## Environmental and Social requirements for CATEGORY FI operations

When BSTDB financing is provided through Financial Intermediaries (FI) the Client FI will be required to comply with the minimum environmental and social requirements listed below. Note that where BSTDB is financing credit lines or other targeted finance facilities, these requirements will apply only to sub-loans of the Client FI financed from the Bank’s proceeds. Where the BSTDB provides equity or quasi-equity financing to FIs these requirements will apply to the entire portfolio originated from the time of the Bank becoming a shareholder in the FI. The minimum environmental and social requirements are the following:

1. The Client FI will have a basic environmental and social risk and impact management system integrated into the overall credit/investment appraisal and monitoring process. Such system should be compatible with the Bank’s *Environmental and Social Policy* requirementsand would include screening of transactions according to environmental and social risk categories (low, medium, high); due diligence of medium and high environmental and social risk transactions; setting of environmental and social requirements, and their monitoring. The existing management system will be commensurable with the level of environmental and social risks associated with the Client FI’s business activities. In case the Client FI has no environmental and social management system integrated in its portfolio management then a condition of BSTDB financing will be for the Client FI to develop and implement one within the established timeframe. DEU may assist the Client FI in achieving this by providing guidance for developing and implementing the appropriate environmental and social procedures..;
2. The Client FI will screen its sub-loans against the BSTDB List of Category A, B+, B and C (see Annex 8.2) and will refer to BSTDB in case any of the considered sub-loans are included in the list. In such case DEU will provide the necessary guidance to the Client FI on how to organize the Environmental and Social Assessment process, or may take that responsibility on itself;
3. The Client FI will comply with the BSTDB *Environmental and Social Exclusion List;*
4. The Client FI will require its clients to comply with the environmental, labor, health, safety and public information laws, regulations and standards in the country of operation, including the country’s commitments under the international law;
5. The Client FI will assign the function and responsibility of the environmental and social risk management to a member of the management and will train appropriately the assigned staff in environmental and social risk assessment associated with financing activities;
6. The Client FI will monitor the environmental social performance of its sub-loans and will submit to BSTDB periodic reports on implementation of its environmental and social risk management procedures and the environmental and social performance of its investment/lending portfolio.