



AGRICULTURAL BANK OF NAMIBIA

(AGRIBANK)

Environmental and Social Management (ESM)
Policy

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Ownership and Version Control:

Policy Reference	ESSM	Effective Date	01/07/2022
Policy Owner	Risk Officer	Pervious Review Date	N/A
Policy Champion	Environmental & Social Management Officer	Next Review Date	30/06/2025
Date (dd/mm/yyyy)	Editor	Description/Comment/Reason for Change	Version No.
30 April 2022	Kenneth Kasata	Initial draft	01


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1.1 Abbreviations and Definitions

List of Definitions:

Word/Phrase	Definition
AfDB	African Development Bank
CIC	Credit and Investment Committee
E & S	Environmental & Social
ESMS	Environmental & Social Management System
Exclusion List	Excluded activity is any of the activities referred to in the Agribank Exclusion List (see Annexure 1).
EXCO	Executive Committee
KfW	Kreditanstalt für Wiederaufbau
IFC	International Finance Corporation

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1.2 Introduction

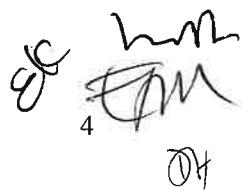
- 1.2.1 The Agricultural Bank of Namibia is a state-owned enterprise established by an Act of Parliament, Agricultural Bank of Namibia Act, Act No. of 2003 as amended. The mandate of Agribank is to provide financial service to the agriculture and related sector. The scope includes but not limited to the primary agriculture, Agro-processing, aquaculture, forestry, and natural plant products.
- 1.2.2 The Bank's mission is thus, to promote socio-economic development through affordable and innovative agricultural financing solutions.
- 1.2.3 Agribank is committed to financing environmentally, economically and socially sound projects. Agribank clients should comply with the bank's Environmental and Social Management Policy and the Exclusion List (please see Annexure 1) as well as with relevant laws as far as it relates to environmental and social issues. Loans will not be made to borrowers engaged in activities whose financing would pose an environmental, economic and social risks to the environment or communities.

1.3 Rationale for a New Policy

- 1.3.1 This policy replaces the Sustainability Policy that was approved by the Board on 19 March 2019 as it is more comprehensive in terms of ESMS approach and is aligned with international best practices (e.g., IFC Standards).

1.4 Purpose/Objectives

- 1.4.1 The Bank aims to reduce the adverse environmental, social and economic impact stemming from Agribank funded individuals or entities to secure the long-term sustainability and protection of the natural resources to prevent long-term threat to the ecosystem and living conditions.,
- 1.4.2 Thus, the policy will achieve the above by:
- a) Establishing principles for assessing the social and environmental factors in lending activities to align with national standards to assist in alleviating poverty and addressing socio-economic challenges.
 - b) Formulating procedures and processes to assess social and environmental risks/impacts as far as it relates to the lending activities that are within the Bank's control.
 - c) Ensuring transparency and accountability on environmental and social issues internally and externally through disclosure and reporting.
 - d) Creating and promoting awareness to management, staff, board, suppliers, contractors, customers and all other stakeholders.
 - e) Ensuring that green finance products are designed for credit products that safeguard environmental sustainability.
 - f) Responsible procurement in line with the Public Procurement Act.

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- g) Strengthen climate resilience of the Bank's clients through Training and mentorship on Climate smart Agriculture as well as adaption and mitigation strategies.

1.5 Scope and Applicability

- 1.5.1 The requirements of this Policy apply to all clients, suppliers, contractors, and other stakeholders connected to the Bank's funded activities that might have an environmental or social risk.
- 1.5.2 All investments undertaken by the Bank that might have an impact on the environment and society.
- 1.5.3 All employees engaged in the lending process from preparation of deal, credit evaluation to disbursements of loans/funds.

1.6 Alignment with best practices / Reference to other documents

- 1.6.1 The implementation of this policy is aligned to applicable provisions of the Environmental Management Act, Act No. 7 of 2007 and its regulations.
- 1.6.2 This policy was benchmarked with that of the Land Bank of South Africa, the Development Bank of Namibia, the Development Bank of Nigeria, the Environmental and Social Standards of the International Finance Corporation.

1.7 Policy Administration

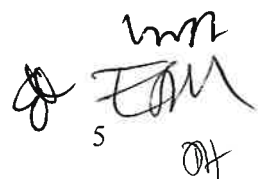
- 1.7.1 This Policy shall be administered by the Corporate Governance Division to ensure review by the policy owner is performed as per the next scheduled review date indicated on the ownership and version control section of this policy.

1.8 Monitoring and Review

- 1.8.1 The Policy must be reviewed every three (3) years or more frequently if there is a major change that can justify immediate review of any provision within the policy or the entire policy.
- 1.8.2 Changes to the Policy must be approved by the Board and changes to any supporting procedures/process should be approved by Executive Management.

1.9 Communications and Disclosure

- 1.9.1 Agribank will communicate the provisions of this Policy internally at all levels of the bank. Agribank will also maintain a process for external communications to deal with public inquiries

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and concerns related to environmental and social (E&S) matters via the channels established by the Marketing and Corporate Communications Department.

- 1.9.2 Agribank is committed to reporting on its E & S activities in accordance with the obligations and the requirements of its investors/lenders/regulators.
- 1.9.3 Agribank will put in place a system for internal reporting to executive management and the Board on implementation of its environmental and social management system (ESMS). In addition, Agribank will also seek to incorporate such reporting into its annual external publications.

1.10 Policy Approach

- 1.10.1 Through this Policy, Agribank puts in practice its commitment to integrating environmental and social considerations into decision-making processes relating to its business activities to avoid, minimize or reduce, or compensate for/offset risks and negative impacts to the environment/communities.
- 1.10.2 Agribank recognizes that in the delivery of its lending and investment, it may be exposed to the environmental and social (E&S) risks associated with the business activities of the sub-borrowers and sub-projects they finance. The Bank will incorporate loan conditions that will enable borrowers to comply with measures to protect the environment and society.
- 1.10.3 Agribank is committed to incorporating E&S risk considerations into its decision making and lending processes in a manner that is aligned with the Namibian legal requirements and international best practices.
- 1.10.4 Agribank supports the capacity development within the Bank to manage environmental and social risks. This will be achieved primarily through the development and implementation of an Environmental and Social Management System (ESMS).
- 1.10.5 Agribank will categorize clients that have substantial exposure to the activities on Agribank's List of E&S Sensitive Activities, where supported by Agribank financing and will develop and maintain a regular program and procedures for supervision of its loans.
- 1.10.6 Agribank will periodically review a sample of borrowers/sub-projects, especially for business or agricultural activities with significant E&S risks.
- 1.10.7 Contractual clauses regarding compliance with this policy may form part of the loan agreements and procurement services when deemed necessary by the Bank.

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1.11 Roles and Responsibilities

1.11.1 Board of Directors

The Board of Directors is responsible for the following:

- a) Approval of this policy and/or approval of future amendments of this policy.
- b) Ensure that adequate internal resources (financial and human capital) are assigned for the implementation of this policy.
- c) Oversight that risks associated with environmental, and social aspects are considered during loan approval.

1.11.2 Management

The Management is responsible for the following:

- a) The overall implementation and adherence with the Environmental and Social Management (ESM) Policy and its requirements.
- b) Ensuring that sufficient internal resources have been committed to allow for the effective implementation of the policy and procedure.
- c) Reporting of activities which are inconsistent with this Policy.
- d) Appointing a dedicated ESM Officer/Specialist.
- e) Measure the potential social, and environmental impact of Agribank funded projects via an impact dashboard.

1.11.3 Environmental and Social Management Officer (Policy Champion)

The Environmental & Social Management Officer is responsible for environmental issues. Her/his responsibilities include:

- a) Reporting to management on social and environmental issues/risk.
- b) Ensuring that the Environmental and Social Management Policy and procedures are implemented.
- c) Reviewing Agribank's Environmental and Social Management Policy and procedures on a periodic basis.
- d) Preparing an annual report on environmental and social performance and compliance to the Board of Directors and to shareholders.
- e) Providing assistance to staffs where required.
- f) Ensuring training is provided at Bankwide level for all staff in core business and customer servicing areas. Follow up trainings are provided. Regular refresher training is provided once per year.

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1.11.4 **Sales Consultants/Inspection Officers**

The Sales Consultants/Inspection Officers are especially responsible for the following items:

- a) Pre-assessing any potential customer or client against the Exclusion List.
- b) Assessing the social and environmental risks of the customer.
- c) Communicating corrective actions to the customer.
- d) Monitoring the social and environmental performance during site visits, reporting any major environmental and social issues to the branch manager and/or Social and Environmental Officer.

1.11.5 **Legal Services**

Legal services of the bank will ensure that appropriate social and environmental covenants are incorporated into all loan contracts. In addition, supplemental or provision language is included for loans where disbursement is made conditional on customer improvement with respect to environmental, health, safety, or social aspects.

1.11.6 **Credit Committee**

The Credit Committee will ensure that lending decisions are based on appropriate information concerning the social and environmental situation of the business financed and will ensure that all necessary documentations e.g., certificates, licenses, approvals are provided and reviewed; this applies to all loans for legal entities.

1.11.7 **Internal Audit**

Internal audit will take on the critical role of providing objective assurance, independent from management, over the effectiveness of ESMS, reporting, and related regulatory compliance.

1.12 Policy Approval

- 1.12.1 Recommended/not recommended by EXCO for consideration and comments by Board Credit and Investment Committee and subsequent recommendation to Board for approval.

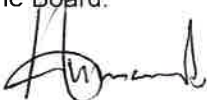


Raphael N. Karuaithe
EXCO Chairperson

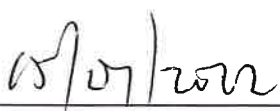


Date

Recommended/not recommended by Board Credit and Investment Committee for approval by the Board.



Michael Humavindu
CIC Chairperson



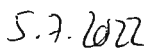
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Approved/Not Approved by the Board


Resolution number (if any) _____



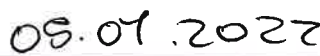
Dagmar Honsbein
BOARD Chairperson (Acting)



Date



Evast Kalumbu
Board Secretary



Date

1.13 Annexure 1 - Exclusion List

Agribank Exclusion List outlines activities Agribank will not support through the provision of financial products and services. The Exclusion List is compliant with Namibian laws and is aligned to the exclusion requirements of multilateral and bilateral lenders and/or shareholders that provide financing to Agribank. The Exclusion List is reviewed annually to ensure compliance with national regulations in Namibia.

Agribank will not finance any activity involving:

- Production or trade in any product or activity deemed illegal under Namibian laws or regulations or international conventions and agreements.
- Production or activities involving harmful or exploitative forms of forced labour or child labour.
(Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty. Harmful child labour means the employment of children under the age of 16 years that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral or social development).
- Production of or trade in wildlife or wildlife products regulated by any Endangered Species law.
- Production of or trade in pesticides/herbicides subject to international phase-outs or bans.
- Unsustainable fishing methods (e.g., drift net fishing in the marine environment using nets in excess of 2.5kilometres in length and blast fishing).
- Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.
- Purchasing of logging equipment for use in tropical natural forests or high nature value forests in all regions; and activities that lead to a clear cutting and/or degradation of tropical natural forests or high nature value forest.
- Live animals for scientific and experimental purposes, including the breeding of these animals.
- Significant degradation or conversion of natural and/or critical habitats and/or any activities in legally protected areas.



1.14 Annexure 2 - List of Activities That May Not Be Undertaken Without Environmental Clearance Certificate

See attachment

ANNEXURE
LIST OF ACTIVITIES THAT MAY NOT BE UNDERTAKEN WITHOUT ENVIRONMENTAL CLEARANCE CERTIFICATE

1. Energy Generation, Transmission and Storage Activities

1. The construction of facilities for -
 - (a) The generation of electricity;
 - (b) The transmission and supply of electricity;
 - (c) Refining of gas, oil and petroleum products; and
 - (d) Nuclear reaction, including production, enrichments, processing, reprocessing, storage or disposal of nuclear fuels, radioactive products and waste.

2. Waste Management, Treatment, Handling and Disposal Activities

- 2.1 The construction of facilities for waste sites, treatment of waste and disposal of waste.
- 2.2 Any activity entailing a scheduled process referred to in the Atmospheric Pollution Prevention Ordinance, 1976.
- 2.3 The import, processing, use and recycling, temporary storage, transit or export of waste.

3. Mining and Quarrying Activities

- 3.1 The construction of facilities for any process or activities which requires a license, right or other form of authorisation, and the renewal of a license, right or other form of authorisation, in terms of the Minerals (Prospecting and Mining Act), 1992.
- 3.2 Other forms of mining or extraction of any natural resources whether regulated by law or not.
- 3.3 Resource extraction, manipulation, conservation and related activities.
- 3.4 The extraction or processing of gas from natural and non-natural resources, including gas from landfill sites.
- 3.5 The extraction of peat.

4. Forestry Activities

4. The clearance of forest areas, deforestation, afforestation, timber harvesting or any other related activity that requires authorisation in term of the Forest Act, 2001 (Act No. 12 of 2001) or any other law.

5. Land Use and Development Activities

- 5.1 The rezoning of land from -
 - (a) Residential use to industrial or commercial use;
 - (b) Light industrial use to heavy industrial use;
 - (c) Agricultural use to industrial use; and
 - (d) Use for nature conservation or zoned open space to any other land use.
- 5.2 The establishment of land resettlement schemes.
- 5.3 Construction of veterinary protected area or game proof and international boundary fences.

6. Tourism Development Activities

6. The construction of resorts, lodges, hotels or other tourism and hospitality facilities.

7. Agriculture and Aquaculture Activities

- 7.1 Construction of facilities for aquaculture production, including mariculture and algae farms where the structures are not situated within an aquaculture development zone declared in terms of the Aquaculture Act, 2002.
- 7.2 The declaration of an area as an aquaculture development zone in terms of the Aquaculture Act, 2002.
- 7.3 The genetic modification of any organism with the purpose of fundamentally changing the inherent characteristics of that organism.
- 7.4 The import, processing and transit of genetically modified organisms.
- 7.5 Pest control.
- 7.6 The release of genetically modified organisms into the environment where an environmental assessment is required by law.
- 7.7 The release of any organism outside its natural area of distribution that is to be used for biological pest control.
- 7.8 The introduction of alien species into local ecosystems.

8. Water Resource Developments

- 8.1 The abstraction of ground or surface water for industrial or commercial purposes.
- 8.2 The abstraction of groundwater at a volume exceeding the threshold authorised in terms of a law relating to water resources.
- 8.3 Any water abstraction from a river that forms an international boundary.
- 8.4 Construction of canals and channels including the diversion of the normal flow of water in a riverbed and water transfer schemes between water catchments and impoundments.

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ANNEXURE
LIST OF ACTIVITIES THAT MAY NOT BE UNDERTAKEN WITHOUT ENVIRONMENTAL CLEARANCE CERTIFICATE

- 8.5 Construction of dams, reservoirs, levees and weirs.
- 8.6 Construction of industrial and domestic wastewater treatment plants and related pipeline systems.
- 8.7 Irrigation schemes for agriculture excluding domestic irrigation.
- 8.8 Construction and other activities in watercourses within flood lines.
- 8.9 Construction and other activities within a catchment area.
- 8.10 Reclamation of land from below or above the high-water mark of the sea or associated inland waters.
- 8.11 Alteration of natural wetland systems.
- 8.12 The release of brine back into the ocean by desalination plants.

9. Hazardous Substance Treatment, Handling and Storage

- 9.1 The manufacturing, storage, handling or processing of a hazardous substance defined in the Hazardous Substances Ordinance, 1974.
- 9.2 Any process or activity which requires a permit, license or other form of authorisation, or the modification of or changes to existing facilities for any process or activity which requires an amendment of an existing permit, license or authorisation or which requires a new permit, license or authorisation in terms of a law governing the generation or release of emissions, pollution, effluent or waste.
- 9.3 The bulk transportation of dangerous goods using pipeline, funiculars or conveyors with a throughout capacity of 50 tons or 50 cubic meters or more per day.
- 9.4 The storage and handling of a dangerous goods, including petrol, diesel, liquid petroleum gas or paraffin, in containers with a combined capacity of more than 30 cubic meters at any one location.
- 9.5 Construction of filling stations or any other facility for the underground and aboveground storage of dangerous goods, including petrol, diesel, liquid, petroleum, gas or paraffin.

10. Infrastructure

- 10.1 The construction of-
 - (a) Oil, water, gas and petrochemical and other bulk supply pipelines;
 - (b) Public roads;
 - (c) Railways and harbours;
 - (d) Airports and airfields;
 - (e) Any structure below the high water mark of the sea;
 - (f) Cableways;
 - (g) Communication networks including towers, telecommunication and marine telecommunication lines and cables;
 - (h) Motor vehicle and motorcycle racing and test tracks;
 - (i) The outdoor racing sites of motor powered vehicles including -
 - (i) Motorcars;
 - (ii) Trucks;
 - (iii) Motorcycles;
 - (iv) Quad bikes;
 - (v) Boats; and
 - (vi) Jet skis;
 - (j) Masts of any material or type and of any height, including those used for telecommunication broadcasting and radio transmission, but excluding
 - (i) Flag poles; and
 - (ii) Lightning conductor poles.
- 10.2 The route determination of roads and design of associated physical infrastructure where -
 - (a) It is a public road;
 - (b) The road reserve is wider than 30 meters; or
 - (c) The road caters for more than one lane of traffic in both directions.

11. Other Activities

- 11.1 Construction of military demonstration and testing sites,
- 11.2 Construction of cemeteries, camping, leisure and recreation sites.