



Ministry of  
**Finance**  
of Ukraine



**Business Development Fund (BDF)  
of Ukraine**

**Environmental and Social Management System  
(ESMS) Manual**

November 2024

# Document History

Rev.	Approved by	Date	Details
V.1	Management Board	January 23, 2024	Basic ESMS
V.2	Management Board	November 04, 2024	ESMS Manual

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## Acronyms and Abbreviations

<b>BDF</b>	Business Development Fund
<b>BE</b>	Beneficiary Enterprise
<b>CAP</b>	Corrective Action Plan
<b>CRO</b>	Chief Risk Officer
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EC</b>	European Commission
<b>ECM</b>	External Communications Mechanism
<b>EHSGs</b>	Environmental, Health, and Safety Guidelines
<b>ERW</b>	Explosive Remnants of War
<b>E&amp;S</b>	Environmental and Social
<b>ESA</b>	E&S Assessment
<b>ESAP</b>	Environmental and Social Action Plan
<b>ESF</b>	Environmental and Social Framework
<b>ESMS</b>	Environmental and Social Management System
<b>ESS</b>	Environmental and Social Standards
<b>FI</b>	Financial Intermediary
<b>FNS</b>	Food and Nutrition Security
<b>GBV</b>	Gender-based Violence
<b>GIIP</b>	Good International Industry Practice
<b>GRM</b>	Grievance Redress Mechanism
<b>GRS</b>	Grievance Redress System
<b>IABU</b>	Independent Association of the Banks of Ukraine (IABU)
<b>IFIs</b>	International Financial Institutions
<b>IPF</b>	Investment Project Financing
<b>KfW</b>	Kreditanstalt für Wiederaufbau
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MoF</b>	Ministry of Finance
<b>MSME</b>	Micro, Small, and Medium-sized Enterprises
<b>NBFI</b>	Non-banking Financial Institution
<b>NBU</b>	National Bank of Ukraine
<b>OHS</b>	Occupational Health and Safety
<b>OVD</b>	Environmental Impact Assessment performed in compliance with the Law of Ukraine 'On Environmental Impact Assessment'
<b>PFI</b>	Participating Financial Institutions
<b>RCA</b>	Root Cause Analysis
<b>SCAP</b>	Supplemental Corrective Action Plan
<b>SEA/SH</b>	Sexual Exploitation and Abuse/Sexual Harassment
<b>SEP</b>	Stakeholder Engagement Plan
<b>TA</b>	Technical Assistance
<b>UMAEF</b>	Ukraine-Moldova American Enterprise Fund
<b>WB</b>	World Bank
<b>WBG</b>	World Bank Group

# 1. INTRODUCTION

The **Business Development Fund (BDF) of Ukraine** has established an **Environmental and Social Management System (ESMS)** to ensure systematic identification, assessment, management, monitoring, and reporting of the E&S risks and impacts of the business activities of micro, small, and medium-sized enterprises (MSMEs) or larger enterprises supported by BDF (collectively referred to as BDF **“beneficiary enterprises”** or **“beneficiaries”** or **“BE”**).

The ESMS will be applied to BDF projects and programs financed by International Financial Institutions (IFIs). The BDF ESMS is designed to align with the World Bank (WB) Environmental and Social Standard (ESS) 9 for financial intermediary (FI) investments, as well as relevant requirements of other IFIs collaborating with BDF. It also incorporates Good International Industry Practices (GIIPs) on E&S risk management for FIs and follows the World Bank Group (WBG) Environmental, Health and Safety Guidelines (EHSGs).

The ESMS applies to business activities with E&S risks rated as **“High,” “Substantial,” “Moderate,”** or **“Low”** according to the WB Environmental and Social Framework (ESF).

The BDF ESMS consists of the following elements, as detailed in **Chapter 2**:

- (i) Environmental and Social (E&S) Policy
- (ii) Clearly defined procedures for identifying, assessing, and managing the E&S risks and impacts of beneficiary enterprises' business activities
- (iii) Organizational capacity and competency
- (iv) Monitoring and review of E&S risks of business activities of beneficiary enterprises
- (v) External Communications Mechanism (ECM)

BDF provides financing to beneficiary enterprises through **Participating Financial Institutions (PFIs)** in Ukraine. For managing E&S risks and impacts of business activities financed through PFIs;

- (i) Where no ESMS exists at a PFI, the PFI may implement an ESMS compliant with BDF ESMS as part of its finance decision-making process (details and guidance for compliant ESMS are provided further in the text). BDF will ensure the ESMS fully aligns with E&S requirements of financial institutions supporting its operation (such as IFIs).
- (ii) Where there is an existing ESMS at a PFI, BDF ensures that the respective PFI ESMS aligns with the principal approaches of this ESMS for overall management of E&S risks and impacts of the portfolio investments.

BDF requirements for **PFI ESMSs** are further specified in **Chapter 4**.

## 1.1. Business Development Fund (BDF)

**Business Development Fund (BDF)** is a state-owned non-banking financial institution (NBFI) in Ukraine. It is a non-profit legal entity formed under a charter approved by the Ukraine Ministry of Finance (MoF) focused on improving access to finance for MSMEs as well as large enterprises.

BDF's business model is comprised of two main wholesale banking activities:

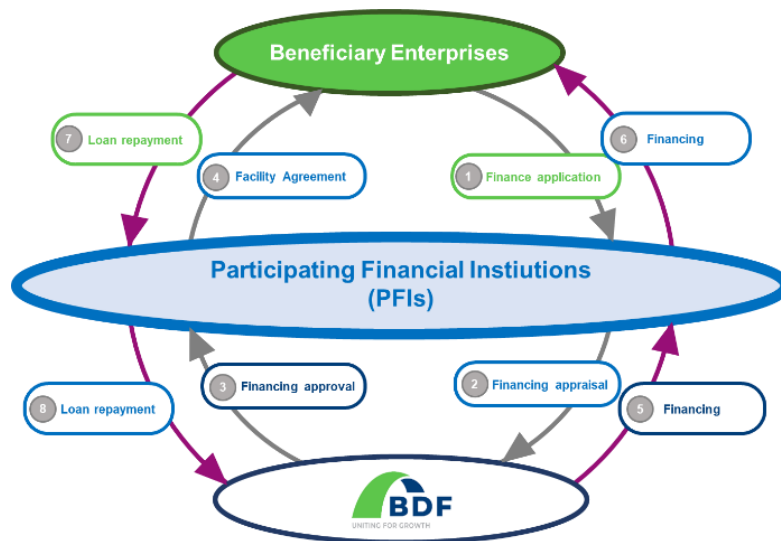
- (a) making wholesale loans and giving credit guarantees, and grants for on-lending to Ukrainian beneficiary enterprises (BEs) by commercial banks in Ukraine; and
- (b) acting as an agent for the MoF and regional authorities for the payment of interest subsidies on MSME and corporate loans, mainly the credit program 5-7-9.

BDF operates based on the "secondary level institution" principle. As such, support for BEs' financing is provided not directly, but through partner banks (representing PFIs that are participants in the BDF loan programs, as well as authorized banks that are participants in the state "credit program 5-7-9").

The goal of the BDF in this scheme is to:

- Provide support for MSMEs<sup>1</sup> and larger enterprises financing through **PFIs** within the framework of national programs and projects, and projects financed by IFIs, and
- Strengthen the institutional capacity of PFIs banks in financing MSMEs and larger enterprises.

General implementation scheme of BDF programs based on the secondary institution principle is presented in Figure 1.

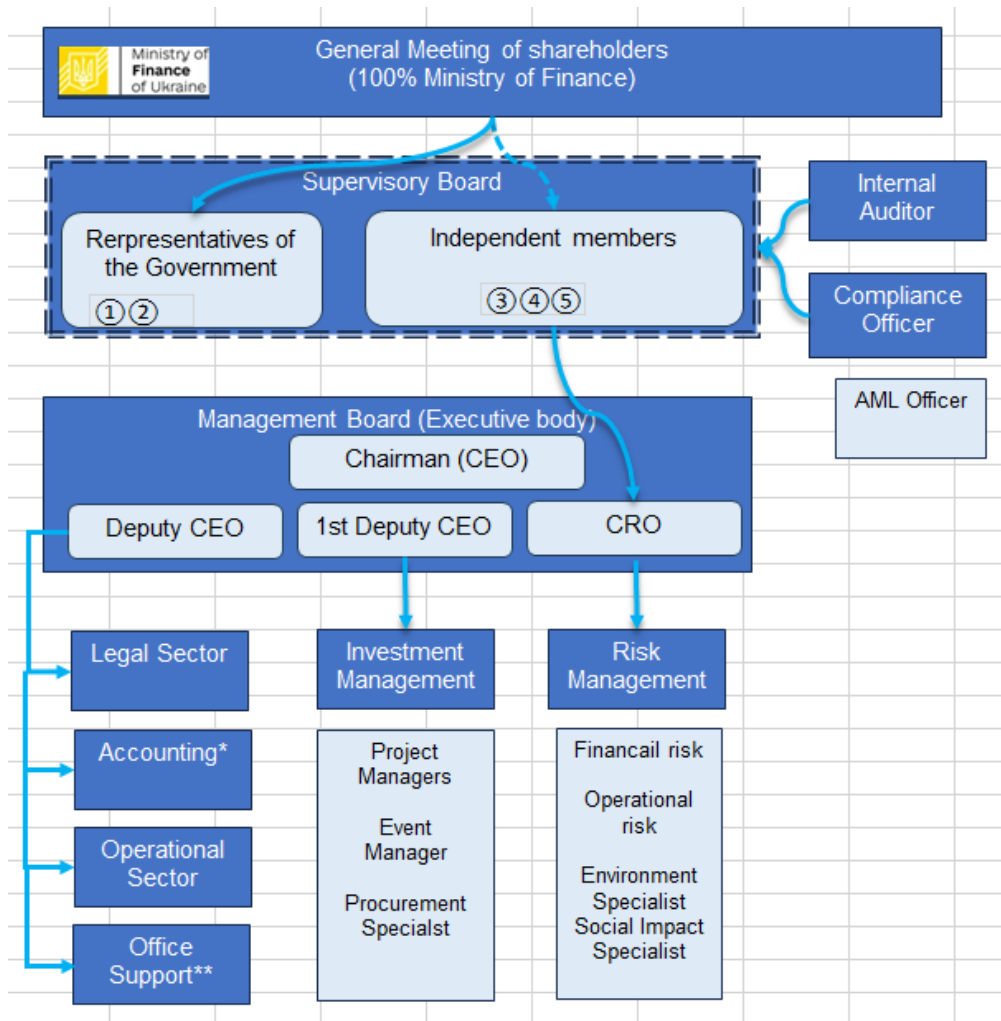


**Figure 1 – General Implementation Scheme under BDF Programs**

The **current** governance structure at BDF is presented in Figure 2.

The governance structure and capacity building **planned** for effective implementation of the ESMS is presented in Section 2.4.

<sup>1</sup> Micro, small and medium-sized enterprises (MSMEs) that employ less than 250 persons and have an annual income up to 50 million EUR.



**Figure 2 – Current Governance Structure at BDF**

\*Accounting sector includes Financial manager, and HR specialist

\*\*Office Support includes IT administrator, receptionist



This **current** structure consists of the following:

- The **MoF** representing the state with powers equivalent to a sole owner and member of the Shareholders Assembly/ **General Meeting (100% MoF)**.
- **A Supervisory Board**, which consists of two representatives of the state (represented by the Ministry of Finance of Ukraine) and three independent members. In accordance with the new chapter of the Fund, approved by the order of the MoF of Ukraine dated 14 December 2023, control over the activities of the Fund will be ensured by the **Supervisory Board**.
- A **Management Board** (Executive Body) charged with the operational management of BDF.
- A Chief Risk Officer (CRO) subordinated to the Supervisory Board (reporting to the Supervisory Board Risk Committee).
- An <sup>2</sup> **internal auditor** reporting to the Supervisory Board.
- A Compliance Officer reporting to the Supervisory Board.

## 1.2. Overview of BDF Financing Activities under Projects Financed by IFIs

BDF has long-time experience of managing credit lines from KfW (1996-2022), grants from the European Commission (EC) (2019-2021), and the credit lines and technical assistance (TA) from the World Bank (2009-2012). To date, BDF has collaborated with following IFIs for the implementation of projects:

- The World Bank (WB)
- European Bank for Reconstruction and Development (EBRD)
- Kreditanstalt für Wiederaufbau (KfW)
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
- German Sparkassenstiftung
- Luxembourg Agency for development Cooperation
- USAID
- Ukraine-Moldova American Enterprise Fund (UMAEF)

### 1.2.1. BDF as a Financial Intermediary (FI)

BDF acts as a **financial intermediary (FI)**<sup>3</sup> for the financing business activities of beneficiary enterprises through the projects and programs financed by IFIs and Ukrainian Government. The BDF is regulated by the National Bank of Ukraine.

An overview of the Implementation Scheme of BDF for interest rate compensation under the credit program Affordable loans 5-7-9 from World Bank's funds is presented in Figure 3.

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<sup>2</sup> The internal auditor is part of BDF's organization but independent in its function and will report directly to the Council.

<sup>3</sup> WB ESF defines the Financial Intermediaries (FIs) as public and private financial services providers, including national and regional development banks, which receive financial support from the IFIs and channel financial resources to a range of economic activities across industry sectors.

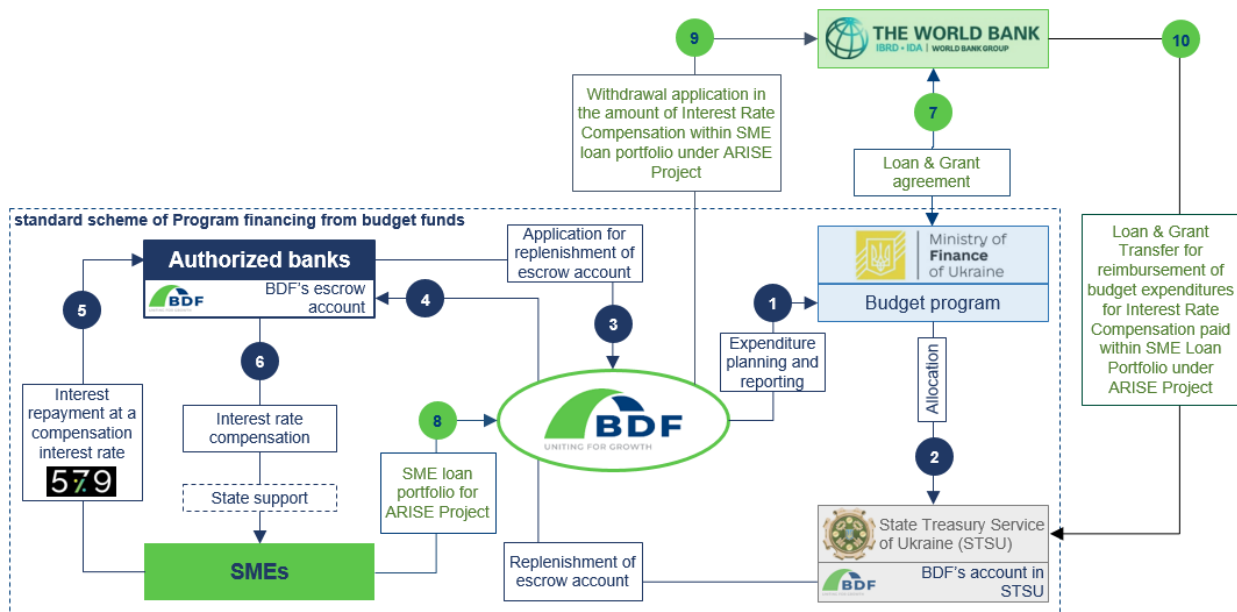


Figure 3 – BDF Implementation Scheme for Interest Rate Compensation under the Credit Program 5-7-9 with finance from World Bank

### 1.2.2. Participating Financial Institutions (PFIs)

**Participating Financial Institutions (PFIs)** are commercial banks, domestic to Ukraine, that act as intermediaries for extending BDF financing to beneficiary enterprises. In terms of E&S risk management consideration in financial intermediation, PFIs are also considered **FIs** for the purposes of this ESMS.

BDF PFIs, providing on-lending to beneficiary enterprises, are required to maintain and implement satisfactory ESMS to manage the E&S risks and impacts associated with their investment decisions to BDF beneficiary enterprises. PFIs ESMS will be incorporated into their existing credit decision making processes. The eligibility of potential PFIs in participating BDF programs will be reviewed and assessed by BDF for each PFI before they take part in those programs.

BDF requirements for **PFI ESMSs** are further detailed in **Chapter 4**. All BDF PFIs are required to provide sufficient capacity for the implementation of their respective ESMS. At the local level, PFIs have branch networks, which support BDF in BDF financed projects and programs.

### 1.2.3. Beneficiary Business Sectors

The main sectors that are eligible for BDF financing include the following (considering BDF projects and programs financed by IFIs to date):

- Various agriculture business sectors ranging from production, processing and trade.
- Agri trade and commodities
- Agriculture processing industry
- Construction
- Transport
- Services
- Health care

- Education

#### 1.2.4. Beneficiary Enterprises

The beneficiary enterprises under the BDF financing activities will be existing micro, small or medium-sized enterprises (MSMEs) and larger enterprises operating in Ukraine real economy sector.

**An illustrative list** of typical business activities, sectoral characteristics and potential E&S risks and impacts is provided in Annex A.

Eligibility criteria for enterprises to benefit from BDF projects and programs financed through IFIs will be defined by BDF and PFIs for each project and program. Such criteria may include but are not limited to:

- Enterprise registration status as per applicable Ukrainian legislation
- Duration of operations for existing enterprises
- Ownership status (e.g. private individual, resident of Ukraine)
- Number of employees
- Annual revenue at the time of application
- Profitability for existing enterprises (e.g. within the last four quarters)
- Compliance with any applicable restrictions stipulated by Ukrainian legislation
- Compliance with national legislation (including legislation governing protection of environment, labor rights and communities)

### **1.3. Overview of BDF ESMS**

This section provides an overview of the applicable E&S requirements under BDF ESMS and ESMS scope of applicability. Detailed procedures for E&S risk appraisal and management are described in the following chapters.

### 1.3.1. Applicable E&S Requirements

Beneficiary enterprises financed by BDF through the PFIs shall adhere to the E&S regulatory requirements stipulated by Ukrainian legislation, the BDF Exclusion List, as well as WB ESSs and relevant E&S requirements of other IFIs, as applicable.

From the ESMS effectiveness date, the E&S requirements stipulated by the BDF ESMS will be applicable to PFIs and business activities of their beneficiary enterprises financed by BDF through PFIs under projects and programs financed by WB or other IFIs.

To this end, BDF ESMS has been developed in line with applicable international standards and taking into account the reference documents, including, *inter alia*, the following:

- World Bank Environmental and Social Framework (ESF, 2018), including Environmental and Social Standards (ESSs) that form part of the ESF;
- WB ESF for Investment Project Financing (IPF) Operations – Guidance Note for Borrowers for ESS9: Financial Intermediaries (2018);
- International Finance Corporation (IFC) – Guidance Note on Financial Intermediaries (2023);
- IFC ESMS Implementation Handbook – General (2015);
- IFC ESMS Implementation Handbook – Crop Production (2014);
- Good International Industry Practices (GIIP) including the World Bank Environmental, Health and Safety (EHS) Guidelines – General (2007) and Agribusiness Industry Sectors) and any other relevant EHS guidelines.

BDF will adopt and implement other applicable E&S requirements as required depending on the nature of its activities and the E&S risks and impacts of the potential business activities to be supported. This will include the E&S policies and standards of other IFIs, with which BDF has been collaborating or will collaborate, as well as standards that may be specific to business activities financed by BDF.

### 1.3.2. ESMS Scope of Applicability

The BDF ESMS will be **applicable to all BDF PFIs and their beneficiary enterprises whose business activities are deemed eligible<sup>4</sup> for finance with support received from IFIs** from the BDF ESMS effectiveness date.

The ESMS applies to business activities with E&S risks rated as “**High**,” “**Substantial**,” “**Moderate**,” or “**Low**” according to the WB Environmental and Social Framework (ESF). Definition of E&S Risk classifications (i.e. high, substantial, moderate and low) as given in WB E&S Directive for Investment Project Financing<sup>5</sup> is presented in Annex B.

The tools and procedures under the BDF ESMS are designed to be commensurate with the E&S risks associated with business activities of BDF beneficiary enterprises. For managing E&S risks and impacts of business activities (considered for finance or financed), the ESMS includes:

- Simple E&S risk management tools and procedures for “**Low**” and “**Moderate**” risk business activities<sup>6</sup>.
- Advanced E&S risk management tools and procedures for “**Substantial**” and “**High**” risk business activities.

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<sup>4</sup> Please refer to Section 2.3.1 for Transaction Screening stage of E&S appraisal process and Annex B for [BDF Exclusion List](#).

<sup>5</sup> <https://ppfdocuments.azureedge.net/52955d77-eaea-40fa-9e42-299529933719.pdf>

<sup>6</sup> These constitute the Basic ESMS of BDF and have been in effect since January 23, 2024.

## 2. ESMS ELEMENTS

Key elements of the BDF ESMS are presented in Figure 4. These elements are designed to ensure systematic identification, assessment and management of the E&S risks and impacts of the BDF beneficiary enterprises in their business activities supported by BDF financing.

The system integrates the E&S appraisal outcomes into finance decision-making and transaction approval processes of BDF and its PFIs. This will be achieved by:

- (i) Implementing clearly defined **E&S appraisal procedures** consisting of:
  - a. **Transaction Screening** against the BDF Exclusion List and the national E&S legislation of Ukraine,
  - b. **E&S Risk Classification**, and
  - c. **E&S Due Diligence** of beneficiary enterprises' business activities for their E&S risks and impacts.

BDF will require PFIs to undertake these procedures **prior to finance decision-making** for proposed credit lines to Ukrainian BEs.

- (ii) Integrating E&S risk management considerations and requirements, based on the outcomes of E&S appraisal, into **finance decision-making and transaction approval processes** of BDF and its PFIs. This will be achieved through structured decision-making events; and
- (iii) Ensuring satisfactory E&S performance of BDF beneficiary enterprises by implementing **E&S supervision, monitoring, and reporting** procedures through its PFIs throughout the financing life cycle of beneficiary business activities.



Figure 4 – Elements of BDF ESMS

## 2.1. Environmental and Social Policy

BDF has adopted an **E&S Policy (Policy)** as an overarching element of this ESMS. Through its E&S Policy, BDF sets out its commitment to incorporating E&S considerations into its financing to address and manage the E&S risks and impacts associated with the financing of MSMEs and larger enterprises through the PFIs and ensure that the beneficiary activities do no harm to people and the environment throughout the financing life cycle of supported activities.

Through its E&S Policy, BDF commits to fostering resilience and inclusive growth within Ukraine's business sector for MSMEs and larger enterprises. In this regard, BDF acknowledges its pivotal role in ensuring that beneficiary enterprises have equitable and sustained access to affordable financial resources that are essential to overcoming the unique challenges affecting businesses in Ukraine's sector.

BDF's E&S Policy sets forth the guiding principles on which the BDF's commitment to compliance with the applicable E&S standards and other cross-cutting E&S issues protection of human rights, climate mitigation, adaptation and resilience, promotion of gender equality, consideration of disadvantaged/vulnerable<sup>7</sup> groups or individuals, ensuring safe and healthy working conditions, including good occupational health and safety culture and practice, and maintaining an effective ECM covering stakeholder engagement, information disclosure, and grievance management aspects, are founded upon.

Based on these guiding principles, BDF seeks to promote the long-term viability and global competitiveness of the national enterprises operating within the agricultural and other business sectors, amongst others, while concurrently contributing to global Food and Nutrition Security. In this context, BDF positions itself as a catalyst, striving to strategically transform risks and challenges in Ukraine's business sector into opportunities for MSMEs and larger enterprises by promoting sustainable practices and leveraging climate-smart technological advancements through improved access to vital financial resources. The overarching goal is to propel Ukraine's agribusiness and other sectors towards an environment characterized by inclusive business growth, responding not only to immediate challenges and risks at the national scale but also laying the foundation for a prosperous and sustainable future for all.

In pursuit of this vision, BDF is committed to ensuring that partnering commercial banks (the "PFIs") systematically incorporate E&S risk management considerations, identified through robust E&S appraisal procedures, into their credit decision-making and transaction approval processes. This will promote the principle of responsible financing through BDF partner banks and will also allow Ukrainian enterprises to safeguard the social, environmental, and economic sustainability of their business activities.

BDF requirements for information disclosure by PFIs are described in **Chapter 4** (please refer to Section 4.5 for PFI's External Communication Mechanism).

## 2.2. E&S Risk Appraisal and Management Procedures

The E&S Risk Appraisal and Management Process under this ESMS consists of the following:

**(i) BDF-specific Procedures** are detailed in **Chapter 3**:

- BDF's ESMS Compliance Assessment of PFIs and development of a Corrective Action Plan (CAP) as needed (prior to approval of PFIs participation into related IFI financed projects and programs)
- Process of incorporating E&S Covenants into Facility Agreements and Participation Agreements between BDF and PFIs (*based on BDF's ESMS Compliance Assessment of PFIs*)
- Finance (Facility) Agreement and Participation Agreements between BDF and PFIs

**(ii) PFIs-specific Procedures** are detailed in **Chapter 4**:

- PFI's ESDD of Prospective Enterprises' Business Activities and development of an Environmental and Social Action Plan (ESAP) as needed (~~prior to finance decision making~~)

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<sup>7</sup> Disadvantaged/Vulnerable groups or individuals refer to those who may be more likely to be adversely affected by the subproject impacts and/or more limited than others in their ability to take advantage of a subproject's benefits.

- Process of incorporating E&S Covenants into Facility Agreements between PFIs and Beneficiary Enterprises (*based on PFI's ESDD*)
- Facility Agreement between PFIs and Beneficiary Enterprises

### 2.3. E&S Supervision, Monitoring and Reporting

E&S supervision, monitoring and reporting under BDF ESMS consists of the following components:

- (i) Periodic E&S Monitoring and Reporting
- (ii) Incident and Accident Reporting and Investigation Requirements
- (iii) Management of E&S Non-compliances
- (iv) Annual E&S Reporting to Senior Management
- (v) Management of Change

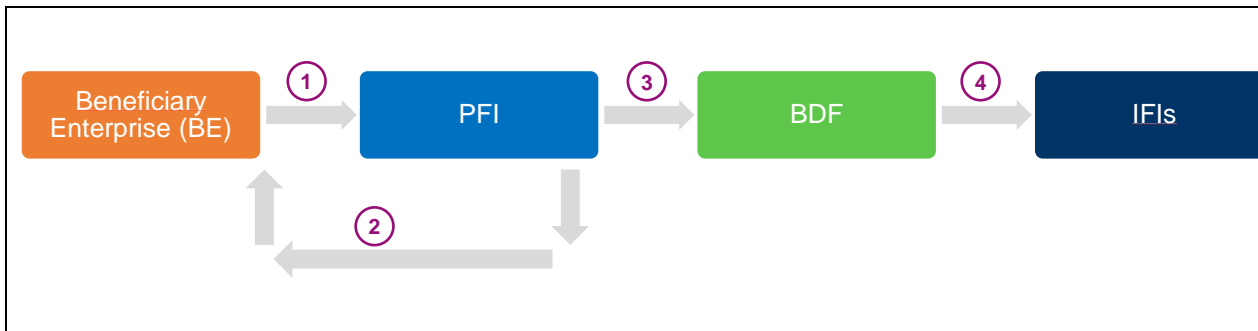
BDF-specific procedures are detailed in **Chapter 3**.

PFI-specific procedures are detailed in **Chapter 4**.

#### [Periodic E&S Monitoring and Reporting](#)

The E&S monitoring and reporting under BDF ESMS will be as shown in Figure 5 and summarized below:

- (1) BEs will continuously perform internal monitoring and periodically report to PFIs on ESAP implementation – see **Chapter 4**
- (2) PFIs<sup>8</sup> will periodically monitor ESAP implementation by BE (based on document review and/or site visits as appropriate) – see **Chapter 4**
- (3) PFIs will periodically report to BDF on implementation of PFI's ESMS – see **Chapter 4**
- (4) BDF will periodically report to IFIs on implementation of BDF's ESMS – see **Chapter 3**



**Figure 5 – E&S Monitoring and Reporting Components under BDF ESMS**

<sup>8</sup> BDF may also carry out select checks of enterprises and loans granted to them.



## Incident and Accident Reporting and Investigation

Timeframes required under BDF ESMS for reporting the accidents and significant<sup>9</sup> incidents are summarized below and presented in Figure 6.

- (1) **PFI**s will require beneficiary enterprises to notify the PFI no later than **24 hours after** the accident or significant incident takes place in BE's BDF beneficiary activities.
- (2) **BDF** will require PFI to notify BDF no later than **24 hours after learning** of an accident or significant incident that may take place at the PFI offices or during the operations of beneficiary enterprises.
- (3) **BDF** will notify the WB/ IFIs no later than **48 hours** after learning of an accident or significant incident.

An E&S Incident Notification Form presented in the stand-alone Supplementary ESMS Tools Package – Volume III ("**Tool III.1**"). It will be used by parties<sup>10</sup> to complete notification requirements. The PFI shall incorporate the template of the Form into facility agreements with each BE.

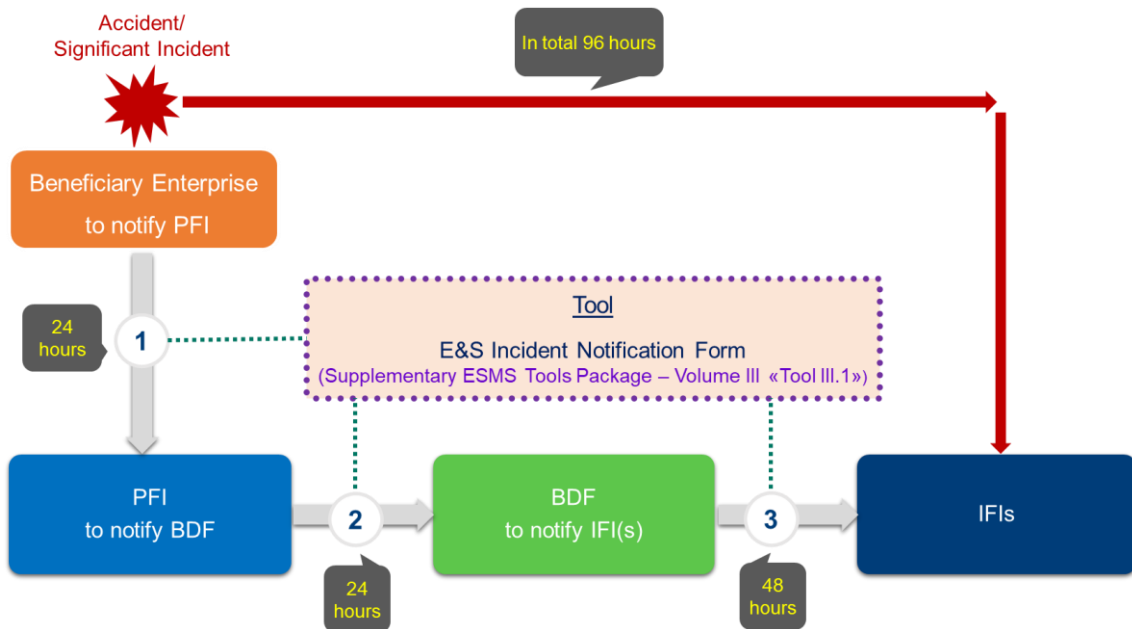


Figure 6 – Significant Incident and Accident Reporting Timeframes

<sup>9</sup> Any incident or accident relating to the BDF BE's financed business activities which has, or is likely to have, a significant adverse impact on the environment and/or health and safety of communities or any employees (direct or contracted) involved in the business operations will be considered significant. Examples of significant incidents include chemical and/or hydrocarbon materials spills; fire, explosion or unplanned releases, including during transportation; ecological damage/destruction; traffic or other type of accidents that could result in fatalities or serious or multiple injuries affecting employees and/or public complaint or protest; failure of emissions or effluent treatment; legal/administrative notice of violation; penalties, fines, or increase in pollution charges; negative media attention; chance cultural finds; labor unrest or disputes; local community concerns.

<sup>10</sup> The E&S Incident Notification Form is designed to enable use for notification to be done by all parties – BDF notification to IFIs; PFI notification to BDF; BE notification to respective PFI.

## 2.4. E&S Capacity and Competency

The planned governance structure at BDF, for which this ESMS is designed, is presented in Figure 7. The **Chief Risk Officer** at BDF has been designated as Senior Management Representative(s) of BDF with overall responsibility for environmental, health and safety, and social risk management, including the implementation of this ESMS.

**The Risk Management Department<sup>11</sup> headed by the CRO will cover the E&S risk sectors .**

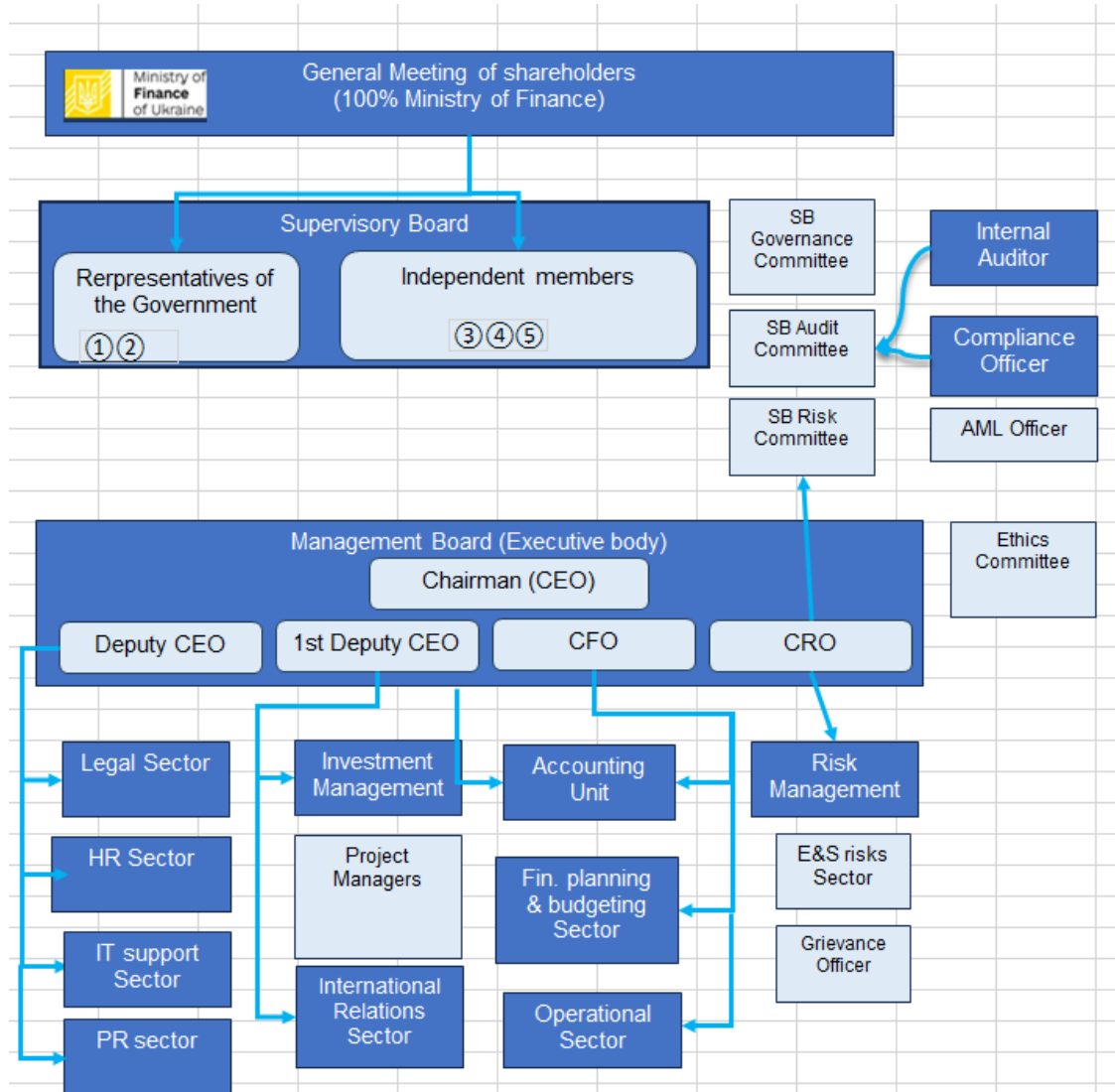


Figure 7 – Planned Governance Structure at BDF

<sup>11</sup> The Risk Management Unit of BDF will be responsible for all IFI and state programs and projects.

### 2.4.1. E&S Roles and Responsibilities

Key roles at BDF and PFIs with responsibilities for E&S management, including the implementation of this ESMS are summarized respectively in Table 1 and Table 2.

**Table 1 – BDF’s Key ESMS related Roles and Responsibilities under ESMS**

<b>Party/ Department</b>	<b>Role</b>	<b>Key Responsibilities</b>
Supervisory Board	Senior Management	<ul style="list-style-type: none"> <li>• Systematically monitor the risk management situation and influence the management Board's tendency towards risks.</li> </ul>
BDF Board of Directors	Senior Management	<ul style="list-style-type: none"> <li>• Approve and sign the E&amp;S policy to be disclosed to public by BDF</li> </ul>
BDF Management Board	Chairman of the Board – Senior Management	<ul style="list-style-type: none"> <li>• Execute decision to include PFIs in BDF’s IFI financed projects and programs based on E&amp;S risks identified as part of BDF’s ESMS Compliance Assessment of PFIs</li> <li>• Review, approve and sign finance agreements with PFIs</li> <li>• Approve manual and other E&amp;S documentation</li> </ul>
Risk Management Department	Chief Risk Officer (CRO) – Senior Management Representative	<ul style="list-style-type: none"> <li>• Act as Senior Management Representative of BDF with overall responsibility for environmental, health and safety, and social risk management, including the implementation of BDF ESMS.</li> <li>• Supervise day-to-day ESMS implementation and coordinate the ESMS Senior Specialist, ESMS Specialist(s) and Grievance Officer to ensure effective implementation and integration of ESMS into the risk-based Finance Decision-making process of BDF</li> <li>• Ensure allocation of adequate financial and human resources are in place for maintaining sufficient E&amp;S capacity for effective implementation of BDF ESMS</li> <li>• Review and prioritize the capacity building and resource requirements identified by the ESMS Senior Specialist and plan resource allocation for next periods</li> <li>• Designate the staff members who will act as ESMS Senior Specialist and ESMS Specialist</li> <li>• Review the key findings of BDF’s ESMS Compliance Assessment of PFIs</li> <li>• Participate in the BDF Management Board Meetings to present the key findings of BDF’s ESMS Compliance Assessments and advise BDF Board Members on the PFIs to be included in BDF’s IFI financed projects and programs based on their E&amp;S risk management capabilities</li> <li>• Pre-approve the E&amp;S policies, plans, procedures and documents to be disclosed by BDF</li> <li>• Approve updated ESMS elements including plans and procedures</li> <li>• Ensure that the E&amp;S related roles and responsibilities are clearly communicated to all staff under the Risk Management Department and other related departments under BDF</li> <li>• Review and sign-off periodic E&amp;S progress reports for submission to BDF Senior Management (i.e. Annual ESMS Implementation Progress Reports)</li> <li>• Review and sign-off the Periodic Monitoring Reports on BDF ESMS Performance prior to issuing to WB/ IFIs</li> <li>• Upon receipt of incident/ accident notification from PFIs, notify WB/ IFI(s) in line with this ESMS</li> <li>• Undertake all other E&amp;S related responsibilities as a staff member of the BDF Management Department</li> </ul>

Party/ Department	Role	Key Responsibilities
	ESMS Senior Specialist <sup>12</sup>	<ul style="list-style-type: none"> <li>• Carry out day-to-day ESMS implementation</li> <li>• Collaborate with and support the CRO to ensure integration of BDF ESMS into the risk-based Finance Decision-making process of BDF</li> <li>• Carry out BDF's ESMS Compliance Assessment of PFIs for submission to the CRO and Senior Management</li> <li>• Ensure that CAPs are incorporated into finance agreements executed between BDF and PFIs</li> <li>• Regularly study data on E&amp;S parameters of loans issued by PFIs, especially projects with higher risks and eligibility checks of low risk projects</li> <li>• Conduct review of credit files sample subject to compliance with risk categorization, purpose of loan, requirement of exclusion list, correction plans, monitoring reports</li> <li>• Monitor the implementation of the BDF ESMS in all related activities and identify improvement opportunities</li> <li>• Evaluate the capacity building and resource requirements for effective ESMS implementation periodically and report the estimated budget requirements to the CRO</li> <li>• Report the critical E&amp;S issues related to ESMS implementation to the CRO</li> <li>• If delegated by the CRO, upon receipt of incident/ accident notification from PFIs, notify WB/ IFI(s) in line with this ESMS</li> <li>• Prepare and submit periodic E&amp;S progress reports to the CRO (i.e. Annual ESMS Implementation Progress Reports)</li> <li>• Whenever needed, support project managers</li> <li>• Supervise the Grievance Officer for day-to-day implementation of ECM</li> <li>• Undertake all other responsibilities as a staff member of the BDF Risk Management Department (e.g. environmental specialist or social impact specialist) and any other ESMS related responsibility delegated by the CRO</li> </ul>
	ESMS Specialist <sup>13</sup>	<ul style="list-style-type: none"> <li>• Provide support to the ESMS Senior Specialist as needed in day-to-day ESMS implementation</li> <li>• Support the ESMS Senior Specialist in preparing periodic E&amp;S progress reports for submission to CRO (i.e. Annual ESMS Implementation Progress Reports) Undertake all other responsibilities as a staff member of the BDF Risk Management Department (e.g.</li> </ul>

<sup>12</sup> Required qualifications for the **ESMS Senior Specialist** role include the following.

- University degree from the engineering departments (environmental engineering, chemical engineering, civil engineering, etc.).
- Minimum 7 years of professional experience with minimum 5 years of working experience in assessing, managing and monitoring the E&S risks of the projects financed by IFIs, including Substantial and High Risk projects
- Excellent English proficiency is required
- Knowledge and understanding of E&S issues and risks in projects financed by IFIs
- Sound knowledge and ability to work with software systems

<sup>13</sup> Required qualifications for the **ESMS Specialist** role(s) include the following:

- University degree from related department
- Minimum 3 years of professional experience with minimum 2 years of working experience in assessing, managing and monitoring the E&S risks of the projects financed by IFIs
- Excellent English proficiency
- Sound knowledge and ability to work with software systems

Party/ Department	Role	Key Responsibilities
		<ul style="list-style-type: none"> <li>environmental specialist or social impact specialist) or any other ESMS related responsibility delegated by the CRO or ESMS Senior Specialist</li> </ul>
	Grievance Officer	<ul style="list-style-type: none"> <li>Carry out day-to-day implementation of BDF's External Communication Mechanism (as detailed in Section 3.4)</li> </ul>
Investment Department	Project Managers	<ul style="list-style-type: none"> <li>Participate in checking the eligibility of potential PFIs in cooperation with the BDF Risk Management Department</li> <li>Undertake negotiations with institutions regarding partnership conditions and preparation of projects and final investment proposals</li> <li>Prepare and conduct, in cooperation with the BDF Risk Management Department, remote and on-site analysis of the activities of partner institutions and potential partner institutions</li> <li>Collect reports from PFIs on loans provided to BEs, including data on kind of activities and category of E&amp;S risk</li> </ul>
Other	Legal Sector	<ul style="list-style-type: none"> <li>Provide input to the BDF's due diligence process regarding the legal and compliance related aspects in cooperation with the BDF Risk Management Department as required</li> <li>Review and provide input to partnership agreements, cooperation agreements, guarantee agreements, facility agreements, credit agreements and security agreements</li> </ul>
	Compliance Officer	<ul style="list-style-type: none"> <li>Carry out the responsibilities delegated for day-to-day implementation of BDF's External Communication Mechanism (as detailed in Section 3.4)</li> <li>[other responsibilities to be defined by BDF]</li> </ul>

**Table 2 – PFI's Key ESMS related Roles and Responsibilities under BDF**

Role	Key Responsibilities
PFI's Senior Management Representative(s)	<ul style="list-style-type: none"> <li>Hold ultimate responsibility for implementation of PFI ESMS and liaison with BDF</li> <li>Ensure allocation of adequate financial and human resources are in place for maintaining sufficient E&amp;S capacity for effective implementation of PFI ESMS</li> <li>Designate an ESMS Senior Specialist and an ESMS Specialist, who will be responsible for day-to-day implementation of the PFI's ESMS (The qualifications required for these roles are detailed in the Supplementary ESMS Tools Package – Volume II, 'Tool II.11').</li> <li>Designate an External Communications Mechanism – ECM focal point(s)</li> <li>Where necessary (e.g. in High risk business activities), commission independent third-party specialists/technical consultants to assist in the E&amp;S risk assessment (e.g. ESDD), management and monitoring processes of business activities supported or considered for finance in line with the requirements of BDF ESMS.</li> <li>Review and prioritize the capacity building and resource requirements identified by the PFI's E&amp;S teams and plan resource allocation for next periods</li> <li>Review the key findings of PFI's ESDD of Prospective Enterprises' Business Activities</li> <li>Ensure that E&amp;S action plans are incorporated into facility agreements executed with the beneficiary enterprises</li> <li>Ensure that BDF is notified of any significant E&amp;S incident or accident within the timeframes defined in this ESMS</li> </ul>

Role	Key Responsibilities
PFI's Risk Management Unit involved in E&S risks (including staff to be designated as PFI's ESMS Senior Specialist, PFI's ESMS Specialist and PFI's ECM focal point)	<ul style="list-style-type: none"> <li>• Prepare and submit a detailed E&amp;S Incident Investigation Form, supplemented with an RCA, to BDF <b>30 days</b> of the accident/ incident.</li> <li>• Ensure day-to-day implementation of PFI's ESMS (as detailed in Chapter 4) (Each PFI (bank) will assign an ESMS Senior Specialist and an ESMS Specialist, who will be responsible for the day-to-day implementation of the PFI's ESMS. The qualifications required for these roles are detailed in the Supplementary ESMS Tools Package – Volume II, 'Tool II.11').</li> <li>• Where involved (e.g. in High risk business activities), cooperate with the independent third-party specialists/technical consultants commissioned in the E&amp;S risk assessment (e.g. ESDD), management and monitoring processes of business activities supported or considered for finance in line with the requirements of BDF ESMS.</li> </ul>
Loan Officers	<ul style="list-style-type: none"> <li>• Participate in checking the eligibility of BEs in cooperation with the PFI's Risk Management Unit</li> <li>• Provide support and input to the PFI's Risk Management Unit's due diligence process (including E&amp;S risks) as required</li> <li>• Provide support and input to the PFI's Risk Management Unit's in implementing the external communications mechanism (ECM)</li> <li>• Participate in negotiations with the beneficiary BEs regarding facility agreement conditions</li> <li>• Prepare and conduct, in cooperation with the PFI's Risk Management Unit, remote and on-site analysis, monitoring and supervision of the supported activities of the beneficiary BEs</li> </ul>
Legal Department	<ul style="list-style-type: none"> <li>• Provide input to the PFI's due diligence process regarding the legal and compliance related aspects in cooperation with the PFI's Risk Management Unit</li> <li>• Review and provide input to facility agreements to be signed with the beneficiary BEs</li> </ul>

## 2.4.2. ESMS Training

BDF will ensure building and maintaining sufficient capacity and competency at BDF and PFIs for effective implementation of ESMS through the implementation of ESMS Training Plan presented in Table 3.

BDF will require PFIs to ensure adequate financial and human resources are available for ESMS training of PFI E&S staff as envisaged in the ESMS Training Plan.

**Table 3 – ESMS Training Plan**

<b>Audience</b>	<b>Training Content</b>	<b>Timeframe</b>
BDF Senior Management Representative(s)	Briefing on BDF Detailed ESMS and Implementation Requirements	Before Detailed ESMS Roll-out
BDF Staff	Detailed ESMS Fundamentals and Implementation	Before Detailed ESMS Roll-out prior to Detailed ESMS Effective Date
PFI staff	BDF Detailed ESMS Fundamentals and Implementation	Following completion of Component 1 & 2 (to be planned by BDF in consultation with WB)
Beneficiary Enterprises	Training on PFI's E&S requirements	Following execution of facility agreement
	Induction and Refresher Training Sessions  WB ESF Fundamentals eLearning <sup>14</sup> (as a part of the ESF Borrower Training roll out program).	<u>Induction:</u> <ul style="list-style-type: none"><li>• Following recruitment of new E&amp;S personnel (individually or in groups as appropriate)</li></ul> <u>Refreshers:</u> <ul style="list-style-type: none"><li>• Annually</li></ul>

## 2.5. External Communications

BDF will implement an External Communications Mechanism (ECM) for BDF beneficiary business activities to ensure effective consultation on financing activities.

PFIs are required to support BDF in implementing the ECM in BDF projects and programs financed by International Financial Institutions (IFIs) through PFIs.

BDF-specific ECM procedures are presented in **Chapter 3**.

PFI responsibilities for supporting BDF in implementing ECM are presented in **Chapter 4**.

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<sup>14</sup> <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/esf-training>

# 3. BDF-SPECIFIC ESMS PROCEDURES

## 3.1. DF’s ESMS Compliance Assessment of Applicant PFIs

BDF requires respective PFIs, providing on-lending to beneficiary enterprises, to maintain and implement satisfactory ESMSs to manage the E&S risks and impacts associated with their investment decisions to BDF beneficiary enterprises.

Therefore, when PFIs apply to BDF for participation in projects and programs funded by IFIs, BDF will assess each PFI’s ESMS in line with approved BDF’s ESMS requirements (which is compliance with national E&S laws of Ukraine, BDF Exclusion List and the World Bank ESSs) to determine the necessary ESMS actions required of the PFIs prior to providing loans to BDF beneficiary enterprises. The two potential cases BDF from assessing PFIs ESMS readiness for BDF investments are:

- **Case (1) – No ESMS exists at a PFI.**

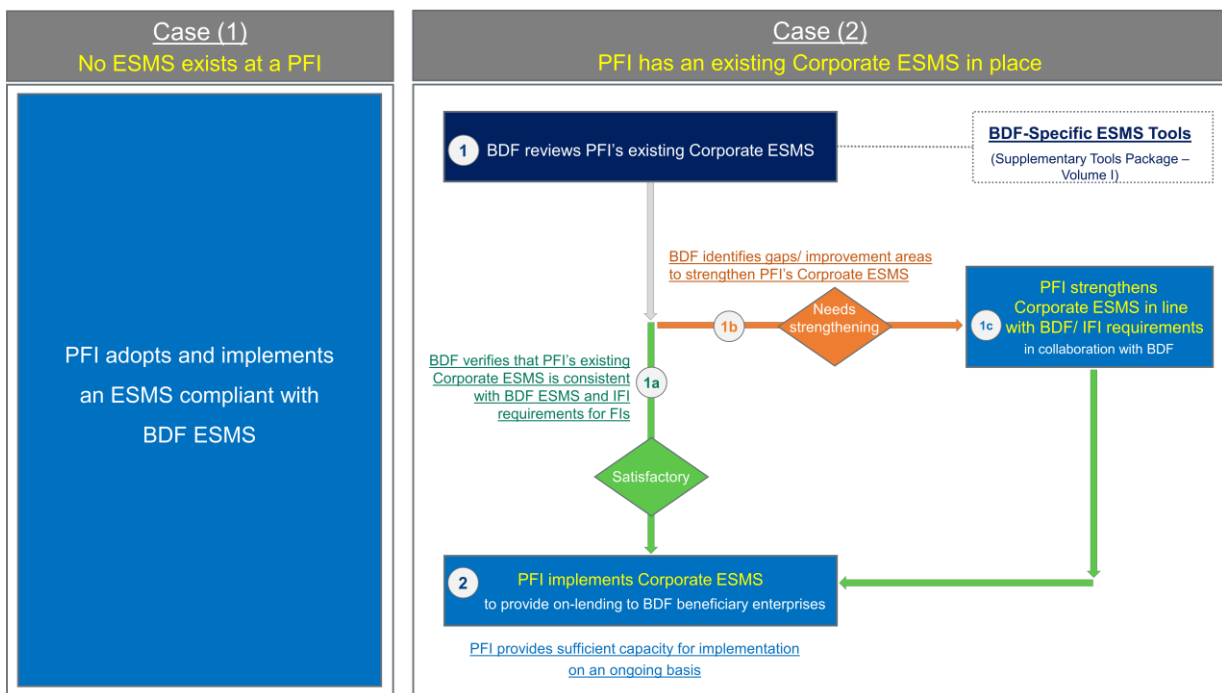
Where no ESMS exists at a PFI, the PFI may implement an ESMS compliant with this BDF ESMS as part of its finance decision-making process (details and guidance for compliant ESMS are provided further in the text and supplementary volumes). BDF will ensure the ESMS fully aligns with E&S requirements of financial institutions supporting its operation (such as IFIs).

- **Case (2) – PFI has an existing Corporate ESMS in place.**

If a PFI already has an ESMS, BDF shall review and ensure that the respective PFI ESMS fully meets the principal approaches of BDF ESMS requirements for FIs.

The approach to be followed by BDF in each case is summarized in Figure 8. In both cases, the BDF shall evaluate and validate the adopted ESMS by sending the letter to the PFI with acceptance of ESMS. For follow up verification of ESMS compliance, the BDF shall arrange follow-up review of loans online/offline in each PFI within 6 (six) months after official approval of E&S Policies and other relevant ordinances.

In each case, ESMS will be incorporated into PFIs existing finance decision-making processes. All BDF PFIs will be required to continuously maintain sufficient capacity for the implementation of their respective ESMS.



**Figure 8 – Approach to be followed by BDF in their ESMS Compliance Assessment of PFIs**





### 3.2. Finance (Facility)/ Participation Agreements Incorporating E&S Requirements

BDF will incorporate necessary E&S covenants into facility/participation agreements with PFIs.

These E&S covenants will be determined based on the Corrective Action Plans (CAP) that will be developed as needed, based on the outcomes of BDF's ESMS Compliance Assessment of PFIs.

The E&S covenants may include, but are not limited to the following provisions/ requirements:

- Compliance with national legislation and applicable permitting requirements
- Adopting and implementing an ESMS compliant with this BDF ESMS or strengthening existing ESMSs through specific actions
- E&S instruments (e.g. E&S Policy, E&S plans and procedures such as labor management procedure, etc.)
- E&S capacity and competency (e.g. designation of E&S staff, delivery of E&S training programs, etc.)
- Periodic reporting to BDF by PFIs
- Incident and accident reporting
- External communications

The CAP will be part of facility/ participation agreement to be executed between the BDF and the PFIs.

### 3.3. BDF's E&S Supervision, Monitoring and Reporting Procedures

BDF's E&S supervision, monitoring and reporting procedures consist of the following:

- Periodic reporting to WB/ IFIs
- Annual reporting to BDF Senior Management (by BDF's Risk Management Department)
- Incident and Accident Reporting to WB/ IFIs
- Management of Changes by BDF

#### 3.3.1. BDF's Periodic Reporting to IFIs

BDF will report to IFIs periodically on the implementation of BDF ESMS.

The frequency of reporting to IFIs will be semi-annual. The first report shall be provided as of the end of 2024.

Each report will be submitted to the recipient party no later than **30 business days** after the end of each reporting period.

Template for periodic reports to be submitted by BDF to IFIs is presented in the stand-alone Supplementary ESMS Tools Package – Volume I (“**Tool I.3**”).



### 3.3.2. BDF's Incident and Accident Reporting to WB/ IFIs

General framework for incident and accident reporting under BDF ESMS is outlined in Section 2.3 (including timeframes for PFIs notification to BDF and BDF's notification to WB/IFIs).

The E&S Incident Notification Form presented in the stand-alone Supplementary ESMS Tools Package – Volume III (“**Tool III.1**”) will be used by BDF<sup>15</sup> to complete notification requirements.

For accidents and significant incidents, BDF will require the PFIs to ensure that a detailed E&S Incident Investigation Form is prepared by the BE subsequent to the incident/ accident notification and submitted to BDF no later than **30 calendar days** of the accident/ incident date. This form shall be disclosed for each BE, and attached to Facility Agreement.

Subsequent to the review of detailed E&S Incident Investigation Form, as necessary BDF will request PFIs to ensure that a **Root Cause Analysis (RCA)**, proposing any measures to address the accident/ incident and prevent its recurrence, is prepared on the incident or accident.

In this case, BDF will require PFIs to submit the RCA to the BDF no later than **15 calendar days** of such request.

### 3.3.3. Management of E&S Non-compliances

BDF requires PFIs to ensure management of E&S non-compliances (through E&S actions to be implemented by beneficiary BEs) identified during implementation of beneficiary business activities and report them to BDF through PFIs' periodic reporting procedures (as defined in Section 4.4.1).

### 3.3.4. Periodic Reporting to BDF Senior Management

BDF –Risk Management Department will submit **Semi-annual ESMS Implementation Progress Reports** to BDF Management Board.

Progress reports will provide information on the following:

- Periodic review of the effectiveness of BDF's ESMS
- Overall portfolio exposure as a function of E&S risk category or by exposure to industry sector or transaction type as a function of E&S risk category.
- Material E&S aspects and risk in beneficiary enterprises business activities supported by BDF through PFIs

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<sup>15</sup> The E&S Incident Notification Form is designed to enable use for notification to be done by all parties – BDF notification to IFIs; PFI notification to BDF; BE notification to respective PFI.



### 3.3.5. Management of Changes by BDF

Changes that may be triggered at various stages of the facility agreement life cycle of the beneficiary business activities will be managed by BDF and PFIs in a systematic process. This is to ensure that potential E&S risks and impacts that could stem from such changes are managed in line with the applicable E&S requirements.

Potential changes in BDF beneficiary business activities may include but not limited to the following:

- Legislative changes impacting business activities of beneficiary enterprises (e.g. new permitting processes).
- Administrative/ organizational changes at the decision-making levels at BDF or PFIs (resulting in potential delays in processing of agreements, approvals, delays in recruitment of staff, etc.).
- Staffing changes (rotation of trained staff, resigning staff, etc.) Changes in the site processes, facilities, materials or equipment used by beneficiary enterprises, etc.
- Significant incidents or accidents resulting in increased risk profile in beneficiary enterprises' financed business activities.
- Changes that may be caused by conflict conditions (e.g. E&S and governance risks that emerge due to war-related conditions such as changes in the E&S capacity of the institutions, land contamination, community health and safety related issues, emergencies, risks on workforce, impact on supply chain processes, impact on livelihoods/ income of the beneficiary enterprises, limitations in availability of E&S staff, etc.).

BDF will require PFIs to identify, document and review the changes in financed business activities of the beneficiary enterprises. Procedures to be followed by PFIs to notify changes to BDF are described in **Chapter 4**.


### 3.4. BDF's External Communication Mechanism

In BDF beneficiary business activities, grievances and feedback can be received from public either by BDF or PFIs. BDF's procedure for external communications is intended to provide a means for the public to submit queries or concerns related to the Bank's Environmental & Social Policy and/or projects financed by BDF, and have these inquiries responded to by the Bank in a timely manner. This process of receiving, reviewing, and responding to communications from external stakeholders is managed by the BDF Risk Management Department (teams under CRO) or the Compliance Officer under the supervision and coordination of the CRO.

A person, community or other external stakeholder, such as a civil society organization, can submit their questions or concerns to BDF either by sending an e-mail to the following e-mail address: **mail@bdf.gov.ua** or by sending a mail to the following address: **7a Lypska street, 01601, Kyiv, Ukraine**.

Where the question or concern relates to a project financed by BDF, the interested or affected person(s) are first encouraged to discuss the matter directly with the project company. In cases where the question or concern was not addressed sufficiently at the project level by the company, interested parties may submit their query to BDF, in writing, providing the following information:

- a. Name and Contact Information of the sender;
- b. Name of the project and/or company to which the concern relates;
- c. Description of the concern and any supporting documentation;
- d. Date of the incident or action giving rise to the complaint (if applicable);
- e. Specific remedy sought (if applicable);
- f. Any other information as deemed appropriate by the sender.



BDF officer assigned on dealing with complaints (Compliance Officer or Grievance Officer) will provide a confirmation of receipt to the sender within **48 hours** of receiving the written question or concern and inform them that they will receive a response in writing within **15 business days**.

BDF officer assigned on dealing with complaints (Compliance Officer or Grievance Officer), will review the content of the communication and will draft a response, with involvement from the relevant project manager responsible for the project. A draft response will be submitted within **10 working days** to the Chief Risk Officer (CRO) for approval. If the CRO approves the draft, the Compliance Officer or Grievance Officer will forward the response to the sender. Any change to the draft response proposed by the CRO will be consulted with the relevant project manager, and its final version will be sent to the sender no later than **15 days** from the receipt of the communication.

In case the Compliance Officer or the Grievance Officer, following the previous point in this procedure, and in consultation with relevant project manager, considers that the communication from the sender raises serious Environmental and/or Social issue(s) for a portfolio project, the relevant project manager will immediately contact the client to seek any relevant information, and may carry out additional investigation. If such investigation leads the project team to conclude that the project is not meeting BDF E&S Policy, the relevant project manager will inform the CRO about this fact. The relevant E&S specialist (may be the ESMS Senior Specialist or ESMS Specialist) will prepare a Supplemental Corrective Action Plan (SCAP) to be discussed with and implemented by the client.

The BDF Compliance Officer or the Grievance Officer will then send a second, follow up response to the sender about any steps requested from the client once the SCAP is ready and accepted by the client, but not later than **60 working days** from the receipt of the original communication.

Information about this procedure will be available on BDF website.

There is no cost or fee associated with submitting a question or concern through this procedure. Interested and affected parties may submit queries or concerns without fear of retribution and may request that BDF not disclose the names of individuals to the project company without prior permission.

Anonymous complaints may be submitted without personal details. Anonymous complaints will be investigated but the complaining party must initiate contact with the BDF to obtain a response to the complaint investigation.

Confidentiality will be ensured in all instances, including when the person making the complaint is known.

Separate communication channel will be established by BDF addressing SEA/SH cases in an ethical and confidential manner in line with a survivor-centered approach to ensure protection and best interest of the survivors. A referral mechanism in case of reporting and/or receiving allegations will be also developed. The confidentiality of the complainant's personal data will have a high priority. Procedure for the Management of Sensitive Complaints (including one related to sexual exploitation and abuse/sexual harassment – SEA/SH) is presented in the stand-alone Supplementary ESMS Tools Package – Volume III ("**Tool III.3**").

The Compliance Officer or the Grievance Officer will log and track all public inquiries received by way of this procedure including date received; date the response was sent; and issues raised.

BDF will establish and maintain a Grievance Log that will compile all grievances, complaints, information requests and feedback received and managed by BDF, where Compliance Officer or the Grievance Officer is responsible for maintaining the Grievance Log. It will also have a separate section dedicated to grievances received by each PFI participating in the BDF financed projects and programs. This system will be designed to enable BDF's ECM focal point to follow-up holistically on effective grievance management by PFIs in BDF financed projects and programs, in line with the BDF ESMS requirements.

For any grievance or feedback received by PFIs, regarding the BDF beneficiary business activities financed through PFIs, BDF will require the PFIs to implement the ECM described in ESMS Section 4.5.

## 4. PFI-SPECIFIC PROCEDURES

To identify, assess, manage, and monitor the E&S risks and impacts of business activities financed through PFIs, BDF requires each PFI to adhere to the BDF ESMS requirements.

1. Each PFI shall adopt and implement an ESMS that aligns with BDF's ESMS. PFIs ESMS shall be approved by BDF.
2. The ESMS and procedures shall be applied as part of the credit approval process for beneficiary borrowers under IFI projects.
3. Each ESMS shall have:
  - a. An **E&S Policy** approved by PFI authorized body.
  - b. Clearly defined **procedures** for undertaking E&S due diligence (ESDD) through identification, assessment and management of the E&S risks and impacts of business activities to be financed. These procedures include the following:
    - (i) Screening against the BDF Exclusion List and the national E&S laws of Ukraine (**Transaction Screening**);
    - (ii) Screening, reviewing, and risk classification of the proposed business activities according to their potential E&S risks and impacts;
    - (iii) Applying **relevant requirements of the World Bank ESSs**;
    - (iv) Developing ESAP as gap filling measures to meet the requirements of ESSs;
    - (v) Monitoring any E&S actions proposed for the business activity. Any necessary assessments and plans shall be prepared and implemented by Beneficiary Enterprises after review and approval by PFIs and BDF.
    - (vi) **Monitoring and reporting** of E&S performance of financed business activities and the effectiveness of ESMS implementation by PFIs. This includes incidents and accidents notification and subsequent reporting requirements.
  - c. An **External Communication Mechanism (ECM)**, including measures to address and respond to public enquiries and concerns in a timely manner.

4. Each PFI shall have adequate **organizational capacity and competency**, with clearly defined roles and responsibilities, for the implementation of their respective ESMS. Organizational capacity and competency requirements at PFIs level should be in line with the respective requirements at the BDF level, including definition of roles and responsibilities and capacity building through ESMS training – these requirements are outlined in this ESMS Section 2.4.

5. BDF requires PFIs to review and update their ESMSs from time to time (at least annually) or when the E&S risk profile of their portfolio changes significantly.

### 4.1. PFI's ESDD of Prospective Beneficiary Enterprise's Business Activities

BDF requires each PFI to undertake a systematic (ESDD of the business activities of prospective business enterprises (BEs) and ensure that E&S risk considerations are integrated into PFI's finance decision-making and transaction approval processes.

Accordingly, PFIs will implement the following ESDD procedure steps upon receipt of an application from a BE. The PFI has the right to develop another in-house version of ESDD Form, subject to approval by the BDF on appropriateness for identification and categorization of E&S risks. The modified ESDD Form may not exclude aspects of assessment, that covered by the template from BDF. Figure 9 provides a summary of the process. A detailed flow chart of the full procedure is presented in the stand-alone Supplementary ESMS Tools Package – Volume II ("**Tool II.10**").

## **Step 1 – Beneficiary enterprise (BE) application to PFI for financing**

Prospective BE will apply to the PFI to benefit from financing for its business activities.

## **Step 2 – E&S Due Diligence of prospective BE's business activities**

PFI will conduct an ESDD of the prospective BE's business activities through the following sub-steps:

### ○ **Step 2a – Transaction Screening against BDF Exclusion List**

1. PFIs will screen the business activities of all prospective BE's against the BDF Exclusion List (see Annex C) and any exclusion in the legal agreement at the start of the transaction.
2. Based on transaction screening results, PFIs will decide whether to proceed with further E&S appraisal of the prospective enterprise's business activities or not:
  - a. For business activities that are not on BDF Exclusion List, PFI proceeds to Step 2b: E&S Risk Classification and ESDD<sup>16</sup>.
  - b. Business activities that are on BDF Exclusion List are considered ineligible for finance by IFIs under BDF programs. In this case, PFIs do not proceed further with the E&S appraisal.

### ○ **Step 2b – E&S Risk Classification and Due Diligence**

For business activities of the prospective BE, PFI will complete the E&S Due Diligence (ESDD) Form<sup>17</sup> to screen, review and classify the business activities according to their potential E&S risks and impacts (for ESDD Form please refer to Supplementary ESMS Tools Package – Volume II "**Tool II.1**"). Please note that Tool II.1 includes specific instructions for the working capital facility type).

Tasks under this step will be carried out in-house by PFI's E&S teams (with qualification and competencies as outlined in this ESMS Section 2.4).

When technical capacity and industry-specific experience of PFI's in-house E&S team is sufficient and adequate to manage the E&S risks of the proposed business activity, **Low, Moderate and Substantial Risk** business activities can be assessed (through ESDD process) by the in-house E&S team with optional involvement of third-party technical consultant (for subject-specific support, such as OHS expertise, biodiversity expertise etc.).

When PFI's in-house team competency *is not sufficient or not relevant to BE industry*, and also in cases of business activities classified as **High Risk or complex**, the E&S due diligence will be undertaken for those activities by experienced and qualified independent third-party specialists (engaged on case-by-case basis or retained by PFIs) as detailed under Step 2c<sup>18</sup>.

In order to properly assess E&S risks of BE, before completing the ESDD Form, PFIs may additionally consult with the prospective BE and/or request them to submit in writing the information that would be key to the risk classification and assessment. Depending on organizational capacity, scale, and complexity of PFI's operations, the PFI may choose centralized or decentralized model of E&S assessment: (i) all loan applications are reviewed and assessed by E&S Risk function in head office, or (ii) qualified front officers in branches preliminarily assess the E&S risks. However, for **Substantial** and **High** risks professional assessment / verification by authorized staff in head office is required in both cases.

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<sup>16</sup> Conditions causing the exclusion might not be readily identifiable at the initial Transaction Screening phase of respective transactions. BDF's involvement will typically not proceed if conditions triggering the exclusion are identified at a later stage of the E&S appraisal process of PFIs or BDF.

<sup>17</sup> This form is designed following the WB E&S standards (ESSs) forming part of ESF (2018).

<sup>18</sup> Terms of Reference (ToR) template for the ESDD consultancy services is provided in the stand-alone Supplementary ESMS Tools Package – Volume II "**Tool II.3**". As required based on the ESDD outcomes, PFIs will require BE's to engage technical consultants for the development of the required E&S instruments (through E&S assessments – ESAs). Outlines for the E&S instruments that PFIs may require from BEs for their Substantial or High-risk business activities based on ESDD outcomes are also provided in the stand-alone Supplementary ESMS Tools Package – Volume II "**Tool II.5**".



Based on the outcomes of ESDD Form, PFI will classify the prospective BE's business activity into one of the four risk categories according to WB E&S Directive for Investment Project Financing<sup>19</sup>: “**Low**”, “**Moderate**”, “**Substantial**” or “**High**” (as summarized in Figure 10).

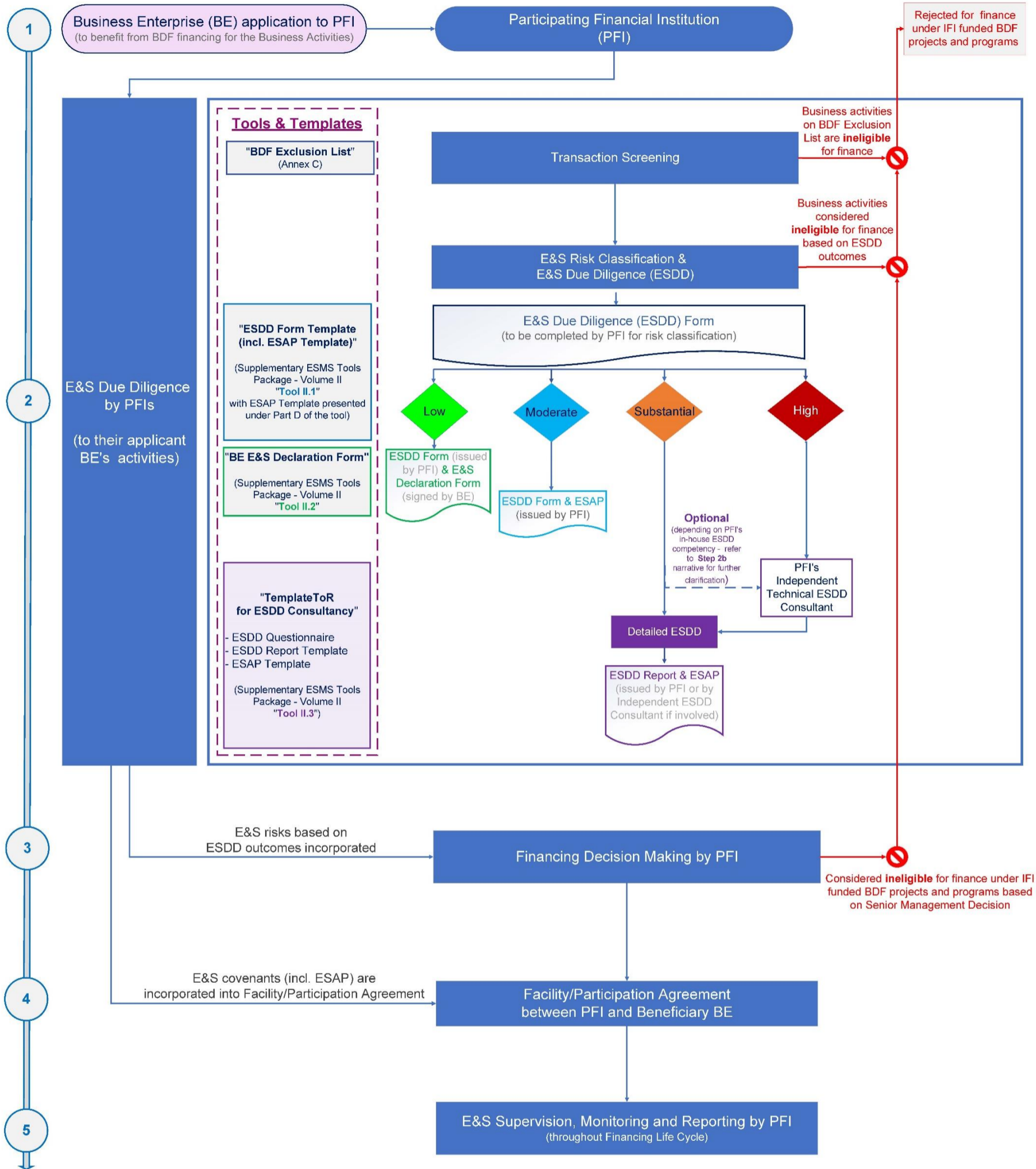
Detailed description of each risk classification is provided in Annex B.

The E&S risk rating of the business activity will be documented within the E&S Due Diligence Form (please refer to Supplementary ESMS Tools Package – Volume II “**Tool II.1**” – **Part E**).

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<sup>19</sup><https://ppfdocuments.azureedge.net/52955d77-eaea-40fa-9e42-299529933719.pdf>

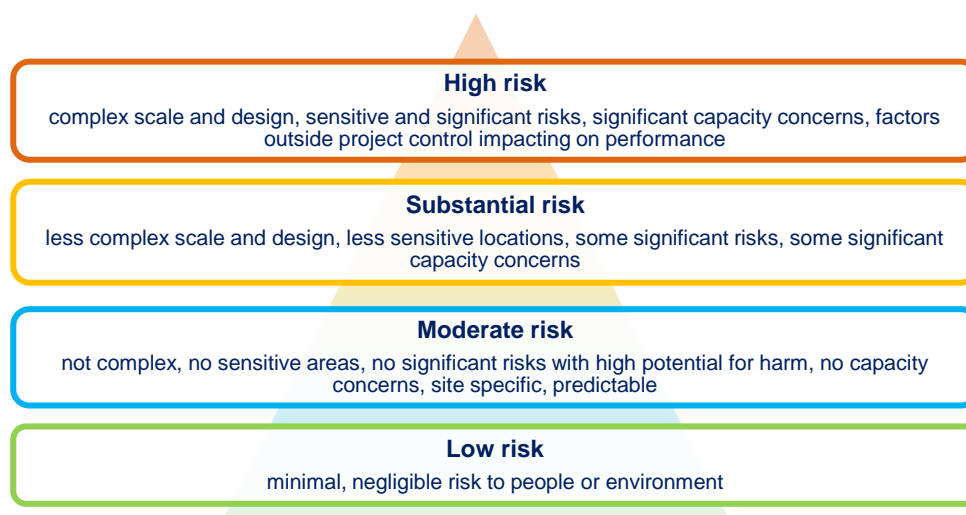
**Procedure Steps**



**Figure 9 – Summary of PFI's ESDD of Prospective Enterprises' Business Activities**

(please read in conjunction with the procedural steps described in Section 4.1)





**Figure 10 – E&S Risk Classification System adopted by BDF**

(please refer to Annex B for detailed description of each risk classification)

An indicative list of High and Substantial Risk Business Activities is presented in Annex D.

o **Step 2c – ESDD Documentation per E&S Risk Categories**

ESDD documentation to be developed per the E&S risk categories of the prospective BE’s business activities and incorporated into Facility Agreements to be signed with the beneficiary BEs are summarized in Table 4.

**Table 4 – ESDD Documentation per E&S Risk Categories**

<b>E&amp;S Risk Rating</b>	<b>ESDD Documentation</b>	<b>How ESDD outcomes will be incorporated into Facility Agreement?</b>
Low	<ul style="list-style-type: none"> <li>The ESDD Form (completed in Step 2b) will constitute the ESDD documentation.</li> <li>No further appraisal is required.</li> <li>Where subprojects are likely to have minimal or no adverse environmental or social risks and impacts, such subprojects do not require further environmental and social assessment following the initial screening (WB 2017, page 8)</li> </ul>	<ul style="list-style-type: none"> <li>ESDD form with appraisal is saved by the PFI in credit file.</li> <li>All facility agreement with BE should include provision on adherence to E&amp;S standards and provision of progress report. To achieve this, an E&amp;S Declaration Form to be signed by the beneficiary BE will form part of the Facility Agreement (please see Supplementary ESMS Tools Package – Volume II “<b>Tool II.2</b>”).</li> </ul>

E&S Risk Rating	ESDD Documentation	How ESDD outcomes will be incorporated into Facility Agreement?
Moderate	<ul style="list-style-type: none"> <li>PFI will develop an ESAP<sup>20</sup> based on the ESDD Form. A template for ESAP is provided in the stand-alone Supplementary ESMS Tools Package – Volume II “<b>Tool II.1 – Part D</b>”).</li> <li>No further appraisal is required.</li> <li>The ESDD Form (completed in Step 2b) and the ESAP will constitute the ESDD documentation</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S covenants (incl. ESAP) will form part of the Facility Agreement.</li> </ul>
Substantial or High	<ul style="list-style-type: none"> <li>PFI will develop an ESAP based on the ESDD findings<sup>21</sup>. A template for the Terms of Reference (ToR), including ESDD Questionnaire and ESAP Template for Substantial and High-risk business activities, for ESDD consultancy services is provided in the stand-alone Supplementary ESMS Tools Package – Volume II “<b>Tool II.3</b>”).</li> <li>ESDD Report and ESAP will constitute the ESDD documentation.</li> </ul>	<ul style="list-style-type: none"> <li>ESAP will form part of the Facility Agreement.</li> <li>Contract with ToR for E&amp;S consultant is saved in the credit file.</li> </ul>

**ESAP Development based on ESDD Outcomes:**

If PFI’s ESDD identifies E&S non-compliance(s)/ gaps in the business practices of the prospective enterprises with the ESMS requirements, the PFIs will identify measures and actions to address such gaps within a time-bound ESAP<sup>22</sup>.

**The ESAP will be agreed between the respective PFI and beneficiary BE and included in the Facility Agreement to be executed between parties.**

**E&S Instruments that PFIs may require from BE’s based on ESDD Outcomes:**

Based on the outcomes of the ESDD, for Substantial and High-risk business activities<sup>23</sup>, PFIs may require (as ESAP actions) BEs to develop and implement specific E&S instruments in line with the relevant requirements of the lending IFIs (i.e. ESSs in WB financed Projects).

PFIs will require BE’s to engage technical consultants for the development of the E&S instruments required for Substantial and High-risk business activities.

BEs will be responsible for the implementation of E&S instruments throughout the financing life cycle of supported business activities.

List of potential E&S instruments that may be required from is provided in Table 5.

<sup>20</sup> Please refer to the stand-alone Supplementary ESMS Tools Package – Volume II for the ESAP template (“**Tool II.1 – Part D**”).

<sup>21</sup> See guidance for engagement of independent third-party specialists to carry out the ESDD (referred to as ESDD Consultants) in Step 2b above.

<sup>22</sup> The ESAPs will include actions necessary to close gaps between the beneficiary BE’s existing or proposed practices and the requirements of the WB Environmental and Social Standards (ESS), relevant WBG EHS guideline provisions or other internationally recognized sources, as appropriate. ESAPs will include (i) a description of the non-compliance/ gap to E&S requirements; (ii) action items to beneficiary firms that directly correlate to a specific ESS/E&S requirement gap that exists at the time of investment commitment; and (iii) action items that can be completed within a reasonable timeframe. This means within the period of the PFI’s investment.

<sup>23</sup> In addition to Substantial and High-risk business activities, depending on the nature and scale of the E&S risks and impacts of the supported business activities, PFIs may also require relevant E&S instruments for Moderate risk business activities.

**Table 5 – Potential E&S Instruments (as required)**

E&S Instrument	Scope and Outline	When Required or Relevant
Environmental and Social Impact Assessment (ESIA)	<p>ESIA is an instrument to identify and assess the potential environmental and social impacts of a proposed business activity, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.</p> <p>Indicative outline for ESIA is presented in the stand-alone Supplementary ESMS Tools Package – Volume II “<b>Tool II.5</b>”. (as included in the <a href="#">World Bank ESF</a>, ESS1 – Annex 1.D)</p>	<p>ESIAs<sup>24</sup> are required for new investments or extensions of activities of Substantial (commonly required) and High Risk (always required).</p>
Environmental and Social Management Plan (ESMP)	<p>ESMP is an instrument that details (a) the measures to be taken during the implementation and operation of a beneficiary business activity to eliminate or offset adverse E&amp;S impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures.</p> <p>Indicative outline for ESMP is presented in the stand-alone Supplementary ESMS Tools Package – Volume II “<b>Tool II.5</b>”. (as included in the <a href="#">World Bank ESF</a>, ESS1 – Annex 1.E)</p>	<p>Usually required when an E&amp;S assessment is conducted.</p>
Stakeholder Engagement Plan (SEP)	<p>SEP is an instrument that describes the timing and methods of engagement with stakeholders throughout the life cycle of supported business activities, distinguishing between affected parties and other interested parties. SEP also describes the range and timing of information to be communicated to affected parties and other interested parties, as well as the type of information to be sought from them.</p> <p>SEP Template for Substantial and High-Risk activities is presented in the stand-alone Supplementary ESMS Tools Package – Volume II “<b>Tool II.5</b>”. (as published at the following link: <a href="https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-framework-resources">https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-framework-resources</a>)</p>	<p>Usually required when an E&amp;S assessment is conducted.</p>
Resettlement Plan (RP)	<p>RP is an instrument that addresses physical and/or economic displacement depending on the nature of the impacts expected from an activity. The scope of requirements and level of detail of the RP vary with the magnitude and complexity of resettlement. Further details and an indicative outline for RP is presented in the stand-alone Supplementary ESMS Tools Package – Volume II “<b>Tool II.5</b>”. (as included in the <a href="#">World Bank ESF</a>, ESS5 – Annex 1.A)</p>	<p>Required for any project/ business activity that results in economic or physical displacement.</p>
Other subject-specific E&S Management Plans (MPs)	<p>Depending on the E&amp;S risks and impacts specific to the business activities, other E&amp;S MPs may be required from BEs.</p> <p>MPs to be requested from BEs may include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Air Quality MP</li> <li>• Biodiversity MP</li> <li>• Blasting MP</li> <li>• Chance Finds Procedure (*)</li> <li>• Community Health and Safety MP</li> <li>• Contractor MP</li> <li>• Emergency Preparedness and Response Plan</li> <li>• Fertilizer and Pest Management Plan (*)</li> <li>• Labor Management Procedure (*)</li> <li>• Hazardous Materials MP</li> <li>• Noise and Vibration MP</li> <li>• Occupational Health and Safety MP</li> <li>• Rehabilitation Plan</li> <li>• Traffic MP</li> <li>• Waste MP</li> <li>• Wastewater MP</li> </ul>	<p>Usually required when an E&amp;S assessment is conducted.</p>

<sup>24</sup> Environmental Impact Assessment performed in compliance with the Law of Ukraine ‘On Environmental Impact Assessment’ (‘On OVD’) will be submitted for review, if developed in accordance with law requirements. However, ESIA has broader coverage of social, OHS and emergency preparedness and response issues thus OVD will not fully replace the ESIA



(\*) For these MPs marked with asterisk, there are templates published at the following link: <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-framework-resources>. (please specifically refer to Environmental and Social Management Framework (ESMF) Template Annexes accompanying the ESMF Template for Low to Moderate Risk Projects and Labor Management Procedures published under this link)

### Re-classification

Throughout the ESDD or the financing life-cycle of the beneficiary business activity, re-classification of the assigned E&S risk category may be required as an iterative process in the following circumstances: (i) where new information becomes available, (ii) where there are substantive changes to the beneficiary enterprise and/or business activity, or (iii) where changes in the context and circumstances might alter the business activity's risk profile.

### Retroactive Financing

In case of retroactive financing<sup>25</sup>, an audit will be undertaken before disbursement. The audit will be based on a representative sample of issued loans to confirm systems for screening and management.

Any non-compliance/ gap with IFI requirements for FIs and BDF ESMS will be included in the ESAP.

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<sup>25</sup> As a previous implementation example, in Ukraine Agricultural Recovery Inclusive Support Emergency Support (ARISE) Project funded by WB, the retroactive financing covered the period from January 1, 2023 (i.e. the start of the 2023 budget year) to November 7, 2023 (i.e. the signing date of the ARISE legal agreements). Eligible expenses included the interest rate compensation for agricultural loans under the credit program 5-7-9. The retroactive financing was underpinned by the environmental and social audit of agricultural production in Ukraine in 2023, which found the relevant risks to be generally low. The E&S audit report is published at <https://kse.ua/ua/kse-research/ekologo-sotsialniy-audit-silskogospodarskogo-virobnitstva-ukrayini-u-2023-rotsi/>. The E&S audit dashboard is published at [https://public.tableau.com/app/profile/center.for.food.and.land.use.research.kse.agrocenter./viz/ESA\\_/Dashboard1](https://public.tableau.com/app/profile/center.for.food.and.land.use.research.kse.agrocenter./viz/ESA_/Dashboard1)

## 4.2. PFI's Finance Decision-making Incorporating E&S Risk Considerations (Step 3 in Figure 9)

PFI's senior management representative(s) will take the decision for financing enterprises' business activities based on the results of PFI's ESDD process (as outlined in Section 4.1).

To that end, Risk Management Unit or dedicated Function under the Credit Risk Unit at each PFI will send<sup>26</sup> the following ESDD documentation to the designated representative(s) of PFI's senior management:

- Low Risk: Completed ESDD Form and E&S Declaration Form signed by beneficiary BE
- Moderate Risk: Completed ESDD Form and as required an ESAP
- Substantial and High Risk: Completed ESDD Report, External assessment by third party (compulsory for High-risk and optional for Substantial-risk), and as required an ESAP

## 4.3. Facility/Participation Agreements Incorporating E&S Requirements (between PFIs and beneficiary BEs) (Step 4 in Figure 9)

PFIs will require and cause beneficiary BEs to adhere to national legislation and comply with the PFI ESMS requirements under which they receive financing.

To this end, BDF requires PFIs to include respective E&S covenants and provisions in the facility agreements executed with the beneficiary enterprises.

ESAPs developed based on PFI's ESDD of the BE's business activities, will be part of facility agreement to be signed between the PFIs and the BEs.

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<sup>26</sup> The form can be sent via e-mail or internal correspondence in alignment with the internal procedures of respective PFI.



## 4.4. PFI's E&S Supervision, Monitoring and Reporting Procedures (Step 5 in Figure 9)

### 4.4.1. PFI's Periodic Reporting to BDF

Each PFI will periodically report to BDF on the implementation of its ESMS.

The frequency of reporting to BDF will be semi-annual. Template for periodic reports to be prepared by PFIs for submission to BDF is presented in the stand-alone Supplementary ESMS Tools Package – Volume I (“**Tool II.6**”).

Periodic reports will be submitted by PFIs to BDF no later than **30 business days** after the end of respective reporting period.

### 4.4.2. PFI's Periodic Reporting to PFI Senior Management

PFIs Risk Management Units will submit **Semi-Annual ESMS Implementation Progress Reports** to their Senior Management.

Progress reports will provide information on the following:



- Periodic review of the effectiveness of PFI's ESMS.
- Overall portfolio exposure as a function of E&S risk category or by exposure to industry sector or transaction type as a function of E&S risk category.
- Material E&S aspects and risk in beneficiary enterprises business activities supported by BDF.

### 4.4.3. PFI's Management of Change Notification to BDF

Changes that may be triggered at various stages of the facility agreement life cycle of the beneficiary business activities are described in Section 3.3.5.

BDF requires PFIs to identify, document and review the changes in financed business activities of the beneficiary enterprises through the Change Notification and Review Form provided in the stand-alone Supplementary ESMS Tools Package – Volume III (“**Tool III.2**”).

PFIs will follow the below procedure:

- 
- 
- (1) **Notification and documentation of the change** using the Change Notification and Review Form given in the stand-alone Supplementary ESMS Tools Package – Volume III. This may be done by the beneficiary enterprise or respective PFI.
  - (2) **Review of the Change** by using the Change Notification and Review Form given in the stand-alone Supplementary ESMS Tools Package – Volume III. This will include:
    - Assessment of the information provided on the change (e.g. data gaps)
    - Assessment of the change (e.g. E&S risk implications)
    - Definition of the actions required for the management of change.
  - (3) **Integration of the required management of change measures/ actions into ESAP for implementation:**

Actions to be defined for the management of change will be integrated into ESAP for implementation by responsible parties.

Implementation of actions will be monitored by PFI as part of periodic E&S monitoring.

- (4) **Communication**

Respective PFI will inform the parties responsible for implementation of measures/ actions (e.g. beneficiary enterprise). Respective PFI will also inform BDF – E&S team of the management of change procedure implemented. This may be as part of PFI's periodic reporting to BDF or outside the periodic reporting in case of material changes. Any additional measure/ action that may be required by BDF for the management of change will be incorporated into ESAP.

#### 4.5. PFI's External Communication Mechanism

BDF requires PFIs to support BDF in the implementation of the ECM in accordance with this ESMS. PFIs should familiarize themselves with the ECM of the BDF.

In addition, PFIs, as part of the development and operation of their ESMS, should, if there is none, develop and approve their own Grievance Mechanism (PFI level ECM). It shall also be distributed to their clients and all interested parties of PFIs.

BDF requires<sup>27</sup> each PFI ESMS to publish summary information on PFI's ESMS, including a management endorsed E&S policy.

Procedure to be followed by PFIs for ECM is summarized in Table 6. The procedure is in alignment and should be read in conjunction with the detailed description provided for BDF's ECM in Section 3.4.

A template for the Grievance Log is presented in Supplementary ESMS Tools Package – Volume II ("**Tool II.9**").

Procedure for the Management of Sensitive Complaints (including Gender-based violence – GBV, sexual exploitation and abuse/sexual harassment – SEA/SH) is presented in the stand-alone Supplementary ESMS Tools Package – Volume III ("**Tool III.3**").

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<sup>27</sup> In the current situation, disclosure activities related to certain critical information of the beneficiary enterprises are limited until the end of the martial law in accordance with the requirements of Resolution No. 349 of March 26, 2022 "On the protection of information that in martial law can be classified as information with limited access, including critical infrastructure". The information can be disclosed only after the end of the martial law. Thus, information disclosure in accordance with this ESMS will take place at later stages to avoid targeted bombardment of the supported investments.

**Table 6 – PFI’s External Communication Mechanism (ECM)**

ECM Step	ECM
0 Complaint or feedback submission to PFI	<ul style="list-style-type: none"> <li>Complaints and feedback (enquiries, concerns, etc.) can be submitted to PFIs through the channels to be disclosed by each PFI in line with their ESMSs.</li> </ul> <p>(*) <u>Anonymous complaints</u> may be submitted without personal details. Anonymous complaints will be investigated but the complaining party must initiate contact with the PFI to obtain a response to the complaint investigation.</p> <p>(**) PFIs are required to ensure that ECM are known and accessible to stakeholders. This includes making contact information publicly available and easily accessible (for example, a phone number, website, e-mail address). <u>Accordingly, information about this procedure will be made available on PFI’s website.</u></p>
1 Receive and register	<ul style="list-style-type: none"> <li>PFI will provide confirmation of receipt to the sender within <b>48 hours</b> of receiving the written question or concern and inform them that they will receive a response in writing within <b>15 business days</b>.</li> <li>PFI’s ECM focal point (to be designated by PFI’s senior management) will enter immediately into PFI’s complaints tracking system (Grievance Log) for sorting and redirecting to appropriate department/ staff responsible for evaluating, investigating and addressing the complaint.</li> </ul>
2 Evaluation and Delegate	<ul style="list-style-type: none"> <li>PFI’s ECM focal point will review the content of the communication and will draft a response, with involvement from the relevant loan officer<sup>28</sup> responsible for the project.</li> <li>A draft response will be issued within <b>10 working days</b> and shared with the manager of PFI’s Risk Management Unit for review and approval.</li> <li>PFI’s ECM focal point will record and enter relevant data (such as action to be taken, target completion dates, responsibilities, etc.) into the Grievance Log.</li> </ul>
3 Respond	<p>(a) <u>Complaints not requiring additional investigation and evaluation:</u></p> <ul style="list-style-type: none"> <li>If the Manager of PFI’s Risk Management Unit approves the draft, the PFI’s ECM focal point will forward the response to the sender. Any change to the draft response proposed by the Manager or PFI’s ECM focal point will be consulted with the relevant loan officer, and its final version will be sent to the sender no later than <b>15 days</b> from the receipt of the communication.</li> </ul> <p>(b) <u>Complaints requiring additional investigation and evaluation:</u></p> <ul style="list-style-type: none"> <li>In case the Manager of PFI’s Risk Management Unit or the PFI’s ECM focal point, following the previous step, and in consultation with relevant loan officer, considers that the communication from the sender raises serious E&amp;S issue(s) for a portfolio project, the relevant loan officer will immediately contact the client to seek any relevant information, and may carry out additional investigation. The investigation/ follow-up can include site visits, review of documents and a meeting with those who could resolve the issue.</li> <li>If such investigation leads the project team to conclude that the project is not meeting PFI’s E&amp;S Policy which is consistent with BDF’s E&amp;S Policy, relevant loan officer will inform PFI’s Senior Management Representatives and other relevant unit managers about this fact. PFI’s ECM focal point, in consultation with the Manager of PFI’s Risk Management Unit, will prepare a Supplemental Corrective Action Plan (SCAP) to be discussed with and implemented by the client.</li> <li>The PFI’s ECM focal point will then send a second, follow up response to the sender about any steps requested from the client once the SCAP is ready and accepted by the client, but not later than <b>60 working days</b> from the receipt of the original communication.</li> <li>BDF’s ECM focal point will be informed by PFI’s designated ECM focal point about the investigation process and its outcomes once completed.</li> </ul>
4 Close-out	<ul style="list-style-type: none"> <li>Immediately upon completion of the planned actions, PFI’s ECM focal point will consult with the complainant, seek her/his written agreement for grievance closure. As appropriate, agreement documentation shall contain references to the national legislation.</li> <li>In case of disagreement, PFI’s ECM focal point will notify the complainant that she/ he has the right to apply to other legal remedies. Such notification will be documented and registered in the Grievance Log and the grievance, and the process will be monitored.</li> <li>PFI’s ECM focal point will inform the ECM focal point at BDF about the outcome of the grievance resolution process.</li> </ul>

<sup>28</sup> PFI’s ECM focal point will ensure that there is no conflict of interest (i.e. persons involved in the investigation process should not have any material, personal, or professional interest in the outcome and no personal or professional connection with complainants or witnesses).





## 5. ESMS REVIEW AND UPDATE

BDF will review its ESMS at least **annually** during the ESMS Implementation to assess effectiveness of the implementation and update it as necessary. Updates will reflect changes in national legislative framework; standards of IFIs; BDF's policies and other developments; or in specific circumstances such as changes in the organizational structure, significant incidents, or the incorporation of new tools, software or database into the BDF's E&S Risk Management System, etc.

Any update to the BDF ESMS will be subject to approval by BDF Senior Management Representatives (i.e. CRO) and substantial changes to the BDF ESMS will be subject to approval by BDF Management Board.

Relevant IFIs and PFIs will be notified of substantial updates to the BDF ESMS.

The BDF Risk Management function will ensure that changes to the BDF ESMS do not result in deviation from the requirements set forth by the national legislation and the standards of IFIs that finance BDF projects and programs.

## 6. SUPPLEMENTARY TOOLS

Supplementary tools are available to support the implementation of this ESMS.

These tools are provided as part of a **stand-alone Supplementary Tools Package**, which consists of three volumes as listed below:

### **Volume I – BDF-specific ESMS Tools** *(for BDF's use only)*

**I.1** – BDF's ESMS Compliance Assessment of PFIs *(prior to approval of PFIs' participation into related BDF programs)*

**I.2** – BDF's Corrective Action Plan (CAP) Template *(for implementation by respective PFI)*

**I.3** – BDF's Periodic Monitoring Report to WB/ IFIs on ESMS Implementation Performance (Outline)

**I.4** – Strategy for Stakeholder Engagement at BDF-level

### **Volume II – PFIs-specific ESMS Tools** *(for PFIs' use only)*

**II.1** – E&S Due Diligence Form (ESDD Form)

**II.2** – Business Enterprise E&S Declaration Form *(for use in Low Risk Business Activities)*

**II.3** – Terms of References (ToR) Template for ESDD Consultancy *(to be engaged by PFIs, as needed)*

**II.4** – ToR Template for Environmental and Social Assessment (ESA) Consultancy – including ESDD Questionnaire *(to be retained by Business Enterprises for Substantial and High-Risk Business Activities)*

**II.5** – E&S Instrument Outlines for Substantial and High-Risk Business Activities

**II.6** – PFI's Periodic Monitoring Report to BDF on ESMS Implementation Performance – Template

**II.7** – E&S Monitoring Site Visit Checklist *(for use in Substantial and High Risk Business Activities; and for Moderate Risk Business Activities, as needed)*

**II.8** – Strategy for Stakeholder Engagement at PFI-level

**II.9** – Grievance Log Template

**II.10** – Detailed Flow Chart of PFI's ESDD of Beneficiary Enterprises' Prospective Business Activities

**II.11** – Description of Qualifications required for ESMS Senior Specialist and ESMS Specialists to be designated at PFIs

### **Volume III – Other Supplementary Tools** *(for BDF's and/or PFIs' use – as needed)*

**III.1** – E&S Incident Notification Form Template *(for use by all parties)*

**III.2** – Procedure for Management of Change - Change Notification and Review Form

**III.3** – Procedure for Management of Sensitive Complaints

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# BDF ESMS

# Annexes

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**Annex A** – BDF Beneficiary Enterprises' Typical Business Activities and their Potential E&S Risks and/or Impacts

**Annex B** – BDF Exclusion List

**Annex C** – Indicative List of High and Substantial Risk Activities

**Annex D** – E&S Risk Classifications adopted by BDF



## Annex A – BDF Beneficiary Enterprises’ Typical Business Activities and their Potential E&S Risks and/or Impacts – Example for Agricultural Sector

Sector (*)	Typical Business Activities of Beneficiary Enterprises and their Characteristics (**)	Potential Sector-specific E&S Risks and/or Impacts (**) as per relevant ESSs
<p>Agricultural</p> <p>Large-scale agriculture (*)</p> <p>(*) Farms that are not small scale and thus are able to access sufficient commercial finance under BDF programs)</p>	<p><u>Typical Business Activities of Beneficiary Enterprises in this Sector</u></p> <ul style="list-style-type: none"> <li>• Purchase and use of agrochemicals (such as pesticides, fertilizers, etc.) by agricultural enterprises</li> <li>• Purchase of equipment and materials by agricultural enterprises (e.g. energy supplies for grain elevators)</li> <li>• Small-scale construction activities (e.g. Construction of small farms, warehouses, granaries) by civil works contractors hired by agricultural enterprises (such as civil works for enhancement of agricultural production, repairs to agricultural facilities, etc.)</li> <li>• Transportation and installation of equipment procured by agricultural enterprises</li> </ul> <p><u>General Characteristics of those Business Activities (**)</u></p> <ul style="list-style-type: none"> <li>• BDF will have a small number of desk-based staff and consultants (direct and contracted workers) engaged in the management of financing processes and E&amp;S appraisal and management of business activities of beneficiary enterprises</li> <li>• Limited agricultural workforce involvement given the high degree of mechanization</li> </ul>	<p><u>ESS1</u></p> <ul style="list-style-type: none"> <li>• Risks on effective inclusion of women-led businesses struggling to access finances for cultural and capacity reasons or businesses led by disadvantaged or vulnerable individuals/ groups</li> </ul> <p><u>ESS2</u></p> <ul style="list-style-type: none"> <li>• Risks on the rights of employees of the beneficiary enterprises</li> <li>• Risks on the working and/or accommodation conditions of the employees of the beneficiary enterprises in case of non-compliance with the GIIPs</li> <li>• Risk of child labor (in case of smallholder farmers, e.g. children on family farms)</li> <li>• Occupational Health and Safety (OHS) risks (e.g. due to unsafe work practices, improper use of personal protective equipment, etc.)</li> <li>• Increased risks of labor health issues resulting from poor site management</li> <li>• Risk on workers (e.g. workers for harvesting agricultural products and maintenance of agricultural machinery) posed by explosive remnants of war (ERW) and indiscriminate or targeted aerial attacks</li> </ul> <p><u>ESS3</u></p> <ul style="list-style-type: none"> <li>• Risk of groundwater pollution due to inadequate use of fertilizers and other agrochemicals</li> <li>• Vegetation clearance impact on land plots designated as agricultural but not cultivated for a while (restored habitats)</li> <li>• Environmental impacts due to generation of waste (including hazardous waste) as a result of agricultural activities</li> <li>• Environmental impacts due to agricultural runoff</li> <li>• Risk of erosion (in case of cultivation of previously undisturbed land designated as agricultural)</li> <li>• Risk of accidents leading to environmental pollution (e.g. traffic accidents during transportation of equipment or agricultural materials, environmental spill or leakage from machinery or vehicles involved or due to improper storage and/or use of pesticides, fertilizers or use, etc.)</li> </ul> <p><u>ESS4</u></p> <ul style="list-style-type: none"> <li>• Risk of accidents leading to community health and safety issues including vulnerable or disadvantaged members of the community, children on family farms, etc. (e.g. traffic accidents during transportation of equipment or agricultural materials, environmental spill or leakage from machinery or vehicles involved or due to improper storage and/or use of pesticides, fertilizers or use, etc.)</li> </ul>



Sector (*)	Typical Business Activities of Beneficiary Enterprises and their Characteristics (**)	Potential Sector-specific E&S Risks and/or Impacts (**) as per relevant ESSs
	<ul style="list-style-type: none"> <li>In case of smallholder farmers, associated investments may require additional labor and heighten risk of incidents of child labor</li> <li>No use of voluntary community labor for implementation of activities</li> <li>Civil works contractors hired by agricultural enterprises as part of small-scale construction activities and for transport and installation of equipment procured.</li> <li>Use of pesticides, fertilizers for agricultural production</li> <li>No foreseen activity that may cause temporary or permanent physical or economic displacement, loss of assets or access restrictions</li> <li>Land or property transactions by beneficiaries under the project will be conducted on a willing buyer-willing seller basis as evidenced by records to be provided by the beneficiary</li> <li>Current state of martial law and military activity context mean that there are extremely limited engagement and consultation option</li> <li>Activities would lead to provision of local jobs and income from services (resulting in beneficial impact for communities)</li> </ul>	<ul style="list-style-type: none"> <li>Risk of reduced water availability for communities due to extensive use of water resource</li> <li>Risk of community exposure to waste (including hazardous waste) generated as a result of agricultural activities and/or small-scale civil works</li> <li>Risk of communicable diseases relating to poor animal welfare and sanitation</li> <li>Increased risks of community health issues resulting from poor site management</li> <li>Risk of fire and/or explosion associated with transition to new sources of energy for grain elevator</li> <li>Dust, noise, odor, and vehicle exhausts during small-scale civil/ repair works or during transportation and installation of equipment procured by agricultural enterprises</li> <li>Traffic jams, temporary road blockades and closures, traffic and road safety risks due to increased traffic volume and movements of heavy-duty vehicles during small-scale civil/ repair works or during transportation and installation of equipment procured by agricultural enterprises</li> <li>Risks to due presence of labor (i.e. COVID 19, Sexual Exploitation and Abuse/Sexual Harassment – SEA/SH risks)</li> </ul> <p><b>ESS6</b></p> <ul style="list-style-type: none"> <li>Risk of habitat pollution due to agricultural runoff, in case of improper storage or use of chemicals, extensive use of water resources (affecting aquatic habitats)</li> <li>Fragmentation/ destruction of habitats and loss of biodiversity due to vegetation clearance on land plots designated as agricultural but not cultivated for a while (restored habitats)</li> </ul>

(\*) BDF, December 2023.

(\*\*) World Bank, October 17, 2023. ARISE Project Appraisal Document; World Bank July 31, 2023. Appraisal E&S Review Summary – Appraisal Stage.

## Annex B – E&S Risk Classifications adopted by BDF<sup>29</sup>

Category	Description
<b>High Risk</b>	<p>A project<sup>30</sup> is classified as <b>High Risk</b> after considering, in an integrated manner the risks and impacts of the project, taking into account the following, as applicable:</p> <ol style="list-style-type: none"> <li>a. The project is likely to generate a wide range of significant adverse risks and impacts on human populations or the environment. This could be because of the complex nature of the project, the scale (large to very large) or the sensitivity of the location(s) of the project. This would take into account whether the potential risks and impacts associated with the Project have the majority or all of the following characteristics:               <ol style="list-style-type: none"> <li>i. long term, permanent and/or irreversible (e.g., loss of major natural habitat or conversion of wetland), and impossible to avoid entirely due to the nature of the project;</li> <li>ii. high in magnitude and/or in spatial extent (the geographical area or size of the population likely to be affected is large to very large);</li> <li>iii. significant adverse cumulative impacts;</li> <li>iv. significant adverse transboundary impacts; and</li> <li>v. a high probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.).</li> </ol> </li> <li>b. The area likely to be affected is of high value and sensitivity, for example sensitive and valuable ecosystems and habitats (legally protected and internationally recognized areas of high biodiversity value), lands or rights of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities and other vulnerable minorities, intensive or complex involuntary resettlement or land acquisition, impacts on cultural heritage or densely populated urban areas.</li> <li>c. Some of the significant adverse ES risk and impacts of the project cannot be mitigated or specific mitigation measures require complex and/or unproven mitigation, compensatory measures or technology, or sophisticated social analysis and implementation.</li> <li>d. There are significant concerns that the adverse social impacts of the project, and the associated mitigation measures, may give rise to significant social conflict or harm or significant risks to human security.</li> <li>e. There is a history of unrest in the area of the project or the sector, and there may be significant concerns regarding the activities of security forces.</li> <li>f. The project is being developed in a legal or regulatory environment where there is significant uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex projects, or changes to applicable legislation are being made, or enforcement is weak.</li> <li>g. The past experience of the Borrower and the implementing agencies in developing complex projects is limited, their track record regarding ES issues would present significant challenges or concerns given the nature of the project's potential risks and impacts.</li> <li>h. There are significant concerns related to the capacity and commitment for, and track record of relevant Project parties, in relation to stakeholder engagement.</li> <li>i. There are a number of factors outside the control of the Project that could have a significant impact on the ES performance and outcomes of the project.</li> </ol>
<b>Substantial Risk</b>	<p>An activity is classified as Substantial Risk after considering, in an integrated manner, the risks and impacts of the project, taking into account the following, as applicable:</p> <ol style="list-style-type: none"> <li>a. the project may not be as complex as High Risk projects, its ES scale and impact may be smaller (large to medium) and the location may not be in such a highly sensitive area, and some risks and impacts may be significant. This would take into account whether the potential risks and impacts have the majority or all of the following characteristics:</li> </ol>

<sup>29</sup> This is based on the E&S risk classification system of World Bank ESF (2018).

<sup>30</sup> This ESMS apply to all projects and business activities supported by the IFIs. The IFIs will only support projects and business activities that are consistent with, and within the boundaries of, the IFIs' policies and are expected to meet the E&S requirements of the IFIs in a manner and within a timeframe acceptable to respective IFIs. For the purposes of this ESMS, the term "project" refers to the project/business activities for which BDF support through IFIs is sought by the PFIs, as defined in the legal agreement between the PFI and the BDF. Projects may include new facilities or activities and/or existing facilities or activities, or a combination of the same.



Category	Description
	<ul style="list-style-type: none"><li>i. they are mostly temporary, predictable and/or reversible, and the nature of the project does not preclude the possibility of avoiding or reversing them (although substantial investment and time may be required);</li><li>ii. there are concerns that the adverse social impacts of the project, and the associated mitigation measures, may give rise to a limited degree of social conflict, harm or risks to human security;</li><li>iii. they are medium in magnitude and/or in spatial extent (the geographical area and size of the population likely to be affected are medium to large);</li><li>iv. the potential for cumulative and/or transboundary impacts may exist, but they are less severe and more readily avoided or mitigated than for High Risk projects; and</li><li>v. there is medium to low probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.), and there are known and reliable mechanisms available to prevent or minimize such incidents.</li></ul> <p>b. The effects of the project on areas of high value or sensitivity are expected to be lower than High Risk projects.</p> <p>c. Mitigatory and/or compensatory measures may be designed more readily and be more reliable than those of High Risk projects.</p> <p>d. The activity is being developed in a legal or regulatory environment where there is uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex projects, or changes to applicable legislation are being made, or enforcement is weak.</p> <p>e. The past experience of the Borrower and the implementing agencies in developing complex projects is limited in some respects, and their track record regarding ES issues suggests some concerns which can be readily addressed through implementation support.</p> <p>f. There are some concerns over capacity and experience in managing stakeholder engagement, but these could be readily addressed through implementation support.</p>
<b>Moderate Risk</b>	<p>An activity is classified as Moderate Risk after considering, in an integrated manner, the risks and impacts of the project, taking into account the following, as applicable:</p> <ul style="list-style-type: none"><li>a. the potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the project is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. As such, the potential risks and impacts and issues are likely to have the following characteristics:<ul style="list-style-type: none"><li>i. predictable and expected to be temporary and/or reversible;</li><li>ii. low in magnitude;</li><li>iii. site-specific, without likelihood of impacts beyond the actual footprint of the project; and</li><li>iv. low probability of serious adverse effects to human health and/or the environment (e.g., do not involve use or disposal of toxic materials, routine safety precautions are expected to be sufficient to prevent accidents, etc.).</li></ul></li><li>b. The project's risks and impacts can be easily mitigated in a predictable manner.</li></ul>
<b>Low Risk</b>	<p>A project is classified as Low Risk if its potential adverse risks to and impacts on human populations and/or the environment are likely to be minimal or negligible. These projects, with few or no adverse risks and impacts and issues, do not require further ES assessment following the initial screening.</p>



## Annex C – BDF Exclusion List

The **Business Development Fund (BDF)** of Ukraine **Exclusion List** defines the types of business activities of beneficiary enterprises that are **ineligible for BDF financing** through the Participating Financial Institutions (PFIs).

BDF will not finance projects and/or beneficiaries or support PFIs to finance any transactions involving the following:

1. Activities prohibited under the national legislation of Ukraine or international legal instruments ratified by Ukraine.
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans or phase-out, such as pharmaceuticals, pesticides, herbicides, and other toxic substances (under the Rotterdam Convention, Stockholm Convention and World Health Organization (WHO) "Pharmaceuticals: Restrictions in Use and Availability"), ozone depleting substances (under Montreal Protocol), PCB's, protected wildlife or products regulated under CITES, prohibited transboundary trade in waste (under the Basel Convention).
3. Production or trade in weapons and munitions<sup>31</sup> including controversial weapons or critical components thereof (nuclear weapons and radioactive ammunition, biological and chemical weapons of mass destruction, cluster bombs, antipersonnel mines, enriched uranium).
4. Production or trade in alcoholic beverages (excluding beer and wine)<sup>1</sup>.
5. Production or trade in tobacco<sup>1</sup>.
6. Gambling, casinos and equivalent enterprises.
7. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control equipment and any equipment where the radioactive source is considered to be trivial and/or adequately shielded.
8. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
9. Destructive fishing methods and drift net fishing in the marine environment using nets in excess of 2.5 km in length.
10. Production or activities involving harmful or exploitative forms of forced labor<sup>32</sup>/ harmful child labor<sup>33</sup>.
11. Commercial logging operations for use in primary tropical moist forest.



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<sup>31</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations in terms of share in total revenues of BE.

<sup>32</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>33</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.



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12. Production or trade in wood or other forestry products other than from sustainably managed forests.
  13. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products<sup>34</sup>.
  14. Investments which could be associated with the destruction<sup>35</sup> or significant impairment of areas particularly worthy of protection (without adequate compensation in accordance with international standards).
  15. Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction.
  16. Prospection, exploration and mining of coal; land-based means of transport and related infrastructure essentially used for coal; power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines<sup>36</sup>.
  17. Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands
  18. In selected sectors, financial commitment for concrete new projects will be tied to the following qualitative conditions:
    - a. Large dam and hydropower projects use the recommendations of the World Commission on Dams (WCD) as orientation<sup>37</sup>.
    - b. Projects for non-conventional prospection, exploration and extraction of gas will disclose in accordance with international standards, that no material groundwater drawdown or contamination is to be expected, that measures for resource protection (in particular water) and recycling are taken, that suitable technology is used for safe drilling, which includes integrated bore piping and pressure testing.

A reasonableness test will be applied when the business activities of the enterprises would have a significant development impact, but circumstances of Ukraine require adjustment to the BDF Exclusion List.

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<sup>34</sup> These items will be applied in case of investing in microfinance activities.

<sup>35</sup> "Destruction" means (i) the destruction or severe deterioration of the integrity of an area caused by a major and prolonged change in the use of land or water, or (ii) the alteration of a habitat which leads to the inability of the affected area to perform its function.

<sup>36</sup> Investments in power transmission grids with significant coal-based power feed-in will only be pursued in countries and regions with an ambitious national climate protection policy or strategy (NDC), or where the investments are targeted at reducing the share of coal-based power in the relevant grid. In developing countries, heating stations and cogeneration facilities (CHP) essentially fired with coal can be co-financed in individual cases based on a rigid assessment, if there is a particularly high sustainability contribution, major environmental hazards are reduced, and if there demonstrably is no more climate-friendly alternative.

<sup>37</sup> Dams with a height of at least 15 meters measured from the foundation or dams with a height between 5 and 15 meters with a reservoir volume of more than 3 million cubic meters.

## Annex D – Indicative List of High and Substantial Risk Activities

This list is not exhaustive and illustrative only; it applies to greenfield or capacity extension/increase activities in the categories listed below.

The type of activities listed below are examples of business activities that could result in potentially significant E&S impacts resulting in *High* risk or *Substantial* risk classification depending on the nature, location and scale of the activity. Other activities not listed herein may also require categorization as *High* risk or *Substantial* risk.

The list is intended to provide guidance to both BDF and PFIs' staff. Thus, the list is by no means considered as binding. ESDDs for proposed business enterprise activities rated as Substantial and High risk must be undertaken by technical and highly experienced E&S consulting firms. ESDDs for Moderate risk business activities with complex E&S issues must also be undertaken by technical consultants for BDF and the PFIs as applicable and necessary.

1. Large-scale primary agriculture or forestation involving intensification, land use change or conversion of priority biodiversity features and/or critical habitats.
2. Large-scale logging or deforestation of large areas.
3. Installations for the intensive rearing of poultry or pigs with more than: (a) 85,000 places for broilers, 60,000 places for hens; (b) 3,000 places for production pigs (over 30 kg); or (c) 900 places for sows.
4. Large<sup>38</sup> dams and other installations designed for the holding back or permanent storage of water, where a new or additional amount of water held back or stored exceeds 10 million cubic meters.
5. Large-scale land reclamation and sea dredging operations.
6. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more.
7. Works for the transfer of water resources between river basins where that transfer aims at preventing possible shortages of water and where the amount of water transferred exceeds 100 million cubic meters/year, or works for the transfer of water resources between river basins where the multi-annual average flow of the basin of abstraction exceeds 2,000 million cubic metros/year and where the amount of water transferred exceeds 5 per cent of that flow (In both cases transfers of piped drinking water are excluded)
8. Pipelines with a diameter of more than 800 mm and a length of more than 40 km, terminals and associated facilities for the large-scale transport of gas, oil and chemicals or for the transport of carbon dioxide (CO<sub>2</sub>) streams for the purposes of geological storage, including associated booster stations.
9. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tons or more.
10. Storage sites for the geological storage of carbon dioxide.
11. Installations for the capture of CO<sub>2</sub> streams for the purposes of geological storage, where the total yearly capture of CO<sub>2</sub> is 1.5 megatons or more.
12. Municipal wastewater treatment plants with a capacity exceeding 150,000 population equivalent.
13. Large-scale municipal solid waste-processing and disposal facilities.
14. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
15. Large scale waste disposal installations for the incineration or chemical treatment of nonhazardous wastes with a capacity exceeding 100 tons per day.

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<sup>38</sup> The International Commission on Large Dams defines a large dam as a dam with a height of 15 meters or more from the foundation. Dams that are between 5 and 15 meters high and have a reservoir volume of more than 3 million cubic meters are also classified as large dams.



16. Large-scale tourism and retail development.
17. Construction of high voltage overhead electrical power lines.
18. Large scale wind power installations for energy production (wind farms).
19. Quarries and open-cast mining where the surface of the site exceeds 25 hectares, or peat extraction, where the surface of the site exceeds 150 hectares.
20. Industrial plants for the: (a) production of pulp from timber or similar fibrous materials; (b) production of paper and board with a production capacity exceeding 200 air-dried metric tons per day.
21. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tonnes of finished products per day.
22. Integrated chemical installations, i.e. those installations for the manufacture on an industrial scale of substances using chemical conversion processes, in which several units are juxtaposed and are functionally linked to one another and which are for the production of: basic organic chemicals; basic inorganic chemicals; phosphorous, nitrogen or potassium-based fertilizers (simple or compound fertilizers); basic plant health products and biocides; basic pharmaceutical products using a chemical or biological process; or explosives.
23. Integrated works for the initial smelting of cast-iron and steel; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
24. Activities<sup>39</sup> which are planned to be carried out or are likely to have a perceptible impact, including cumulative impact in combination with other relevant past, present and reasonably foreseeable developments, on sensitive locations of international, national or regional importance, even if the activity category does not appear in this list. Such sensitive locations include, inter alia, nature protection areas legally protected and/ or internationally recognized, or proposed for such status by national governments, critical habitat or other ecosystems which support priority biodiversity features, areas of archaeological or cultural significance, and areas of importance for indigenous peoples or other vulnerable people.
25. Activities which may result in significant adverse social impacts to people or group(s) of people who are affected or likely to be affected directly or indirectly by the activity.
26. Activities which may involve significant involuntary resettlement or economic displacement.

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<sup>39</sup> Including, without limitation, activities that have E&S objectives (such as hydropower or other renewable energy investments).