities.** The designated staff officers of the Sustainability Committee would work with the management of the bank to ensure that adequate resources have been committed to allow for the effective implementation of this ESMS policy and procedures. They will be technically qualified to be able to carry out the screening and due diligence or able to review the work carried out by consultant(s). They would attend environmental and social safeguard training related to compliance and monitoring activities sponsored and approved by DFIs. The bank would also maintain a pool of qualified environmental and social consultants who can be called upon to assist in conducting environmental and social reviews as appropriate.

56 Grievance Handling System

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

2. The Bank insists that the complaints must be resolved immediately (within 7 working days) and the Aggrieved Party be advised accordingly, failing which a tentative date for resolving, along with the contact details of the person who would be responsible for resolving the complaint would be sent to the aggrieved party. If the complaint cannot be resolved even by that date the aggrieved party would be advised of the new date for resolution, which shall not be beyond 30 calendar days from the date of first notification.

3. The Designated staff officer of the Risk Management Unit shall make arrangements to follow up on complaints after resolution, by contacting the Aggrieved Party and obtaining feed back with regard to the resolution of the complaint. All follow up actions would be recorded in the relevant report itself for future reference.

4. The overall Grievance Handling System of the Bank is given in Annex 5.0.

Annex 1.1 Sustainability Policy of the Bank of Ceylon

BANK OF CEYLON

SUSTAINABILITY POLICY

Date Revised:19th March 2019

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Sustainability Policy of Bank of Ceylon

Introduction

The Banking Sector is one of the cornerstone industries in the economy and plays a pivotal role in the planets sustainability.

The role of banks in contributing toward sustainable development is potentially enormous, because of their intermediary role in an economy.

From a holistic view the Bank's activities should be carried out in a sustainable manner, contributing to overall economic growth and stability whilst minimizing the negative impact on the environment or society and uplifting society.

Sustainable banking requires an understanding of the "triple bottom line" – economic advancement alone is not enough, environmental protection and social stability must also be taken into consideration.

Bank plays a crucial role in allocating financial resources. While the financial services are often used too often for activities which are harmful to the environment and human existence and social equity, banks can also be powerful agents of change.

BOC strives to align its sustainability policy within the realm covered by the definition developed by Brundtland Commission in 1983, which states that sustainability is 'development that meets the needs of the present without compromising the ability of the future generation to meet their own needs'. The Global Reporting Initiative (GRI) also has adopted the Brundtland Commission's definition.

The core business strategy has been formulated with due consideration of sustainability related risks and opportunities. Accordingly, the Bank, when developing its sustainability strategy focuses on three main dimensions of sustainability: economic, environmental and social.

Sustainability Vision

"Sustainable development through social, environmental and economic bottom-line"

"Sustainability is a Lifestyle" is the core of the Banks sustainability strategy, reflecting the manner in which the Bank operates, where sustainability is embedded in every decision taken and every activity carried out and where every employee is encouraged to live theses values.

Sustainability Mission

"To be a Responsible Corporate Citizen by operating the business in an Environmentally Responsible, Socially Equitable and Economically Sound manner"

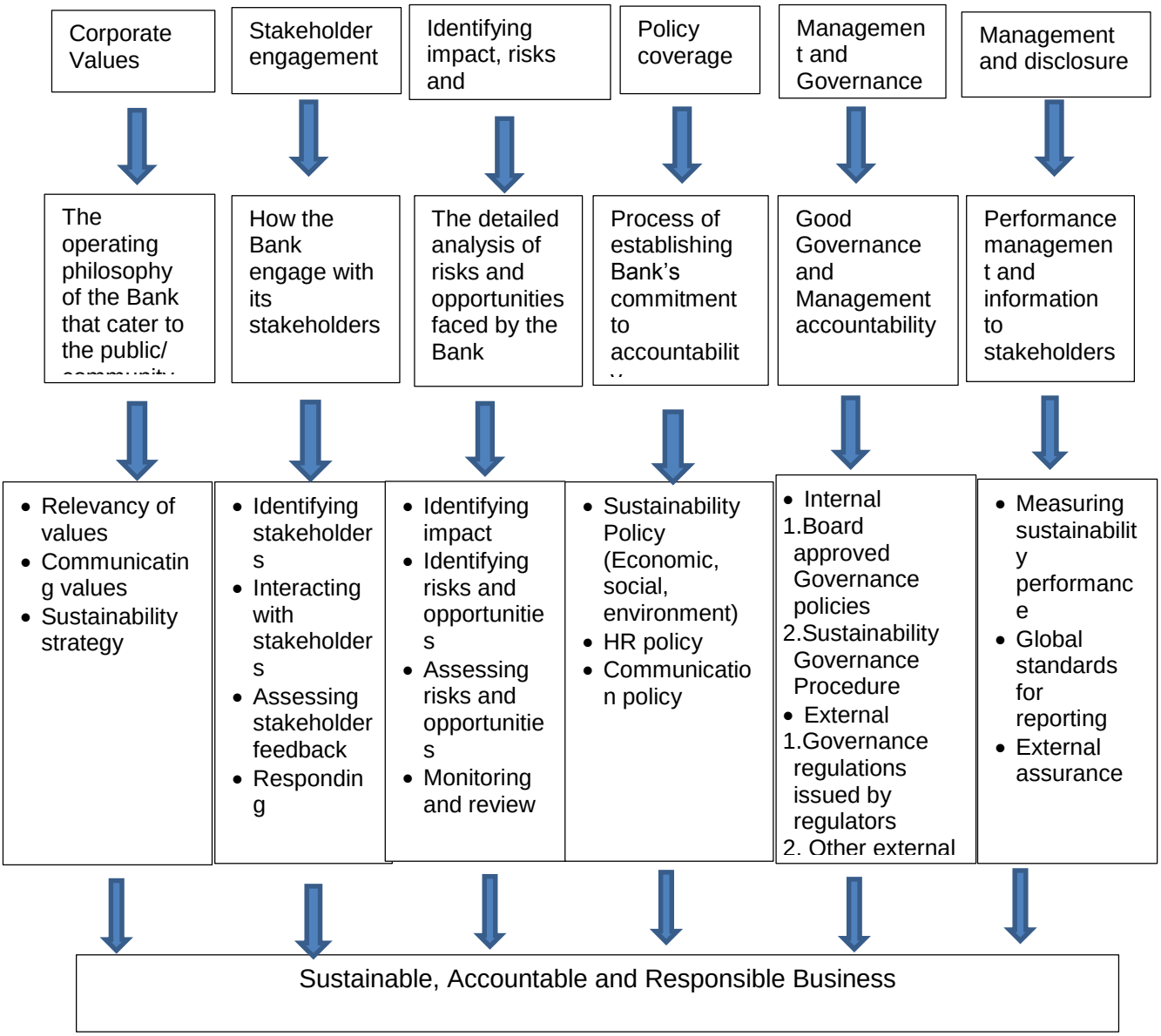
Sustainability Goals

To ensure that the bank creates value to society in and through every decision and action taken, to minimize adverse impacts to the environment and society, to engage in meaningful and sustainable CSR initiatives that will uplift society and promote National Economic Growth, to inculcate socially responsible values among bank's employees.

Sustainability Objectives

- Integrate sustainability into key business decisions and initiatives
- Implement an operational process to minimise the Bank's carbon footprint
- Implement responsible waste disposal systems
- Promote renewable energy
- Implement CSR initiatives that will promote national economic growth through the Bank's strategic CSR initiatives of Education, Entrepreneurship, Protection of National Heritage Livelihood Development, , Environmental Conservation ,Social Development and Supporting Infrastructure Development in the Country through Government Sponsored Projects by Granting Facilities/ Loans.
- Uplifting society's most needed segments
- Inculcate sustainability values internally among staff through training, development, promoting employee volunteerism and staff welfare programmes targeting to drive them towards sustainable mind set
- Inculcate sustainability values externally through awareness programmes and publicity
- Maintain healthy supplier relationships and responsible supplier contracts
- Environment and Social Risk Management through fully fledged Environment and Social Risk Management Systems (ESMS)
- Respect HR principles in our business operations
- Financial inclusion
- Promote ethical finance
- Promote green economic growth
- Promote Collaborative partnerships and no competition with peers on sustainable issues
- Transparency and accountability

Management approach for sustainable business



Management approach for Sustainable Business of BOC consists of corporate values, Stakeholder engagement, Identifying impacts, Risks and opportunities, Policy coverage, Management and governance, and Management and disclosure.

Corporate values refer to the operating philosophy of the bank which caters to the public/community. Stakeholder engagement decides how the bank engages with its stakeholders in the operating environment. Identifying impacts, risks and opportunities are critical to analyse risks and opportunities faced by the bank and mitigate those risks. Policy coverage provides the process of establishing bank's commitment to implement accountability as a corporate citizen. Management and governance also leads to maintain good governance and management accountability for its Stakeholders: management and disclosures provides transparency of performance management and information to stakeholders. This sustainability outline of BOC clearly reflects sustainable, accountable, and responsible business within its operating environment.

1 Key Questions to Address when Evaluating the Bank's Strategy/s and Decision/s

- What would be the impact on the environment, society and stakeholders by the Banks' proposed strategy/s and decision/s?
- How will they be affected by our planned activities?
- What is the magnitude of the impact?
- What are the long term and short term impacts?
- What alternative action can we take to mitigate the adverse impacts?
- What alternative strategy/s and decision/s can we take?

I. ECONOMIC BOTTOM LINE

The most important aspect of a bank's sustainability approach is managing the impact that its operations, products/services and customer relationships have on the financial sector. First and foremost, a bank must operate and conduct all its operations in an ethical and transparent manner whilst giving their customers what they expect in fair transparent and responsible manner. Good corporate governance is a must for today's complex and dynamic business environment to ensure long-term sustainability.

At the same time, it must provide good working conditions for staff and deliver profitable growth for the shareholders.

Our sustainability policies also extend to taking steps to ensure sustainability of the stakeholders by, for example, refusing to lend to businesses whose actions cause unacceptable harm to the environment, or by insisting that key suppliers adhere to prescribed sustainability standards.

Strategic Initiatives

1.1 Triple Bottom Line Concept

- Integrate sustainability into the Bank's business strategy and decision-making processes in order to support environmentally and socially responsible projects, innovative technologies and sustainable enterprises.
- Integrate Triple Bottom Line considerations to core business strategies
- Ensure that the Banks decisions and activities do not have a negative impact on the environment and the society.
- Key business decisions which are impacting economic, environment and social bottom line to be cleared by the Sustainability Committee of the Bank
- Ensure value addition at every point
- Use of technology to minimise resource usage, minimise turnaround time and speed of delivery
- Regular stakeholder engagement and addressing their key topics and concerns

1.2 Ethical Business

- Conduct all business activities in an ethical and transparent manner.
- Adhere to the regulatory norms
- High levels of transparency and integrity in Bank reporting and disclosures
- Disclosure wherever possible – Internally and Externally
    - What the Business is doing
    - What is the Business Planning to do?
- To work against corruption in all its forms, including extortion and bribery
- Ethical Marketing and Advertising
    - Non violation of customer's rights, treat fairly and avoid all time vulnerability (Not to target vulnerable customers)
    - No inappropriate use of women and children
    - No misleading information
    - Responsible advertisements
- Adhere to policies and guidelines of compliance and anti-money laundering

1.3 Responsible Lending

- Integrate environmental and social criteria into the lending strategy.
- Ensure the Bank is a responsible provider of financial services to customers – be they individuals, small businesses, large corporations, public sector bodies or any other entity – so that bank-financed customer activities do not harm others.
  - Adhere to Bank's Environmental and Social Management System (ESMS).

1.4 Prudent Risk Management

- Integrate the Bank's risk management process and manage environmental, social and reputational risks conservatively
- Carrying out a detailed internal risk review assessment of customer risk management in a way exploring nature of the transaction, identity the regulatory, political and social background, as well as environmental and social impacts of clients based on their risk profiles.
- Adhere to Bank's Environmental and Social Management System (ESMS) and sector-specific policies/guidelines that incorporate the standards the Bank expects their customers to observe and lay down activities and business practices that will not be financed.

1.5 Research and Development

- Timely assessment of the emerging global and local conditions and harnessing its opportunities and threats to achieve better business sustainability.
- To spot market conditions and factors which can trigger economic prosperity
- Make the Bank a knowledge leader in the area of economic research and market research
- Using this information, provide management with support in making strategic business decisions
- Monitor and analyse Economic and Banking Developments in Sri Lanka and internationally and report trends and relevant information to the management
- Monitor and analyse regional and national trends
- Conduct research on financial markets, competition and key economic sectors
- Forecast economic outlook and key economic and business trends
- Provide strategic research input for the corporate management in formulation of the Bank's strategy/objectives/goals etc.

1.6 Product Development

- To deliver unique and innovative solutions through products, which will add value to our customers
- To develop solutions to attract the unbanked population in country to the mainstream banking through simplified products
- Include environmental and social considerations in the development and offering of products and services in order to meet the interests and needs of the Bank's customers and to take advantage of business opportunities.
- Develop products and services that generate environmental and/or social benefits. This includes providing investment opportunities related to renewable energy~~,~~ , resource efficiency, climate change and microfinance, among others.
- Sharing information and views about trends and developments across divisions and regions, in order to facilitate the development of such products and services.
- E-products to reduce resource usage

1.7 Responsible Investment

- Integrate environmental and social criteria into investment strategies
- Contributions to the development of the economic infrastructure of the country
- Investments and employment generation in the country

1.8 Customer Relations

- Conduct market research activities to identify customer needs
- On-going system to track changing needs
- Yearly allocation (as a percentage of turnover) on Market Research and Product Development
- New/modified products/services introduced to the market on a regular basis
- Continuous product/service quality improvement schemes
- System to identify and address customer complaints/ suggestions
- Yearly Customer Surveys to assess possible negative impacts of bank's products/services and to assess customer needs
- Yearly Customer Satisfaction (CS) Surveys and a system in place to improve CS on a continuing basis
- Provision of information related to bank's products or services for the customer to make an informed purchase decision

1.9 Openness and transparency in all dealings with customer Supplier Relations

- Ensure key suppliers adhere to prescribed sustainability standards
- Supplier Rating System to ensure the Bank engages with suppliers who are conform with the Bank's Sustainability Policy
- Suppliers must also adhere to the social and environmental principles adopted by the bank.

1.10 Accept responsibility in our sphere of influence

- To set a good example when working with peer institutions in loan and underwriting syndicates and other consortia, by encouraging the use of environmental and social standards and due diligence.
- Ensure that the Bank's Sustainability Commitment is translated in all strategic partnerships of the Bank.

2. ENVIRONMENTAL BOTTOM LINE

An important component of the sustainability agenda is the environment where the Bank ensures that its direct and indirect environmental impact is minimized or removed.

The Bank's sustainability policy ensures that the Bank's responsibilities will also extend to taking steps to protect the environment from others by, for example, refusing to lend to businesses whose actions cause unacceptable harm to the environment, or by insisting that key suppliers adhere to prescribed sustainability standards.

Strategic Initiatives

2.1 Minimising the Carbon Footprint of the business operations through "Green Banking" process

2.1.1 Direct Impact

- Committed to comply with relevant legislation and requirements to prevent pollution.
- Understand the effects the Bank's activities have on the environment and to continually improve its environmental performance by supporting initiatives such as:
    - Waste minimization through digitization
    - Introducing "Green Products" by reducing carbon emission
    - Introducing digital services/ products to reduce paper usage
    - Recycling of natural resources
    - Reduction of material and energy consumption
    - Responsible waste disposal
- Increase Energy Efficiency by implementing initiatives that reduce the Bank's fossil fuel usage, thereby conserving natural resources and reducing pollution as well as cutting back on carbon emission
    - Lighting - Renewable energy solutions
    - Air conditioning
    - Transport and Travelling
    - Water usage
    - Rain water harvesting
    - Physical infrastructure development – Green branches to reduce carbon emission
- Promote operational process that would reduce the usage of scarce resources
    - Automated workflow systems to reduce paper
    - Printing documents only if required
    - Use of on-line/ email etc. communications instead of paper
    - Use online applications instead of paper and shift towards online /digital and cashless transactions
    - Introduction of remote delivery channels to reduce documentation
    - Moving towards e-processing

- Responsible Waste Disposal
    - Collection of watse paper for recycling
    - Collection of plastic watse for recycling
    - Disposal of e- waste
    - MOUs with suppliers of electronic items (including E-waste, Toners, etc.) for safe disposal
    - Donation of discarded usable assets

- Waste water disposal

2.1.2 Indirect Impact

- Minimise the Bank's indirect impact through the Bank's "Environmental and Social Management System" which provides guidance on responsible lending and investing.
- Please refer Para 1.3

2.2 Environmental literacy

- Training employees and customers to use technology to reduce usage of scare resources
- Training/ educational programs for employees on the principles of sustainability and CSR and Bank's environmental practices
- Dedicated staff made available for environmental management with specific roles.
- Creating awareness among customers, suppliers and other stakeholders on Bank's environmental policy and measures to encourage compliance/co-operation.

2.3 Promoting renewable energy among customers

- Encourage innovative and sustainable products
  - Encourage special products for renewable energy solutions for business entities
  - Encourage special products for renewable energy solutions for households
  - Promoting special banking products to reduce carbon emission through paperless banking
  - Introduction of special finance scheme for customers to promote renewable energy

- Special CSR projects
  - Help the Government to achieve the SDG goals set for the country via carefully designed, efficient and effective CSR activities focusing on SDG goals set for the country.

3. SOCIAL BOTTOM LINE

Employees are the most important asset and therefore an important stakeholder. A key social responsibility is investing in the personal and professional development of the Bank's employees because their capability and commitment define the Bank's success. Providing an environment where employees are treated with respect and giving priority to their health and safety and valuing diversity is a primary concern.

Equally important is giving back to society and uplifting the society by promoting National Economic Growth is of primary importance since a robust economy ultimately contributes to the wellbeing of each individual. Pivotal areas of economic growth are Education, Entrepreneurship, Livelihood Development, Environmental Conservation, Social Development and Infrastructure Development.

Strategic Initiatives

3.1 Community Relations

3.1.1 Strategic CSR Initiatives

- **Education**
  - Expand and consolidate school "BOC "*Ran kekulu Sansada"* Units" in each province
  - Implement school development programme island wide – "BOC *Ran Kukulu* Library Project" covering 25 districts in the country
  - Conduct "BOC *Ran kekulu* Scholarship" programme for grade 5 students covering each province
  - Conduct "BOC *Ran kekulu Hapana*" programme covering each province to assist grade 5 students who are facing year 5 scholarship examination
  - Conduct "18 Plus *Nanajaya*" scholarship programme for Advanced Level students who excel in the areas of science, mathematics, arts, commerce, Bio System Technology, Engineering Technology and Common Subject.

- **Entrepreneurship**
  - Encouraging and building micro financing segments in the country by introducing "BOC *Mithuru* Societies" at village level
  - Conduct SME development programmes, extending SME dedicated centres and up scaling of SMEs in each province.

- **Protection of National Heritage**-
  - Restoration of ancient cultural sites for the next generation
  - Preserving cultural heritage and religious identity for the future generation in the country by supporting annual cultural pageants/ events and religious activities of key religious institutions

- **Livelihood Development**
  - Health care development projects - Hospital development and water purification projects at province level.

- Conducting mobile clinics and educational programmes at province level
- Financial inclusion programmes at village level
- Development programmes which up-scale the lives of people

➢ **Environmental Conservation**

- Energy conservation
- Re-cycling initiatives
- Ecosystem development through “Green Banking”
- Reduce usage of scare resources through digitalization programme
- Support wildlife and forest conservation projects
- Organizing awareness programmes on environmental conservation among school children

➢ **Social Development**

- Sports – Development of national harmony through sports activities in the country
- Encouraging school level athletics development projects covering each province and national level.

➢ **Supporting Infrastructure Development in the country through Government Sponsored Projects**

- Providing facilities/ loans for infrastructure development in the country to uplift the Sri Lankan society.

3.1.2 Philanthropic CSR Initiatives

➢ **Uplifting Society’s Most Needed Segments**

- Counselling workshop programme
- Voluntary cleaning projects
- Sri Lanka Cancer Society project
- Blood donation campaigns
- Providing health care facilities for the needy.
- Charitable Donations to institutions

➢ **Employee Volunteerism**

- Conduct provincial level CSR Projects to build twin benefit of building a CSR culture and improving feel good factor among bank staff.

➢ **Strategic CSR initiatives should be met,**

- Employee involvement
- Community engagement
- Government development goals and policies
- United Nations Sustainable Development Goals (SDGs)
- Transperancy and Governance
- Socially responsible

3.2 Employee Relations

➢ Implement Policies and Guidelines to promote the sustainability vision

- Human Resource Policy and Guidelines
- Collective Agreements
- Code of Conduct
- Code of Ethics

- Grievance Handling Procedures
- Disciplinary Procedures
- Policy on Differently-abled Employees including access to disabled persons at the Bank premises
- Occupational Safety and Health (OSH) Policy and Mechanisms

➢ **Human Rights**

- Support and respect the protection of internationally proclaimed human rights
- Ensure that the Bank is not complicit in human rights abuses.
- Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Elimination of all forms of forced and compulsory labour
- Fair recruitment and retention strategies
- Elimination of discrimination in respect of employment and occupation, in terms of gender, race, religion and other criteria.
- Foster a culture of equal opportunity for women at all levels of the organization structure
- Implement facilities that support working mothers, such as crèches, flexi hours etc.

➢ **Employee Development**

- Nurture, enhance and grow human capital through training and development
- Identifying competencies/skills that will be required for the future
- Initiatives for career progression and career development of employees
- Ensure healthy lifestyles for the employees through a good “Work Life Balance”
- Leadership and individual development
- Competencies based on sustainability

➢ **Openness and Transparency**

- Social dialogue methods/ channels of communication available within the Bank.
- New strategies of communication

4. GOVERNANCE POLICY

Internal – (i) Board approved governance policies
(ii) Sustainability governance procedures

External – (i) Governance regulations issued by regulators
(ii) Other external charters

5. TRIPLE BOTTOM LINE IMPACTS AND RISKS TOWARDS THE BANK

It is important to identify the magnitude of the impact in long term and short term and take alternative actions to mitigate those adverse impacts and risks towards the bank.

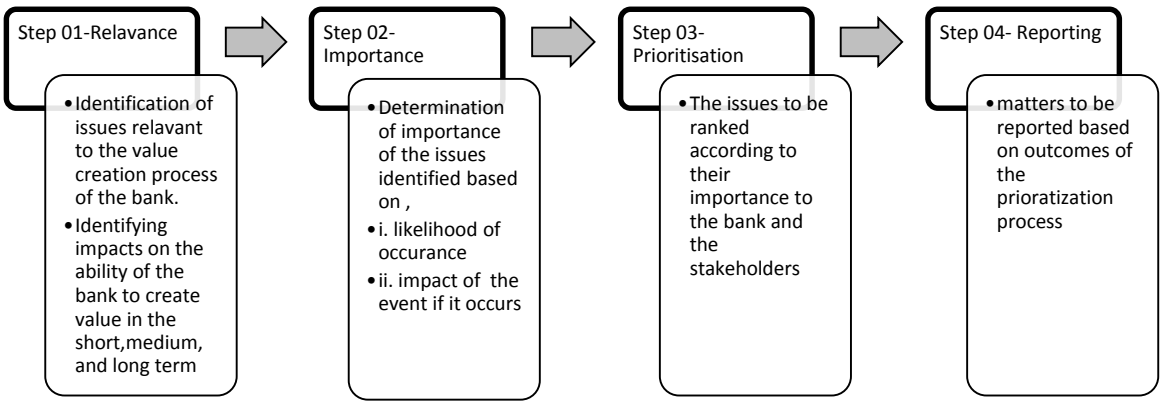
Detailed analysis is conducted every year to review the key material topics of the Bank, the associated impact to the Bank and the Stakeholders and the Risk involved. These material topics are selected covering the Economic, Environmental, and Social triple bottom line.

The following process determines the identification of impacts and risks towards the bank and its influence on shareholder decisions.

Key material topics and their impacts to the Bank and the stakeholders based on the identified risk is disclosed to the General public via the Annual Report and or website of the Bank in each year.

According to the impact and risks analysis, those identified risks and impact areas have been assigned among the sustainability committee members under their responsibilities in this policy to mitigate those risks and impacts.

Those responsibilities are included in their action plans, and all action plans are incorporated into the corporate plan of the bank in terms of developing goals, strategies and action items under their respective units to address risks and impact areas identified in the policy.

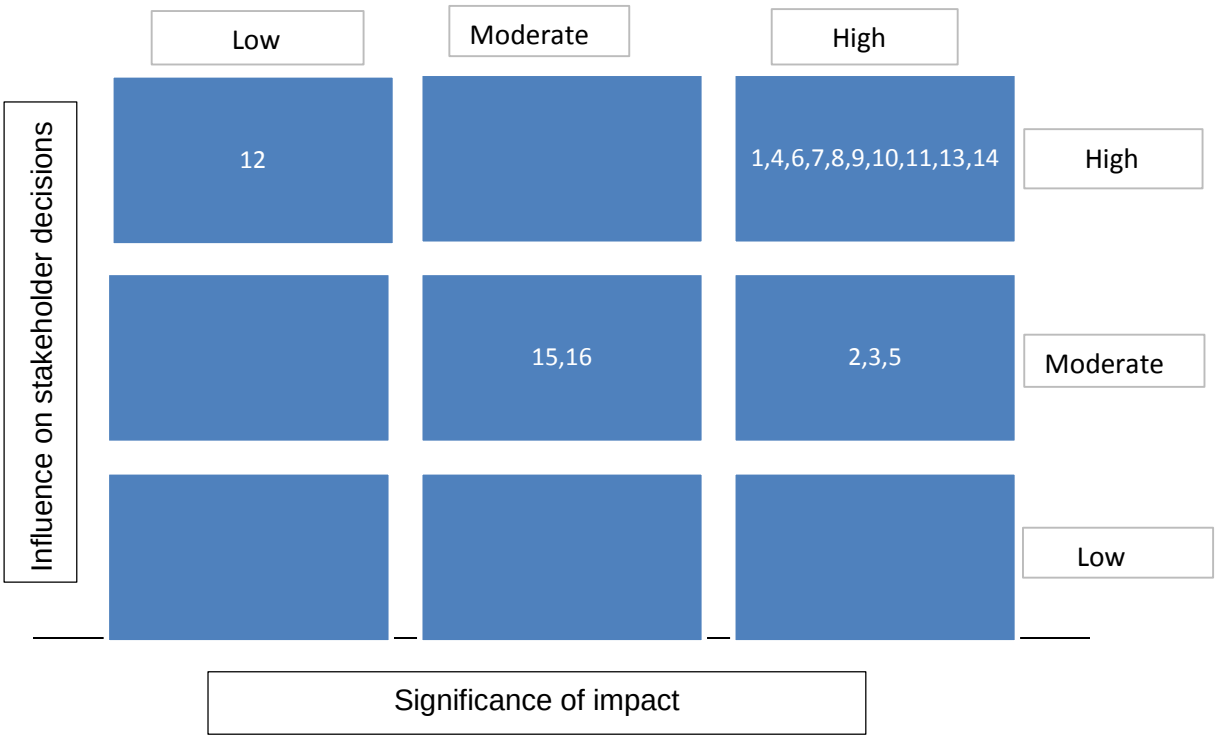


Significance of impacts towards the bank and influence on stakeholder decisions.

Key Material topics of the Bank

Ref		Impact on organization	Influence on stakeholder decisions
	Economic		
1	Financial Performances	High	High
2	Financial Inclusion	High	Medium
3	Responsible procurements	High	Medium
	Social		
4	Socio Economic contribution	High	High
5	Digitalization and technology	High	Medium
6	Governance and compliance	High	High
7	Bribery and Anti-corruption	High	High
8	Industrial peace and Labor Management relations	High	High
9	Talent Management	High	High
10	Customer experience	High	High
11	Customer privacy and data security	High	High
12	Diversity and equal opportunity	Low	High
13	Labor rights(Outsourced/Contract)	High	High
14	Brand Reputation	High	High
	Environment		
15	Responsible Banking practices	Medium	Medium
16	Environment footprints	Medium	Medium

Matrix of influence on significance of impacts and influence on stakeholder decisions.



6. SUSTANABILITY GOVERNANCE

Bank of Ceylon's approach to sustainability through CSR is built on best practices. The Board of Directors has the highest level of governance of sustainability in the Bank and therefore board has approved the establishment of the Sustainability Committee and the structure of which is given below.

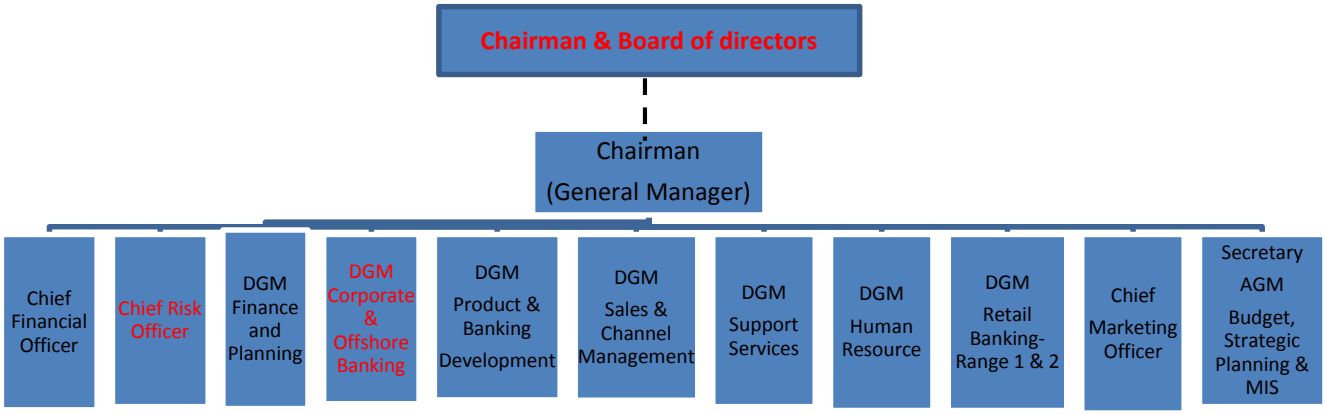
6.1 Sustainability Committee

6.1.1 Purpose of the Committee

Integrating sustainability into key business decisions, processes and initiatives to become a responsible corporate citizen by operating the business in an environmentally responsible, socially equitable and economically sound manner. The charter is to evaluate, develop, promote, implement and monitor sustainability principles and practices through the organization which will deliver values to our stakeholders.

6.1.2 Composition and Quorum

The Board of Directors regularly oversee and monitor the sustainability policy implemented by the Bank through the Bank's Sustainability Committee headed by the General Manager (Chairman of the Sustainability Committee). The management of the Bank's sustainability activities is the responsibility of the Sustainability Committee.



Quorum-Any four members including the Chairman of the committee

6.1.3 Key objectives of the Sustainability Committee

6.1.3.1 Make appropriate guidance and directions on enhancing financial inclusions of the country through financial literacy programs and other activities among the less privilege people of the society.

6.1.3.2 Provide Guidance direction on CSR initiatives that will promote national economic growth through the Bank's strategic CSR initiatives of Education, Entrepreneurship, Protection of National Heritage, Livelihood Development, Environmental Conservation, Social Development and Supporting Infrastructure Development in the country through Government / sponsored projects by granting facilities / loans.

6.1.3.3. Inculcate sustainability values internally through training and development and the promotion of employee volunteerism and participating in CSR initiatives of the Bank.

6.1.3.4. Inculcate sustainability values internally through training and development and the promotion of employee volunteerism and participating in CSR initiatives of the Bank.

6.1.3.5. Inculcate sustainability values externally through awareness programmes and publicity

6.1.3.6. Provide advice to business unit managers to help them build business cases so they can acquire the resources and expertise to implement sustainability initiatives.

6.1.3.7. Provide directions to the senior management to recommend and implement environmental sustainability i.e. Green Banking concept, digitalization process and additional sustainability initiatives within the organization.

6.1.3.8. Where appropriate, set up and coordinate a team of volunteers to champion workplace sustainability awareness and activities (e.g. waste recycling, energy management and procurement)

6.1.3.9. Recommend appropriate strategies to supplier relationship

6.1.4. Responsibilities of the Sustainability Committee

The following responsibilities are entrusted with the Sustainability Committee of BOC under the Chairmanship of the General Manager.

6.1.4.1. Conduct committee meeting on regular schedule

6.1.4.2. Review of initiatives already in place within the organization

6.1.4.3. Search for new initiatives and organizations or community leaders to develop relationships with.

6.1.4.4. Determine the Bank's investment percentage on annual sustainability activities. This percentage may vary in relation to the profit before tax (PBT)

6.1.4.5. Members of the Sustainability Committee monitor specific areas that have been assigned to them.

Member	Impact Areas
Chief Financial Officer	• Economic Value addition – Trend Monitoring • Distribution of income among stakeholders • Indirect economic benefits arising out of Bank's operations • Financial performance • Socio economic contribution • Monitoring of CSR Budget • Sustainability reporting to public
DGM – Finance and Planning	• Monitoring sustainability budget • Introduce and monitor the execution of CSR projects initiated by the Bank and the major CSR projects on which Bank becomes the Official Banking Partner • Sustainability Reporting to the Public • Lead the Sustainability Unit of the bank • Promote sustainable and the responsible banking practices across the Bank
Chief Risk Officer	• Ensure ESMS of the Bank is functioning properly • Ensuring the identified risks and impact areas mentioned in section 5 and alarm each sustainability committee member to take appropriate actions to maintain those risks in desired levels. • Governance and compliance • Monitoring brand reputation risk • Identifying and providing recommendations on customer privacy and data security for relevant authorities
DGM Corporate & Offshore Banking	• Decide the green lending portfolio of the Corporate lending • Initiatives to introduce innovative lending products for Green initiatives • Facilitating the financing to the large scale projects of national importance
DGM – Product & Banking Development	• Micro-finance platform and how it is implemented across the branch network. • Product innovation and development to meet customer perception and expectations • Design new Green Banking products/ services or incorporate Green Banking concept into existing products/ services • Development lending portfolio – The extent of its contribution to spur the priority sector growth along key drivelines. • Introduction of digitalization and technology and diversifying the products
DGM – Support Services	• Material, energy and fuel usage • Building physical infrastructure with Green Banking initiatives to reduce carbon footprint • Digitization process to reduce carbon emersion • Introduction of renewable energy solutions

	• Other initiatives towards reducing carbon footprint • Recycling and energy saving mechanism • Delivery point ambience, customer access and service level point • Responsible procurements • Energy and fuel consumption • Waste management
DGM – Human Resources	• Introduction of e-based facilities and electronic/ digital devises among staff through the digitization process to reduce carbon footprint • Decent labour practices • Defined benefits plan obligations and Fund adequacy • Human rights issues • Team skill development and lifelong leaning • Career path development • Work life balance initiatives • Interaction with trade unions • Promote triple bottom-line initiatives among staff • Industrial peace and labour management relations • Talent management • Diversity and equal opportunity • Labour rights (Contract and outsourced) • Bribery and Anti- corruption
DGM – Sales & Channel Management	• Introduce digital channels to minimize carbon emersion. • Outreach expansion policy and progress • Provincial development • Financial inclusion • Customer privacy and data security • Responsible lending • Customer experience
DGM – Retail Banking – Range 1 and 2	• Development and up scaling of SMEs • Responsible lending by adopting Green lending initiatives
Chief Marketing Officer	• Corporate social responsibility (CSR) initiatives • Execution of identified strategic CSR projects in line with Sustainability Policy of the bank • Brand reputation • Communicate customers on activities conducted on triple bottom-line

6.2 Sustainability Unit of the Bank

The Bank's Sustainability Unit operationalise and coordinates the Sustainability aspects and the own CSR initiatives of the Bank. Sustainability unit reports its administration functions to DGM (Finance and Planning) and the Financial authority lies with the DGM (Support Services) with the recommendation by the DGM (Finance and Planning).

Objectives,

- Operationalize the strategic decisions / directions of the Sustainability Committee
- Enhance and streamline the Sustainability Reporting of the bank
- Coordinate with the marketing and the other relevant divisions to initiate Bank own CSR projects
- Coordinate with provinces and the divisions to initiate own CSR initiatives, drive and monitor those initiatives
- Coordinate and drive proposals received to partner with nationally significant, long term CSR projects
- Suggest projects / initiatives for the Sustainability Committee to improve the sustainability footprints of the Bank
- Actively engage with relevant external expertise / represent industry forums relevant to Sustainability

Scope
CSR projects initiated by the Bank it-self and the nationally significance, long term CSR projects that the Bank has decided to be partnership with only falls to the scope of the Sustainability Unit.
All other donations made should be dealt with the Marketing Committee

Composition
Sustainability Unit may consist of Assistant Manager / Manager Sustainability, Executive Officer – Sustainability, Junior Executive Officer Sustainability and Banking Assistant. It is to be managed by Assistant General Manager (Budget, Strategic Planning and MIS) who has to report to the Deputy General Manager (Finance and Planning)

7. SUSTAINABILITY REPORTING

The Bank issues an integrated report on sustainability on an annual basis that presents the Bank's performance in the wide context of sustainability, providing an insight into the Bank's contribution towards the enhancement of economic bottom-line, environmental bottom-line and social bottom-line within which it operates. Bank is utilizing relevant international standards and guidelines such as the Global Reporting Initiatives (GRI) Standards Sustainability Reporting Guidelines to report its sustainability reporting.

8. AUTHORITY

8.1 Analysing, evaluating and approving less than Rs. 2.00 million sustainability projects, including the CSR projects implemented by the Bank with the view of achieving the Sustainable Development Goals(SDGs) and analysing, evaluating and recommending above Rs. 2.00 million sustainability projects, including the CSR projects implemented by the Bank with the view of achieving the Sustainable Development Goals(SDGs) to the Board of Directors. Approval for those projects lies with the Board of Directors.

8.2 Sustainability Committee has a financial authority up to Rs. 2.00 million and all the proposals above that need to be submitted to the Board of Directors for approvals.

8.3 Analysing, evaluating and recommending the projects / proposals in relation to donations to the Marketing Committee and to the Board of Directors. All monitory authority levels are with the Marketing Committee and the Board.

8.4 All donations related to CSR initiatives need to have the approval of the Marketing Committee, Board of Directors,

9. POLICY REVIEW FREQUENCY

Policy will be reviewed annually by the Sustainability Committee and approval of the Board of Directors would be obtained for the reviewed policy.

Annex 1.2: A sample E & S Checklist

Social and Environmental Aspects Screening Checklist		
Project name : (Purpose of the loan)		Location:
Lending amount ($m) and financial purpose)		
Sector:		Type of activity:
Brief project description:		
Site visit date:	Additional technical review required: ☐ Yes	
Reviewed by:	☐ No	
Compliance with applicable requirements – check all that apply:		
☐ Exclusion list ☐ National regulatory requirements ☐ Environmental, health and safety permits granted ☐ Injuries and fatalities have occurred (how and when:……) ☐ Labor-related fines (when and why :…… ……..) ☐ Environmental incidents and fines (when and why:……..…)		
Management systems – Check all that apply:		
☐ No written environmental and social policy ☐ No written human resources policy (e.g. employee rights/non –discrimination) ☐ No written fire/safety plan or emergency prevention/preparedness/response plan ☐ No environmental, health and safety training for employees ☐ No procedures for managing environmental and social risks ☐ No designated person in charge of environmental and social issues ☐ No internal process for sharing information		
Project site – check all that apply:		
☐ Non – urban/undeveloped land		

☐ Proximity to river/stream/pond/lake/sea

☐ Proximity to protected area (e.g. forest/endangered species)/ecologically sensitive area (e.g. wetland/breeding grounds)

☐ Proximity to culturally sensitive/indigenous area

Environmental issues – check all that apply:

Air emissions	**Waste paper**
☐ Boilers ☐ Generators ☐ Vehicles and equipment ☐ Welding and soldering ☐ Furnaces and incinerators ☐ On-site burning ☐ Use of solvents ☐ Use of fumigation ☐ Evaporation of chemicals ☐ Refrigeration plant ☐ Use of exhaust ventilation	☐ Waste water discharges to…… ☐ Drains and grates ☐ Oil separators ☐ Separation tanks or filters ☐ Reed beds ☐ Cut-off valves ☐ Foul sewers and septic tanks ☐ Water treatments units ☐ Cleaning operations ☐ Spraying operations ☐ De-watering/water pump out
Solid and hazardous wastes ☐ Waste generated ☐ Types of waste: ……. …….. ☐ Hazardous waste (e.g. waste oils, pesticide washings, solvents, clinical waste, asbestos) ☐ Waste disposed to…….	☐ Hazardous chemicals, fuels, and pesticides On-site chemicals or fuel storage ☐ Protective measures against leaks/spills ☐ Sings of leaks/spills ☐ On-site spill cleanup equipment ☐ Protective measures against rain ☐ Signs of corrosion on tanks/containers ☐ Secured storage areas against theft ☐ Training on proper handling of chemicals and fuels ☐ Pesticide use and management

Resource consumption	Nuisance
☐ Materials used: …… ……	☐ Dust ☐ Noise
☐ Use of renewable natural resources	☐ Odors
☐ Use of tools and equipment ☐ Water source:…… ☐ Energy source:……	☐ Fumes ☐ Vibrations ☐ Traffic congestion and obstructions

Community interactions – check all that apply:

☐ No designated person in charge of responding to questions from the community

☐ No procedures for managing community complaints

☐ Use of security personnel

Social issues – check all that apply:

☐ Land acquisition required

☐ Displacement/resettlement of local settlements

☐ Impact on local settlements/livelihood

☐ Impact on indigenous peoples

☐ Complaints from neighbors/communities

☐ On or adjacent to site of cultural/archaeological importance

Labor issues – check all that apply:

☐ No personal protective equipment provided (e.g, safety goggle/ hard hat/protective glove)

☐ Inadequate employee health and safety measures (e.g., fall prevention/ventilation)

☐ Inadequate working conditions (e.g, air quality/lighting/confined spaces/on-site hygiene)

☐ Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay)

☐ Unequal employment opportunities (e.g., discrimination against gender/ethnic

group/age) ☐ Payment below minimum wage ☐ Employees below minimum age ☐ Child or forced labor ☐ No process for employees to voice complaints ☐ No recognition of employee organizations/labor unions
Additional comments

Annex 1.3 : Form for Initial Screening projects Environmental and Social Impacts

1. Name of the Project/ Activity

……..

2. Name and Contact Details of the Applicant

Postal Address

……..

……..

……..

E Mail Address ……..

Phone No ……..

Fax No …….

3. Contact Details of the person to be contacted in relation to Environmental Issues

Postal Address

……..

……..

……..

E Mail Address ……..

Phone No ……..

Fax No ……

4. Nature of the Project/ Activity (Give a brief Description)

……
……
……
……
……

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

……
……
……
……
……
……

6. If it is an Industry
    a. The Type of Industry

    ……
    ……
    ……
    b. The types of Products

    ……
    ……
    ……
    c. Factory/ Project Layout Plan (With major buildings, Unit Operations and by products and Waste Generation Points)

    ……
    …
7. Location of the Project / Activity (Please attach a Location Map, Route sketch)

    Pradeshiya Sabha ……

    Divisional Secretariat …….

    District ……

    Province ……

8. Boundary of the Project/ Activity (bounded by)

    North
    ……
    East
    ……

    South
    ……

    West
    ……..

9. Any designated areas within 2 km of the land (give the distance)

……
……
……
……
……

10. Ownership of the land (Is acquisition necessary)

……
……
……

11. Present Land Use

……
……
……

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

……
……
……

13. Permits and Approvals Required for the Project/ Activity

……
……
……

14. Status of Permits/ Approvals Required for the Project / Activity (pending/ obtained/ rejected)

……
……
……

15. Number of Workers
    a. During Construction
       ……
    b. After Construction
       ……
    c. Migratory Workers
       ……

16. Potential Environmental Impacts

……
……
……

17. Potential Social Impacts

……
……
……

Annex 1.4: Format for Summary Report on a typical ESDD

Transaction Title: Loan to Specimen Co.

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

1.1 Type of transaction, amount and term: 1 year (medium term) loan for $ 200,000 under DEG credit line.

1.2 Borrower/investment and its business operations: Hotel Industry

1.3 Purpose of transaction: Construction of a hotel with 35 Rooms

2. Environmental and Social Information Reviewed and Issues Identified

[**Information reviewed**, e.g., representations from the borrower, copies of permits/licenses, copies of policies/procedures, environmental impact assessment report, site visit inspection reports]

- Site walks round, inspection
- Discussions with management
- Hotel operating permit dated
- Permit for discharge of waste water to the sewerage system dated
- Water extraction permit dated
- Approval for building Plan by Local Authority
- EIA/IEE Statement
- Any other documents (Safety plan / Solid Waste Management plan/Land Acquisition Plan, Soil Protection Plan)

1) Main environmental and social impacts of company operations (e.g. waste water, and solid waste generated, land acquisition occupational health and safety, public safety, labor standards, impacts on cultural heritage).

- Wastewater from process and washing operations (this is treated both on and offsite)

2) Key environmental and social concerns identified (e.g., high charges for emissions, known areas of current or future non-compliance with regulations, high worker accident rate, significant major accident risk, community grievances/protest, frequent strikes, bad worker/management relations).

3) Environmental regulatory compliance and liability

a) Does the Borrower/investor comply with national environmental regulations and standards?

Management reported full compliance with environmental regulations

b) Has the Borrower/investor obtained the necessary permits and approvals?

Permits inspected include:

- Hotel operating permit date
- EIA/IEE
- Permit for discharge to water; valid-expires
- Contract with LA to dispose solid waste water from the hotel
- Wastewater quality test results

a) Permit for extraction of water from well/River
b) As far as we are aware no other permits are required for legal operation
c) Has the Borrower/investor been penalized for non-compliance with environmental regulations and standards in the last two years?

Since testing in 1999 the company has been paying water charges of about $ 1600 per year on account of slightly exceeding permitted levels as mentioned above.

d) What are the main findings of the environmental inspection reports for the Borrower's business?

1. Is the Borrower/investment subject to ongoing or pending administrative or court action because of environmental offences?

No

2. Is the Borrower/investment exposed to potentially significant environmental liabilities, such as those arising from known or suspected land/groundwater contamination, related to the Company's past or ongoing operations? If yes, specify magnitude.

No

3. Social Standards compliance:

3.1 Does the borrower comply with national labor and employee protection regulations, in particular those related to occupational health and safety (OHS), employment of minors, the prohibition of forced labor, and the non-discriminatory treatment of employees at the workplace, the freedom of association, and the right to bargain collectively?

3.2 What are the main findings of the latest OHS/Labor/sanitary inspection reports for the Borrower's business?

3.3 Is the Borrower subject to ongoing or pending administrative or court action because of OHS, labor or sanitary offences?

3.4 Does the project to be financed have any adverse effects on indigenous people, cultural or archaeological heritage? If yes, how are these impacts being mitigated?

3.5 Financing of new developments/major expansion projects. Does the project involve the acquisition of land, or expansion of the Company's own area? If so, do any people have to be resettled? If yes, detailed information on applicable laws/regulations (if any) and proposed resettlement and compensation of affected people must be attached to the ESDD Report.

4. Accidents

Has the Borrower/investor had any significant accidents or incidents in the last two years (e.g. oil spills, fires) involving deaths or serious injuries and/or significant environmental damage?

5. Collateral

If land is taken as collateral, is there any indication of material contamination? If yes, are there any liabilities of the company or financial institution to clean-up the land and what is their approximate magnitude?

6. Risk mitigation and monitoring:

State further actions required/planned by the Borrower/Investor, with regard to particular actions to address any environmental and social non-compliance problems and liabilities:

- Expired construction permit must be renewed.
- Have requested to check on wastewater quality to check compliance.
- Talk to worker representatives to confirm that overtime payment issue has been resolved.
- Proof requested that 16-18 year olds are employed in accordance with national labour regulations.
- Request copies of future labor inspection reports as part of annual reports on environmental and social performance.

State any risk mitigation measures to be taken by the Bank/Investor, such as environmental and social conditions, loan covenants or monitoring requirements (e.g. regular reporting from Borrower).

7. Requirements placed on company as conditions of loan:

- Renew expired construction permit; ensure all permits remain valid.
- Provide satisfactory evidence that 16-18 year olds are employed in accordance with national labor regulations.
- Inform the Bank if any material breach of regulation or product quality requirements takes place.
- Not to sell or acquire land or make any significant change to the nature of the business without approval from the Bank.

8. Environmental and Social Opportunities:

State any measures taken/planned by the Borrower/Investor, in particular any financed through the loan (other than those mentioned in section 6), to further improve the environmental or social performance of the enterprise, e.g. energy efficiency, cleaner technology, waste reduction, occupational health and safety management, community relations, etc.

Annex 2

Annex 2.1: National EIA Procedure of Sri Lanka

In Sri Lanka, environmental protection and management is governed by the National Environmental Act No.47 of 1980(NEA) which was enacted in 1980 and subsequently amended in 1988 (Amendment Act No.56). The Central Environmental Authority (CEA), the primary agency in charge of implementing the regulations of the NEA was established in 1981 through the Part IV C of the statute entitled "Approval of Projects" of the NEA. This part was later on amended by Act no 53 of 2000.

The Act No 56 requires that development projects as prescribed by the Minister in charge of the subject of Environment and as given in the NEA receive environmental clearance prior to been approved for implementation. In addition the NEA also states the Agencies who are authorized to evaluate the project for compliance with regulations as "Project Approving Agencies –PAA". The list of PAA as prescribed by the Minister under Section 23 Y of the NEA in Gazette Extra – Ordinary No/ 978/ 13 of 4th June 1997.
Depending on the significance of the possible environmental impacts the assessments required are of two levels, an Initial Environmental Examination (IEE) or an EIA. PAAs generally determine the significance of the likely impacts based on both the context and intensity of the possible impacts. The contexts are the impact on the nation as a whole, impacts on a particular region or type of activity, and impacts on a specific community. The intensity of the impact refers to the severity, magnitude or nature of the likely impacts.

Whereas an Initial Environmental Evaluation Report (IEER) is a report that assesses the possible impacts of a prescribed project for their significance and identifies mitigation measures and recommendations, an Environmental Assessment Report (EIAR) is a more comprehensive document where alternatives to the proposed project are identified and the alternative with the least environmental impacts is assessed and mitigatory measures for this option are recommended.

1.1 Procedure for Compliance with NEA regulations

Figure 1.1 schematically shows the sequential steps of complying with the EIA regulations as stated in the NEA.

Step 1 Request for Preliminary Information

As the first step of the EIA process the lead agency of the project or the Project Proponent (PP) is required to submit to CEA the preliminary information (PI) on the proposed project as early as possible. The required information includes a description of the nature, location and possible impacts of the proposed project. The preliminary information thus supplied helps the PAA decide whether the project requires to undergo a detailed EIA or whether an IEE is sufficient.

Step 2 Scoping

Once adequate PI is submitted to the PAA a "Scoping Exercise" is conducted to determine the scope of issues to be addressed and to identify significant issues related to a proposed action. After the scoping exercise the PAA determines whether the project requires an IEE or an EIA; If it is an IEE

whether the information already supplied suffice as an IEE; the scope of the significant issues to be analyzed in the assessment report; reasonable alternatives that should be further investigated in the assessment and issues which need not be studied in detail since previous studies already contain these information. The main outcome of scoping is the "Terms of Reference" for the IEE/EIA.

Step 3 Report Preparation

Upon receipt of the TOR the PP appoints a team of consultants to conduct the environmental assessment according to the requirements of the TOR and prepare the assessment report which is submitted to the PAA who will evaluate it through its TEC for adequacy. If found to be not adequate further information will be requested for and once the PAA is satisfied as to the adequacy of the report it will be open for the commenting process.

Step 4 Commenting Process

EIA process in Sri Lanka involves the public at this stage by opening the assessment report for public comments. This is a mandatory requirement in the cases of EIA, whereas in the cases of IEE it is not so. The NEA specifies that a notice of availability of the EIA report for public review must be inserted in one Sinhala, Tamil, and English newspaper, as well as the Government Gazette. The document is open for public review for thirty days. Upon receipt of the public comments the PAA decides whether the case warrants a public hearing. The public comments received during the thirty day period are sent to the project proponent for their response. The final statement of EIA should include all substantive comments received on the draft EIA report.

Step 5 Decision Making

The PAA, in concurrence with the CEA, shall grant approval for the project subject to specified conditions or refuse to approve the project giving reasons for doing so. If the clearance is rejected the PP can appeal the decision to the Secretary of the Ministry of the Environment. A member of the public who has grievance about the decision regarding environmental clearance can seek an appeal in only in the court.

The approval must include appropriate mitigation conditions and must establish the monitoring processes and monitoring responsibilities of public/ private agencies.

Step 6 Monitoring

The EIA process continues through project implementation by way of monitoring of project environment and compliance to approval conditions.

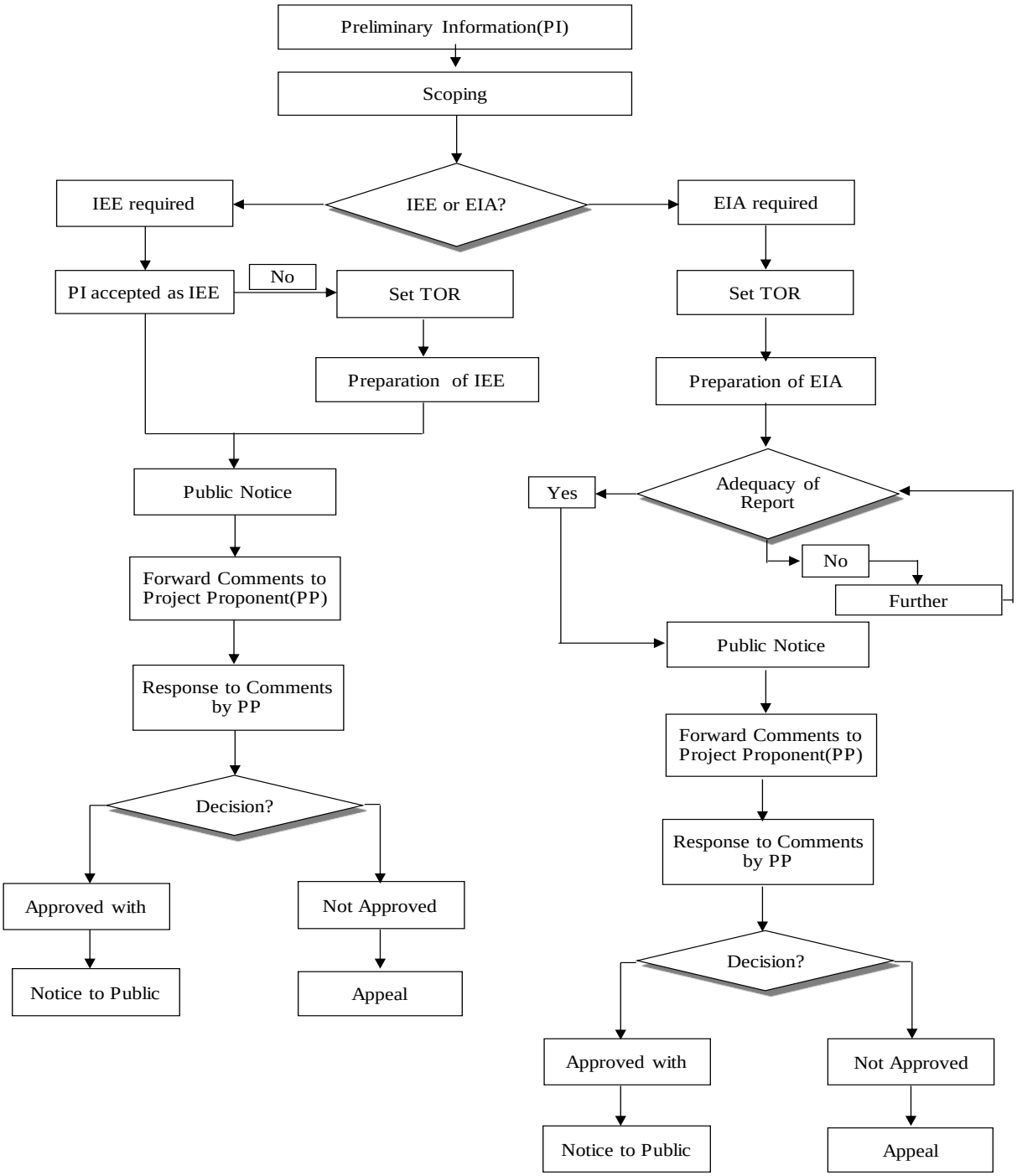


Figure 1.1 Environmental Assessment Process in Sri Lanka

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

Annex 2.2: Prescribed Projects for IEE/ EIA

These are the Prescribed Projects set out in the Gazette Extra Ordinary No 772/22 of 24th June 1993, No: 1104/22 dated November 1999, and no 1108/1 dated 29th November 1999

Projects and undertakings if located wholly or partly outside the coastal zone as defined by Coast Conservation Act No. 57 of 1981.
1. All river basin development and irrigation projects excluding minor irrigation works (as defined by Irrigation Ordinance chapter 453) 2. Reclamation of Land, wetland area exceeding 4 hectares 3. Extraction of timber covering land area exceeding 5 hectares 4. Conversion of forests covering an area exceeding 1 hectare into non-forest uses. 5. Clearing of land areas exceeding 50 hectares 6. Mining and Mineral Extraction Inland deep mining and mineral extraction involving a depth exceeding 25 meter Inland surface mining of cumulative areas exceeding 10 hectares All off shore mining and mineral extractions Mechanized mining and quarrying operations of aggregate, marble, limestone, silica, quartz, and decorative stone within 1 kilometer of any residential or commercial areas 7. Transportation Systems Construction of national and provincial highways involving a length exceeding 10 kilometers Construction of railway lines Construction of airports Construction of airstrips Expansion of airports or airstrips that increase capacity by 50 percent or more 8. Port and harbor development Construction of ports Construction of harbors Port expansion involving an annual increase of 50% or more in handling capacity per annum 9. Power generation and transmission Construction of hydroelectric power stations exceeding 50 Megawatts Construction of thermal power plants having generation capacity exceeding 25 Megawatts at a single location or capacity addition exceeding 25 Megawatts to existing plants Construction of nuclear power plants All renewable energy based electricity generating stations exceeding 50 Megawatts 10. Transmission lines Installation of overhead transmission lines of length exceeding 10 kilometers and voltage above 50 Kilovolts 11. Housing and building Construction of dwelling housing units exceeding 1000 units Construction of all commercial buildings as defined by Urban Development Authority established by the Urban Development Authority law, No. 41 of 1978 having built up area exceeding 10,000 square meters Integrated multi-development activities consisting of housing, industry, commercial infrastructure covering a land area exceeding 10 hectares 12. Resettlement Involuntary resettlement exceeding 100 families other than resettlement effected under emergency situations 13. Water supply All ground water extraction projects of capacity exceeding 1/2 million cubic meters per day Construction of water treatment plants of capacity exceeding 1/2 million cubic meters 14. Pipelines Laying of gas and liquid (excluding water) transfer pipelines of length exceeding 1 kilometer

15. Hotels
    Construction of Hotels or holiday resorts or projects which provide recreational facilities exceeding 99 rooms or 40 Hectares, as the case may be
16. Fisheries
    Aquaculture development projects of extent exceeding 4 hectares
    Construction of fisheries harbours
    Fisheries harbour expansion projects involving an increase of 50% or more in fish handling capacity per annum
17. All tunneling projects
18. Disposal of Waste
    Construction of any solid waste disposal facility having a capacity exceeding 100 tons per day
    Construction of waste treatment plants treating toxic or hazardous waste
19. Development of all Industrial Estates and Parks exceeding an area of 10 hectares
20. Iron and Steel Industries
    Manufacture of iron and steel products of production capacity exceeding 100 tons per day using iron ore as raw material
    Manufacture of iron and steel products of production capacity exceeding 100 tons per day using scrap iron as raw material
21. Non-Ferrous Basic Metal Industries
    Smelting of aluminium or copper or lead of production capacity exceeding 25 tons per day
22. Basic Industrial Chemicals
    Formulation of toxic chemicals or production capacity exceeding 50 tons per day
    Manufacture of toxic chemicals of production capacity exceeding 25 tons per day
23. Pesticides and Fertilizers
    Formulation of pesticides of combined production capacity exceeding 50 tons per day
    Manufacture of pesticides of combined production capacity exceeding 25 tons per day
24. Petroleum and petrochemical
    Petroleum refineries producing gasoline, fuel oils, illuminating oils, lubricating oils and grease, aviation and marine fuel and liquified petroleum gas from crude petroleum
    Manufacture of petro-chemicals of combined production capacity exceeding 100 tons per day from raw materials obtained from production processes of oil refinery or natural gas separation
25. Tyre and Tube Industries
    Manufacture of tyre and tubes of combined production capacity exceeding 100 tons per day from natural or synthetic rubber
26. Sugar factories
    Manufacture of refined sugar of combined production capacity exceeding 50 tons per day
27. Cement and Lime
    Manufacture of Cement
    Manufacture of lime employing kiln capacity exceeding 50 tons per day
28. Paper and Pulp
    Manufacture of paper or pulp of combined production capacity exceeding 50 tons per day
29. Spinning, Waving and Finishing of Textiles
    Integrated cotton or synthetic textile mills employing spinning, weaving, dyeing and printing operations together, of combined production capacity exceeding 50 tons per day
30. Tanneries and Leather Finishing
    Chrome tanneries of combined production capacity exceeding 25 tons per day
    Vegetable (bark) of combined production capacity exceeding 50 tons per day
    Provided however, where the projects and undertaking set out in items 20 to 30 are located within Industrial Estates and parks as described at (19) above, the approval shall not be necessary under the provisions of Part IV C of the Act
31. Industries which involve the manufacture, storage or use of Radio Active Materials as defined

in the Atomic Energy Authority Act No. 19 of 1969 or Explosives as defined in the Explosives Act, No. 21 of 1956, excluding for national security reasons. 32. All projects and undertaking listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or party within the areas specified in part III of the Schedule.

The following industries if located wholly or partly within the areas specified in Part III of the Schedule.
33. Iron and Steel 34. Non-Ferrous Basic Metal 35. Basic Industrial Chemicals 36. Pesticides and Fertilizer 37. Synthetic Resins, Plastic materials and Man-made Fibres 38. Other Chemical Products 39. Petroleum and Petro-chemical products 40. Tyres and Tubes 41. Manufacturing and Refining of Sugar 42. Alcoholic Spirits 43. Malt Liquors and Malt 44. Cement and Lime 45. Non-metallic Mineral Products 46. Paper, Pulp and Paperboard 47. Spinning, Weaving and Finishing of Textile 48. Tanneries and Leather Finishing 49. Shipbuilding and Repairs 50. Railroad Equipment 51. Motor Vehicles 52. Air Craft

The Environmentally Sensitive areas defined in the Gazette are

1. Within 100 m from the boundaries of or within any area declared under the National Heritage Wilderness Act No. 3 of 1988; the Forest Ordinance (Chapter 451; whether or not such areas are wholly or partly within the Coastal Zone as defined in the Coast Conservation Act, No. 57 of 1981.

2. Within the following areas whether or not the areas are wholly or partly within the Coastal Zone:
   Any erodable area declared under the Soil Conservation Act (Chapter 450) Any Flood Area declared under the Flood Protection Ordinance (Chapter 449) and any flood protection area declared under the Sri Lanka Land Reclamation and Development Corporation Act, 15 of 1968 as amended by Act, No. 52 of 1982. 60 meters from the bank of a public stream as defined in the Crown Lands Ordinance (Chapter 454) and having a width of more than 25 meters at any point of its course. Any reservation beyond the full supply level of a reservoir. Any archaeological reserve, ancient or protected monument as defined or declared under the Antiquities Ordinance (Chapter 188) Any area declared under the Botanic Gardens Ordinance (Chapter 446) Within 100 meters from the boundaries of, or within, any area declared as a Sanctuary under the Fauna and Flora Protection Ordinance (Chapter 469). Within 100 meters form the high flood level contour of, or within, a public lake as defined in the Crown Lands Ordinance (Chapter 454) including those declared under section 71 of the said Ordinance.

Annex 2.3: The Prescribed Projects for which an Environmental Protection License is required by the Gazette Extra Ordinary No 1533/16 of 25th January 2008

PART A

- Chemicals manufacturing or formulating or repacking industries.

1. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity of 1,000 kilograms per day or more.
2. Bulk petroleum liquid or liquefied petroleum gas storage or filling facilities having a total capacity of 150 or more metric tons excluding vehicle fuel filling stations.
3. Industries involved in the use of fiber glass as a raw material where 10 or more workers are employed.
4. Synthetic rubber, natural rubber manufacturing or processing or rubber based industries excluding industries which manufacture less than 100 kilograms of ribbed smoke rubber sheets per day.
5. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity one or more metric ton per batch.
6. Industries involved in manufacturing extracting or formulating Ayurvedic, Indigenous medicinal products where 25 or more workers are employed.
7. Chemical fertilizer manufacturing, formulating, processing or repacking Industries.
8. Pesticides, insecticides, fungicides and herbicides manufacturing, formulating or repacking industries.
9. Oil (mineral oil or petroleum) refineries.
10. Dye and dye intermediate manufacturing or formulating industries.
11. Paints (emulsion or enamel), inks, pigments, varnish, polish manufacturing or formulating industries.
12. Petrochemical (basic or intermediates) manufacturing or formulating industries.
13. Industrial gas manufacturing, processing or refilling industries.
14. Asphalt processing plants.
15. Industries involved in the manufacture of polymers or polymer based products (i.e. polythene, polyvinyl chloride (PVC), polyurethane, polypropylene, polyester, nylon, polystyrene, resins, fiberglass or other manmade fibres etc.) or polymer or polymer based products, recycling industries.
16. All types of tyres, tubes manufacturing or tyre retreading industries.
17. Industries involved in manufacturing or reconditioning of batteries.
18. Any industry involved in the use of asbestos fibers as a raw material.
19. Industries involved in manufacturing, extracting or formulating pharmaceuticals or cosmetic products including intermediates.
20. Adhesives manufacturing industries excluding natural gums.
21. Match sticks manufacturing industries and explosives manufacturing or formulating industries.
22. Batik industries where 10 or more workers are employed.
23. Textile processing (i.e. bleaching, dyeing, printing) industries or garment washing industries or textile sand blasting industries or commercial laundries where 10 or more workers are employed.
24. Tanneries.

25. Lather finishing industries having effluent generating operations.
26. Jute processing industries.
27. Industries involved in bleaching or dyeing of natural fiber or natural fiber based industries where 25 or more workers are employed.
28. Power looms having 25 or more machines or power looms with sizing activities.
29. Sugar manufacturing industries or sugar refineries.
30. Fermentation industries (Distilleries, Breweries) or alcoholic beverages bottling plants or bottling plants having bottle washing operations.
31. Food manufacturing and processing industries including bakery products and confectioneries where 25 or more workers are employed.
32. Abattoirs.
33. Coconut oil or cinnamon oil extraction industries where 25 or more workers are employed.
34. Plants or animal oil/ fats extraction industries having production capacity of 10 litres or more per day excluding coconut oil and cinnamon oil extraction industries.
35. Instant tea or coffee processing industries.
36. Non –alcoholic beverages manufacturing industries where 25 or more workers are employed.
37. Desiccated coconut mills or coconut processing industries where 10 or more workers are employed.
38. Rice mills having wet process and having a production capacity of 5,000 kilograms or more per day.
39. All hatcheries or poultry farms having 2,500 or more birds or piggery, cattle, goats farms having animals 50 or more or having rating* for mixed farming 2,500 or more.
40. Rating for Mixed Farming = No. of Birds + 50 X (No. of Cattle + No. of Goats)
41. Animal feed manufacturing industries having a capacity of 25 or more metric tons per day.
42. Cigarettes or other tobacco products manufacturing industries where 50 or more workers are employed.
43. Industries involved in surface treatment of metal or plastic including electroplating, galvanizing and powder coating industries.
44. Iron and steel mills.
45. Foundries with any type of furnaces.
46. Non-ferrous metal processing industries including secondary process, smelting and recovery of metals.
47. Metal fabricating industries or machi8nery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where 24 or more workers are employed. (Including lathe workshops, welding shops, spray painting industries).
48. Cement industries (clinker grinding, manufacturing or repacking).
49. Concrete batching plants having a production capacity of 50 or more cubic meters per day.
50. Glass or glass based product manufacturing industries.
51. Lime kilns having a production capacity of 20 or more metric tons per day.
52. Ceramic industries where more than 25 or more workers are employed.
53. Mechanized mining activities with multi bore hole blasting or single bore hole blasting activities with production capacity having 600 or more cubic meters per month.
54. Crushing or processing of non-metallic minerals (i.e. limestone, dolomite apatite, rock phosphate, sand stone, feldspar, quartz, limenite, rutile, zircon, mica graphite, kaolin, etc) excluding lime shell and granite crushing activities.

55. Granite boulders making or processing industries (extracting, blasting, slicing, polishing).
56. Granite crushing (Metal crushing) industries having a total production capacity of 25 or more cubic meters per day.
57. Common wastewater (industrial or sewage) treatment plants.
58. Incinerators having a feeding capacity of 5 or more metric tons per day.
59. Water treatment plants having a treatment capacity of 10,000 or more cubic meters per day.
60. Municipal solid waste and other solid waste composting plants having a capacity or 10 or more metric tons per day.
61. Solid waste recovery/ recycling or processing plants having a capacity or 10 or more metric tons per day.
62. Solid waste disposal facility having a disposal capacity of 10 or more metric tons per day.
63. All toxic and hazardous waste treatment facility or disposal facilities or recycling/ recovering or storage facilities.
64. Industries involved in chemical treatment and preservation of wood excluding Boron treatment.
65. Saw mills having a milling capacity of 50 or more cubic meters per day or wood based industries where 25 or more workers are employed.
66. Hotels, guest houses, rest houses having 20 or more rooms.
67. Hostels and similar dwelling places where occupancy level is exceeding 200 or more.
68. Health care service centers generating infectious wastes, including medical laboratories and research centers.
69. Automobile or bicycle manufacturing or assembling industries.
70. Vehicles service stations or container yards having vehicle service activities excluding three wheeler and motor cycles services and interior clearing.
71. Railway workshops or all bus depots having vehicle servicing activities.
72. All vehicle emission testing centers.
73. Electrical power generating utilities excluding standby generators and hydro or solar or wind power generation.
74. Printing presses with lead smelting to newspaper printing or printing process which generates wastewater or colour photographs processing centers.
75. Paper and Pulp Industries or corrugated cartons manufacturing industries.
76. Any industry where 200 or more workers per shift are employed.
77. Industrial Estates approved under the part IVC of the National environmental Act including Katunayake and Biyagama Export processing Zones.
78. Zoological gardens.
79. Transmission towers providing facilities for telecommunication and broadcasting.
80. Any industry not included above which discharges 10 or more cubic meters of wastewater per day or using toxic chemicals in its process.

PART B

1. Soaps, detergents, softener or any other cleansing preparations manufacturing industries having a production capacity less than 1,000 kilograms per day.
2. Bulk petroleum liquid storage facilities excluding filling stations or liquefied petroleum gas (LP Gas) storage or filing facilities having a total capacity less than 150 metric tons.
3. Industries involved in the use of fiber glass as a raw material where less than 10 workers are employed.

4. Ribbed smoke rubber sheet manufacturing industries having a production capacity of more than 50 kilograms and less than 100 kilograms per day.
5. Activated carbon or carbon black manufacturing industries or charcoal manufacturing industries having a production capacity less than one metric ton per batch.
6. Industries involved in manufacturing, extracting or formulating Ayurvedicl, indigenous medicinal products where more than 10workers and less than 25 workers are employed.
7. Batik industries where less than 10 workers are employed.
8. Commercial laundries where less than 10 workers are employed.
9. Leather finishing industries having dry process operations.
10. Natural fibre based industries where less than 25 workers are employed excluding industries involved in bleaching or dyeing of natural fiber.
11. Power looms having less than 25 machines.
12. Hand Looms or knitting or embroidery industry having more than 10 looms.
13. Garment industries where 25 or more workers and less than 200 workers per shift are employed.
14. Sugar cane based industries excluding sugar factories of sugar refineries.
15. Food manufacturing and processing industries including bakery products and confectioneries where 5 or more workers and less than 25 workers are employed.
16. Cinnamon oil extracting industry where less than 25 workers are employed.
17. Rice mills having wet process with a production capacity of less than 5,000 kilograms per day.
18. Grinding mills having production capacity of more than 1,000 kilograms per month.
19. Poultry farms have 250 or more and less than 2,500 birds or piggery, cattle, goats farms having animals 5 or more and less than 50 or having rating* for mixed farming 250 and less than 2,500.
20. Rating for Mixed Farming = No. of Birds + 50 X (No. of Pigs + No. of Cattle + No. of Goats)
21. Animals fed manufacturing industries, having a capacity of less than 25 metric tons per day.
22. All ice manufacturing industries.
23. Metal fabricating industries or machinery, machinery parts or hardware items or electrical and electronic goods and equipment manufacturing or assembling industries where less than 25 workers are employed. (Including lathe workshop, welding shops, spray painting industries).
24. Concrete batching plants having a capacity less than 50 cubic meters per day.
25. Single borehole blasting with industrial mining activities using explosives having a production capacity of less than 600 cubic meters per month.
26. Granite crushing (Metal crushing) industries having a total production capacity of less than 25 cubic meters per day excluding manual crushing operations using hand tools.
27. Municipal solid waste and other solid waste composting plants (excluding household composting) having a capacity of less than 10 metric tons per day.
28. Solid waste recovery/ recycling or processing plants having a capacity of less than 10 metric tons per day.
29. Solid waste disposal facilities a disposal capacity of less than 10 metric tons per day.
30. Hostels and similar dwelling places where occupancy level or 25 or more boarders and less than 200 borders.
31. Vehicle repairing and maintaining garages including spray painting or mobile air-conditioning activities.
32. Recycling or recovering centers of refrigerants form air-conditioners or refrigerators.
33. Three wheeler or motor cycle servicing activities or vehicle cleaning activities.

34. Any industry not included above which discharges 3 or more and less than 10 cubic meters of industrial processing wastewater per day.

PART C

1. All vehicle filing stations (liquid petroleum and liquefied petroleum gas).
2. Manufacturing of candles where 10 or more workers are employed.
3. Coconut oil extraction industries where 10 or more workers and less than 25 workers are employed.
4. Non-alcoholic beverages manufacturing industries where 10 or more workers and less than 25 workers are employed.
5. Rice mills having dry process operations.
6. Grinding mills having production capacity of less than 1,000 kilograms per month.
7. Tobacco barns.
8. Cinnamon fumigating industries with Sulphur fumigation having capacity of 500 or more kilograms per batch.
9. Edible salt packing and processing industries.
10. Tea factories excluding instant tea processing.
11. Concrete pre-cast industries.
12. Mechanized cement blocks manufacturing industries.
13. Lime kilns having a production capacity of less than 20 metric tons per day.
14. Plaster of Paris industries where less than 25 workers are employed.
15. Lime shell crushing industries.
16. Tile and brick kilns.
17. Single borehole blasting with artisanary mining activities using explosives, having capacity of less than 600 cubic meters per month.
18. Saw mills having a milling capacity of less than 50 cubic meters per day or industries involved in Boron treatment of wood or timber seasoning.
19. Carpentry workshops which use multipurpose carpentry machine or wood based industries where more than 5 workers and less than 25 workers are employed.
20. Residential hotels, guest houses, rest houses with 05 or more and less than 20 rooms.
21. Vehicle repairing or maintaining garages excluding spray-painting or mobile air-conditioners.
22. Repairing, maintaining or installation centers of refrigerators and air-conditioners.
23. Container yards excluding where vehicle servicing activities are carried out.
24. All electrical and electronic goods repairing center where more than 10 workers are employed.
25. Printing presses and later press machines excluding lead smelting.

Annex 3.1 : Environment and Social Safeguards Categorization: Definition

Category	Environment	Involuntary Resettlement	Indigenous Peoples
A – Significant	Subprojects that anticipate significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works.	Subprojects where 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating).	Subprojects that are expected to significantly[2] affect the dignity, human rights, livelihood systems, or culture of Indigenous Peoples or affects the territories or natural or cultural resources that Indigenous Peoples own, use, occupy, or claim as an ancestral domain or asset.
B – Less Significant	Subprojects with potential adverse impacts that are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be more readily designed than Category A subprojects.	Subprojects with involuntary resettlement impacts that are not deemed significant.	Subprojects that are likely to have limited impacts on Indigenous Peoples.
C – Minimal or impact	Subprojects that have minimal or no adverse environmental impacts	Subprojects with no involuntary resettlement impacts.	Subprojects that are not expected to have impacts on Indigenous Peoples.

[2] The significance of impacts on Indigenous Peoples is determined by assessing (i) the magnitude of impact in terms of (a) customary rights of use and access to land and natural resources; (b) socioeconomic status; (c) cultural and communal integrity; (d) health, education, livelihood, and social security status; and (e) the recognition of indigenous knowledge; and (ii) the level of vulnerability of the affected Indigenous Peoples community.

Annex 3.2 : Outline of an EIA Report for Subprojects with DFI financing.

1. An environmental assessment report is required for all environment Category A subprojects. Its level of detail and comprehensiveness is commensurate with the significance of potential environmental impacts and risks. A typical EIA report contains the following major elements, and an IEE may have a narrower scope depending on the nature of the subproject. The substantive aspects of this outline will guide the preparation of environmental impact assessment reports, although not necessarily in the order shown.

A. Executive Summary

2. This section describes concisely the critical facts, significant findings, and recommended actions.

B. Policy, Legal, and Administrative Framework

3. This section discusses the applicable safeguard requirements, including AIIB's requirements and national laws, regulations and standards on environment, health, safety, involuntary resettlement and land acquisition, Indigenous Peoples, and physical cultural resources.

C. Description of the Subproject

4. This section describes the proposed subproject; its major components; and its geographic, ecological, social, and temporal context, including any associated facility required by and for the subproject (for example, access roads, power plants, water supply, quarries and borrow pits, and spoil disposal). It normally includes drawings and maps showing the subproject's layout and components, the subproject site, and the subproject's area of influence.

D. Description of the Environment (Baseline Data)

5. This section describes relevant physical, biological, and socioeconomic conditions within the study area. It also looks at current and proposed development activities within the subproject's area of influence, including those not directly connected to the subproject. It indicates the accuracy, reliability, and sources of the data.

3. Anticipated Environmental Impacts and Mitigation Measures

6. This section predicts and assesses the subproject's likely positive and negative direct and indirect impacts to physical, biological, socioeconomic (including occupational health and safety, community health and safety, vulnerable groups and gender issues, and impacts on livelihoods through environmental media, and physical cultural resources in the subproject's area of influence, in quantitative terms to the extent possible; identifies mitigation measures and any residual negative impacts that cannot be mitigated; explores opportunities for enhancement; identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions and specifies topics that do not require further attention; and examines global, transboundary, and cumulative impacts as appropriate.

4. Analysis of Alternatives

7. This section examines alternatives to the proposed subproject site, technology, design, and operation—including the no subproject alternative—in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. It also states the basis for selecting the particular subproject design proposed and, justifies recommended emission levels and approaches to pollution prevention and abatement.

5. Information Disclosure, Consultation, and Participation

8. This section:

(i) describes the process undertaken during subproject design and preparation for engaging stakeholders, including information disclosure and consultation with affected people and other stakeholders;

(ii) summarizes comments and concerns received from affected people and other stakeholders and how these comments have been addressed in subproject design and mitigation measures, with special attention paid to the needs and concerns of vulnerable groups, including women, the poor, and Indigenous Peoples; and

(iii) describes the planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for carrying out consultation with affected people and facilitating their participation during subproject implementation.

6. Grievance Redress Mechanism

9. This section describes the grievance redress framework (both informal and formal channels), setting out the time frame and mechanisms for resolving complaints about environmental performance.

7. Environmental Management Plan

10. This section deals with the set of mitigation and management measures to be taken during subproject implementation to avoid, reduce, mitigate, or compensate for adverse environmental impacts (in that order of priority). It may include multiple management plans and actions. It includes the following key components (with the level of detail commensurate with the subproject's impacts and risks):

(i) Mitigation:

(a) identifies and summarizes anticipated significant adverse environmental impacts and risks;

(b) describes each mitigation measure with technical details, including the type of impact to which it relates and the conditions under which it is required (for instance, continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; and

(c) provides links to any other mitigation plans (for example, for involuntary resettlement, Indigenous Peoples, or emergency response) required for the subproject.

(ii) Monitoring:

(a) describes monitoring measures with technical details, including parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits and definition of thresholds that will signal the need for corrective actions; and

(b) describes monitoring and reporting procedures to ensure early detection of conditions that necessitate particular mitigation measures and document the progress and results of mitigation.

(iii) Implementation arrangements:

(a) specifies the implementation schedule showing phasing and coordination with overall subproject implementation;

(b) describes institutional or organizational arrangements, namely, who is responsible for carrying out the mitigation and monitoring measures, which may include one or more of the following additional topics to strengthen environmental management capability: technical assistance programs, training programs, procurement of equipment and supplies related to environmental management and monitoring, and organizational changes; and

(c) estimates capital and recurrent costs and describes sources of funds for implementing the environmental management plan.

(iv) Performance indicators: describes the desired outcomes as measurable events to the extent possible, such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods.

8. Conclusion and Recommendation

11. This section provides the conclusions drawn from the assessment and provides recommendations.

Annex 3.3 : Outline of a Resettlement Plan for Subprojects with DFI financing

1. A resettlement plan is required for all subprojects with involuntary resettlement impacts. Its level of detail and comprehensiveness is commensurate with the significance of potential involuntary resettlement impacts and risks. The substantive aspects of the outline will guide the preparation of the resettlement plans, although not necessarily in the order shown.

A. Executive Summary

2. This section provides a concise statement of subproject scope, key survey findings, entitlements and recommended actions.

B. Subproject Description

3. This section provides a general description of the subproject, discusses subproject components that result in land acquisition, involuntary resettlement, or both and identifies the subproject area. It also describes the alternatives considered to avoid or minimize resettlement. Includes a table with quantified data and provides a rationale for the final decision.

C. Scope of Land Acquisition and Resettlement

4. This section:
   - (i) discusses the subproject's potential impacts, and includes maps of the areas or zone of impact of subproject components or activities;
   - (ii) describes the scope of land acquisition (provide maps) and explains why it is necessary for the main investment subproject;
   - (iii) summarizes the key effects in terms of assets acquired and displaced persons; and
   - (iv) provides details of any common property resources that will be acquired.

D. Socioeconomic Information and Profile

5. This section outlines the results of the social impact assessment, the census survey, and other studies, with information and/or data disaggregated by gender, vulnerability, and other social groupings, including:

   - (i) definition, identification, and enumeration of the people and communities to be affected;
   - (ii) description of the likely impacts of land and asset acquisition on the people and communities affected taking social, cultural, and economic parameters into account;
   - (iii) discussion of the subproject's impacts on the poor, indigenous and/or ethnic minorities, and other vulnerable groups; and
   - (iv) identification of gender and resettlement impacts, and the socioeconomic situation, impacts, needs, and priorities of women.

A. Information Disclosure, Consultation, and Participation

6. This section:
   - (i) identifies subproject stakeholders, especially primary stakeholders;

(ii) describes the consultation and participation mechanisms to be used during the different stages of the subproject cycle;
(iii) describes the activities undertaken to disseminate subproject and resettlement information during subproject design and preparation for engaging stakeholders;
(iv) summarizes the results of consultations with affected persons (including host communities), and discusses how concerns raised and recommendations made were addressed in the resettlement plan;
(v) confirms disclosure of the draft resettlement plan to affected persons and includes arrangements to disclose any subsequent plans; and
(vi) describes the planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for consultation with affected persons during subproject implementation.

B. Grievance Redress Mechanisms

7. This section describes mechanisms to receive and facilitate the resolution of affected persons' concerns and grievances. It explains how the procedures are accessible to affected persons and gender sensitive.

C. Legal Framework

8. This section:
(i) describes national and local laws and regulations that apply to the subproject and identifies gaps between local laws and AIIB's policy requirements; and discuss how any gaps will be addressed.
(ii) describes the legal and policy commitments from the executing agency for all types of displaced persons;
(iii) outlines the principles and methodologies used for determining valuations and compensation rates at replacement cost for assets, incomes, and livelihoods; and sets out the compensation and assistance eligibility criteria and how and when compensation and assistance will be provided.
(iv) describes the land acquisition process and prepare a schedule for meeting key procedural requirements.

D. Entitlements, Assistance and Benefits

9. This section:
(i) defines displaced persons' entitlements and eligibility, and describes all resettlement assistance measures (includes an entitlement matrix);
(ii) specifies all assistance to vulnerable groups, including women, and other special groups; and.
(iii) outlines opportunities for affected persons to derive appropriate development benefits from the subproject.

E. Relocation of Housing and Settlements

10. This section:
(i) describes options for relocating housing and other structures, including replacement housing, replacement cash compensation, and/or self-selection (ensure that gender concerns and support to vulnerable groups are identified);

(ii) describes alternative relocation sites considered; community consultations conducted; and justification for selected sites, including details about location, environmental assessment of sites, and development needs;
(iii) provides timetables for site preparation and transfer;
(iv) describes the legal arrangements to regularize tenure and transfer titles to resettled persons;
(v) outlines measures to assist displaced persons with their transfer and establishment at new sites;
(vi) describes plans to provide civic infrastructure; and
(vii) explains how integration with host populations will be carried out.

F. Income Restoration and Rehabilitation

11. This section:
(i) identifies livelihood risks and prepare disaggregated tables based on demographic data and livelihood sources;
(ii) describes income restoration programs, including multiple options for restoring all types of livelihoods (examples include subproject benefit sharing, revenue sharing arrangements, joint stock for equity contributions such as land, discuss sustainability and safety nets);
(iii) outlines measures to provide social safety net through social insurance and/or project special funds;
(iv) describes special measures to support vulnerable groups;
(v) explains gender considerations; and
(vi) describes training programs.

G. Resettlement Budget and Financing Plan

12. This section:
(i) provides an itemized budget for all resettlement activities, including for the resettlement unit, staff training, monitoring and evaluation, and preparation of resettlement plans during loan implementation;
(ii) describes the flow of funds (the annual resettlement budget should show the budget-scheduled expenditure for key items);
(iii) includes a justification for all assumptions made in calculating compensation rates and other cost estimates (taking into account both physical and cost contingencies), plus replacement costs; and
(iv) includes information about the source of funding for the resettlement plan budget.

H. Institutional Arrangements

13. This section:
(i) describes institutional arrangement responsibilities and mechanisms for carrying out the measures of the resettlement plan;
(ii) includes institutional capacity building program, including technical assistance, if required;
(iii) describes role of NGOs, if involved, and organizations of affected persons in resettlement planning and management; and
(iv) describes how women's groups will be involved in resettlement planning and management.

I. Implementation Schedule

14. This section includes a detailed, time bound, implementation schedule for all key resettlement and rehabilitation activities. The implementation schedule should cover all aspects of resettlement activities synchronized with the subproject schedule of civil works construction, and provide land acquisition process and timeline.

J. Monitoring and Reporting

15. This section describes the mechanisms and benchmarks appropriate to the subproject for monitoring and evaluating the implementation of the resettlement plan. It specifies arrangements for participation of affected persons in the monitoring process. This section will also describe reporting procedures.

Annex 3.4: Outline of an Indigenous Peoples Plan (IPP) for Subprojects with DFI financing

1. An Indigenous Peoples plan (IPP) is required for all subprojects with impacts on Indigenous Peoples. Its level of detail and comprehensiveness is commensurate with the significance of potential impacts on Indigenous Peoples. The substantive aspects of this outline will guide the preparation of IPPs, although not necessarily in the order shown.

A. Executive Summary of the Indigenous Peoples Plan

2. This section concisely describes the critical facts, significant findings, and recommended actions.

B. Description of the Subproject

3. This section provides a general description of the subproject; discusses subproject components and activities that may bring impacts on Indigenous Peoples; and identifies the subproject area.

C. Social Impact Assessment

4. This section:
   - (i) reviews the legal and institutional framework applicable to Indigenous Peoples in subproject context;
   - (ii) provides baseline information on the demographic, social, cultural, and political characteristics of the affected Indigenous Peoples communities; the land and territories that they have traditionally owned or customarily used or occupied; and the natural resources on which they depend;
   - (iii) identifies key subproject stakeholders and elaborate a culturally appropriate and gender-sensitive process for meaningful consultation with Indigenous Peoples at each stage of subproject preparation and implementation, taking the review and baseline information into account;
   - (iv) assesses, based on meaningful consultation with the affected Indigenous Peoples communities, the potential adverse and positive effects of the subproject. Critical to the determination of potential adverse impacts is a gender- sensitive analysis of the relative vulnerability of, and risks to, the affected Indigenous Peoples communities given their particular circumstances and close ties to land and natural resources, as well as their lack of access to opportunities relative to those available to other social groups in the communities, regions, or national societies in which they live;
   - (v) includes a gender-sensitive assessment of the affected Indigenous Peoples' perceptions about the subproject and its impact on their social, economic, and cultural status; and
   - (vi) identifies and recommends, based on meaningful consultation with the affected Indigenous Peoples communities, the measures necessary to avoid adverse effects or, if such measures are not possible, identifies measures to minimize, mitigate, and/or compensate for such effects and to ensure that the Indigenous Peoples receive culturally appropriate benefits under the subproject.

D. Information Disclosure, Consultation and Participation

5. This section:

(i) describes the information disclosure, consultation and participation process with the affected Indigenous Peoples communities that was carried out during subproject preparation;

(ii) summarizes their comments on the results of the social impact assessment and identifies concerns raised during consultation and how these have been addressed in subproject design;

(iii) in the case of subproject activities requiring broad community support, documents the process and outcome of consultations with affected Indigenous Peoples communities and any agreement resulting from such consultations for the subproject activities and safeguard measures addressing the impacts of such activities;

(iv) describes consultation and participation mechanisms to be used during implementation to ensure Indigenous Peoples participation during implementation; and

(v) confirms disclosure of the draft and final IPP to the affected Indigenous Peoples communities.

E. Beneficial Measures

6. This section specifies the measures to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate, and gender responsive.

F. Mitigative Measures

7. This section specifies the measures to avoid adverse impacts on Indigenous Peoples; and where the avoidance is impossible, specifies the measures to minimize, mitigate and compensate for identified unavoidable adverse impacts for each affected Indigenous Peoples groups.

G. Capacity Building

8. This section provides measures to strengthen the social, legal, and technical capabilities of
(a) government institutions to address Indigenous Peoples issues in the subproject area; and
(b) Indigenous Peoples organizations in the subproject area to enable them to represent the affected Indigenous Peoples more effectively.

H. Grievance Redress Mechanism

9. This section describes the procedures to redress grievances by affected Indigenous Peoples communities. It also explains how the procedures are accessible to Indigenous Peoples and culturally appropriate and gender sensitive.

I. Monitoring, Reporting and Evaluation

10. This section describes the mechanisms and benchmarks appropriate to the subproject for monitoring, and evaluating the implementation of the IPP. It also specifies arrangements for participation of affected Indigenous Peoples in the preparation and validation of monitoring, and evaluation reports.

J. Institutional Arrangement

11. This section describes institutional arrangement responsibilities and mechanisms for carrying out the various measures of the IPP. It also describes the process of including relevant local organizations and NGOs in carrying out the measures of the IPP.

K. Budget and Financing

12. This section provides an itemized budget for all activities described in the IPP.

Annex 4.1 Environment and Social Policy (ESP) exclusions list

Any activity listed in the Environmental and Social Exclusion List

The Bank will not knowingly finance Projects involving the following:

1. Forced labor or harmful or exploitative forms of child labor
2. The production of, or trade in, any product or activity deemed illegal under national laws or regulations of the country in which the Project is located, or international conventions and agreements, or subject to international phase out or bans, such as:
    i. Production of, or trade in, products containing polychlorinated biphenyl (PCBs).
    ii. Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase outs or bans (Rotterdam Convention, Stockholm Convention).
    iii. Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol).
3. Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
4. Trans-boundary movements of waste prohibited under international law (Basel Convention).
5. Production of, or trade in, weapons and munitions, including paramilitary materials.
6. Production of, or trade in, alcoholic beverages, excluding beer and wine.
7. Production of, or trade in, tobacco.
8. Gambling, casinos and equivalent enterprises.
9. Production of, trade in, or use of unbonded asbestos fibers.
10. Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity.
11. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.
12. Production or trade in wood or other forestry products other than from sustainably managed forests.
13. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.
14. Shipment of oil or other hazardous substances in tankers

ANNEX 4.2 AIIB Requirement for Eligible Sectors And Excluded Activities

Table 1: Eligible Sectors

NACE Rev. 2	Category
Section A	Agriculture, forestry and fishing
Section C	Manufacturing
Section D	Electricity, gas steam, air conditioning
Section E	Water supply (sewerage, waste, remediation)
Section F	Construction
Section G	Wholesale and retail trade
Section H	Transport and storage
Section I	Accommodation
Section J	Information and communication
Section M	Professional, scientific and technical activities
Section N	Administrative and support service activities
Section P	Education
Section Q	Human health and social work activities

Table 2: Excluded Activities

NACE Rev.2	Category
A2	Forestry and logging
Section B	Mining and quarrying
C11.01	Distilling, rectifying and blending of spirits
C12	Manufacture of tobacco products
C19	Manufacture of coke and refined petroleum products
C20.2	Manufacture of pesticides and other agrochemical products
C24.46	Processing of nuclear fuel
C25.4	Manufacture of weapons and ammunition
C27.1	Manufacture of transformers using PCBs
C28.25	Manufacture of non-domestic cooling and ventilation equipment using ozone-depleting substances and types using banned compounds (e.g., CFCs).
C30	Manufacture of military fighting vehicles
C30.11	Building of ships and floating structures (warships)
C30.4	Manufacture of military fighting vehicles, intercontinental ballistic missiles (ICBM)
C35.1	Production of electricity (coal)
G46.21	Unmanufactured tobacco
Section K	Financial and insurance activities
Section L	Real estate activities (luxury)
Section O	Public Administration and defense, social security
Section R	Arts, entertainment and recreation
Section S	Other service activities
Section T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
Section U	Activities of extraterritorial organisations and bodies, e.g. diplomatic and consular missions, international organisations, etc.

Annex 5.0 The overall Grievance Handling System of the Bank

Annex 5.1: Definitions

A. Complaint Owner

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

B. Stake Holder / Aggrieved Party

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

C. Officer-in-charge of Stake holder Relations

The officer who is appointed by the Management to receive complaints and maintains a record for reporting, analyzing and dissemination of information. The Designated staff officer of the Risk Management Unit may be appointed for this in case of Environment and Social related complaints.

Annex 5.2: Process

A. Channels available to stake holders / aggrieved party for voicing complaints

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

B. Complaints directed at top management

(i) The complaints received by the Chairman or Directors shall be directed to the General Manager / CEO for necessary action and complaints received by the General Manager / CEO in any form, may be directed to the line Assistant General Manager- Risk Management Unit as the Complaint Owner.

(ii) The line Assistant General Manager – Risk Management Unit shall receive and forward the same to the designated staff officer of the Risk Management Unit (the Officer in Charge- Stake Holder Relations) to record the complaint in a prescribed format and handle the complaint on his/her own until its satisfactory conclusion.

(iii) Once the complaint is resolved, the Officer in Charge- Stake Holder Relations will keep a record..

C. Complaints received by any other officer of the Bank

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

Annex 5.3: Responsibility / time lines for responses

A. Where possible, the complaints must be resolved immediately and the Aggrieved Party be advised accordingly.

B. If the complaint cannot be resolved immediately, within (7) seven working days of receipt of the complaint, the complaint must be acknowledged to the complainant (Aggrieved Party), giving tentative date for resolving, the name of the person who would be responsible for resolving the complaint along with his/her contact number/ official title.

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

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

Annex 5.4: Duties of Officer in charge – Stake Holder Relations

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

B. Each report must be perused by him/her and he/she shall then follow up with the complaint owner until it is resolved to the satisfaction of all parties.

C. Complaints received directly by the Officer in charge – Stake Holder Relations must be perused and he/she should decide if action is to be taken by him/her self or whether it needs to be escalated to the next level.

D. A report must be raised for such complaints and the procedure mentioned in Section 5.3 must be followed.

E. All complaints received for the relevant period (i.e. previous month) must be tabulated with the action taken and submitted to the line AGM Risk Management Unit within the first 10 working days of following month and a copy of same must be submitted to his/her reporting officer simultaneously.

F. When escalation takes place, whatever documents that have been submitted by the complainant should also be submitted to the next level.

Annex 5.5: Duties of line Assistant General Manager Risk Management Unit

A. The line AGM Risk Management Unit together with the Officer in Charge – Customer Relations will peruse the Stake Holder Complaint Event data base for each relevant period and take up the matters that are unresolved. It will be the responsibility of the line AGM-Risk Management Unit to pursue the unresolved items with the Complaint Owner until a resolution is arrived at.

B. The line AGM Risk Management Unit shall review the nature of each complaint and its seriousness and make recommendation to the relevant Heads of Departments/Branch

Managers/Regional Managers as to the training needs, process improvements etc. required to improve the service levels.

Annex 5.6: Follow up Procedure

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

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

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

Annex 5.7: General

A. Non – reporting of complaints

The non-reporting is considered as a lost opportunity for the Bank to upgrade its service standards, which is seriously viewed by the Senior Management.

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

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

C. Internal Loss Event Data Reporting (ILEDR)

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