

Safeguards and Social Dimensions Summary

May 2018

Mongolia: Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Sector Project

Prepared by XacBank for the Asian Development Bank.

CURRENCY EQUIVALENTS

(as of 18 May 2018)

Currency unit	–	togrog (MNT)}
MNT1.00	=	\$0.00042
\$1.00	=	MNT2,401.00

ABBREVIATIONS

ADB	–	Asian Development Bank
AHURP	–	Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project
EARF	–	environmental assessment review framework
EMP	–	environmental management plan
ESM	–	environmental and social manager
ESMS	–	environmental and social management system
FI	–	financial intermediaries
FIL	–	financial intermediary loan
GCF	–	Green Climate Finance
GHG	–	greenhouse gas
GRM	–	grievance redress mechanism
IEE	–	initial environmental examination
IFI	–	international financial institution
IR	–	involuntary resettlement
LARP	–	land acquisition and resettlement plan
MSME	–	micro-, small-, and medium-sized enterprises
RF	–	resettlement framework
SPS	–	Safeguard Policy Statement
UN	–	United Nations
UNFCCC	–	United Nations Framework Convention on Climate Change
USGADIP	–	Ulaanbaatar Urban Services and Ger Areas Development Investment Program
VLSP	–	Voluntary Land Swapping Plan

NOTE

In this report, "\$" refers to US dollars.

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Date: *May 23, 2018*

No. *4/3600*

Ulaanbaatar

To: Arnaud Heckmann

Senior Urban Development Specialist
Urban and Social Sectors Division
Mongolia Resident Mission
Asian Development Bank

Ulaanbaatar May 23, 2018

Re: SSDS

Dear Mr. Heckmann,

A consolidated Safeguards and Social Dimensions Summary (SSDS) was prepared based on the audit of XacBank's existing environmental and social management system (ESMS).

The audit, identified points for improvement and proposed corrective actions to enhance the existing ESMS.

This is to formally advise that XacBank has no objection to the disclosure of the SSDS in the ADB website according to ADB disclosure procedures.

We further confirm that we will implement all the required actions identified in the SSDS during project processing and implementation, submit annual/semiannual monitoring reports and accept ADB's supervision and inspection of implementation of the ESMS and all required actions.

Yours sincerely,



Frans Kootte
Deputy Chief Retail Banking Officer
Mob: +976 99106708
Email: Frans.Kootte@Xacbank.mn

SAFEGUARDS AND SOCIAL DIMENSIONS SUMMARY

A. Safeguards

1. The preparation of the Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project (AHURP) is financed by the ADB. The AHURP aims to bridge current gaps in climate responsive urban development and green affordable housing. This project will implement a large-scale demonstration initiative that will leverage private sector investment to deliver 10,000 green housing units that are energy efficient, affordable, and designed to maximize the use of renewable energy and redevelop 100 hectares of *ger* areas into eco-districts characterized by (i) low-carbon, climate resilient and resource efficient; (ii) mixed-use with ample public space and public facilities; and (iii) mixed-income with about 70% of combined social and affordable housing units. It will use a financing strategy that blends public and private resources, with targeted subsidy and sustainable mechanisms to address the need to accelerate the delivery of green affordable housing within the framework of a more climate resilient urban development. It will provide a comprehensive, integrated, and affordable urban and housing solution for vulnerable communities providing more livable urban environment for the *ger* area residents.

2. The AHURP is closely linked to the separate, parallel Ulaanbaatar Urban Services and Ger Areas Development Investment Program¹ (USGADIP), which is developing trunk infrastructure network (i.e., piped potable water, centralized heating, domestic wastewater collection and treatment, and electricity) in *ger* districts north of Ulaanbaatar city center in Selbe and Bayankhoshuu subcenters. The housing units to be built by the AHURP will be designed to connect to the trunk infrastructure network, that Tranche 1 of the USGADIP will install in these two *ger* district subcentres. The initial phase of AHURP is development of multi-dwelling townhouses and low-rise apartment buildings within the perimeters of approximately 5.1 and 6.4 hectares of urban renewal units in Bayankhoshuu and Selbe subcentres, respectively.

3. The AHURP is Category B for environment which means all potential environmental impacts or disturbances are short-lived and reversible, and manageable with an environmental management plan (EMP). The Initial Environmental Examination (IEE) of feasibility design of the AHURP indicates that the environmental impact of the project will be overwhelmingly positive and complemented by only the local short-term disturbances and impacts of construction phase in the urban redevelopment activities. If the urban redevelopment will have significant negative environmental impacts, i.e. Category A, it will not be considered for financing by the ADB fund.

4. At the initial phase of AHURP, no Involuntary Resettlement (IR) is expected. Any potential future trunk infrastructure network developments within AHURP, but outside the perimeters of urban redevelopment activities, should be screened and categorized for IR. Projects under Category B and C will be considered for financing by the ADB fund, given that a LARP, in compliance with ADB Safeguard Policy Statement, 2009, (SPS) and RF, is prepared and implemented. Any infrastructure developments with significant IR impacts, i.e. Category A, it will not be considered for financing by the ADB fund.

¹ Ulaanbaatar Urban Services and Ger Areas Development Investment Program, ADB MFF loan to Municipality of Ulaanbaatar.

5. The AHURP is Category C for indigenous people. The project does not impact customary land use rights, the socio-economic status, the cultural and communal integrity, health, education, livelihood and social security status of indigenous people. There are no indigenous people among the APs as per ADB's SPS definition. There are Khalkh and other sub-ethnic groups of Mongolians in the project area. These are Mongolians and live within cultural and legal mainstream of Mongolian people and are integrated into urban society.

6. The AHURP involves investment of ADB funds through Financial Intermediaries (FIs), which are commercial banks. Pursuant to ADB's Safeguard Policy Statement, 2009, (SPS), the FIs will be required to establish an appropriate environmental and social management system (ESMS) to be maintained as part of their overall management system to meet national legal framework and ADB's requirements for Financial Intermediation Loan (FIL) using ADB funds.

7. At the project preparatory stage, one commercial bank, XacBank, was identified as one of the potential FIs. It is expected that during the project feasibility study there will be more FIs identified and accessed their ESMS and its compliance with SPS. An example of their ESMS is attached.

8. An initial corporate assessment of the XacBank was undertaken in accordance with SPS. The assessment evaluated the ESMS of XacBank and how the system is integrating environmental and social (E&S) requirements in its operational processes. XacBank has adopted a Social and Environmental Management System Policy Document since 2002, which was updated last time in June 2014 and approved by its Board of Directors. The policy sets the structure and processes to address both social and environmental issues arising from the Bank's external and internal operations. Within the policy, the XacBank has integrated the environmental and social safeguards procedures in all of its operations. Currently, XacBank is implementing ESMSs for two projects, (i) Micro, Small and Medium-Sized Enterprises (MSME) Business Loan Program for GHG Emission Reduction², and (ii) Renewable Energy Program – Solar³.

9. In terms of institutional setup, the bank has two layers of staff who are responsible for the implementation of ESMS: (i) loan officers whose job involves collection and analysis of the environment and social safeguards related information, initial due diligence, and post-loan client engagement; and (ii) compliance officers at the back office who make the determination on whether to proceed with a specific loan, including support to the loan officers for due diligence of non-complex subprojects and due diligence for complex subprojects. Also, there is an Environmental and Social Manager (ESM) at the headquarters who oversees the ESMS implementation and performance and who is the focal point for environment and social safeguards related issues with International Financial Institutions (IFIs) and other related parties.

10. XacBank has an Eco Banking Department, established in 2009, which is the first and only private banking unit in Mongolia dedicated solely to providing environmentally sustainable financial solutions. At the time being, the bank is the only entity in Mongolia to

² ESMS can be accessed at <https://www.xacbank.mn/en/558/about-xacbank/social-responsibility/eco-bank/gcf-news/esms>

³ ESMS can be accessed at <https://www.xacbank.mn/en/565/about-xacbank/social-responsibility/eco-bank/gcf-news/esms-on-renewable-energy-program-solar>

be accredited by the Green Climate Fund (GCF) in October 2016. The GCF aims to promote a paradigm shift towards low-emission and climate resilient development pathways. These efforts demonstrate that the bank is making efforts and willing to safeguard its operations and projects funded by the bank against environmental and/or social adverse impacts.

11. The initial due diligence has suggested that there is a need to (i) conduct further in depth assessment during project implementation for concrete actions to update and strengthen the existing ESMS of XacBank to include ADB's SPS requirements; and (ii) implement capacity building for the XacBank staff involved in ESMS on SPS, Resettlement Framework (RF), Environmental Assessment and Review Framework (EARF) and Voluntary Land Swapping Plan (VLSP) specific to ADB. The capacity building can be implemented with the support from Sustainable Green Finance consulting services.

B. Social Dimensions

12. The project is based on the principle that it has a demand-driven approach and urban redevelopment will only take place if and when the resident land and asset owners support the project through a voluntary land swap agreement. A Voluntary Land Swapping Plan (VLSP)⁴ has been prepared which details the principles of and procedures for voluntary land swapping; various options to address impacts and risks during transition; and support to land and non-land owners, especially the poor and vulnerable households through access to social housing, cash grant, and livelihood improvement programs. The consultation and participation plan, grievance redress mechanism and monitoring are described in the VLSP. Within the VLSP, it is not expected that there will be any involuntary resettlement (IR).

13. In addition to the VLSP, a Resettlement Framework (RF) was prepared to serve as guide in the screening, preparation, and implementation of Land Acquisition and Resettlement Plan (LARP) for any potential infrastructure development with IR impacts which are outside the AHURP's perimeter (i.e., outside the project's urban redevelopment area where basic infrastructures such as widening or construction of roads or installation of or connection to water, sewerage, heating pipelines, or electricity networks may be necessary) to support the implementation of the project. At the project preparatory stage, it is planned that there will be no IR for infrastructure development, which are outside the AHURP's perimeter, as the required infrastructure will be constructed within USGADIP, refer to paragraph 2 above.

14. XacBank's human resources policies, ESMS procedures, and core labor standards comply with national laws and will be enforced for the projects funded by the bank through contractual obligations with the suppliers and contractors. Pursuant to ADB's Social Protection Strategy, the XacBank will take necessary measures to fully comply with internationally recognized core labor standards. The existing ESMS human resources policies and procedures will be strengthened to ensure compliance with SPS. The bank will report to ADB on (i) compliance with laws and international standards and (ii) corrective measures taken in case of non-compliance. Information disclosure and consultations with affected people or communities will be conducted in accordance with ADB's requirements.

⁴ The Voluntary Land Swapping Plan has been developed as a resettlement plan.

FINDINGS OF THE INITIAL CORPORATE SAFEGUARDS DUE DILIGENCE: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM ARRANGEMENT

A. Introduction

15. The preparation of the Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project (AHURP) is financed by the ADB. The AHURP aims to bridge current gaps in climate responsive urban development and green affordable housing. This project will implement a large-scale demonstration initiative that will leverage private sector investment to deliver 10,000 green housing units that are energy efficient, affordable, and designed to maximize the use of renewable energy and redevelop 100 hectares of *ger* areas into eco-districts characterized by (i) low-carbon, climate resilient and resource efficient; (ii) mixed-use with ample public space and public facilities; and (iii) mixed-income with about 70% of combined social and affordable housing units. It will use a financing strategy that blends public and private resources, with targeted subsidy and sustainable mechanisms to address the need to accelerate the delivery of green affordable housing within the framework of a more climate resilient urban development. It will provide a comprehensive, integrated, and affordable urban and housing solution for vulnerable communities providing more livable urban environment for the *ger* area residents.

16. The AHURP is closely linked to the separate, parallel Ulaanbaatar Urban Services and Ger Areas Development Investment Program⁵ (USGADIP), which is developing trunk infrastructure network (i.e., piped potable water, centralized heating, domestic wastewater collection and treatment, and electricity) in *ger* districts north of Ulaanbaatar city center in Selbe and Bayankhoshuu subcenters. The housing units to be built by the AHURP will be designed to connect to the trunk infrastructure network, that Tranche 1 of the USGADIP will install in these two *ger* district subcentres. The initial phase of AHURP is development of multi-dwelling townhouses and low-rise apartment buildings within the perimeters of approximately 5.1 and 6.4 hectares of urban renewal units in Bayankhoshuu and Selbe subcentres, respectively.

17. The AHURP involves investment of ADB funds through Financial Intermediaries (FIs), which are commercial banks. Pursuant to ADB's Safeguard Policy Statement, 2009, (SPS), the FIs will be required to establish an appropriate environmental and social management system (ESMS) to be maintained as part of their overall management system to meet national legal framework and ADB's requirements for Financial Intermediation Loan (FIL) using ADB funds. At the project preparatory stage, one commercial bank, XacBank, was identified as one of the potential FIs. It is expected that during the project feasibility study there will be more FIs identified and accessed their ESMS and its compliance with SPS.

18. The AHURP is classified as Category B for environment, Category B for involuntary resettlement (IR), and Category C for indigenous people based on the project preparatory stage assessments.

19. An initial corporate due diligence of the XacBank's current Social and Environmental Policy and ESMS, and assessment of the bank's performance against the objectives, principles, and requirements of ADB's SPS was conducted. The findings, conclusions and

⁵ Ulaanbaatar Urban Services and Ger Areas Development Investment Program, ADB MFF loan to Municipality of Ulaanbaatar.

recommendations of the due diligence are summarized below. XacBank will update and include the recommended actions in its ESMS prior to the commencement of AHURP.

B. Summary of Initial Corporate Due diligence Findings

1. Policy Coverage

20. XacBank makes efforts to contribute to slowing climate change, an epidemic that is already having effects on Mongolia in terms of more extreme weather conditions, desertification, and the most polluted capital city in the world – Ulaanbaatar through its corporate social and environmental responsibility efforts. XacBank has adopted a Social and Environmental Management Policy in 2002, which was updated in June 2014 and approved by its Board of Directors. The policy sets the structure and processes to address both social and environmental issues arising from the Bank's external and internal operations. Following the policy, the XacBank has integrated the environmental and social safeguards procedures in all of its operations.

21. The XacBank is the only entity in Mongolia to be accredited in October 2016 by the Green Climate Fund (GCF), which was established under the United Nations Framework Convention on Climate Change (UNFCCC). The GCF aims to promote a paradigm shift towards low-emission and climate resilient development pathways. The fund will do so by providing support to developing nations to mitigate their greenhouse gas emissions and to adapt to the impacts of climate change through its Accredited Entities. Following its corporate social and environmental responsibility, XacBank's has established an Eco Banking Department in 2009, which is the first and only private banking unit in Mongolia dedicated solely to providing environmentally sustainable financial solutions. The bank is providing access to credit for consumers and businesses looking to improve energy efficiency or bring clean technologies to the Mongolian market.

22. The adoption of Social and environmental management policy, accreditation with GCF, a recognized organization under UN, and the establishment and operation of Eco Banking Department for environmentally sustainable solutions and provision of credits for improved energy efficiency and clean technologies, show that XacBank is committed to environmental and social safeguards and compliance with national and international requirements against environmental or social adverse impacts.

2. Screening, Categorization, Planning and Review Procedures

23. The ESMS of XacBank has routine procedures for environmental and social safeguards integrated throughout all of its operational processes. The loan officers conduct screening of the subprojects for potential environmental and social (E&S) risk during the application stage. At the due diligences stage the compliance officer checks the subproject for E&S risks and determine the environmental, IR and indigenous peoples safeguards categorization with the support of the Environmental and Social Manager (ESM) based on the safeguards requirements of its Social and Environmental Management System Policy, the requirements of Mongolian legislations, and the requirements of cooperating international financial institutions (IFIs). Throughout the disbursement and follow-up stages the loan officers monitor the safeguards compliance with the support of the compliance officers. The ESM oversees the overall ESMS implementation and compliance through all the operational stages of application, due diligence, disbursement and follow-up.

24. The initial due diligence finds that XacBank has integrated the social and environmental safeguards screening, categorization, planning and review procedures into its entire operational processes and, in general, processes are in line with ADB SPS requirements. However, more in depth assessment and auditing will be necessary to evaluate the compliance of ADB SPS requirements and XacBanks current environmental and safeguards processes and requirements during the AHURP feasibility study stage.

25. At XacBank, any complaints from the customers or other parties are received through the Contact Center or by any staff in writing, in person, by telephone, email or online. The bank implements Customer complaints and whistleblowing policies and procedures. Any grievances on environmental and social safeguards are handled through the bank's general complaint handling procedures. So far the bank does not have established Grievance Redress Mechanism (GRM) specifically responsive to environmental and social safeguards and requirements.

26. The procedures and formats for the Environmental and social aspects preliminary screening; Environmental, involuntary resettlement and indigenous peoples impact determining needs to be improved in line with ADB requirements and the ADB format checklists integrated into the XacBank's processes.

3. Organization, Staffing and Training

27. There are two layers of XacBank staff who are responsible for the implementation ESMS: (i) loan officers whose job is collection and analysis of the environment and social safeguards related information, initial due diligence for non-complex subprojects, and post-loan client engagement; and (ii) compliance officers at the back office who are making the determination on whether to proceed with a specific loan, including support to the loan officers for due diligence of non-complex subprojects and due diligence for complex subprojects. The Environmental and Social Manager (ESM) at the headquarters oversee the ESMS implementation and performance and is the focal point for environmental and social safeguards related issues with concerned parties.

28. In the back office, XacBank has a Compliance Unit under the Chief Risk Officer. The Compliance Unit is in charge of the E&S risk assessment, compliance with ESMS requirements. It has one senior compliance officer and two compliance officers. Also, there is the Environmental and Social Manager (ESM), who is in the Eco Banking Department and oversees the S&E issues of the bank, including ESMS implementation and enforcement, and monitoring and reporting. The ESM is the focal point for E&S issues with international financial and development institutions and other parties.

29. For all employees related to loan processing and other processes (such as procurement), including the loan officers in front office, the XacBank organizes routine trainings and workshops, annually, in applying E&S principles and procedures. In 2017 XacBank gave training on Social and Environmental Responsibility to its 245 loan officers, including new and rural branch staff.

30. The organizational setup and staffing are found sufficient to be properly handling the environmental and social safeguards requirements of XacBanks's current activities and throughout entire operational processes. For AHURP, based on the required workload for

onlending of funds to the sub-borrowers, it will be necessary to reassess the organizational setup and staffing to handle the AHURP activities.

31. XacBank has routine trainings for its staff involved in the social and environmental safeguards, including all the loan officers in the front office, on annual basis. It is assessed that there is not sufficient knowledge at the bank on ADB SPS, and related environmental, involuntary resettlement, indigenous peoples, and special requirements for different finance modalities.

4. Monitoring and Reporting

32. Loan officers communicate and work with the borrowers to review and confirm from time to time that the borrowers are undertaking the obligations of compliance with all applicable environmental and social safeguard requirements. The compliance officers visit the sites to monitor the implementation of environmental and social safeguards, randomly and as necessary.

33. Borrowers environmental and social performance are evaluated on an annual basis. The benchmarks for performance are the ongoing compliance against the applicable environmental and social safeguard requirements. The XacBank ensures that the borrowers prepare and submit an annual environmental and social monitoring report.

34. Based on the review of the annual environmental and social monitoring reports prepared by the borrowers, routine site inspections, by the loan and compliance officers, to check that all measures are being implemented, and results of regular audits of compliance with the ESMS and overall implementation undertaken by compliance officers, the Bank prepares an Annual ESMS Performance Report. The report is submitted to the Bank's Board of Directors and other parties such as IFIs.

35. The monitoring and reporting on environmental and social issues has become a routine process at the XacBank, however, the current reporting format for the annual ESMS performance report needs to be aligned with ADB format and requirements.

C. Conclusions and Recommendations

36. This initial corporate safeguards due diligence covered the XacBank's, potential FI for the AHURP, current Social and environmental policy and ESMS, and assessment of the bank's performance against the objectives, principles, and requirements of ADB's SPS.

37. It is concluded that XacBank has adequate E&S management policy and has integrated the environmental and social safeguards requirements and procedures in all of its operations that are generally acceptable to ADB and that meet the basic principles and requirements of SPS. The bank has demonstrated corporate environmental and social responsibility through its commitments such as accreditation by GCF and operation of Eco Banking Department for environmentally sustainable solutions and provision of credits for improved energy efficiency and clean technologies.

38. Efforts will be needed by XacBank, to align and improve its current environmental and safeguards processes and requirements; GRM, responsive specifically to grievances related to social and environmental safeguards; procedures and formats for preliminary

screening, environmental, involuntary resettlement and indigenous peoples impacts determining; and environmental and social safeguards performance reporting and formats.

39. Substantial capacity building will be necessary for XacBank's staff involved in the social and environmental safeguards, including all the loan officers in the front office, on ADB SPS and related environmental, involuntary resettlement, indigenous peoples, and special requirements for different finance modalities. The focus of the capacity building should be on FIs ESMS. Considering the proposed AHURP, reassess the organizational setup and staffing to handle the AHURP activities, if the project will be approved.

40. Based on this initial due diligence findings and conclusions, it is recommended that full and in depth due diligence for environmental and social management system arrangement is carried out during the implementation of AHURP. It is expected that there will be more FIs to be included in the AHURP, thus the due diligence can be organized at the time when the due diligence for the other potential FIs will be conducted. The due diligence should focus on the concrete gap analysis of XacBank's existing ESMS and ADB SPS requirements and recommend action plan to align and improve the bank's ESMS with ADB SPS and requirements. In this effort, the conclusions presented in paragraph 24 are to be considered.

41. Also, it is recommended that capacity building and trainings are organized not only for XacBank, but also for the other FIs, to be identified during the AHURP feasibility study stage, on ADB SPS. The capacity building and trainings should cover ADB SPS and related environmental, involuntary resettlement, indigenous peoples, and special requirements for different finance modalities. Also, details on the Environmental Assessment and Review Framework (EARF), Initial Environmental Examination (IEE), Environmental Management Plan (EMP), Resettlement Framework, Land Acquisition and Resettlement Plan (LARP), Voluntary Land Swapping Plan (VLSP) specific to ADB should be included in the trainings. The focus of the capacity building and training activities should be the ESMS. The capacity building can be implemented with the support from Sustainable Green Finance consulting services.

42. XacBank will update its ESMS and action plan to further improve its environmental and social practices and align it to SPS requirements. An ESMS satisfactory to ADB will be a condition precedent to ADB's disbursement/subscription. The company will also report to ADB on a semi-annual bases for projects under construction, and on an annual basis thereafter, to confirm ongoing compliance with the ESMS and ADB's SPS requirements. These reports, and any required corrective action plans, will be disclosed on ADB's website.

[Example of future FIs]

Financial Intermediary: Environmental and Social
Management System Arrangement

May 2018

Mongolia: Ulaanbaatar Green Affordable Housing
and Resilient Urban Renewal Project

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ABBREVIATIONS

ADB	Asian Development Bank
AHURP	(Green) Affordable Housing and (Resilient) Urban
AMC	Asset Management Company
AP	Affected Person
CAP	Corrective Action Plan
DBM	Development Bank of Mongolia
EDAF	Eco-District and Affordable Housing Fund
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
E&S	Environmental and Social
ESIA	Environmental and Social Impact Assessment
ESM	Environmental and Social Manager
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
FI	Financial Intermediary
FIL	Financial Intermediation Loan
GBF	Green Building Facility
GCF	Green Climate Fund
GHG	Greenhouse Gas
GOM	Government of Mongolia
GRM	Grievance redress mechanism
IEE	Initial Environmental Examination
IPP	Indigenous Peoples plan
IPSA	Initial poverty and social assessment
IR	Involuntary Resettlement
LARP	Land Acquisition and Resettlement Plan
MSME	Micro, Small and Medium-Sized Enterprises
MOF	Ministry of Finance
M&E	Monitoring and Evaluation
MUB	Municipality of Ulaanbaatar
PIAL	Prohibited Investment Activities List
PIU	Project Implementation Unit
PMO	Project Management Office
RF	Resettlement Framework
SIA	Social Impact Assessment
SPS	ADB Safeguard Policy Statement, 2009
VLSP	Voluntary Land Swapping Plan
WACC	Weighted Average Cost of Capital

CURRENCY EQUIVALENTS

(as of 16 January 2018)

Currency unit	=	Mongolian Tugrik, MNT
MNT1.00	=	\$0.1449
\$1.00	=	MNT2,430

NOTE

In this report, "\$" refers to US dollars.

I. INTRODUCTION

A. The Project

1. Project Description

1. The objective of the project is to transform the highly climate-vulnerable and heavily polluting peri-urban areas of Ulaanbaatar (*ger* areas) into low-carbon, climate resilient, and affordable eco-districts. It aims to reduce greenhouse gas emission and pollution, enhance the liveability, improve Ulaanbaatar City's climate resilience, and improve Mongolia's adaptability to climate change.

2. The Ulaanbaatar Green Affordable Housing¹ and Resilient Urban Renewal Project (the project) aims to bridge current gaps in climate responsive urban development and green affordable housing. It will implement a large-scale demonstration initiative that will leverage private sector investment to deliver 10,000 green housing units that are energy efficient, affordable,² and designed to maximize the use of renewable energy³ and redevelop 100 hectares (ha) of *ger* areas into eco-districts⁴ characterized by (i) low-carbon, climate resilient, and resource efficient; (ii) mixed-use with ample public space and public facilities; and (iii) mixed-income with about 70% of combined social and affordable housing units. It will use a financing strategy that blends public and private resources, with targeted subsidy and sustainable mechanisms to address the need to accelerate the delivery of green affordable housing within the framework of a more climate resilient urban development. It will provide a comprehensive, integrated, and affordable urban and housing solution for vulnerable communities providing a more liveable urban environment for the *ger* area residents.

3. The project will support institutional reforms and implement regulatory and policy framework that will guide the project transformational impacts on regulations, standards, mechanisms, and sector capacity for (i) climate responsive urban planning combining climate resilience, social cohesion, community participation, and economic opportunities; (ii) increased performance, energy efficiency, and renewable energy in buildings, based on efficient material and technology supply chains; (iii) improved supply and access to low-carbon affordable housing; (iv) sustainable green finance that facilitates the transition to a low-carbon and climate resilient housing and urban development through increased private sector participation; and (v) eco-efficient urban services. This will be done through a synergy with an ongoing Asian Development Bank (ADB)-funded project,⁵ activities of other international institutions, and government

¹ Green housing maximizes climate adaptation and mitigation (especially on energy efficiency and renewable energy) through resource efficiency and building materials during design and construction as well as operation and maintenance to ensure building performance and occupational health. Also, it considers surrounding areas, community participation, public monitoring, land use, efficient use of all types of natural environment—trees, water, soil, and air—and sustainable development as key parameters. Affordable housing is housing whose cost (in rent or mortgage payments) does not exceed 30% of the gross monthly income of a low-income household.

² Affordable housing is a shelter delivery system that is appropriate for the needs of a range of very low to moderate income households and priced (or subsidized) so that the households are also able to meet other basic needs. It also includes social housing such as rental housing that is subsidized and targets the lowest income households that cannot afford the down payments and subsequent loan amortization payments. Rental tenures can be converted into ownership through rent-to-own schemes.

³ The eco-components will focus on (i) reduction of energy consumption with well-insulated and low consumption buildings, (ii) clean energy production from non-stored photovoltaic solar energy, and (iii) building performance monitoring system.

⁴ Eco-district development is a highly integrated urban planning and development process at the neighborhood level, bringing local responses to build up citywide sustainable and green development.

⁵ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche*

programs. The project will serve as an important and sustainable initiative that can be replicated both within Ulaanbaatar and in other Mongolian cities. It will directly benefit 100,000 people and indirectly benefit the entire 1.4 million residents of Ulaanbaatar City. The project will result to reduction of significant greenhouse gas emission and improve resilience to climate change. Carbon emission reduction is estimated to reach 187,150 tons of CO₂ equivalent per year (tCO₂e/year), which is equal to a total 7,486,600 tCO₂e/year during the project lifetime (40 years).

4. **Impact, outcome, outputs.** The project impact is in line with the Ulaanbaatar City Master Plan, Ulaanbaatar 2020 Master Plan and Development Approaches for 2030, the Green Development Strategic Action Plan for Ulaanbaatar 2020, the National Program for Reducing Air and Environment Pollution 2017–2025, and the Affordable Housing Strategy of Ulaanbaatar. The project outcome will be an increased access to low carbon and resilient eco-district and green affordable housing in *ger* areas.

5. The project will have the following outputs⁶:

Output 1: Resilient urban infrastructure, public facilities, and social housing units built in *ger* areas - Public sector investment. This includes the delivery of (i) green and resilient social housing,⁷ (ii) climate adaptation and mitigation features; and (iii) resilient infrastructure, public space, and public facilities. Output 1 (core subproject outputs) will deliver the following items: (i) 6.1 kilometers (km) (0.7 km) of sewerage network, 5.5 km (0.6 km) of water supply pipes, 5.5 km (0.6 km) of district heating pipes, 13.7 km (1.6 km) of roads; (ii) 15 ha (1.7 ha) of public space and green areas, 36,000 m² (4,180 m²)⁸ of community's facilities (such as education, health, and sports facilities), 1,500 units (168 units) of social housing;⁹ (iii) 2,000 m² (240 m²) of greenhouses; (iv) 72,000 m² (8,300 m²) of photovoltaic (PV) panels; and (v) 94,500 m² (11,250 m²) of extra isolation system, utilities metering and building performance monitoring systems, and heating regulation system.

Output 2: Low carbon affordable and market housing units and economic facilities built in *ger* areas - Private sector investment. This includes the delivery of (i) green and resilient affordable and market rate housing, (ii) housing units with climate adaptation and mitigation features, and (iii) commercial facilities and workshops. Output 2 (core subprojects outputs) will deliver the following items: (i) 5,500 units (584 units)¹⁰ of affordable housing, 3,000 units (327 units)¹¹ of market rate housing, 163,000 m² (18,800 m²) associated garages and 38,200 m² (4,400 m²) shops; (ii) 166,500 m² (19,220 m²) of commercial facilities, workshops, and parking; 22.0 km (2.5 km) of pedestrian and bicycling paths; 79,000 m² (9,130 m²) of greenhouses; 591,000 m² (68,200 m²) extra isolation system, utilities metering and building performance monitoring systems, and heating regulation system.

Output 3: Policy environment and capacity strengthened. This will support (i) project implementation and management; (ii) eco-district feasibility and development, sector

Financing Facility for Mongolia for the Ulaanbaatar Urban Services and Ger Areas Development Investment Program. Manila.

⁶ All the values in parenthesis correspond to the core subprojects.

⁷ In Mongolia, "social housing" refers to rental housing. For this Project, social housing also refers to "rent-to-own"

⁸ Already financed by GADIP

⁹ Based on average housing unit size of 37 m².

¹⁰ Based on average housing unit size of 42 m².

¹¹ Based on average housing unit size of 63 m².

reform on climate change adaptation and mitigation, and improve supply and access to green social and affordable housing; (iii) detailed design and supervision; and (iv) sustainable green finance.

6. The redevelopment process and housing construction supported by the project will be in situ (in *ger* areas) and demand driven, facilitated by 100% voluntary land swap processes.¹² Extensive community consultation and participation will be integrated into each stage of the project design and implementation. Financial and institutional arrangements will facilitate the application of a blended finance strategy which will pool international and local, as well as public and private resources through an eco-district and affordable housing fund (EDAF) to be established and managed by the Asset Management Company (AMC) of the Development Bank of Mongolia (DBM) on behalf of the Government. Figure I-1 provides the comprehensive and integrated fund flow chart. Sustainable and inclusive green housing finance mechanisms, such as green micro-mortgages, rent-to-own schemes, housing microfinance savings schemes, and targeted capital subsidies will also be implemented. Grants to finance the eco-district climate change features will provide credit enhancements, viability gap funding, and targeted capital subsidies for green investments to private developers will be administered by MUB through a green building facility (GBF). Lastly, the project will likewise strengthen the institutional and policy framework for the sustainability of green affordable housing and climate resilient urban development in Ulaanbaatar. The project will have about 20 subprojects implemented in five phases. Each phase will identify and prepare a batch of subprojects (representing from 11 to 30 ha). The implementation of each phase will last about 4 years.¹³

2. Involuntary Resettlement vs. Voluntary Resettlement

7. Involuntary Resettlement. A Resettlement Framework has been prepared which will serve as guide in the screening, preparation, and implementation of Land Acquisition and Resettlement Plan (LARP) for any infrastructure development with involuntary resettlement impacts which are outside the Projects' perimeter (i.e., outside the Project's redevelopment area where basic infrastructures such as widening or construction of roads or installation of or connection to water, sewerage, heating pipelines, or electricity networks may be necessary) to support the project. Any infrastructure development outside the projects' perimeter which is categorized as category A for involuntary resettlement will not be financed under the Project.

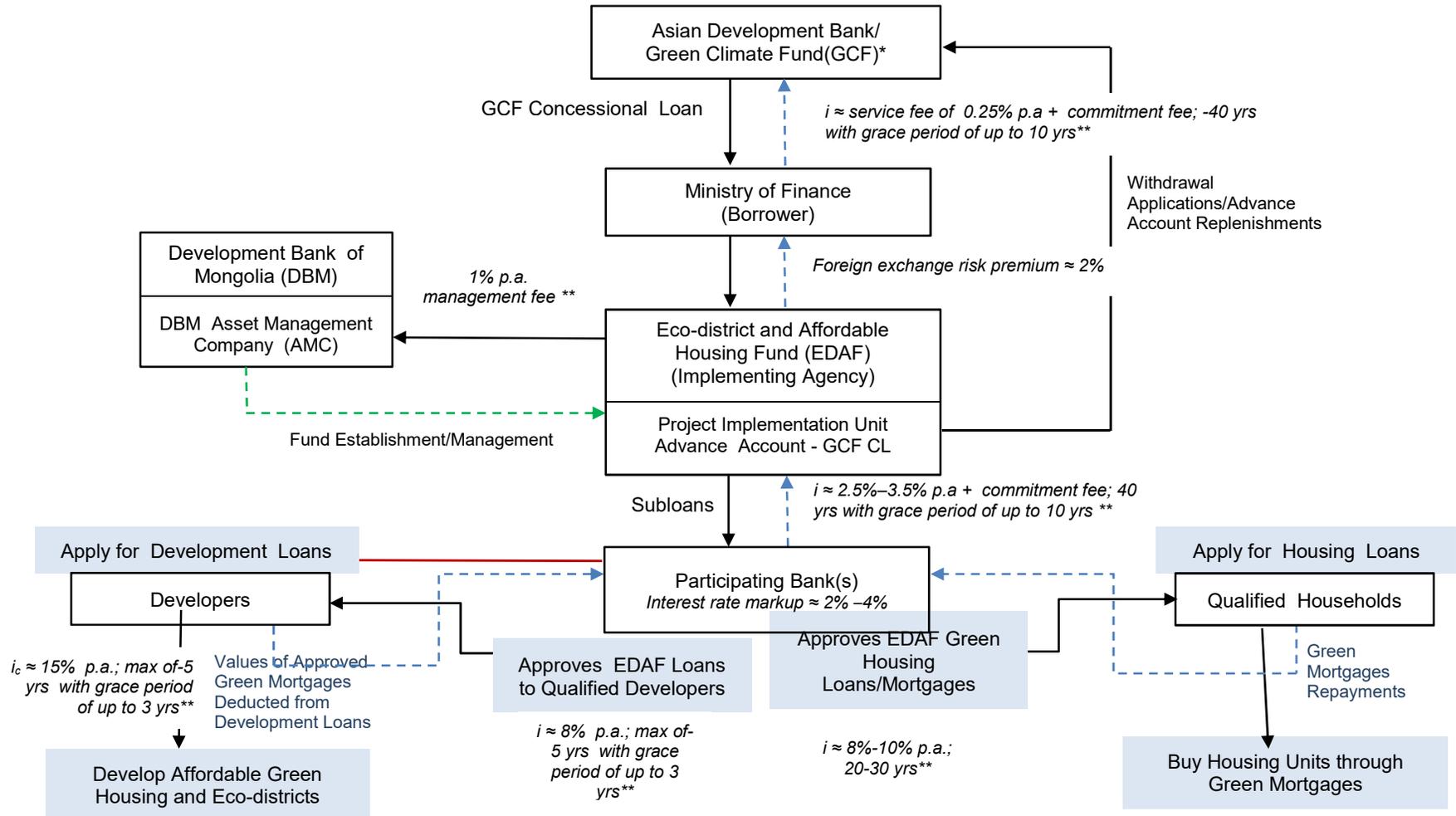
8. Voluntary Resettlement. A Voluntary Land Swapping Plan (VLSP) has been prepared which has all the essential elements of a Resettlement Plan. It includes information on the potential beneficiaries and their socio-economic situation, voluntary land swapping principles, procedures, eligibility, and entitlements. The VLSP also includes mitigation measures to address potential adverse impacts and risks during transition, and livelihood support to land and non-land owners, especially the poor and vulnerable households through access to social housing, cash grant, and livelihood improvement programs. The consultation, participation, and disclosure plan, willingness and affordability assessment, grievance redress mechanism, institutional arrangements and implementation; budget and financing; and internal and external monitoring are described in the VLSP. Although the scheme is voluntary in nature, the project is categorized as category A and will be financed under the Project.

¹² Plot owners will exchange their land and assets for housing units.

¹³ The phasing approach will allow to adjust the parameter of the project to adapt to socioeconomic changes.

9. Figure I-1 below describes the comprehensive and integrated fund flow chart for the EDAF

Figure I-1: Integrated Fund Flow Chart



* The GCF concessional loan will be fully administered by Asian Development Bank (ADB).

** These rates are indicative and subject to negotiation and final approval of the Ministry of Finance and ADB/GCF.

- Legend:
- loan drawdowns or onlending
 - loan/subloan repayments
 - - - fund establishment/management services
 - - - commercial bank financing (at domestic interest rate higher than the EDAF rate currently ranging from 20%-24% per annum)
 - i indicative interest rate
 - i_c combined (aggregated) interest rate from various sources

B. Environmental and Social Management System

1. The purpose of the ESMS

10. The Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project involves investment of ADB funds through Financial Intermediaries (FIs). Pursuant to ADB's Safeguard Policy Statement, 2009, (SPS), the FIs will be required to establish an appropriate environmental and social management system (ESMS) to be maintained as part of their overall management system to meet national legal framework and ADB's requirements for FIL using ADB funds.

11. The ESMS is a framework that integrates environmental and social risk management into Financial Intermediary's business processes, it will help the FIs to avoid and manage loans with potential environmental and social risks by conducting environmental and social due diligence prior to loan disbursement and adequate supervision of projects during the term of the loan agreement. These procedures can be written down in a stand-alone document or integrated in FI's existing risk management procedures.

12. The key components of the environmental and social management system that are assessed include: (i) environmental and social policies as per SPS specific to environmental, involuntary resettlement, indigenous peoples, and other social dimensions; (ii) ADB prohibited investment activities screening, project categorization, reviewing and approval procedure, consultation, participation, disclosure requirements, and grievance redress mechanism; (iii) organizational capacity, including organizational structure, staffing, skills training, and competencies in environmental and social areas; and, (iv) monitoring and reporting, which may also include internal and external auditing requirements.

2. Environmental and Social Management Implementation Arrangement

13. According to the latest FIL arrangement, the CGF loan proceeds to be fully administered by ADB will be channeled to FIs through the government and/or apex financial mechanisms¹⁴. Based on a review of various financing implementation arrangements, it has been determined that the eco-district development and subsequent green housing mortgage financing could best be handled by the EDAF, which will be structured by the MOF through DBM's AMC as the apex financial institution for the project. Through the FIL component of the project, the EDAF will relend the GCF funds administered by ADB to qualified commercial banks which will then onlend the funds to selected developers and household project beneficiaries to produce low carbon affordable and market housing units and economic facilities in ger areas.

14. The overall project implementation and management will be under the MUB PMO. Candidate subprojects under the FIL component will mainly be solicited and be primarily checked for eligibility by the PMO, with the support of EDAF, and then referred to the FIs for due diligence checks. To facilitate subproject implementation, the EDAF will prepare, for each project phase and from time to time as warranted, a list of FIs, i.e. commercial banks eligible to partner with qualified real estate developers. FIs should establish corporate level (headquarter) ESMS to ensure consistency in managing environmental and social risks and impacts among different FIs and their branches. During the ESMS implementation process, the PMO's major functions include: (i) reviewing and screening subproject applications and then refer the subproject to the FIs; (ii) at the project identification stage, if needed, PMO and the FIs will work for a further rapid assessment of the subproject's likely environmental, involuntary resettlement impacts, and effects on indigenous peoples.

¹⁴ Apex mechanisms usually involve financial institutions through which donor-funded financial intermediation loans are channelled to a second layer of financial intermediaries, who will in turn onlend such loan proceeds to the subborrowers.

II. ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS

15. This chapter describes environmental and social management policies and applicable requirements that will be used for the FIs. The environmental and social management due diligence was conducted in the..... This due diligence is to assess the environmental and social system of [FI], which expressed interest to act as FI for the Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project. The focus of this due diligence is to assess the [FI]'s system to manage the potential environmental and social impacts associated with their loans in line with ADB SPS and environmental and social requirements for FIs.

A. [FI]

16. Under the PPTA, a financial due diligence has been undertaken on [FI], as representative of the participating commercial banks, and which has expressed an interest to participate in the project. [FI], founded in.....

17. The general loan process flow of the [FI] is as follows: (i) receiving loan application;.....

B. Current ESMS of [FI]

18. [FI] makes efforts to.....

19. [FI] has been working.....

C. Environmental and Social Management Policy and Applicable Requirements

1. Environmental and Social Management Policy

20. The FIs should prepare a written statement to commit its goal and efforts to manage environmental and social risk across its operations. The statement needs to be approved by senior management and communicated to all relevant employees (operation staff) and clients. Suggested points to include in an environmental and social aspects in addition to any existing policy are as follows:

- (i) All activities undertaken by the FIs are consistent with its own environmental and social standards, as well as applicable requirements;
- (ii) All projects are reviewed against the applicable requirements;
- (iii) Subprojects are to be financed only when they are expected to be designed, built, operated and maintained in a manner consistent with the applicable requirements;
- (iv) Efforts are made to ensure that all subprojects are operated in compliance with the applicable requirements on an ongoing basis, while being financed by the Financial Institution;
- (v) Clients understand the ESMS policy commitments made by the FI in this area.

2. ADB's Safeguard Policy Statement

21. The ESMS includes ADB SPS (2009) policy objectives and principles for three areas: (i) the environment; (ii) involuntary resettlement; and (iii) indigenous peoples.

a) Environment

22. The environmental objectives adopted for the project are to (i) ensure the environmental soundness and sustainability of subprojects and (ii) support the integration of environmental considerations into the subproject decision-making process. The environmental policy principles adopted for the project are as follows:

- (i) Use a screening process for each proposed subproject, as early as possible, to determine the appropriate extent and type of environmental assessment and/or audit required so that appropriate studies are undertaken commensurate with the significance of potential impacts and risks.
- (ii) Conduct an environmental assessment/audit for each proposed subproject to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues), and physical cultural resources in the context of the subproject's area of influence. Assess potential transboundary and global impacts, including climate change.
- (iii) Examine alternatives to the subproject's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no subproject alternative.
- (iv) Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts by means of environmental planning and management. Prepare a corrective action plan (CAP) and/or an environmental management plan (EMP) that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Key considerations for EMP preparation include mitigation of potential adverse impacts to the level of no significant harm to third parties, and the polluter pays principle.
- (v) Carry out meaningful consultation¹⁵ with affected people and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned non-government organizations (NGOs), early in the subproject preparation process and ensure that their views and concerns are made known to and understood by decision makers and taken into account. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment. Establish a grievance redress mechanism (GRM) to receive and facilitate resolution of the affected people's concerns and grievances regarding the subproject's environmental impact and performance.

¹⁵ Meaningful consultation is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.

- (vi) Disclose a draft environmental assessment (including the EMP) in a timely manner, before subproject approval, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental assessment, and its updates if any, to affected people and other stakeholders.
- (vii) Implement the EMP and monitor its effectiveness. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
- (viii) Do not implement subproject activities in areas of critical habitats or legally protected areas. In an area of natural habitats, there must be no significant conversion or degradation. Use a precautionary approach to the use, development, and management of renewable natural resources.
- (ix) Apply pollution prevention and control technologies and practices consistent with international good practices as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gases emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phase-outs. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.
- (x) Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures to avoid, and where avoidance is not possible, to minimize, adverse impacts and risks to the health and safety of local communities.
- (xi) To conserve physical cultural resources and avoid destroying or damaging them, do not implement subproject activities in areas that support physical cultural resources or in areas where "chance-find" physical cultural resources are expected to be found.

b. Involuntary Resettlement

23. The involuntary resettlement policy objectives are to avoid involuntary resettlement wherever possible; to minimize involuntary resettlement by exploring project and design alternatives; to enhance, or at least restore, the livelihoods of all displaced persons in real terms relative to pre-project levels; and to improve the standards of living of the displaced poor and other vulnerable groups. The involuntary resettlement policy principles are:

- (i) Screen the project early on to identify past, present, and future involuntary resettlement impacts and risks. Determine the scope of resettlement planning through a survey and/or census of displaced persons, including a gender analysis, specifically related to resettlement impacts and risks.
- (ii) Carry out meaningful consultations with affected persons, host communities, and concerned nongovernment organizations. Inform all displaced persons of their
- (iii) Entitlements and resettlement options. Ensure their participation in planning,

implementation, and monitoring and evaluation of resettlement programs. Pay particular attention to the needs of vulnerable groups, especially those below the poverty line, the landless, the elderly, women and children, and Indigenous Peoples, and those without legal title to land, and ensure their participation in consultations. Establish a grievance redress mechanism to receive and facilitate resolution of the affected persons' concerns. Support the social and cultural institutions of displaced persons and their host population. Where involuntary resettlement impacts and risks are highly complex and sensitive, compensation and resettlement decisions should be preceded by a social preparation phase.

- (iv) Improve, or at least restore, the livelihoods of all displaced persons through (a) land-based resettlement strategies when affected livelihoods are land based where possible or cash compensation at replacement value for land when the loss of land does not undermine livelihoods, (b) prompt replacement of assets with access to assets of equal or higher value, (c) prompt compensation at full replacement cost for assets that cannot be restored, and (d) additional revenues and services through benefit sharing schemes where possible.
- (v) Provide physically and economically displaced persons with needed assistance, including the following: (a) if there is relocation, secured tenure to relocation land, better housing at resettlement sites with comparable access to employment and production opportunities, integration of resettled persons economically and socially into their host communities, and extension of project benefits to host communities; (b) transitional support and development assistance, such as land development, credit facilities, training, or employment opportunities; and (c) civic infrastructure and community services, as required.
- (vi) Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards. In rural areas provide them with legal and affordable access to land and resources, and in urban areas provide them with appropriate income sources and legal and affordable access to adequate housing.
- (vii) Develop procedures in a transparent, consistent, and equitable manner if land acquisition is through negotiated settlement to ensure that those people who enter into negotiated settlements will maintain the same or better income and livelihood status.
- (viii) Ensure that displaced persons without titles to land or any recognizable legal rights to land are eligible for resettlement assistance and compensation for loss of non-land assets.
- (ix) Prepare a resettlement plan elaborating on displaced persons' entitlements, the income and livelihood restoration strategy, institutional arrangements, monitoring and reporting framework, budget, and time-bound implementation schedule.
- (x) Disclose a draft resettlement plan, including documentation of the consultation process in a timely manner, before project appraisal, in an accessible place and a form and language(s) understandable to affected persons and other stakeholders. Disclose the final resettlement plan and its updates to affected persons and other stakeholders.

- (xi) Conceive and execute involuntary resettlement as part of a development project or program. Include the full costs of resettlement in the presentation of project's costs and benefits. For a project with significant involuntary resettlement impacts, consider implementing the involuntary resettlement component of the project as a stand-alone operation.
- (xii) Pay compensation and provide other resettlement entitlements before physical or economic displacement. Implement the resettlement plan under close supervision throughout project implementation.
- (xiii) Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons, and plan have been achieved by taking into account the baseline conditions and the results of resettlement monitoring. Disclose monitoring reports.

24. The involuntary resettlement impacts of an ADB-supported project are considered significant if 200 or more persons will be physically displaced from home or lose 10% or more of their productive or income-generating assets.

c. Indigenous People (ethnic minorities)

25. The indigenous people policy objectives are to design and implement subprojects in a way that fosters full respect for ethnic minority peoples' identity, dignity, human rights, livelihood systems, and cultural uniqueness as defined by the ethnic minority communities themselves so that they (i) receive culturally appropriate social and economic benefits, (ii) do not suffer adverse impacts as a result of subprojects, and (iii) can participate actively in subprojects that affect them. The indigenous people policy principles include:

- (i) Screen early on to determine (a) whether Indigenous Peoples are present in, or have collective attachment to, the project area; and (b) whether project impacts on Indigenous Peoples are likely.
- (ii) Undertake a culturally appropriate and gender-sensitive social impact assessment or use similar methods to assess potential project impacts, both positive and adverse, on Indigenous Peoples. Give full consideration to options the affected Indigenous Peoples prefer in relation to the provision of project benefits and the design of mitigation measures. Identify social and economic benefits for affected Indigenous Peoples that are culturally appropriate and gender and intergenerationally inclusive and develop measures to avoid, minimize, and/or mitigate adverse impacts on Indigenous Peoples.
- (iii) Undertake meaningful consultations with affected Indigenous Peoples communities and concerned Indigenous Peoples organizations to solicit their participation (a) in designing, implementing, and monitoring measures to avoid adverse impacts or, when avoidance is not possible, to minimize, mitigate, or compensate for such effects; and (b) in tailoring project benefits for affected Indigenous Peoples communities in a culturally appropriate manner. To enhance Indigenous Peoples' active participation, projects affecting them will provide for culturally appropriate and gender inclusive capacity development. Establish a culturally appropriate and gender inclusive grievance mechanism to receive and facilitate resolution of the Indigenous Peoples concerns.

- (iv) Ascertain the consent of affected Indigenous Peoples communities to the following project activities: (a) commercial development of the cultural resources and knowledge of Indigenous Peoples; (b) physical displacement from traditional or customary lands; and (c) commercial development of natural resources within customary lands under use that would impact the livelihoods or the cultural, ceremonial, or spiritual uses that define the identity and community of Indigenous Peoples. For the purposes of policy application, the consent of affected Indigenous Peoples communities refers to a collective expression by the affected Indigenous Peoples communities, through individuals and/or their recognized representatives, of broad community support for such project activities. Broad community support may exist even if some individuals or groups object to the project activities.
- (v) Avoid, to the maximum extent possible, any restricted access to and physical displacement from protected areas and natural resources. Where avoidance is not possible, ensure that the affected Indigenous Peoples communities participate in the design, implementation, and monitoring and evaluation of management arrangements for such areas and natural resources and that their benefits are equitably shared.
- (vi) Prepare an Indigenous Peoples plan (IPP) that is based on the social impact assessment with the assistance of qualified and experienced experts and that draw on indigenous knowledge and participation by the affected Indigenous Peoples communities. The IPP includes a framework for continued consultation with the affected Indigenous Peoples communities during project implementation; specifies measures to ensure that Indigenous Peoples receive culturally appropriate benefits; identifies measures to avoid, minimize, mitigate, or compensate for any adverse project impacts; and includes culturally appropriate grievance procedures, monitoring and evaluation arrangements, and a budget and time-bound actions for implementing the planned measures.
- (vii) Disclose a draft IPP, including documentation of the consultation process and the results of the social impact assessment in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected Indigenous Peoples communities and other stakeholders. The final IPP and its updates will also be disclosed to the affected Indigenous Peoples communities and other stakeholders.
- (viii) Prepare an action plan for legal recognition of customary rights to lands and territories or ancestral domains when the project involves (i) activities that are contingent on establishing legally recognized rights to lands and territories that Indigenous Peoples have traditionally owned or customarily used or occupied, or (ii) involuntary acquisition of such lands.
- (ix) Monitor implementation of the IPP using qualified and experienced experts; adopt a participatory monitoring approach, wherever possible; and assess whether the IPP's objective and desired outcome have been achieved, taking into account the baseline conditions and the results of IPP monitoring. Disclose monitoring reports.

3. Financial Intermediary's Environmental and Social Safeguard Requirements

26. Financial Intermediary will ensure that:

- (i) All subprojects using ADB funds are screened against the Prohibited Investment Activities List (PIAL) of the ADB Safeguard Policy Statement (**Appendix 1**), and that any subprojects involving activities included in the PIAL is not supported to use the ADB funds;
- (ii) All subprojects with potentially significant environmental and/or social impacts are reviewed and evaluated against Safeguard Requirements 1-3 of the ADB SPS;
- (iii) All subprojects are reviewed and evaluated against the Mongolian laws, regulations, and standards on environment, occupational health, safety, involuntary resettlement and land acquisition, ethnic minorities, biodiversity, and physical cultural resources to confirm that they are in compliance; and
- (iv) All subprojects of future batches are screened against and meet the technical, financial, economic, environmental and social criteria presented in **Appendix 5** of this ESMS.

4. Mongolian Legislative and Policy Framework

27. Subproject with ADB's funding will need to comply with all specific and relevant Mongolian laws, policies and procedures. A list of major Mongolian laws and regulations on environment and social issues relevant to the ESMS are summarized in **Appendix 2**. For the environment, these include environmental protection, impact assessment etc. For social issues, these include the land acquisition, involuntary resettlement, gender equality, anti-discrimination, labor issues (including employment opportunities and conditions, child labor), health and safety, impacts on communities, and establishment of grievance mechanism.

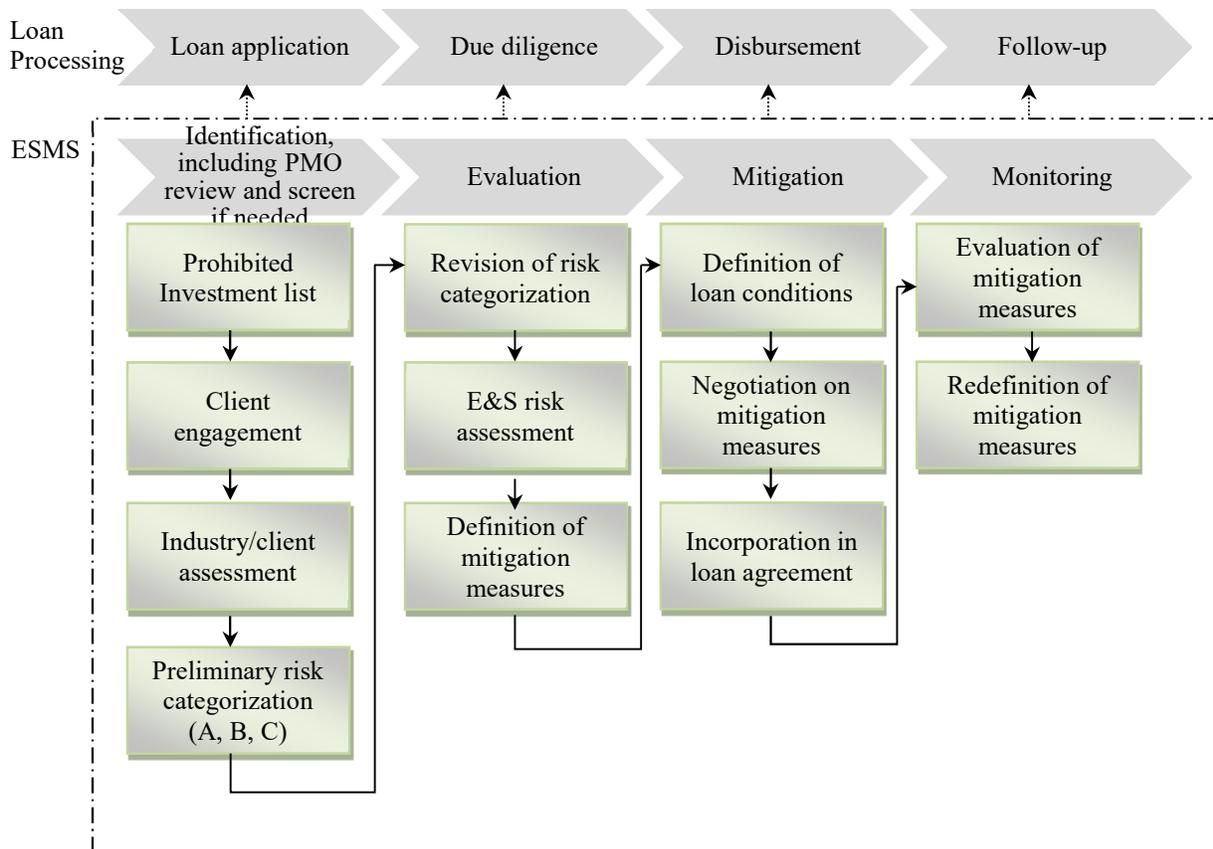
III. ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES

28. This ESMS sets out screening, categorization, and review procedures for subprojects that are being considered to be financed using ADB loan through FIs. Subprojects that comply with all environmental and social requirements under the ESMS and meet other technical and financial requirements can be financed. This ESMS also establishes monitoring requirements for all subprojects to be financed by FIs.

A. Integration of ESMS into Financial Intermediary’s Operational Process

29. The ESMS must be integrated into FI’s operational process. There is a clear four-phase credit process: i) application; ii) due diligence; iii) disbursement; and iv) follow-up. Each phase requires approval before proceeding to the next stage. Once established, the ESMS could be implemented into all phases of the loan processing with identification, evaluation, mitigation, and monitoring. Figure III-1 below depicts the integration of the ESMS processes into the loan processing phases for effective implementation of ESMS.

Figure III-1 ESMS Should Perfectly Match Financial Intermediary’s Operational Process in Order to Be Effective



B. Environmental and Social Screening and Categorization

30. Candidate subprojects under the FIL component will be solicited from the following sources: (i) from the city government through the PMO, and (ii) the financial intermediaries. Candidate projects will then be screened for eligibility by the respective FI. Once the applications from potential subprojects are received, the procedure described below will be followed for subproject screening and categorization.

- Does it involve an excluded activity as listed in the ADB prohibited investment activities list (see **Appendix 1**)?
 - If yes, the subproject will NOT be considered for financing
 - If no, the subproject CAN be considered for financing.
- Does the subproject have a history of environmental and social incidents?
 - If yes, the subproject will NOT be considered for financing
 - If no, the subproject CAN be considered for financing.

31. At the subproject identification stage, the assigned FI staff, front office loan officers, will work with the subproject/sub-borrower to review industry sector and technical aspects of project, and conduct preliminary assessment of subproject's environmental and social impacts. A checklist will be used to determine the significance of potential environmental and/or social impacts associated with the subproject. The Environmental and Social Aspects Preliminary Screening Checklist is provided in **Appendix 3**. The completed checklist will be provided to the FI's Compliance Officers and PMO (if needed) for a further rapid assessment of the subproject's likely environmental, involuntary resettlement impacts, and effects on indigenous peoples. The Environmental, Involuntary Resettlement and the Indigenous People Impact Checklists are provided in **Appendix 4**.

32. Once the checklists and the verification works are completed by the assigned loan and compliance officers, the subproject will be classified as one of the following categories: category A (with potential significant environmental and/or social impacts); category B (with less significant environmental and/or social impacts), and category C (with minimal or no impacts).

33. As for environmental categorization, potential subproject's category is determined by the category of its most environmentally sensitive component, including direct, indirect, cumulative, and induced impacts in the subproject's area of influence. Each proposed subproject is scrutinized as to its type, location, scale, and sensitivity and the magnitude of its current (if a subproject involves existing facilities) and potential environmental impacts. It shall be assigned to one of the following four categories according to SPS (2009):

- (i) **Category A.** A proposed subproject is classified as category A, if it is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. If the subproject was classified as environmental Category A, it shall not be considered for financing by the ADB fund.
- (ii) **Category B.** A proposed subproject is classified as category B, if its potential adverse environmental impacts are less adverse than those of category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects. An

initial environmental examination (IEE) is required for a category B project.

- (iii) **Category C.** A proposed subproject is classified as category C, if it is likely to have minimal or no adverse environmental impacts. No environmental assessment is required although environmental implications need to be reviewed.

34. For those subprojects involving involuntary resettlement, a Land Acquisition and Resettlement Plan (LARP) is prepared that is commensurate with the extent and degree of the impacts: the scope of physical and economic displacement and the vulnerability of the affected persons. Subprojects are classified into the following four categories:

- (i) **Category A.** A proposed subproject is likely to have significant involuntary resettlement impacts. If the subproject was classified as involuntary resettlement Category A, it shall not be considered for financing by the ADB fund.

However, under the voluntary land swapping scheme which will result to the subproject's development of affordable green housing and eco-districts, it can be considered for financing provided that the updated Voluntary Land Swapping Plan for a specific subproject has been prepared, disclosed to the beneficiaries, and cleared by ADB.

- (ii) **Category B.** A proposed subproject includes involuntary resettlement impacts that are not deemed significant. A resettlement plan, which includes assessment of social impacts, is required.
- (iii) **Category C.** A proposed subproject has no involuntary resettlement impacts. No further action is required.

35. The impacts of an ADB-supported subproject on indigenous peoples is determined by assessing the magnitude of impact in terms of:

- customary rights of use and access to land and natural resources;
- socioeconomic status;
- cultural and communal integrity;
- health, education, livelihood, and social security status;
- the recognition of indigenous knowledge; and
- the level of vulnerability of the affected Indigenous Peoples community.

36. For the indigenous peoples impacts, subprojects are classified into the following four categories:

- (i) **Category A.** A proposed subproject is likely to have significant impacts on indigenous peoples. If the subproject was classified as indigenous people Category A, it shall not be considered for financing by the ADB fund.
- (ii) **Category B.** A proposed subproject is likely to have limited impacts on indigenous peoples. An IPP, including assessment of social impacts, is required.
- (iii) **Category C.** A proposed subproject is not expected to have impacts on indigenous peoples. No further action is required.

37. The assigned FI staff will ensure that the subproject company is fully aware of the applicable requirements as presented in Table III-1. For subprojects with potential environmental

and/or social impacts that are not deemed significant¹⁶, the assigned staff will advise the project company that (i) Safeguards 1-3 of the ADB SPS will apply including preparation of an initial environmental examination (IEE) report and environmental management plan (EMP), Land Acquisition and Resettlement Plan, a social impact assessment (SIA), and/or an indigenous peoples plan (IPP), as well as public disclosure and/or stakeholder engagement plan, if necessary; and (ii) the subproject company shall submit these reports to the FI staff for review. The FI will also submit these reports to ADB for review and clearance. Outlines for IEE and IPP report are shown in ADB SPS (2009). For a subproject under the voluntary land swapping scheme which will result to the subproject's development of affordable green housing and eco-districts, it can be considered for financing provided that the updated Voluntary Land Swapping Plan for a specific subproject has been prepared, disclosed to the beneficiaries, and cleared by ADB.

38. When the FIL subproject involves "greenfield" (a totally new project) development or major extension, as it requires land acquisition and/or physical relocation outside the subprojects' perimeter¹⁷, and likely to have significant environmental and/or social impacts, it shall not be considered for financing by the ADB fund.

39. If subprojects concern activities such as incremental upgrading, rehabilitation and/or "brownfield" project (brownfield is maintenance or upgrading of existing assets without acquiring additional land), Financial Intermediary should discreetly categorize such projects according to ADB's SPS as such subprojects may also involve high risk activities.

40. Each subproject will have a separate category on environment, involuntary resettlement and indigenous peoples based on the significance of impacts on each safeguard aspect. Financial Intermediary will ensure that necessary IEE report, EMP, SIA, LARP, IPP, and/or public disclosure and stakeholder engagement requirements have been fulfilled by the client. Categorization of subprojects includes reviewing IEE report (and its approval, if available) and other supporting documents, site visiting, as well as information / data collection and verification.

¹⁶ If the subproject has significant impact and was classified as Category A, it shall not be considered for financing by the ADB fund. However, under the voluntary land swapping scheme which will result to the subproject's development of affordable green housing and eco-districts, it can be considered for financing provided that the updated Voluntary Land Swapping Plan for a specific subproject has been prepared, disclosed to the beneficiaries, and cleared by ADB.

¹⁷ i.e., outside the Project's redevelopment area where basic infrastructures such as widening or construction of roads or installation of or connection to water, sewerage, heating pipelines, or electricity networks may be necessary

Table III-1 ADB Safeguard Requirements

Category Risk Rating	Environmental Safeguards	Involuntary Resettlement safeguards	Indigenous Peoples Safeguards
Category A (with potential Significant impacts)	Exclude for ADB financing	For subproject outside the project's perimeter, exclude for ADB financing. However, under the voluntary land swapping scheme which will result to the subproject's development of affordable green housing and eco-districts, it can be considered for financing provided that the updated Voluntary Land Swapping Plan for a specific subproject has been prepared, disclosed to the beneficiaries, and cleared by ADB.	Exclude for ADB financing
Category B (with less Significant impacts)	Comply with national laws and ADB's PIAL	Comply with national laws and ADB's PIAL	Comply with national laws and ADB's PIA
Category C (with minimal or no impacts)	Comply with national laws and ADB's PIAL	Comply with national laws and ADB's PIAL	Comply with national laws and ADB's PIAL

Source: Asian Development Bank

41. It will be the FI's task to appraise subprojects against detailed subproject selection criteria, covering technical, financial, and environmental and social safeguards adopted by the implementing agencies agreeable to ADB.

42. Once the safeguards categorizations are completed for the proposed subprojects, the specific selection criteria will be applied to the subproject to determine whether the subproject is qualified to be financed by FI (**Appendix 5 – Subproject Selection Criteria**). As indicated in Appendix 5, any subproject that is (i) Category A for involuntary resettlement and recently had land acquisition and resettlement with outstanding issue for subprojects outside the subproject's perimeter, and (ii) cause labor retrenchment and redundancies will be excluded. Based on the subproject selection criteria, the FI staff, with support from the PMO (if needed) will present the pre-selection list of the potential subprojects and submit it to FI and PMO to review and approve the pre-selected subprojects.

43. For subprojects.....

C. Due Diligence

44. The FI's compliance officers should work with FI's loan officers to undertake environmental and social due diligence. Depending on the complexity of the subproject, due diligence can be a desk review (for category C subprojects). For category B subprojects, these studies will be undertaken by Compliance Unit or by an external agency, if necessary, and its scope and coverage will meet the requirements as embodied in national laws and regulations on environment and labor, as well as safeguard requirements of ADB. The due diligence for Category B subprojects will require an IEE and land acquisition and resettlement impact assessment to be conducted. This will include undertaking impact specific studies (environmental and social impact assessments), preparation of an Environmental and Social Management Plans (ESMP), including stand-alone Environmental Management Plan (EMP) and LARP, as required, providing adequate capacities and resource to mitigate the impacts, ensure proper documentation, monitoring and reporting.

45. The subproject company must provide all requested information to the FI staff, and should be able to demonstrate responsiveness with regard to the applicable environmental and social safeguard requirements. A due diligence report will be prepared for category B subprojects and the results of the due diligence will be reflected in the report to the FI, which will take into account these issues in clearance of the subproject. A suggested outline of an Environmental and Social Due Diligence Report is provided in the **Appendix 6**.

46. The risk categorization result determines the evaluation process and follow up actions:

- Category C subprojects
 - Does the subproject comply with all applicable national laws on environment, social impacts, health, and safety?
 - If no, require the subproject to develop a plan for corrective actions (including periodic reporting and monitoring) within a reasonable timeframe to be included as a condition of disbursement in loan agreement
 - Does the subproject have all the necessary permits?
 - If yes, review copies of the permit and ensure that they are current valid
 - If no, require project to obtain all necessary permits before proceeding with financing
- Category B subprojects
 - Conduct site visit, using consultants as necessary
 - Request action plan to address potential environmental and social risks (including periodic reporting and monitoring) within a reasonable timeframe
- Category A subprojects: if the project was classified as Category A for any of the safeguard categories, it shall not be considered for financing by the ADB fund.
- For voluntary land swapping scheme which will result to the subproject's development of affordable green housing and eco-districts,
 - Coordinate with and work closely with ADB on the Voluntary Land Swapping Plan preparation and updating.
 - Conduct site visit, using consultants as necessary

- Request action plan to address potential social risks (including periodic reporting and monitoring) within a reasonable timeframe.

47. All subproject investment agreements will contain appropriate environmental and social covenants requiring the project to be in compliance with the applicable environmental and social safeguard requirements as defined in Table III-1 above. Also, the Table III-2 below provides a sample environmental and social check list. FIs should discuss with subborrower to check whether each items are suitable for the subproject. If suitable, the environmental and social check list and relevant key performance indicator/requirements should be integrated into the investment agreement.

Table III-2 Environmental and Social Check List

Environmental and Social Check List	Key Performance Indicator (KPI) / Major Requirements
Labor and working conditions	<ul style="list-style-type: none"> • To collaborate standard of labor and working conditions in accordance with relevant ADB Social protection requirements; • To promote fair treatment, non-discrimination and equal opportunities to workers (especially for female) in compliance with national employment and labor laws, regulations and other legal requirements; • Improve an effective worker-management relationship.
Occupational health and safety (OH &S)	<ul style="list-style-type: none"> • To minimize and prevent workplace incidents. • To formulate subborrower's OH&S manual applicable for subproject use ADB fund. • Compile and review site safety policy, inspections and reports to validate contractors are applying proposed rules.
Land acquisition, resettlement, and livelihood restoration	<ul style="list-style-type: none"> • According to subproject screening criteria, the proposed subprojects outside the subprojects' perimeters must not involve Category A for involuntary resettlement. • If identified subproject affected people suffer adverse impacts as a result of subprojects, compensation or other relief measures need to be implemented to mitigate negative impacts; • The compensation packages should be designed to improve or at least restore the quality of life and livelihood of those affected people. • Voluntary land swapping scheme which will result to the subproject's development of affordable green housing and eco-districts, it can be considered for financing provided that the updated Voluntary Land Swapping Plan for a specific subproject has been prepared, disclosed to the beneficiaries, and cleared by ADB.
Indigenous people	<ul style="list-style-type: none"> • The subproject must not have any adverse impacts on indigenous people; • Ensure affected indigenous people receive culturally appropriate social and economic benefits, and do not suffer adverse impacts as a result of subproject development.

Environmental and Social Check List	Key Performance Indicator (KPI) / Major Requirements
Stakeholder engagement	<ul style="list-style-type: none"> • Continued stakeholder consultation will be undertaken during all phases of the subproject development; • Local residents/stakeholders are aware of the subproject and in particular the planned schedule of activities most likely to affect them.
Community grievance mechanisms and information disclosure	<ul style="list-style-type: none"> • Grievance procedures will be public noticed to stakeholders including details of the key contacts; • Contractors and sub-contractors will be recommended to adopt the same system; • Provide timely response and inform of the progress in dealing with complaint; • Affected communities will be included in the ongoing reporting process to ensure that the community is knowledgeable about its resources.
Emergency preparedness and response	<ul style="list-style-type: none"> • Reduce level of risk from emergencies; • Eliminate adverse effects of emergencies and disasters at the workplace and community (including people, property, infrastructure, economy and environment); • Contribute to the management of risks to enhance safety.
Environmental and social requirements on contractors, sub-contractors, and primary suppliers	<ul style="list-style-type: none"> • Contractors and Sub-contractors are obligated to comply with E&S requirements, and applicable regulations relevant to project activities; • Contractor must document and report occupational injuries, illnesses and fatalities.
Pollution prevention	<ul style="list-style-type: none"> • Compliance with relevant environmental procedures and regulations; • Minimum emissions, such as noise, soil, air, water etc.
Biodiversity management	<ul style="list-style-type: none"> • If the subproject will lead to loss of biodiversity, project specific procedures must be developed with the aim to minimize impacts, habitat destruction, fragmentation, species isolation, and restoration of local ecological networks
Resource efficiency and waste management	<ul style="list-style-type: none"> • Subproject should develop and implement feasible measures for improving efficiency in consumption of energy, water and other material inputs; • Used or damaged materials must be discharge according to the local rules and regulations; • Subproject should conduct water resources assessment if involving new increased water demand and hold the approval for water abstraction issued by relevant water resources management authority
Climate change risk assessment	<ul style="list-style-type: none"> • If the proposed subproject will have varying degree of exposure to future climate change (e.g. increasing traffic or housing in areas that will be more prone to flooding, by encouraging settlement in earthquake zones). The subproject shall be initially screened for climate risk, and project designing will consider the results of the screenings.

D. Compliance Monitoring and Reporting

48. After a category B subproject is approved, loan officers communicate and work with the subproject company to review and confirm from time to time that the project company is undertaking the obligations of compliance with all applicable environmental and social safeguard requirements. The FIs will promptly report to ADB any actual or potential breach of the compliance requirements after becoming aware of it. The ESM will visit the site to monitor the implementation of EMP, LARP, and/or IPP if applicable.

49. Subproject's environmental and social performance will be evaluated on an annual basis. The benchmark for performance will be the ongoing compliance against the applicable environmental and social safeguard requirements. The FIs will ensure that the subproject company prepares and submits an annual environmental and social monitoring report and will review and assess the subproject company's performance on environmental and social safeguard issues. A suggested outline of an Annual Environmental and Social Monitoring Report for Subproject Company is provided as **Appendix 7**.

50. For Category B subprojects, based on the (i) review of the annual environmental and social monitoring reports prepared by the each subproject company; (ii) FIs front office staff (whose job will involve collection and analysis of the environmental and social related information, also post-loan client engagement) and/or Environmental and Social Manager's (ESM) routine subproject site inspection to check that all measures are being implemented (where this is not the case, corrective actions will be identified and checked for implementation at the next inspection); and (iii) results of regular audits of compliance with the ESMS and overall implementation undertaken by FI's ESM, the ESM will prepare an Annual ESMS Performance Report and submits it to ADB, see **Appendix 8** for suggested outline of the Annual ESMS Performance Report, including the following contents:

- Portfolio information
- Progress on ESMS implementation
- ESMS assessment procedures
- ESMS monitoring process
- Environmental and social issues associated with projects
- Non-compliance of projects and Corrective Action Plan (CAP), if necessary.

51. The FI should immediately report to ADB, if a subproject experiences major accidents or incidents. Also, any accidents or incidents related to a subproject that have received media attention should be reported to ADB. The FI should also inform ADB of any category A subprojects, and such category A subproject shall not be considered for financing by the ADB fund.

52. For voluntary land swapping scheme, the ESM will visit the site to monitor the implementation of the updated VLSP and submit semi-annual monitoring reports to ADB.

E. ESMS Review and Continuous Improvement

53. The ESMS to be established by the FIs needs to be reviewed periodically to ensure that it remains relevant and effective over time and incorporates Financial Intermediaries' evolving needs. This involves (i) keeping Senior Management informed on challenges, successes and other important issues associated with ESMS implementation; (ii) identifying potential issues with

operational aspects of ESMS implementation and making improvements as necessary; (iii) reviewing the scope of ESMS procedures to ensure that emerging environmental and social risks of projects are detected and identified during the due diligence process; and (iv) update ESMS to reflect revisions in applicable national legislation on environment, social, as well as health and safety and to ensure that it remains relevant and effective over time and incorporates FI's evolving needs.

IV. INSTITUTIONAL RESPONSIBILITY, RESOURCES, AND CAPACITY

A. Financial Intermediary’s Organization and Responsibilities

54. The FIs will (i) have ultimate responsibility to implement the ESMS; (ii) have oversight for environmental and social issues on all subprojects; (iii) ensure that there are adequate resources to undertake environmental and social management in all subprojects.

55. There are two layers of FI staff who will be responsible for the implementation of ESMS: (i) loan officers whose job will involve collection and analysis of the E&S related information, and post-loan client engagement; and (ii) compliance officers at the back office who will make the determination on whether to proceed with a specific loan. The ESM at the headquarters will oversee the ESMS implementation and performance and will be the focal point for E&S related issues with ADB. When necessary, FIs should consider obtaining external expertise to support ESMS implementation for activities such as EIA, SIA, EMP, LARP, VLSP etc. Table IV-1 below provides the three positions responsible for FIs ESMS implementation.

56. The ESM at FIs will oversee environmental and social issues on all subprojects, and work with the management of FI to ensure adequate resources have been committed to allow for the effective implementation of the ESMS policy and procedures. Other roles and responsibilities for ESMS manager includes:

- Communicate ESMS requirements;
- Ensure that all loan decisions are supported by appropriate environmental and social reviews;
- Participate in loan decision-making process;
- Determine and include environment, social, health and safety covenants in loan agreements;
- Report to ADB on accidents/incidents and on an annual basis ESMS performance report.

57. The FI will ensure that ADB is notified if and when the current ESM leaves that position, or if any changes are made in these positions or their main responsibilities. In the case when the current ESM leaves the position, the FI will immediately hire adequately qualified ESM and will provide ADB the name and contact details of the new ESMS manager.

Table IV-1 Three Positions are Responsible for Financial Intermediation to Apply the ESMS

Loan Officers (Front Office Staff)	Compliance Officer, E&S Expertise (internal and/or external)	ESM, E&S oversight
<p>Dialogue with client on E&S issues</p> <p>Evaluation of E&S risks at individual investment / subproject level</p>	<p>Development / updating of procedures and documents</p> <p>Evaluation of E&S risks at portfolio level</p> <p>Assistance to loan and</p>	<p>Commitment to policies and objectives</p> <p>Approval of suggested E&S conditions</p> <p>Internal and external</p>

Loan Officers (Front Office Staff)	Compliance Officer, E&S Expertise (internal and/or external)	ESM, E&S oversight
Suggestion of E&S conditions for the client	officers in evaluation and monitoring of clients	communication and reporting
Monitoring of client's progress		

58. ESMS implementation should be integrated into FIs risk management and loan process procedures for effective implementation of ESMS, refer to Figure III-1. Current risk management and loan processing procedures for all loans have already integrated social and environmental risk screening process and ESMS requirements. The loan officers conduct screening of the subprojects for potential E&S risk during the application stage. At the due diligences stage the compliance officer will check the subproject for E&S risks and determine the environmental, IR and indigenous peoples safeguards categorization with the support of the ESM based on the ADB SPS. Throughout the disbursement and follow-up stages the loan officers will be monitoring the safeguards compliance with the support of the compliance officers. The ESM will oversee the overall ESMS implementation and compliance through all the stages of application, due diligence, disbursement and follow-up. Also, the ESM will be the focal point for ADB on ESMS and for each subproject ESM will obtain confirmation and approval from ADB that the subprojects are in compliance with the ADB's safeguard policies on environment, IR and indigenous people.

B. Resources and Capabilities

59. The FIs staff responsible for the ESMS, i.e. the front office staff, i.e. loan officers, compliance officers in the back office and the ESM should have adequate knowledge and experiences to implement and comply with the requirements of the ESMS.....

60. FIs standard loan contract template will need to be revised to reflect FIs requirements on subproject ESMS. The FIs Legal Counsel will ensure that all loan agreements contain covenants requiring that projects are in compliance with applicable national laws and ESMS requirements on environment and social safeguards, and health and safety. The [FI]'s loan contracts have included a requirement or representation that the borrowers' activities are conducted in compliance with the applicable environmental, social, health and safety requirements of Mongolian legislation and consistent with requirements on prohibited activity. The template loan contract would need to include the requirements on subproject ESMS.

C. ESMS Implementation Budget and Training

61. To ensure effective ESMS implementation across the FIs, it is necessary to allocate resources to prepare and distribute ESMS documentation and materials, to train staff on ESMS procedures, and to account for staff time to perform their ESMS responsibilities in their day-to-day duties. The following budget resources and funds for ESMS might need to be allocated:

- Training on ESMS procedures, including training and capacity building need to provide skills on ADB categorization, and site selection procedures.
- Staff time for performing ESMS duties and responsibilities
- ESMS documentation and materials

Also, budgets and resources should be allocated for ESMS trainings (if necessary

consultants shall be engaged to conduct these trainings) to explain:

- Purpose and ESMS overview;
- Overview of investment portfolio by industry sector including environmental and social aspects of industry sectors;
- ESMS procedures and specific staff expectations during implementation;
- Updates/revisions to ESMS, as necessary.

D. Timeline for Establishment and Implementation of ESMS by Financial Intermediaries

62. The establishment of an effective ESMS and its timely integration into the operational processes of the FIs is vital for compliance with environmental and social safeguard requirements of ADB. The key to ensure effective and timely establishment of ESMS are: (i) appropriate level of support/attention from senior management; (ii) allocation of adequate resources, where/when necessary include resources to obtain external expertise for the ESMS establishment and implementation, at least at initial stages; (iii) appointment of an ESMS manager (preferably senior) at corporate level of the FI; (iv) development of training program, tailored and delivered to front office staff (loan officers) and back office staff (compliance officers) and corporate ESMS manager who are involved in the establishment and implementation of the ESMS; and (v) inclusion of ESMS requirements into the loan agreement. Key milestone for ESMS establishment and implementation are summarized in the table IV-2 below.

63. If necessary and requested by the FIs, ADB will provide capacity development support for the FIs to establish and implement ESMS. ADB support will include: (i) external expertise for the ESMS establishment and implementation; (ii) on-the-job trainings on environmental and social safeguard risk screening, categorization and assessment; and (iii) subproject level training to facilitate the implementation of ESMS from subborrowers’ aspect (including ESMS record-keeping and reporting).

Table IV-2: Key Milestone for Establishment and Implementation of ESMS

Milestone	Target/Completion Date
Establishment of ESMS, including; -Commit ESMS policy and statements; -Designate an ESMS manager at senior level; -Allocate ESMS budget; -Incorporate the ESMS requirement in the standard loan agreement with borrower;	Prior to first disbursement
Retain external expertise for the ESMS establishment and implementation (if needed)	When necessary during ESMS implementation
Development of ESMS training program and conduct ESMS training at headquarter and braches of the FIs	Within one month after establishment of ESMS
Prepare Annual ESMS Performance Report and submit to ADB	Annually during loan implementation

64. [FI] has

E. Approval by the Board of Directors

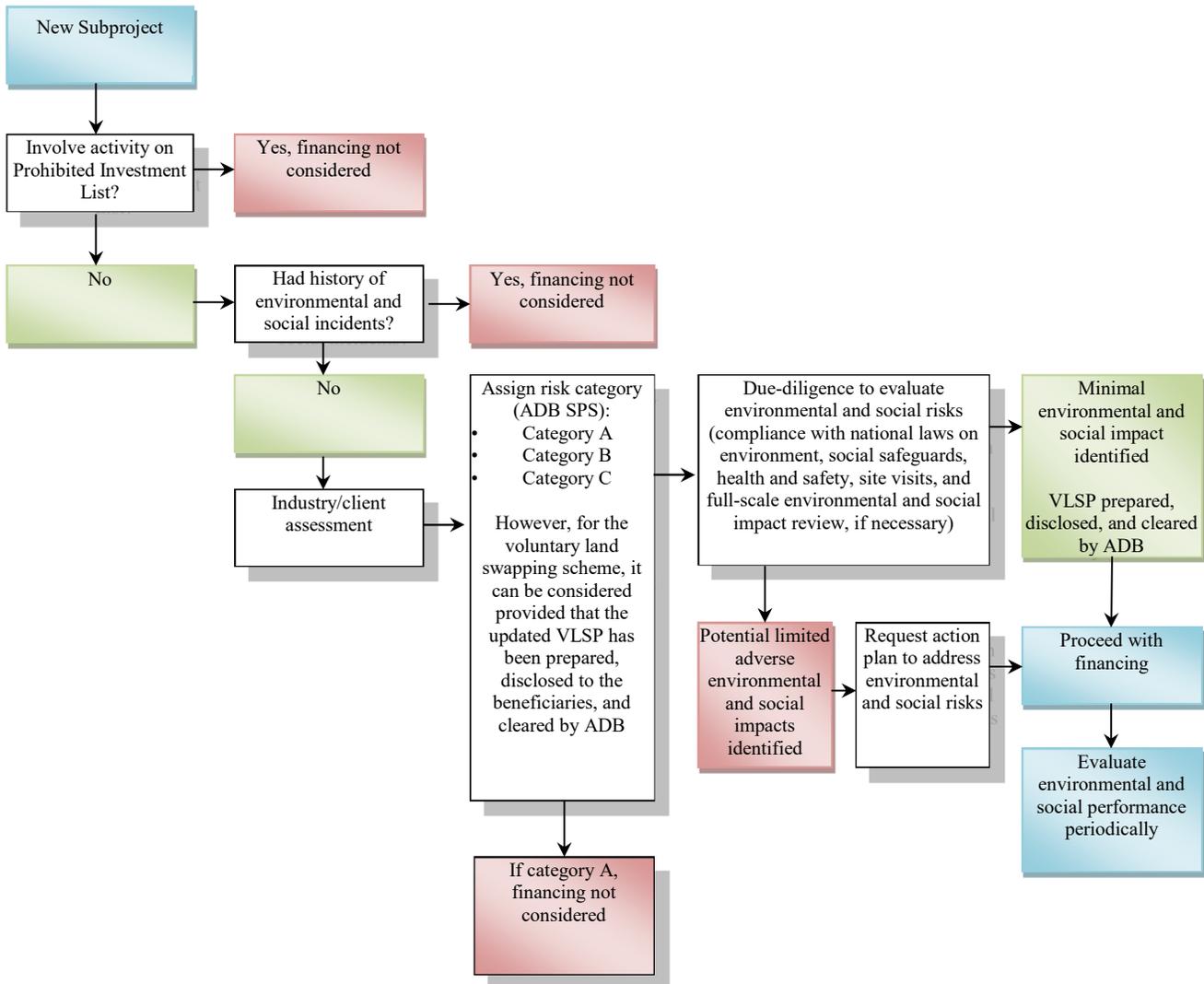
65. The entire ESMS, including the budget and training plan, should be reviewed and approved by FIs Board of Directors to ensure that it is integrated as part of the FIs standard operating procedures and loan processing. **Appendix 9** provides the checklist for approval of the ESMS.

66. [FI] has....., [FI] needs to review and incorporate ADB's policy and requirements on ESMS for compliance.

V. ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM IMPLEMENTATION

67. For effective, efficient and timely implementation of ESMS, FIs will need to (i) communicate and publicize across the FI the importance of the ESMS and its implementation through office memo/email, staff meetings, bulletin boards, newsletters and regular trainings and workshops; and (ii) carry out ESMS in the daily duties and apply ESMS procedures within risk management review and loan processing, when using ADB funding. This is to be achieved through the integration of the ESMS functions into the operational processes of the FIs. The figure V-1 below, summarizes the ESMS implementation actions.

Figure V-1: ESMS Implementation Action



VI. GRIEVANCE REDRESS MECHANISM

68. Effective and easily accessible Grievance redress mechanism (GRM) shall be established by the FIs for smooth and timely settlement of the grievances lodged by the subproject affected entities. Grievances from affected entities are to be received by the FIs through means easily accessible to the affected entities. It could be the front office staff, dedicated phone line, online system, as well as an email address. The use of GRM will not exclude or impede access to the judicial or administrative remedies. The affected entities of the subprojects are to be informed of the GRM and how to use this mechanism.

69. The front office staff will be in charge of registering (date, name, contact details and the reason for complaint) the complaint. A duplicate copy will be made and given to the complainant for the record at the time of registering the complaint. The ESM will be responsible for (i) resolving appeals, complaints, and disputes concerning the environmental and social impacts of subprojects which have not been resolved by the front office staff, and (ii) for coordinating, guiding and supervising the front offices in handling appeals, complaints, and disputes. The project Steering Committee will be responsible to resolve appeals, complaints and disputes that were not settled by the ESM.

70. All grievances received by FIs front office staff regarding any subprojects will be entered into a register with the date, name, contact details and the reason for the complaint. Minor complaints, which can be resolved easily and acted upon immediately. Can be addressed at the subproject level by the front office staff within 7 working days.

71. If the complaints are not resolved by the front office staff, the ESM in the back office will be responsible for (i) resolving appeals, complaints, and disputes concerning the environmental and social impacts of subprojects within 10 working days; and (ii) coordinating, guiding and supervising the front offices in handling appeals, complaints, and disputes.

72. The unsolved appeals, complaints and disputes at the back office by the ESM will be submitted to the Project Steering Committee for settlement. The Steering Committee shall review and settle the unsolved appeals, complaints and disputes in cooperation with the FIs and MUB.

73. FIs will inform ADB of all complaints and actions under the GRM and include all relevant documents in its progress reports to ADB. Any costs incurred to receive and document grievances will be paid by the FIs. The grievance procedures will remain valid throughout the duration of the subproject and the first two years after the completion of the subproject.

74. The tracking and documenting of grievance resolutions by the FI will include the following elements: (i) tracking forms and procedures for gathering information from project personnel and complainant(s); (ii) regular updating of the GRM database by the ESM; (iii) processes for informing stakeholders about the status of a case; and (iv) a simple but effective filing system, so that data can be retrieved for reporting purposes, including reports to ADB.

APPENDIX 1: ASIAN DEVELOPMENT BANK PROHIBITED INVESTMENT ACTIVITIES LIST

The following do not qualify for Asian Development Bank financing:

- (i) production or activities involving harmful or exploitative forms of forced labor¹⁸ or child labor;¹⁹
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals,²⁰ pesticides, and herbicides,²¹ (b) ozone-depleting substances,²² (c) polychlorinated biphenyls²³ and other hazardous chemicals,²⁴ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,²⁵ and (e) transboundary trade in waste or waste products;²⁶
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;²⁷
- (v) production of or trade in tobacco;¹⁰
- (vi) gambling, casinos, and equivalent enterprises;¹⁰
- (vii) production of or trade in radioactive materials,²⁸ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;²⁹
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

¹⁸ Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

¹⁹ Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

²⁰ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

²¹ A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

²² A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

²³ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

²⁴ A list of hazardous chemicals is available at <http://www.pic.int>.

²⁵ A list is available at <http://www.cites.org>.

²⁶ As defined by the Basel Convention; see <http://www.basel.int>.

²⁷ 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.

²⁸ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

²⁹ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

APPENDIX 2: MAJOR MONGOLIAN LAWS, REGULATIONS AND POLICIES ON ENVIRONMENT AND SOCIAL ISSUES RELEVANT TO THE ESMS

Laws, Regulations and Standards	Relevance to Project
<i>Environment</i>	
Law on Environmental Protection (1995)	The umbrella law for all environmental and natural resource legislation in Mongolia. It governs the land and subsoil, mineral resources, water resources, plants, wildlife and air, and requires their protection against adverse effects to prevent ecological imbalance. Regulates relations between the State, citizens, business entities and organizations to guarantee the human right to live in a healthy and safe environment, to ensure an ecologically balanced social and economic development, to protect the environment for present and future generations, and to properly use natural resources and the restoration of available resources.
Law on Environmental Impact Assessment (2012)	The general requirements of environmental strategic assessment, conducting the strategic assessment, writing a report, and the relations on discussion, making a decision and informing and reporting are set by this law. The purpose is to protect the environment, prevent ecological imbalance due to human activities, ensure minimal adverse impacts on the environment from the use of natural resources, and regulate relations that may arise in connection with the assessment of environmental impacts, decisions whether or not to implement, and approval on regional and sectoral policies, development programs, plans and projects.
Law on Air (2012)	The objective of this law is prevention of the air from pollution, decreasing and monitoring the polluting substances.
Law on Air Pollution Fee (2010)	This law determines the pollutant sources and entities, the fees and payments for pollutants.
Law on Water (2012)	The objective is protection of water reserves and basin, adequate use of water and rehabilitation of water reserves.
Law on Water Pollution Fee (2012)	The objective is to determine, impose and collect fees for pollution of water by the citizens, businesses and organizations.
Law on Waste (2017)	The objective is to reduce and prevent the negative impacts of waste on the health of the people and on the environment, to recycle to save the natural resources, to improve the knowledge of the people on waste management in order to reduce, sort, collect, transport, store, re-use, recycle, restore, dispose, and export, and to prohibit import and transit transport of dangerous waste.
Law on Hazardous and Toxic Chemical Substances (2006)	The objective is to regulate issues of export, import, transit transport through Mongolia, and production, storing, selling, transporting, use, disposal, and controlling of hazardous and toxic chemical substances.
Law on Subsoil (1988)	The objective is to regulate issues of use and protection of subsoil.
Law on Soil Protection and Combating Desertification (2012)	The objective is to protect soil from degradation and its rehabilitation, and prevention from desertification.
Green Development Policy (2016)	The policy objective is to leverage tax, credit, and incentive mechanisms to finance a green economy.
<i>Land Acquisition and Involuntary Resettlement</i>	
Law on Land (amended in 2002)	Regulates issues related to land possession and land use by individuals and legal persons. It establishes broad principles for acquisition of land under possession rights for state special needs
Law on Allocation of Land to Mongolian Citizens for Ownership (2002, last amendment in 2012)	Regulates procedures for allocating land for ownership and other relations associated with this tenure. It establishes broad principles for acquisition of land under ownership rights for state special needs.
Civil Code	Provides a legal framework, which places LAR in the context of negotiated settlement. This implies that the State and affected persons engage with each other contractually as equal and autonomous legal persons and participants in a civil legal relationship for land acquisition activities.

Laws, Regulations and Standards	Relevance to Project
Regulation on Taking Over Land for and Releasing Land from State Special Needs (2003)	Complements the Law on Land on issues related to land acquisition for state special needs and releasing land from state special needs. It regulates procedures for taking over and releasing both the public land, i.e. land which are not given to citizens, business persons and organizations for possession and use, and land under possession and use as specified in the Law on Land.
Law on Urban Redevelopment (2015)	Defines the legal framework for the redevelopment of the built-up and public areas, demolishing and rebuilding of deteriorated buildings, ger area land readjustment and ger area redevelopment. Provides provisions for land acquisition and compensation.
<i>Social Safeguard, Safety and Health</i>	
Labor Law (1999)	The objective is to set the rights, duties and responsibilities of the labor parties, the employer and employee, the contract and negotiations, grievances redress, and ensure the equity of the parties.
Law on Labor Safety and Health (2008)	The objective is to set the state policy and principles on labor safety and health, and the organization and activities of the related government organizations, and the labor safety and health requirements and standards, and to ensure healthy and safe working environment for the employees and laborers.
Law on Gender Equity	The objective is to define and implement the legislative basis to ensure gender equity in the political, legal, economic, social, cultural and family relations.
Law on Fire Safety	The objective is to regulate issues related to duties and responsibilities of the businesses, organizations and citizens related to fire safety.
Law on Disaster Protection (2017)	The objective is to organize activities to protect from disasters effectively and in timely manner and set the duties and responsibilities of the emergency agency and other parties, and regulate related management and organizational issues.
Law on Sanitation	The objective is to ensure healthy and safe living environment for the people, prevent from, reduce and eliminate environmental negative impacts on the health of the people.
<i>Flora, Fauna, and Cultural Resources</i>	
Law on Protection of Flora (2007)	The objective is to regulate the relations between the government, citizens and legal entities related to the protection of the pastoral and planted flora from deceases, insects, rodents, weeds, quarantine requirements and controlling of these.
Law on Natural Flora (1995)	The objective is to protect, use properly and rehabilitate all flora except forest and planted flora.
Law on Cultural Heritage Protection (2014)	The objective is to regulate relationships related to investigation, registration, research, classification, valuation, storage, protection, restoration, inheritance, ownership, use and promotion.
<i>Community Engagement and Grievance Mechanism</i>	
Law on Settlement of Applications and Grievances Lodged by the Citizens to the Government Organizations and Officials (1995)	Procedures for making applications, lodging grievances by the citizens to the government organizations and officials and sets the activities and procedures to redress the grievances and handle the applications

APPENDIX 3: ENVIRONMENTAL AND SOCIAL ASPECTS PRELIMINARY SCREENING CHECKLIST

Environmental and Social Aspects Preliminary Screening Checklist	
Subproject name:	Location:
Lending amount (\$m) and financial purpose:	
Industry sector:	Brief project description:
Site visit date:	Additional technical review required: <input type="checkbox"/> Yes <input type="checkbox"/> No
Reviewed by:	
Compliance with applicable requirements—check all that apply:	
<input type="checkbox"/> Prohibited Investment Activities List <input type="checkbox"/> National legislative requirements <input type="checkbox"/> Environmental, health and safety permits granted <input type="checkbox"/> Injuries and fatalities have occurred (how and when: _____) <input type="checkbox"/> Labor-related fines (when and why: _____) <input type="checkbox"/> Environmental incidents and fines (when and why: _____) <input type="checkbox"/>	
Management systems—check all that apply:	
<input type="checkbox"/> No written environmental and social policy <input type="checkbox"/> No written human resources policy (e.g., employee rights/non-discrimination) <input type="checkbox"/> No written fire/safety plan or emergency prevention/preparedness/response plan <input type="checkbox"/> No environmental, health and safety training for employees <input type="checkbox"/> No procedures for managing environmental and social risks <input type="checkbox"/> No designated person in charge of environmental and social issues <input type="checkbox"/> No internal process for sharing information <input type="checkbox"/>	
Project site—check all that apply:	
<input type="checkbox"/> Non-urban/undeveloped land <input type="checkbox"/> Proximity to river/stream/pond/lake/sea <input type="checkbox"/> Proximity to protected area (e.g., forest/endangered species)/ecologically sensitive area (e.g., wetland/breeding grounds) <input type="checkbox"/> Proximity to culturally sensitive/indigenous area <input type="checkbox"/>	
Environmental issues—check all that apply:	

Environmental and Social Aspects Preliminary Screening Checklist	
<p><i>Air emissions</i></p> <input type="checkbox"/> Boilers <input type="checkbox"/> Generators <input type="checkbox"/> Vehicles and equipment <input type="checkbox"/> Furnaces and incinerators <input type="checkbox"/> Welding and soldering <input type="checkbox"/> On-site burning <input type="checkbox"/> Use of solvents <input type="checkbox"/> Use of fumigation <input type="checkbox"/> Evaporation of chemicals <input type="checkbox"/> Refrigeration plant <input type="checkbox"/> Use of exhaust ventilation <input type="checkbox"/>	<p><i>Waste water</i></p> <input type="checkbox"/> Waste water discharged to _____ <input type="checkbox"/> Drains and grates <input type="checkbox"/> Oil separators <input type="checkbox"/> Separation tanks or filters <input type="checkbox"/> Reed beds <input type="checkbox"/> Cut-off valves <input type="checkbox"/> Foul sewers and septic tanks <input type="checkbox"/> Water treatment units <input type="checkbox"/> Cleaning operations <input type="checkbox"/> Spraying operations <input type="checkbox"/> De-watering/water pump out <input type="checkbox"/>
<p><i>Solid and hazardous wastes</i></p> <input type="checkbox"/> Waste generated <input type="checkbox"/> Types of waste: _____ _____ _____ <input type="checkbox"/> Hazardous waste (e.g., waste oils, pesticide washings, solvents, clinical waste, asbestos) <input type="checkbox"/> Waste disposed to _____ <input type="checkbox"/>	<p><i>Hazardous chemicals, fuels, and pesticides</i></p> <input type="checkbox"/> On-site chemicals or fuels storage <input type="checkbox"/> Protective measures against leaks/spills <input type="checkbox"/> Signs of leaks/spills <input type="checkbox"/> On-site spill clean up equipment <input type="checkbox"/> Protective measures against rain <input type="checkbox"/> Signs of corrosion on tanks/containers <input type="checkbox"/> Secured storage areas against theft <input type="checkbox"/> Training on proper handling of chemicals and fuels <input type="checkbox"/> Pesticide use and management
<p><i>Resource consumption</i></p> <input type="checkbox"/> Materials used: _____ _____ <input type="checkbox"/> Use of renewable natural resources <input type="checkbox"/> Use of tools and equipment <input type="checkbox"/> Water source: _____ <input type="checkbox"/> Energy source: _____ <input type="checkbox"/>	<p><i>Nuisance</i></p> <input type="checkbox"/> Dust <input type="checkbox"/> Noise <input type="checkbox"/> Odors <input type="checkbox"/> Fumes <input type="checkbox"/> Vibrations <input type="checkbox"/> Traffic congestion and obstructions <input type="checkbox"/>
Community interactions—check all that apply:	
<input type="checkbox"/> No designated person in charge of responding to questions from the community <input type="checkbox"/> No procedures for managing community complaints <input type="checkbox"/> Use of security personnel <input type="checkbox"/>	
Social issues—check all that apply:	

Environmental and Social Aspects Preliminary Screening Checklist
<ul style="list-style-type: none"> <input type="checkbox"/> Land acquisition required <input type="checkbox"/> Land acquisition been acquired recently (within 2 years) <input type="checkbox"/> Displacement/resettlement of local settlements <input type="checkbox"/> Temporary occupation of land that affects the land, housing, assets or livelihoods/business of people <input type="checkbox"/> Impact on local settlements/livelihood <input type="checkbox"/> Restrictions on land use or access to common properties (e.g. environmental buffer zone) <input type="checkbox"/> Impact on indigenous peoples <input type="checkbox"/> Complaints from neighbors/communities <input type="checkbox"/> On or adjacent to site of cultural/archaeological importance <input type="checkbox"/> Outstanding issue (e.g. outstanding payment of compensation, complains from affected people and/or communities) <input type="checkbox"/> Voluntary Land Swapping Scheme
Labor issues—check all that apply:
<ul style="list-style-type: none"> <input type="checkbox"/> No Personal Protective Equipment provided (e.g., safety goggle/hard hat/protective glove) <input type="checkbox"/> Inadequate employee health and safety measures (e.g., fall prevention/ventilation) <input type="checkbox"/> Inadequate working conditions (e.g., air quality/lighting/confined spaces/on-site hygiene) <input type="checkbox"/> Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay) <input type="checkbox"/> Unequal employment opportunities (e.g., discrimination against gender/ethnic group/age) <input type="checkbox"/> Payment below minimum wage <input type="checkbox"/> Employees below minimum age <input type="checkbox"/> Child or forced labor <input type="checkbox"/> No process for employees to voice complaints <input type="checkbox"/> No recognition of employee organizations/labor unions <input type="checkbox"/>
Additional comments

Involuntary Resettlement: The involuntary resettlement impacts of an ADB-supported project are considered significant if 200 or more persons will be physically displaced from home or lose 10% or more of their productive or income-generating assets.

Safeguard Category: The ADB funds cannot be used for any safeguard category A subprojects.

APPENDIX 4: ENVIRONMENTAL, INVOLUNTARY RESETTLEMENT, AND INDIGENOUS PEOPLES IMPACT CHECKLIST

Subproject Data:	
Suproject Title:	
Location:	
Status (existing facility / New construction):	

1. Environmental Assessment Checklist

Instructions:

(i) The Financial Intermediary's Environmental and Social Manager completes this checklist to support the environmental classification of a project.

(ii) Answer the questions assuming the "without mitigation" case. The purpose is to identify potential impacts. Use the "remarks" section to discuss any anticipated mitigation measures.

Screening Questions (Please elaborate in answers the remarks column)	Yes	No	Remarks
A. Subproject Siting			
Is the Subproject area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected Area			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
• Wetland			
• Urban Area			
B. Potential Environmental Impacts			
Will the Subproject cause:			
• Alteration of surface water hydrology of waterways crossed by roads and resulting in increased sediment in streams affected by increased soil erosion at the construction site?			
• Damage to sensitive habitats by construction of underground cables?			
• Deterioration of surface water quality due to silt runoff, sanitary wastes from worker-based camps and chemicals used in construction?			
• Increased local air pollution due to rock crushing, cutting and filling?			
• Risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during project construction and operation?			
• Chemical pollution resulting from chemical clearing of vegetation for construction site?			
• Noise and vibration due to blasting and other civil works?			

Screening Questions (Please elaborate in answers the remarks column)	Yes	No	Remarks
• Dislocation or involuntary resettlement of people?			
• Disproportionate impacts on the poor, women and children, Indigenous Peoples or other vulnerable groups?			
• Social conflicts relating to inconveniences in living conditions where construction interferes with pre-existing roads?			
• Hazardous driving conditions where construction interferes with pre-existing roads?			
• Creation of temporary breeding habitats for vectors of disease such as mosquitoes and rodents?			
• Dislocation and compulsory resettlement of people living in right-of-way of the power transmission lines?			
• Environmental disturbances associated with the maintenance of lines (e.g. routine control of vegetative height under the lines)?			
• Facilitation of access to protected areas in case corridors traverse protected areas?			
• Disturbances (e.g. noise and chemical pollutants) if herbicides are used to control vegetative height?			
• Large population influx during project construction and operation that cause increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
• Social conflicts if workers from other regions or countries are hired?			
• Poor sanitation and solid waste disposal in construction camps and work sites, and possible transmission of communicable diseases from workers to local populations?			
• Risks to community safety associated with maintenance of lines and related facilities?			
• Community health hazards due to electromagnetic fields, land subsidence, lowered groundwater table, and salinization?			
• Risks to community health and safety due to the transport, storage, and use and/or disposal of materials such as explosives, fuel and other chemicals during construction and operation?			
• Community safety risks due to both accidental and natural hazards, especially where the structural elements or components of the project (e.g., high voltage wires, and transmission towers and lines) are accessible to members of the affected community or where their failure could result in injury to the community throughout project construction, operation and decommissioning?			

Screening Questions (Please elaborate in answers the remarks column)	Yes	No	Remarks
C. Climate Change and Disaster Risk Questions The following questions are not for environmental categorization. They are included in this checklist to help identify potential climate and disaster risks.			
• Is the Subproject area subject to hazards such as earthquakes, floods, landslides, storm surges, or volcanic eruptions and climate changes?			
• Could changes in precipitation, temperature, salinity, or extreme events over the subproject lifespan affect its sustainability or cost?			
• Are there any demographic or socio-economic aspects of the Project area that are already vulnerable (e.g. high incidence of marginalized populations, rural-urban migrants, illegal settlements, ethnic minorities, women or children)?			
• Could the Subproject potentially increase the climate or disaster vulnerability of the surrounding area (e.g., increasing traffic or housing in areas that will be more prone to flooding, by encouraging settlement in earthquake zones)?			

2. Involuntary Resettlement Impact Screen Checklist

Probable Involuntary Resettlement Effects	Yes	No	Remarks
A. Subproject Involving Prior Land Acquisition			
Will the subproject involve use of land previously acquired within 2 years			If yes, check whether there are outstanding issues
With outstanding issues (e.g. outstanding payment of compensation)			If yes, shall not be considered for financing by the ADB fund
B. Subproject Involving New Land Acquisition			
Land acquisition required			If Category A for involuntary resettlement, it shall not be considered for financing by the ADB fund
C. Other Social impact			
Will people lose or restrict access to natural resources, communal facilities and services due to the subproject development (e.g. brownfield project)?			If yes, prepare social impact assessment and management plan
D. Voluntary Land Swapping Scheme Will the subproject involve voluntary land swapping scheme?			If yes, check if an Updated Voluntary Swapping Plan has been prepared, disclosed to the beneficiaries, and cleared by ADB.

3. Indigenous People Impact Screen Checklist

Key Concerns (Please elaborate in answers the remarks column)	Yes	No	Remarks
A. Indigenous Peoples Identification			
1. Are there socio-cultural groups present in or use the project area who may be considered as "tribes" (hill tribes, schedules tribes, tribal peoples), or "indigenous communities" in the project area?			
2. Are there national or local laws or policies as well as anthropological researches/studies that consider these groups present in or using the project area as belonging to scheduled tribes, tribal peoples, national minorities, or cultural communities?			
3. Do such groups self-identify as being part of a distinct social and cultural group?			
4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?			
5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?			
6. Do such groups speak a distinct language or dialect?			
7. Have such groups been historically, socially, economically marginalized, disempowered, excluded, or discriminated against?			
8. Are such groups represented as "Indigenous Peoples" or "scheduled tribes" or "tribal populations" in any formal decision-making bodies at the national or local levels?			
B. Identification of Potential Impacts			
9. Will the subproject directly or indirectly affect Indigenous Peoples?			
10. Will the subproject directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts, and governance)?			
11. Will the subproject affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)?			
12. Will the subproject be in an area (land or territory) occupied, owned, or used by Indigenous Peoples, and/or claimed as ancestral domain?			
C. Identification of Special Requirements Will the subproject include:			
13. Commercial development of the cultural resources and knowledge of Indigenous Peoples?			
14. Physical displacement from traditional or customary lands?			
15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the			

Key Concerns (Please elaborate in answers the remarks column)	Yes	No	Remarks
identity and community of Indigenous Peoples?			
16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by Indigenous Peoples?			
17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by Indigenous Peoples?			

D. Anticipated subproject impacts on Indigenous Peoples

Subproject Component / Activity/ Output	Anticipated Positive Effect	Anticipated Negative Effect
1.		
2.		
3.		

*: Need to be noticed, according to subproject selection criteria, subproject negative impacts on indigenous people shall not be considered for financing by the ADB fund.

Overall Conclusion on Subproject social safeguard Category (circle one for each):

Environment Category	Involuntary Resettlement Category	Indigenous Peoples Category
A B C	A B C	A B C
Reason for conclusion:	Reason for conclusion:	Reason for conclusion:
Notes:	Notes: Is voluntary land swapping scheme involved? <input type="checkbox"/> Yes <input type="checkbox"/> No	Notes:

	Name	Position	Date
Prepared by:	_____	_____	_____
Reviewed by:	_____	_____	_____
Endorsed by:	_____	_____	_____

APPENDIX 5: SUBPROJECT SELECTION CRITERIA

A. Subproject Eligibility and Selection Criteria

The project is based on demand-led principles, in-situs redevelopment, and a comprehensive and integrated urban development and housing solution. Subproject eligible sites should (i) be located in *ger* areas and their redevelopment into eco-district are in line with the city master plan, (ii) cover a minimum of 4 ha where no more than 10% of the plot owners are not willing to participate, and (iii) be in a reasonable distance of main trunk infrastructure.

The feasibility and appraisal criteria for a subproject to be eligible for detailed design and construction into eco-district stages are (i) identified sites should be within the minimum of 4 ha and 100% of the land owners who cover a continuous land area of 3 ha are willing to participate, (ii) access to main trunk infrastructure must be available at least on one side of the perimeter of the subproject,³⁰ and (iii) the financial feasibility of an eco-district guaranties a reasonable margin for the real estate developer.

B. Subproject Screening Criteria

- (i) The proposed Subproject must not involve Category A for involuntary resettlement for subprojects outside the project's perimeters. If the land has been acquired within last two years, the PMO need to confirm the land has been acquired by the local governments after paying compensation to affected people. If there are outstanding issues, it shall not be considered for financing under the project.
- (ii) The Subproject should not result in net labor retrenchment.
- (iii) Subproject should not involve any prohibited activities under the ADB safeguard policy (see ESMS).

C. Technical Criteria

All subprojects must meet the following criteria, in particular:

- (i) Each eco-district subproject feasibility study and detailed design should ensure that 30% of land use is public space (including 15% of open space and green areas)
- (ii) The ratio of m² of public amenities/facilities, commercial facilities, and entertainment areas per person correspond to average international standard (respectively 1.2 m²/persons, 1.5 m²/persons, and 0.5 m²/persons).³¹
- (iii) Housing units to be constructed in one eco-district should comprise 15% social housing, 55% affordable housing, and 30% market rate housing.
- (iv) The average density of an eco-district should be about 300 p/ha and housing building should comprise townhouses or low-rise building of a maximum of five to six floors.
- (v) Each building should reach an energy efficiency performance guarantying an energy consumption of 150 kilowatt hours per square meter per year and should comply with

³⁰ If the estimated cost of connection of a subproject to main trunk infrastructure exceeds 10% of the cost of internal infrastructure and public facilities, the selection of this specific subproject should be reconsidered.

³¹ If public facilities, commercial facilities or entertainment areas are already existing in the vicinity of the subproject, the ratio of m²/p to be built should be modified accordingly.

Mongolian Norm and Regulation BnDB 23-02-09 “Thermal Performance of Buildings”

- (vi) Housing units should be equipped with indoor air filtration system
- (vii) Building and facilities should have 18% of their footprint covered with solar panels.
- (viii) At least 10% of the eco-district surface should be covered with greenhouses (on the ground or on building or facilities rooftop)
- (ix) Other technologically and economically viable renewable energy solution can be introduced in the eco-district design

D. Subproject Financial Criteria

All subprojects must be financially viable. The subprojects, upon completion, would generate revenues from the sale of affordable and market housing units, as well as the sale of parking spaces and commercial lots for shops and offices. The financial benefit-cost analysis should be prepared in accordance with ADB’s financial management and analysis guidelines. The financial internal rate of return (FIRR) shall be greater than the estimated weighted average cost of capital (WACC). The FIRR should also exceed the WACC under several plausible adverse scenarios

E. Subborrowers Financial Criteria

1. Eco-district Development Loans

Developers to be considered eligible subborrowers of development loans must be meet the following criteria, in particular:

- (i) Must be financially creditworthy and not have a poor credit record, as recorded in the credit history database.
- (ii) Should have no pending litigation and arbitration
- (iii) Must be capable of contributing 25%-30% of the total subproject investment cost as their share of financing.
- (iv) Must present a financing plan that would be fully supportive of the financial viability of the eco-district and its own financial sustainability.
- (v) Must commit to undertake the procurement of goods and civil works under the subproject with due attention to economy and efficiency in accordance with established private sector or commercial practices acceptable to ADB.

2. Green Housing Loans/Mortgages

To be eligible for green housing loans/mortgages for affordable housing, the following criteria must be met unless otherwise revised by the project:

- (i) Must have a household monthly income of no less than MNT740,000 and no greater than MNT1,400,000.
- (ii) Must be landowners/renters/residents living in the subproject areas or living in the ger areas.
- (iii) Priority will be given to people with disabilities, seniors without caretakers, and vulnerable people.

Green housing loans/mortgages for the market rate housing units will be open to any borrower who meets the bank's screening and selection criteria.

F. Subproject Environmental and Social Safeguards Criteria

3. All subprojects must meet the following criteria, in particular:
 - (i) The subprojects must not involve Category A for involuntary resettlement.³² However, under the voluntary land swapping scheme which will result to the suproject's development of affordable green housing and eco-districts, it can be considered for financing provided that the updated Voluntary Land Swapping Plan for a specific subproject has been prepared, disclosed to the beneficiaries, and cleared by ADB.
 - (ii) The subproject must not have any negative impacts on indigenous people (ethnic minorities).³³
 - (iii) The subprojects must not be located in any designated environmental protection zone and cultural heritage site.
 - (iv) The subprojects must not support enterprises which have activities involving commercial development of cultural resources of Indigenous Peoples without their consent for the commercialization of such resources.
 - (v) Each subproject must be designed, constructed, and operated in accordance with relevant national and provincial environmental and social laws and regulations.
 - (vi) Subproject must meet requirements of the ESMS developed for the loan project,
 - (vii) Initial Poverty and Social Assessment and Summary Poverty Reduction and Social Strategy shall be prepared for all subprojects.
 - (viii) Each subproject must acquire proper approvals from proper national and provincial authorities in-charge. and
 - (ix) The subprojects shall not result in labor retrenchment and labor redundancies.

³² The subproject proposal will be screened through an involuntary resettlement impact screening checklist in accordance with procedures contained in the project's environmental and social management system (ESMS)

³³ The subproject proposal will be screened through an ethnic minorities impact screening checklist.

APPENDIX 6: SUGGESTED ENVIRONMENTAL AND SOCIAL DUE DILIGENCE REPORT

Introduction

- (i) Subproject description: title, type of subproject, location and setting, amount, size (production capacity, number of staff, etc.)
- (ii) Environmental and social categorization and rationale
- (iii) Applicable Environmental and Social Requirements.

Scope of Review and Methodology

- (i) Documents reviewed (e.g., environmental assessment reports, social impact assessment and management plan, indigenous peoples plan, or environmental and social compliance audit reports, copies of permits/licenses)
- (ii) Methodology adopted (Site visit, inspection report, etc.)

Compliance and liability (by relevant safeguard requirements applicable for the specific subproject, examine environmental and social issues and compliance)

Examine issues in terms of environmental, involuntary resettlement and indigenous peoples impacts, mitigation measures to address these issues (or corrective action plan for existing facilities) and compliance status with applicable ADB environmental and social safeguard requirements and national laws, regulations, and standards:

Environmental Safeguards

- (i) appropriate identification of major anticipated environmental impacts and risks
- (ii) adequacy of environmental assessment (for category A subprojects, it shall not be considered for financing by the ADB fund)
- (iii) compliance status with applicable requirements on (i) information disclosure, (ii) consultation with affected people and other stakeholders, (iii) occupational and community health and safety, biodiversity conservation and sustainable natural
- (iv) resource management, and physical cultural resources
- (v) adequacy of mitigation measures and EMP (mitigation measures, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any.

Post construction phase report on i) number of trees felling due to projects, compensatory afforestation status, any gap or improvement ii) rehabilitation of borrow areas, iii) soil erosion control measures, embankment protection measures, iv) re development of quarry areas, v) restoration of camp sites and plant sites, vi) any enhancement of community assets, and vii) provision of any facility out of public demand

During operation phase report on i) compliance status of EMP ii) environmental monitoring reports iii) institutional arrangement in place for implementation and monitoring of EMP iv) plantation maintenance measures v) impact on sensitive receptors.

Involuntary Resettlement Safeguards

- (i) appropriate identification of major anticipated involuntary resettlement impacts and risks (including both physical displacement and economic displacement), if subproject involves Category A for involuntary resettlement, it shall not be considered for financing by the ADB

fund. However, under the voluntary land swapping scheme which will result to the subproject's development of affordable green housing and eco-districts, it can be considered for financing provided that the updated Voluntary Land Swapping Plan for a specific subproject has been prepared, disclosed to the beneficiaries, and cleared by ADB.

- (ii) adequacy of assessment of social impacts, information disclosure and consultation with affected people and other stakeholders
- (iii) adequacy of compensation and benefits for impacted persons
- (iv) adequacy of social impact and management plan (measures to enhance or restore the livelihoods of affected people, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any.

Indigenous Peoples Safeguards

- (i) appropriate identification of major anticipated impacts on Indigenous Peoples (including potential impacts on traditional or customary lands under use, and impacts on cultural resources)
- (ii) adequacy of information disclosure and meaningful consultation
- (iii) broad community support, where applicable
- (iv) adequacy of measures to avoid adverse impacts, subproject negative impacts on indigenous people shall not be considered for financing by the ADB fund
- (v) adequacy of Indigenous Peoples plan (benefit sharing, monitoring and reporting, institutional arrangement, budget), or corrective action plan for existing facilities, if any.

Adequacy of grievance redress mechanism arrangements

Recommend mitigation measures, or corrective action plans, if gaps are identified;

Provide details on local employment generated during construction as well as operation phase. Report on CSR (corporate social responsibility) activities undertaken.

For existing facilities including subprojects under construction, examine whether the subproject company paid pollution charges or fines/penalties for non-compliance in the last two years in accordance with national laws, whether the subproject company is exposed to potentially significant liabilities, such as those arising from known or suspected land/groundwater contamination, major accidents and incidents related to the company's past or ongoing operations, health and work safety measures, community severance issues, and state further actions required/planned by the subproject, in particular actions to address any non-compliance problems and liabilities. Also examine whether there are complaints from the public or local communities on the subproject company's environmental and social performance.

State any risk control or mitigation measures to be taken by the subproject, such as conditions, loan covenants or monitoring and reporting requirements

Other subproject specific issues, if any

Conclusion and Recommendations

APPENDIX 7 SUGGESTED OUTLINE ANNUAL ENVIRONMENTAL AND SOCIAL MONITORING REPORT FOR SUBPROJECT COMPANY

A. Introduction

Describe scope of report and reporting period, and overall project implementation progress.

B. Progress

Progress in implementing the following (where applicable) environmental management plan/environmental monitoring plan/environmental and social management system

C. Compliance

Compliance with ADB loan covenants and applicable government laws, regulations and requirements

D. Significant Events

Significant events or issues encountered, or changes in project scope and corresponding safeguard measures undertaken, if applicable

E. Summary

Summary of monitoring report findings

F. Follow-Up Actions Required (If Any)

G. Summary/Conclusion

*Notes:

1. The report should include the name, signature, position and contact address of the person submitting the report to Financial Intermediary.
2. Above outline is indicative and could be tailored-fit to the subproject.
3. In case a subproject is assisted by an external or independent panel, the panel's environmental and social issues monitoring report will suffice.

APPENDIX 8: SUGGESTED FORMAT OF ANNUAL ESMS PERFORMANCE REPORT TO ASIAN DEVELOPMENT BANK

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered "Yes"

Name of Organization			
Completed by (name):			
Position in organization:		Date:	
Reporting period	From:		To:

Portfolio Information

Report Covering Period	
From:	To:

For the report period, please provide the following information about your portfolio where applicable:

Financial Intermediary Business Lines

Product line	Description	Total exposure outstanding for most recent FY year end (in US\$)	Average loan or transaction size (in US\$)
Retail banking/Consumer loans	Loans or other financial products for individuals (includes retail housing finance and vehicle leasing)		
Long term: Transactions with tenor greater than 12 months			
EDAF GCF loans for subborrowers/developers	Loans onlent from EDAF to subborrower developers for eco-district development		
EDAF GCF loans for green housing mortgages	Loans onlent from EDAF to individuals to purchase affordable and market rate housing		
SME	Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions less than US\$ 1 million		
Project finance/Large Corporate finance	Any lending, leasing or other financial assistance to any corporate or legal entity other than an individual, with individual transactions larger than US\$ 1 million		
Trade finance			
Short term (ST): Transaction with tenor less than 12 months			
ST Corporate finance			
ST Trade finance			
Other			
Microfinance			
Other (if applicable)	Please describe		

If engaged in long term project finance/corporate finance, please provide information on top ten (10) clients meeting the following conditions: Longer than 12 months tenor; larger than US\$ 1 million outstanding exposure

Financial Institution/Project name	Type of loan (large corporate/SME/trade finance)	Tenor of loan(months)	Value of exposure (US\$ mn)	Industry Sector*	Any environmental and social risks and measures taken to mitigate the risks

* Please use any standard classification.

Environmental and Social Management System

Policies & Processes	Yes/No	
Has your organization developed and implemented an ESMS?		If yes, please attach a copy of the ESMS to this report.
If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your organization during the reporting period?		If yes, please provide a copy of the updates including dates and reasons for the same.
Has senior management signed off on the updated policy/procedure?		If yes, please provide the date and internal communication indicating the same.
Please give details of any transactions rejected on environmental, health, safety or social grounds.		
Please state any difficulties and/or constraints related to the implementation of the environmental and social procedures.		
Please describe how you ensure that your clients and their projects are operated in compliance with the National laws and regulations.		
Please give details of any material environmental and social issues associated with borrowers during the reporting period in particular.		
Capacity	Yes/No	
Please provide the name and contact information of the Environmental and Social Manager who has the overall responsibility for the implementation of ESMS.		Please describe the training or learning activities the Environmental and Social Manager attended during year.
Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation.		Please describe the training provided to the ESMS persons and other team members during year.
What was the budget allocated to the ESMS and its implementation during the year?		Please provide budget details including staff costs and training as well as any actual costs.

Policies & Processes	Yes/No	
Monitoring	Yes/No	
Do you receive any non-financial reporting from projects that you finance?		If yes, please describe and provide supporting documents including any environmental and social considerations if applicable.
Do you check for ongoing compliance of your projects with national regulation and any other requirements?		If yes, please describe the process including any environmental and social considerations if applicable.
Please describe how you monitor the client and project environmental and social performance.		Please describe and provide supporting documents and please provide information on the number of projects where a field visit was conducted by staff to review aspects including environmental and social issues.
Please provide details of any accidents/ litigation/ complaints/regulatory notices and fines: - Any incidents of non-compliance with the E&S Requirements - Covenants/ conditionalities imposed by the ADB as a result of any non-compliance		
Reporting	Yes/No	
Is there an internal process to report on environmental and social issues to Senior management?		If yes, please explain the process, reporting format and frequency and actions taken if any.
Do you prepare any environmental and social reports: - For other MLAs - Other stakeholders - E&S reporting in the Annual Report - Sustainability reports		If yes, please provide copies of these reports.

Prohibited Investment Activities List

ADB Activities on ADB Exclusion List	
If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in ADB excluded activities.	_____ %
If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure.	

Sustainable Finance

Sustainable finance		
Have you made any investments in projects that have environmental and social benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, pollution management, supply chain greening, corporate social responsibility, community development etc? Please list these in the format provided below:		
Project Name	Value financed by the Financial Institution (US\$ million)	Type of Environmental and Social benefit³⁴

³⁴ Examples are cleaner production, energy efficiency, renewable energy, carbon finance, management system improvement, sustainable supply chain, corporate social responsibility, etc.

**APPENDIX 9: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM
ARRANGEMENT CHECKLIST FOR APPROVAL BY THE BOARD OF DIRECTORS**

Environmental & Social Management System (ESMS) Approval Checklist by the Board of Directors
Name of Financial Institution: _____ Members of Board of Directors: _____ Approval date: _____
ESMS policy and management commitment—check all that apply:
<input type="checkbox"/> Policy with regard to Environmental and Social (E&S) risk management <input type="checkbox"/> ESMS policy approved by Senior Management <input type="checkbox"/> ESMS specifies types of investments/loans and activities it applies to (e.g., entire portfolio/investment type) <input type="checkbox"/>
ESMS process and procedures—check all that apply:
<input type="checkbox"/> Documented process to assess Environmental and Social impacts and risks of its projects <input type="checkbox"/> ESMS specifies applicable requirements (e.g., ADB Exclusion List/national laws/ADB Safeguard policy) <input type="checkbox"/> E&S due diligence process integrated with risk assessment procedures <input type="checkbox"/> Project site visits conducted as part of risk assessment procedures <input type="checkbox"/> Review of borrower's applicable environment, health and safety permits <input type="checkbox"/> Loan agreements contain covenants requiring ongoing compliance with applicable requirements (e.g., national laws) <input type="checkbox"/>
E&S monitoring and record keeping—check all that apply:
<input type="checkbox"/> Process for monitoring ongoing compliance with applicable requirements <input type="checkbox"/> Borrowers required to report accidents/incidents within reasonable timeframe <input type="checkbox"/> Borrowers required to provide periodic reports pertaining to E&S performance of projects <input type="checkbox"/>
ESMS internal feedback and continuous improvement—check all that apply:
<input type="checkbox"/> Process for periodically reporting Environmental and Social performance information internally to senior management <input type="checkbox"/> Continuous improvement process in place to revise and update ESMS (e.g., changes in national law/international best practices) <input type="checkbox"/>
E&S external reporting—check all that apply:
<input type="checkbox"/> Annual reporting on E&S performance to ADB <input type="checkbox"/> ADB
ESMS roles and responsibilities—check all that apply:
<input type="checkbox"/> Designated ESMS Officer <input type="checkbox"/> Designated ESMS Environmental Coordinator(s) <input type="checkbox"/> Description of ESMS responsibilities of different roles <input type="checkbox"/>
ESMS capacity and resources—check all that apply:
<input type="checkbox"/> Process for communicating ESMS policy and procedures across Financial Institution <input type="checkbox"/> ESMS includes tools (e.g., checklists/guidance notes) for its implementation <input type="checkbox"/> Budget allocated for ESMS training <input type="checkbox"/> Training plan for ESMS implementation <input type="checkbox"/>