EURASIAN DEVELOPMENT BANK
ENVIRONMENTAL AND SOCIAL RESPONSIBILITY POLICY
CONTENTS

SECTION I. GENERAL PROVISIONS ........................................................................................................3
SECTION II. MAIN TERMS AND DEFINITIONS ...................................................................................3
SECTION III. OBJECTIVES AND PRINCIPLES OF THE ENVIRONMENTAL POLICY ...........4
SECTION IV. CONSIDERATION OF ENVIRONMENTAL AND SOCIAL FACTORS DURING PROJECT REVIEW .............................................................................................................................6
SECTION V. ENVIRONMENTAL AND SOCIAL REQUIREMENTS FOR PROJECTS ..........7
   Procedures and Requirements for Category A Projects .................................................................7
   Procedures and Requirements for Category B Projects ...............................................................8
   Procedures and Requirements for Category C Projects ...............................................................8
   Procedures and Requirements for Category FI Projects ...........................................................8
SECTION I. GENERAL PROVISIONS

1.1 Eurasian Development Bank (“Bank”) promotes the development of market economy in its member states, their sustainable economic growth and the expansion of trade and other economic ties through investment.

1.2 The Bank is the Resources Manager of the EurAsEC Anti-Crisis Fund under the Agreement on Managing the Resources of the Anti-Crisis Fund of the Eurasian Economic Community dated 9 June 2009, signed with the founding states of the EurAsEC Anti-Crisis Fund.

1.3 The objective of the Bank’s Environmental Policy (“Policy”) is to enhance potential positive, and prevent or mitigate adverse, environmental and social effects in planning and implementing investment Projects and ensure that the Bank-funded Projects contribute to sustainable development.

1.4 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.

1.5 When planning and implementing investment Projects, the Bank reviews Project Initiators/Borrowers’ compliance with environmental protection and social impact requirements set forth by the applicable laws of the country the Project is fulfilled in. Additional requirements may be set forth for the Projects of the EurAsEC Anti-Crisis Fund by the Fund’s Council.

1.6 This Policy extends to the Projects proposed for financing and financed using the Bank’s funds and the resources of the EurAsEC Anti-Crisis Fund, including Projects/Sub-Projects financed from the Bank’s funds extended through Financial Institutions.

SECTION II. MAIN TERMS AND DEFINITIONS

“Member states” means the member states of the Bank as set forth in the Agreement Establishing Eurasian Development Bank dated 12 January 2006, as well as the member states of the EurAsEC Anti-Crisis Fund as set forth in the Agreement Establishing the EurAsEC Anti-Crisis Fund dated 9 June 2009.

“Borrower” means a legal entity which is provided with funds under Financial Agreements.

“Project Initiator” means a legal entity applying to the Bank for finance for a Project, which is being considered for eligibility for financing.

“Public” means groups of individuals and/or legal entities whose environmental and/or social interests may be affected by a Project.

“Environmental Impact Assessment (EIA)” means a procedure set forth by the member states in order to identify, forecast, assess and mitigate environmental, social and other impacts of a Project before making a decision to begin its fulfilment and taking respective obligations.

“Project” means a set of activities fulfilled 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 enhance trade and investment between the member states, using the Borrower’s own funds and the funds provided by the Bank, including from the EurAsEC Anti-Crisis Fund.

“Sub-Borrower” means a legal entity which is provided by a Financial Institution, in accordance with the Financial Agreements, with funds and/or property on the terms of lease using the funds received from the Bank.

“Sub-Project” means a set of activities fulfilled over a certain period of time by the 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 enhance trade and investment between the member states, using the Sub-Borrower’s own funds and the funds provided by a Financial Institution using the Bank’s funds.

“Sustainable Development” means the development of a business in a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs.

“Financial Institutions” means banks or financial institutions duly organised and existing in accordance with the national laws of the Bank’s member states, engaged in lease transactions, as well as direct investment funds engaged in investment and project activities in the member states.

“Financial Agreements” means legal documents based on which the Bank and/or a Financial Institution finance a Project and/or a Sub-Project.

“Environmental and social review” means the Bank’s review and assessment of the eligibility of a Project proposed to be financed by the Bank in terms of probable environmental and social impacts.

“Bank’s environmental and social requirements” means the requirements for a Borrower and/or Sub-Borrower as regards compliance with the current laws of the country the Project is fulfilled in, as set forth in Section 5 of this Policy.

“Environmental and social impact” means the Project’s impact on the society and/or the environment.

SECTION III. OBJECTIVES AND PRINCIPLES OF THE ENVIRONMENTAL POLICY

3.1. This Policy sets forth the principles of, and approaches to, accounting for and monitoring environmental and social factors in the Bank’s investment activities, including as regards the Bank’s management of the resources of the EurAsEC Anti-Crisis Fund.

3.2. 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 fulfilling Projects or, as far as possible, at early stages of their fulfilment.

3.3. The objectives of this Policy are:
- to mitigate potential adverse, and enhance potential positive, environmental and social impact of the Bank’s investment activities;
- to establish incentives for Borrowers, including Financial Institutions, to duly develop and maintain environmental and social risk management systems; and
- to take account of public interests as regards Project’s environmental and social impact when making decisions to finance and fulfil Projects.

3.4. To achieve the above objectives, the Bank:
- takes account of Projects’ environmental and social impact when making decisions to finance them;
- taking into account the scale and nature of Projects’ environmental and social impact, sets forth requirements for Borrowers with respect to managing such impact and monitors compliance with these requirements when Projects are being fulfilled;
- assesses Project Initiators’ compliance with recommendations and requirements for Projects’ EIA in terms of environmental and social impact, including requirements for taking public opinion into consideration;
- ensure openness and transparency when fulfilling requirements set forth by this Policy; and
- provides technical assistance.

3.5. If the Bank takes part in syndicated finance, 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 finance. When taking part in syndicated finance, the Bank complies with Clause 3.6(c) of this Policy.

3.6. The Bank adheres to the following principles aimed to ensure that environmental factors are taken into account in investment activities:

(a) Openness of investment activities: the Bank’s ensures the publicity and openness of the investment process using good corporate governance practices adhered to by international development banks.

(b) Social and environmental responsibility: the Bank extends finance 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.

(c) Non-finance of socially dangerous activities: the Bank does not extend finance to:

1) Projects involving forced\(^1\) or child labour\(^2\);

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\(^1\) Forced labour means work that is performed involuntarily, under the menace of violence or penalty.

\(^2\) 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 rest) is not deemed as child labour.

The minimum working age for children is as follows:
2) gambling;
3) manufacture of, or trading in, weapons and ammunition;
4) other activities prohibited by the laws of the member states or international conventions on the protection of biodiversity and cultural heritage; and
5) other activities determined by a resolution of the Management Board and/or the Council of the Bank (with respect to Projects financed using the Bank’s funds) and/or the EurAsEC Anti-Crisis Fund’s Council (with respect to Projects financed using the EurAsEC Anti-Crisis Fund's resources).

3.7. The Bank’s environmental and social requirements extend to all Projects/Sub-Projects, irrespective of their category determined in accordance with Clause 4.3.

**SECTION IV. CONSIDERATION OF ENVIRONMENTAL AND SOCIAL FACTORS DURING PROJECT REVIEW**

4.1. The consideration of environmental and social factors during Project review includes the following stages:
- Project consideration for whether it involves the activities listed in Clause 3.6(c);
- Project classification in accordance with Clause 4.3 and the identification of further procedures to account for environmental and social factors in accordance with Section 5; and
- notification of the Project Initiator about the Bank’s further requirements for taking environmental and social factors into account.

4.2. During preliminary review the Bank makes sure that a Project does not involve the activities listed in Clause 3.6(c). If the Bank considers a Project involving debt or equity finance extended by a Financial Institution, it must obtain confirmation from the Financial Institution that it will not finance, using the Bank’s funds, the activities listed in Clause 3.6(c) and will not provide property on the terms of lease to be used in the activities listed in Clause 3.6(c).

4.3. The Bank classifies Projects according to their nature and potential environmental and social impact. The Bank has four categories of Projects:
(a) Category A. Projects with potentially significant, multidimensional and irreversible environmental and social impact.
(b) Category B. Projects with potentially significant local environmental and social impact that is usually reversible and/or preventable.
(c) Category C. Projects with minimal or no adverse environmental and social impact.

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(d) Category FI (Financial Institutions). Projects involving debt and/or equity finance from Financial Institutions to lend to, or otherwise finance, Sub-Borrowers, or provide property to Sub-Borrowers on the terms of lease.

4.4. When considering and financing a Project involving the Bank’s equity participation or other significant participation by the Bank in operations that form part the Project where the Bank acquires control over the Project, the further procedures for taking environmental factors into account are determined according to the Project category.

SECTION V. ENVIRONMENTAL AND SOCIAL REQUIREMENTS FOR PROJECTS

Procedures and Requirements for Category A Projects

5.1 The Project Initiator/Borrower must conduct EIA for the Projects included in Category A.

5.2 EIA must be conducted in accordance with the applicable provisions of the current laws of the country the Project is fulfilled in.

5.3 If so required by the laws of the country the Project is fulfilled in, the Project Initiator/Borrower must involve a third-party consultant to conduct EIA and prepare the respective report at its own cost.

5.4 The EIA report usually includes the following information:

(a) Project description and its objectives;
(b) description of reasonable alternatives to the Project, including the “without project” scenario;
(c) description of the components of the environment and communities that may be significantly affected by the Project or its alternatives;
(d) description of possible environmental and social impacts of the Project and assessment of their scale for all alternatives;
(e) description of proposed measures to prevent, mitigate or compensate the most significant adverse impacts;
(f) substantiation of the selected Project option;
(g) specific references to methods used to forecast impact, underlying baseline regulations and respective environmental data;
(h) description of knowledge gaps and uncertainties identified when preparing the respective information;
(i) if necessary, a brief description of environmental and social impact monitoring and management programmes;
(j) information about procedures arranged to take note of public opinion and their coverage, as well as comments and proposals received and how they were taken into account during EIA; and
(k) non-technical summary of EIA results for the public and decision makers.

5.5 The Project Initiator must make available the EIA report to the public and ensure that public opinion is taken into account during EIA in accordance with the current laws of the country the Project is fulfilled in.
Procedures and Requirements for Category B Projects

5.6 The Bank conducts environmental and social review of the Projects included in Category B.

5.7 To conduct environmental and social review, the Project Initiator/Borrower undertakes to:

5.7.1. provide, given the scale and terms of Project fulfilment, information and documents with respect to the following:

(a) main organisational and technical solutions and Project indicators;
(b) the environmental and social impact management system used with respect to Project-related or planned activities;
(c) 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 be probably materially affected by the Project;
(d) material environmental and social impact of Project-related activities;
(e) undertaken and proposed measures to prevent, mitigate or compensate the most significant adverse impacts;
(f) used or planned methods and the periodicity of Project environmental and social impact reviews;
(g) public inquiries into environmental and social impacts of Project-related activities and/or the Project;
(h) 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
(i) a draft plan of actions to be fulfilled 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;

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

5.7.3. provide the Bank’s employees with the possibility to interview managers and specialists in charge with the management of the environmental and social impact of Project-related and/or planned activities, to the extent corresponding to the scale and terms of Project fulfilment.

Procedures and Requirements for Category C Projects

5.8 No further environmental and social assessment procedures extend to the Projects included in Category C.

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

Procedures and Requirements for Category FI Projects

5.10 The Bank includes the following obligations of Financial Institutions in its Financial Agreements with Financial Institutions:
5.10.1 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 3.6(c), including the provision of machinery and equipment for lease for the conduct of the activities listed in Clause 3.6(c);
- ensuring that Sub-Borrowers comply with the environmental and social laws of the country the Sub-Project is fulfilled in and the environmental and social requirements of the Bank set forth in Section 5 of this Policy;

5.10.2 Ensuring that Financial Agreements with Sub-Borrowers contain an obligation to comply with the Bank’s environmental policy; and

5.10.3 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.