

Annex 5
to Minutes 798 of the Meeting of the Management Board
of the Eurasian Development Bank
dated 7 August 2020

APPROVED BY
the Management Board of the Eurasian Development Bank
(Minutes 798 dated 7 August 2020)

**ENVIRONMENTAL AND SOCIAL RESPONSIBILITY POLICY
OF THE EURASIAN DEVELOPMENT BANK**

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1. Abbreviations and Definitions

The definitions of terms, abbreviations, and abbreviated names of independent structural units and Bank divisions as used in this Environmental and Social Responsibility Policy of the Eurasian Development Bank (“Policy”) are provided in the Bank’s Glossary.

1.1. Abbreviations

Abbreviation	Definition
EIA	Environmental Impact Assessment
FI	financial institution
EFSD PU	EFSD Project Unit

1.2. Terms and Definitions

The following terms and definitions are used in this Policy:

Term	Definition
Environmental Impact Assessment (EIA)	A procedure set forth by the member states’ legislation to identify, forecast, assess, and mitigate environmental, social, and other impacts of a Project before deciding to begin its implementation and making respective commitments.
Sub-borrower	A legal entity or an individual engaged in business activities without setting up a legal entity, whose Sub-project is financed by a Borrower using the Bank’s funds, including in the form of a guarantee, standby letter of credit, or reimbursement undertaking issued by the Bank to secure or confirm the Borrower’s undertakings.
Sub-project	Activities implemented over a certain period of time by a Project Initiator, and/or a Sub-borrower, and/or other Sub-project participants in order to set up, and/or expand, and/or upgrade current production, business, or infrastructure, or to enhance trade and investment between the member states, using the Sub-borrower’s funds and the funds provided to the Sub-borrower by a Borrower in part or in full from the loan extended to finance the Sub-borrower’s Sub-projects.
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
Financial Agreements	Agreements entered into by the Bank as part of project financing, including a framework loan facility agreement, a loan agreement, security agreements, agreements with banks maintaining respective accounts, and other agreements.
Environmental and social review	A review and assessment by the Bank of the eligibility of a Project proposed to be financed by the Bank in terms of its probable environmental and social impacts.

Environmental and social requirements of the Bank	Requirements for a Borrower and/or a Project as regards compliance with the current laws of the country where the Project is implemented, as set forth in Bank's internal regulations.
Environmental and social impact	The Project's impact on the society and/or the environment.

The definitions of EFSD terms are provided in the Bank's Glossary and EFSD documents.

1.3. Terms and Definitions Used Exclusively in this Regulation

Term	Definition
Bank	The Eurasian Development Bank, its Headquarters, and territorial divisions
Member states	The Russian Federation and the Republic of Kazakhstan, as well as the states that have joined the Agreement Establishing the Eurasian Development Bank between the Russian Federation and the Republic of Kazakhstan dated 12 January 2006, and the states that are members of the Eurasian Fund for Stabilization and Development in accordance with the Agreement Establishing the Eurasian Fund for Stabilization and Development dated 9 June 2009.
Borrower	A legal entity or an executive or local governmental authority, to which the Bank has extended financing on the terms and conditions set forth in Financial Agreements. Depending on the financing instrument, a Borrower may be an applicant, a principal, an issuer, or another Project participant, which has received financing from the Bank.
Project Initiator	A legal entity that has applied to the Bank for financing for a Project, which is being considered for eligibility for financing.
Public	Groups of individuals and/or legal entities that take part in public consultations and whose environmental and/or social interests may be affected by a Project.
Project	Activities implemented over a certain period of time by the Project Initiator, and/or a Borrower, and/or other Project participants in order to set up, and/or expand, and/or upgrade current production, business, or infrastructure, or to enhance trade and investment between the member states, using the Borrower's funds and the funds provided by the Bank.
Project Directorates	Directorate for Energy, Directorate for Natural Resources and Agriculture, Directorate for Industry, Directorate for Transport and Infrastructure, Client Unit, territorial divisions of the Bank, Financial Institution Lending Department, and Directorate for Digital Initiatives.

Financial Institution	A bank or another financial institution incorporated and existing under the current national laws of a member state of the Bank and holding all necessary permits, approvals, and licences to engage in lending.
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2. Intended Use and Scope

2.1. Intended Use

This Environmental and Social Responsibility Policy of the Eurasian Development Bank (“Policy”) sets forth the principles of and approaches to factoring in and monitoring environmental and social factors in the Bank’s investment activities, including the Bank’s management of EFSD resources.

2.2. Scope, Owner, and Revisions

2.2.1. This Policy shall extend to the Projects proposed for financing and financed using the Bank’s funds, including Projects (Sub-projects) using funds extended by the Bank through Financial Institutions, or funds extended by the Bank as the EFSD Resources Manager, provided that the application of this Policy is stipulated by a relevant decision of the EFSD Council made when considering the provision of financing to an EFSD member state. This Policy shall extend to EFSD projects until the EFSD Council duly approves the EFSD Environmental and Social Policy.

2.2.2. This Policy shall take effect, apply, and be amended or revoked in accordance with the Regulations on the Bank’s Internal Regulatory Documents.

2.2.3. The owner of this Policy shall be the Directorate for Strategic Development. The co-owners of this Policy shall be the Project Directorates and the EFSD PU.

2.2.4. This Policy shall be revised if the owner of the respective internal regulations is reorganised and assigns its functions relating to the administration of this Policy to other Bank divisions, or if any provisions of this Policy need to be updated and/or clarified, however not less than once every three years.

3. General Provisions

3.1. The Bank promotes the development of a market economy in its member states, their sustainable economic growth, and the expansion of trade and other economic ties through investment.

3.2. The Bank is the EFSD Resources Manager under the Agreement on Managing the Resources of the Eurasian Fund for Stabilization and Development dated 9 June 2009, signed with the founding states of the EFSD.

3.3. The Bank strives to enhance potential positive and prevent or mitigate adverse environmental and social effects in planning and implementing investment Projects and to ensure that Bank-funded Projects contribute to sustainable development.

3.4. The Bank's investment activities are aimed, *inter alia*, at promoting more efficient use of natural resources and protecting the environment, as well as overall sustainable social and economic development.

3.5. When planning and implementing investment Projects, the Bank shall review Project Initiators/Borrowers' compliance with environmental protection and social impact requirements set forth in the applicable laws of the country where the Project is implemented. The EFSD Council may set forth other or additional requirements for EFSD Projects.

4. Policy Objectives and Principles

4.1. The objectives of this Policy are to:

- mitigate potential adverse, and enhance potential positive, environmental and social impact of the Bank’s investment activities;
- incentivise Borrowers to duly develop and maintain environmental and social risk management systems; and
- factor in public interests as regards the environmental and social impact of a Project when making decisions to finance and implement Projects.

4.2. To achieve the above objectives, the Bank shall:

- factor in the environmental and social impact of Projects when making decisions to finance them;
- set forth for Borrowers, subject to the scale and nature of the environmental and social impact of a Project, requirements with respect to managing such impact and monitor compliance with these requirements when Projects are being implemented;
- assess Project Initiators’ compliance with recommendations and requirements for Projects’ EIA in terms of environmental and social impact, including requirements for taking into consideration public opinion;
- ensure openness and transparency when implementing the requirements set forth by this Policy; and
- provide technical assistance.

4.3. The Bank aims to ensure, by informing Borrowers and setting forth environmental and social requirements for them, that Borrowers take timely action to prevent adverse environmental and social impact before implementing Projects or, as far as possible, at early stages of their implementation.

4.4. If the Bank takes part in syndicated financing, the procedure for applying this Policy and the selection of prevailing requirements for managing environmental and social impacts of a Project may be altered in accordance with the general terms of financing. When taking part in syndicated financing, the Bank shall comply with Clause 4.5.3 of this Policy.

4.5. The Bank shall adhere to the following principles to ensure that environmental factors are considered in investment activities:

4.5.1. Openness of investment activities: the Bank shall ensure the publicity and openness of the investment process using best corporate governance practices adhered to by international development banks.

4.5.2. Social and environmental responsibility: the Bank shall extend financing to Projects that do not significantly degrade the environment or the social, employment, and living conditions of people; the Bank’s investments should improve living standards, employment, and social security.

4.5.3. Refusal to finance socially dangerous activities: the Bank shall not finance:

- Projects involving forced¹ or child labour²;
- gambling;
- manufacture of, or trading in, weapons and ammunition;
- tobacco and alcohol production and distribution;
- activities prohibited by the laws of the member states or international treaties relating to the protection of biodiversity, resources, or cultural heritage;
- other activities determined by a resolution of the Management Board and/or the Council of the Bank (with respect to the Projects financed using the Bank’s funds) and/or the EFSD Council (with respect to the Projects financed using EFSD resources).

4.6. The Bank’s environmental and social requirements shall extend to all Projects/Sub-projects, irrespective of their category determined in accordance with Clause 5.3.

¹ Forced labour means any work that is performed involuntarily, under the threat of force or punishment.

² Child labour means work that deprives children of their childhood, dignity, and potential and that is harmful to their physical and mental development.

Light work that does not harm a child and does not interfere with his or her attendance at school or other occupations necessary for his or her normal development (such as relaxation) is not deemed child labour.

The minimum working age for children is as follows:

	Developed countries	Developing countries
Ordinary jobs	15 or older	14 or older
Hazardous jobs	18	18
Light work	13	12

5. Consideration of Environmental and Social Factors during Project Review

5.1. The review and assessment of environmental and social factors during Project consideration shall include the following stages:

- Project consideration for whether it involves the activities listed in Clause 4.5.3;
- Project classification in accordance with Clause 5.3 and the identification of further procedures to factor in environmental and social factors in accordance with Section 6; and
- notification of the Project Initiator about the Bank’s further requirements for taking environmental and social factors into account.

5.2. During the preliminary review, the Bank shall make sure that a Project does not involve the activities listed in Clause 4.5.3 or, for a Project involving debt or equity financing extended by a Financial Institution, obtain confirmation from the Financial Institution that it will not finance, using the Bank’s funds, the activities listed in Clause 4.5.3 and will not provide property on the terms of lease to be used in the activities listed in Clause 4.5.3.

5.3. The Bank shall classify Projects according to their nature and potential environmental and social impact. The Bank has four categories of Projects:

- Category A. Projects with potentially significant, multifaceted, and irreversible adverse environmental and social impact;
- Category B. Projects with potentially significant adverse local environmental and social impact that is usually reversible and/or preventable;
- Category C. Projects with minimal or no adverse environmental and social impact; and
- Category FI. Projects involving debt and/or equity financing from Financial Institutions to lend to or otherwise finance Sub-borrowers, or to provide property to Sub-borrowers on the terms of lease.

5.4. When considering and financing a Project involving the Bank’s equity participation or other significant participation by the Bank in operations that form part of the Project and where the Bank acquires control over the Project, the further procedures for factoring in environmental factors shall be determined according to the Project category.

6. Environmental and Social Requirements for Projects

Procedures and Requirements for Category A Projects

6.1. The Project Initiator/Borrower shall conduct an EIA for Projects included in Category A.

6.2. An EIA shall be conducted in accordance with the applicable provisions of the current laws of the country where the Project is implemented.

6.3. If so required by the laws of the country where the Project is implemented, the Project Initiator/Borrower shall involve a third-party consultant to conduct an EIA and prepare a report at its own cost.

6.4. An EIA report usually includes the following information:

- Project description and objectives;
- description of reasonable alternatives to the Project, including the “without project” scenario;
- description of the components of the environment and communities that may be significantly affected by the Project or its alternatives;
- description of possible environmental and social impacts of the Project and assessment of their scale for all alternatives;
- description of proposed measures to prevent, mitigate, or compensate for the most significant adverse impacts;
- substantiation of the selected Project option;
- specific references to: methods used to forecast impact; underlying baseline premises; and relevant environmental data used;
- description of knowledge gaps and uncertainties identified when assembling the required information;
- if necessary, a brief description of environmental and social impact monitoring and management programmes;
- information about procedures to take note of public opinion and its scope, as well as comments and proposals received and how they were considered during the EIA; and
- a non-technical summary of EIA results for the public and decision makers.

6.5. The Project Initiator shall make the EIA report available to the public and ensure that public opinion is taken into account during the EIA, in accordance with the current laws of the country where the Project is implemented.

Procedures and Requirements for Category B Projects

6.6. The Bank shall conduct an environmental and social review of the Projects included in Category B.

6.7. To conduct an environmental and social review, the Project Initiator/Borrower shall:

- 6.7.1. Provide, given the scale and terms of Project implementation, information and documents stating the following:
- objectives, main organisational and technical solutions, and Project indicators;

- the environmental and social impact management system for Project-related and/or planned activities;
- components of the environment, categories of residents and communities that are materially affected by Project-related activities conducted by the Project Initiator and/or that will probably be materially affected by the Project;
- material environmental and social impact of Project-related activities;
- undertaken and proposed measures to prevent, mitigate, or compensate for the most significant adverse impacts;
- used or planned methods and the periodicity of Project environmental and social impact reviews;
- public inquiries into environmental and social impacts of Project-related activities and/or the Project;
- available permits and approvals, as well as correspondence with state authorised bodies with respect to Project-related activities and the Project on the issues of environmental protection, health, and industrial safety; and
- a draft plan of actions to be taken by the Project Initiator/Borrower to ensure that Project-related activities and/or the Project comply with the Bank’s environmental and social requirements, if Project-related activities or the Project fail to do so;

6.7.2. Where necessary, provide the Bank’s employees with access to the proposed Project site; and

6.7.3. Provide the Bank’s employees with the possibility to interview managers and specialists in charge of managing the environmental and social impact of Project-related and/or planned activities, to an extent corresponding to the scale and terms of Project implementation.

Procedures and Requirements for Category C Projects

6.8. No additional environmental and social assessment procedures shall extend to the Projects included in Category C.

6.9. The Bank reserves the right to consult with the Project Initiator and/or Borrower concerning the Project’s impact on the environment.

Procedures and Requirements for Category FI Projects

6.10. The Bank shall ensure that the following commitments of Financial Institutions are included in its Financial Agreements with Financial Institutions:

6.10.1. Ensuring compliance with this Policy when considering and financing Sub-projects using the funds extended by the Bank, namely:

- preventing the financing of the activities listed in Clause 4.5.3, including the provision of machinery and equipment for lease for the conduct of the activities listed in Clause 4.5.3;

- ensuring that Sub-borrowers comply with the environmental and social laws of the country where the Sub-project is implemented and the environmental and social requirements of the Bank set forth in Section 6 of this Policy;

6.10.2. Ensuring that Financial Agreements with Sub-borrowers contain an obligation to comply with this Policy; and

6.10.3. Confirming on a regular (annual) basis that this Policy is complied with when Sub-projects are being considered and financed using the funds extended by the Bank, and that Sub-projects comply with the Bank's environmental and social requirements.

7. Roles and Responsibilities

7.1. The Bank's Management Board

Approves this Policy as part of its authority set forth by the Charter.

7.2. Directorate for Strategic Development

- maintains and updates this Policy as necessary;
- takes action to ensure that this Policy is complied with when Projects are being implemented.

7.3. Project Directorates

Take action to ensure that this Policy is complied with when Projects are being implemented.

7.4. EFSD Project Unit

Takes action to ensure that this Policy is complied with when Projects are being implemented.