Short Version

GENERAL PROVISIONS

1.1. THE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY POLICY OF PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK “PIVDENNY” (the “Policy”) is an internal regulatory document of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK “PIVDENNY” (the “Bank”) that establishes the Bank’s approach to conducting business in a responsible and sustainable manner.

The Policy has been developed in accordance with the Sustainable Development Strategy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK “PIVDENNY” (the “Sustainable Development Strategy”), the requirements of the applicable legislation of Ukraine, and the environmental and social standards adopted by the World Bank Group[1].

1.2. The purpose of the Policy is to define the key areas for implementing the Bank’s Sustainable Development Strategy, establish a systematic approach to integrating the sustainable development principles into the Bank’s operations, and ensure the effective implementation of the Bank’s Sustainable Development Strategy. The Policy applies to all internal operations, business processes and relationships with Stakeholders. The Policy applies throughout the Bank’s branch network across all regions of Ukraine and is binding on all Bank employees and third parties engaged in cooperation with the Bank.

SUSTAINABLE DEVELOPMENT POLICY OBJECTIVES

3.1. To achieve the objectives set out in the *Sustainable Development Strategy* and in line with the sustainable development principles, the Bank has identified a number of Sustainable Development Goals (SDGs) that are relevant to its operations and approved a range of ESG initiatives designed to contribute to their achievement, taking into account sustainable development priorities during the period of martial law, as well as Ukraine’s post-war recovery and reconstruction.

3.2. Under this Policy, the Bank focuses on the following ESG areas:

- ✓integration of environmental and social management into the Bank’s internal processes;
- ✓implementation of corporate social responsibility (CSR) projects;
- ✓sustainable finance;
- ✓environmental and social risk management for lending projects;
- ✓ESG risk management.

3.3. The objectives of this Policy are as follows:

- ✓*<u>Environmental and Social Management:</u>*
    - ensuring compliance with the Environmental and Social Standards (ESS) to minimise the Bank’s adverse environmental impact;
    - improving working conditions, protecting health and well-being of the Bank’s employees, providing employee wellness and recreational initiatives, and implementing projects aimed at enhancing employees’ professional qualifications;
    - implementing a unified service model across the Bank and ensuring transparent and inclusive communication with all Stakeholder groups;
    - promoting responsible service delivery and financial inclusion;

[1] reference to the World Bank’s Environmental and Social Standards

- ensuring responsible and transparent tax practices.

✓ *Corporate Social Responsibility* – implementing socially significant initiatives on a continuous basis in accordance with the Corporate Social Responsibility Policy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY" (Internal Regulatory Document No. 1142);

✓ *Sustainable Finance* – further developing the Bank's sustainable finance framework by promoting financing that incorporates ESG factors and contributes to the achievement of the SDGs;

✓ *Environmental and Social Risk Management for Lending Projects* – establishing the Bank's key approach to environmental and social risk management for lending projects in accordance with the Regulation on Environmental and Social Responsibility of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY" for Participation in Co-Financing Programmes;

✓ *ESG Risk Management* – assessing the materiality of ESG factors over the short, medium and long term in accordance with the principle of double materiality, followed by an assessment of ESG risks material to the Bank.

3.4. To implement the objectives of this Policy and the Bank's ESG initiatives, the Bank has established an Environmental and Social Management System (ESMS).

The ESMS comprises the following elements:

- a risk management system;
- an organisational framework, including an appropriate governance structure, employee training programme, and reporting mechanisms;
- monitoring and periodic audits;
- an established Stakeholder engagement mechanism;
- continuous improvement mechanisms covering all ESMS components;
- internal regulatory documents (IRDs) governing the implementation of the World Bank's Environmental and Social Standards within the Bank;

3.5. The Bank uses its best efforts to ensure that all components of the ESMS comply with the *World Bank Group Environmental and Social Standards*, while also reflecting the Ukrainian operating environment and the requirements of the applicable Ukrainian legislation.

3.6. The Bank considers it unacceptable to mislead Stakeholders through inaccurate or misleading statements, declarations, actions, communications or product offerings regarding its sustainable development goals and objectives, and makes every effort to prevent any form of greenwashing.

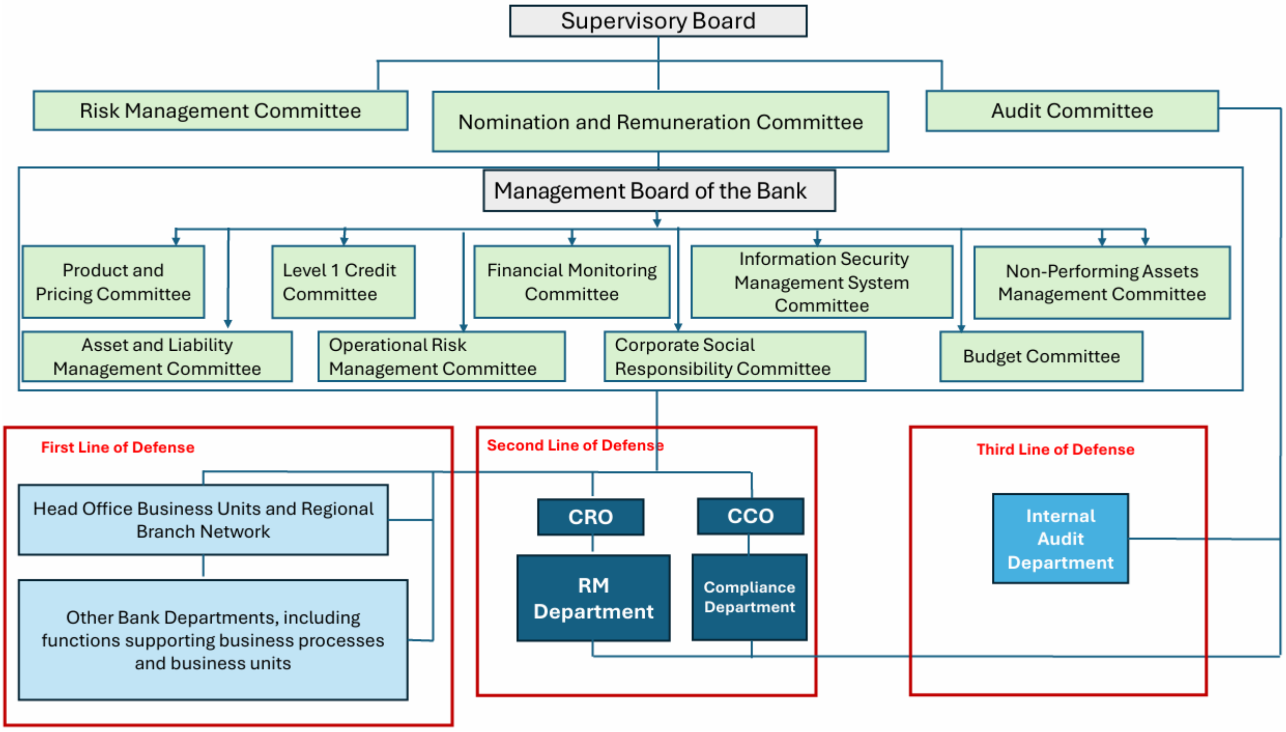
ORGANISATIONAL STRUCTURE

4.1. This Policy is implemented through the Bank's organisational structure, which establishes the participants involved in the process and clearly defines their roles, responsibilities, authorities, and interaction procedures.

Responsible business conduct requires all participants in the Bank's business process, at every level of governance, to recognize and fulfil their respective duties and responsibilities.

4.2. The Bank ensures the implementation of this Policy by integrating sustainable development goals and objectives, as well as ESG initiatives into its business processes and procedures through the Three Lines Model, as illustrated in Figure 1.

Figure 1



4.3. Responsibilities for ensuring compliance with sustainable development principles, preventing and minimising adverse impacts on the environment and human rights, and integrating sustainable development goals and objectives, as well as ESG initiatives into the Bank's processes and procedures are allocated within the Three Lines Model as follows:

- ✓ First Line of Defence – the Bank's business units and support functions:

First Line of Defence	
Purpose	To ensure that sustainable development principles are embedded in the Bank's day-to-day operations and that ESG risk limits established by the Bank's authorised governing bodies are complied with.
Functions	Within the ESG areas set out in Section 3.2 of this Policy - participation in the development of the Bank's internal regulatory documents (IRDs), ensuring that they incorporate the sustainable development principles and the ESG initiatives approved by the Bank, and implementing and complying with such IRDs in support of the ESG areas specified in Section 3.2 of this Policy, including establishing the monitoring and control mechanisms to measure progress against sustainable development goals, including the establishment of key performance indicators (KPIs); - ensuring the implementation of the Bank's Sustainable Development Strategy by the heads of the Bank's structural units within the scope of their respective authorities and responsibilities, as defined in the regulations governing those structural units; - managing ESG risks in accordance with the Three Lines Model and the Risk

	Management Strategy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY".

- ✓ Second Line of Defence – the Chief Risk Officer (CRO) and the Risk Management Division, as well as the Chief Compliance Officer (CCO) and the Compliance Division:

Second Line of Defence	
Purpose	To provide independent oversight of the First Line
Functions	- participation in the development of the Bank's internal regulatory documents (IRDs), ensuring that they incorporate the sustainable development principles and the ESG initiatives approved by the Bank, and implementing and complying with such IRDs in support of the ESG areas specified in Section 3.2 of this Policy, including establishing the monitoring and control mechanisms to measure progress against sustainable development goals, including the establishment of key performance indicators (KPIs); - managing ESG risks in accordance with the Three Lines Model and the Risk Management Strategy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY"; - ensuring the implementation of the Bank's Sustainable Development Strategy within the scope of the authorities and responsibilities assigned under the regulations governing the relevant structural units; - coordinating cooperation among the Bank's structural units in the implementation of ESG initiatives (CRO).

- ✓ Third Line of Defence – the Internal Audit Division, which provides independent assurance regarding the effectiveness of the Bank's risk management system and evaluates its compliance with internal and external requirements.

Third Line of Defence	
Purpose	To provide an independent assessment of the risk management system's compliance with internal and external requirements
Functions	- conducting an independent assessment of the effectiveness of the Bank's risk management system; - assessing the risk management system's compliance with internal policies and external regulatory requirements; - reporting identified deficiencies in the risk management system to the Bank's management; - monitoring the remediation of identified deficiencies in the risk management system.

The detailed responsibilities of the structural units comprising the First, Second, and Third Lines of Defence are set out in the Bank's risk management policies for individual risk categories, the regulation governing the relevant structural units, and the job descriptions of the responsible officers.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

5.1. The Environmental Management area is aimed at applying leading practices in the management of resources, wastes and materials to improve energy efficiency, enhance energy resilience, and develop measures to increase the efficient consumption of energy, water and other resources and materials.

5.1.2. This area involves:

5.1.2.1. Energy consumption monitoring and the implementation of advanced energy-efficient technologies:

The Bank places a high priority on energy efficiency and is committed to implementing modern energy-saving technologies throughout its operations. The Bank seeks to reduce energy consumption associated with lighting, air conditioning, and space heating through the systematic implementation of measures promoting the efficient use of energy and increasing the share of electricity procured from renewable energy sources.

5.1.2.2. Minimising environmental impact through effective waste management – The Bank is committed to responsible management of waste generated in the course of its operations.

The Bank complies with the requirements of the applicable national legislation governing waste management and related reporting obligations.

5.1.2.3. Responsible resource use, giving preference to materials made from environmentally sustainable or recycled raw materials:

The Bank gives priority to the use of materials manufactured from environmentally sustainable or recycled raw materials. To facilitate a gradual transition towards the use of such materials, the Bank develops and implements appropriate measures across its operations.

5.1.2.4. Minimising environmental impact associated with business travel and transportation:

Recognising that transportation is one of the principal sources of greenhouse gas emissions, the Bank is committed to reducing the environmental impact of transportation used for business purposes by developing and implementing appropriate mitigation measures.

5.1.2.5. Developing internal expertise in environmental matters.

5.1.2.6. Developing ESG criteria for the supplier selection process.

5.1.2.7. Approving an internal methodology for calculating greenhouse gas emissions (Scope 1, Scope 2).

5.2. The **Social Management** area is aimed at applying leading practices in the social sphere to foster positive social outcomes, create favourable social environment, and ensure the effective management and development of human capital.

5.2.1. This area involves:

5.2.1.1. Applying leading practices of human resource management aligned with internationally recognised standards, including the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. The Bank’s human resource policy shall comprehensively address the prevention of all forms of discrimination, the elimination of forced or compulsory labour, the prohibition of child labour, and establish the procedures for responding to any identified violations.

The Bank ensures that its human resource policy is based on the principles of equal opportunities and mutual respect among all employees of the Bank, regardless of their position or organizational unit. Every employee is entitled to respect and dignity in the workplace from colleagues and managers of the Bank.

5.2.1.2. Providing equal employment opportunities, including equal treatment in recruitment, training and professional development, as well as disciplinary procedures, irrespective of race, colour, religion, sex, age, national origin, sexual orientation, marital status, citizenship, disability, or any other status protected by the applicable law.

5.2.1.3. Implementing projects/programmes/initiatives/learning plans aimed at enhancing employees' professional knowledge and competences (including educational programmes, professional training courses, conferences, and other development activities).

5.2.1.4. Taking into account the Methodological Recommendations of the National Bank of Ukraine on the rules for the inclusive provision of financial services by Ukrainian banks when:

developing the Bank's IRDs, including the procedures for establishing business relationships with customers who are persons with disabilities or other persons with reduced mobility, as well as rules governing the provision of financial services to such customer groups;

ensuring the information and technological accessibility of the Bank's services, products, websites, and premises where financial services are provided, taking into account the accessibility needs of persons with disabilities and other persons with reduced mobility, and in compliance with the applicable National Digital Accessibility Standard.

5.2.1.5. The Bank adheres to the following principles:

- The Bank strictly prohibits all forms of workplace harassment, including sexual harassment. It will take prompt and effective measures to prevent and, where appropriate, punish the conduct having signs of harassment.
- The Bank guarantees protection for employees who report misconduct or violations within the Bank against any form of discriminatory treatment (dismissal or coercion to resign, disciplinary action, or any adverse employment measures, including transfer, performance assessment/reassessment, changes in working conditions, denial of promotion, salary reduction, etc., as well as protection against threats of such adverse actions.
- The Bank respects the privacy of employees and is committed to maintaining the highest standards for the protection and secure storage of their personal data.
- The Bank collects and retains only such personal data as is permitted by the applicable law and regulations of the National Bank of Ukraine and is necessary for the effective conduct of its business. All personal data are processed lawfully, securely, and in a manner that safeguards the confidentiality of employees and other individuals.
- The Bank strives to provide employees with an engaging and competitive working environment founded on openness, respect, trust, and equal opportunities, while ensuring safe working conditions and fair recognition of employee performance and achievements.

5.2.2. The Bank has adopted and implemented the Code of Ethics of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY", which defines the values and ethical principles upheld by the Bank and its employees, thereby fostering a strong corporate culture. Compliance with the Code of Ethics is mandatory for all employees, irrespective of their position within the Bank.

5.2.3. Among the Bank's core corporate values is the importance of timely and open discussion of misconduct and violations. In accordance with the Whistleblowing Policy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY", the Bank has established a whistleblowing system enabling employees, customers, counterparties, and other stakeholders to report misconduct or violations. The system also provides an anonymous reporting mechanism for individuals submitting reports.

The Bank ensures that employees are regularly informed and trained regarding the available reporting mechanisms. Employees are required to report immediately any known or suspected misconduct, violations, or actions that may result in violations.

5.2.4. The Bank promotes greater social and environmental responsibility and transparency at both the local and national levels. The Bank believes that ESG-related engagement with Stakeholders makes a significant contribution to its sustainable development by enabling consideration of leading sustainability practices.

The Stakeholder Engagement Policy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK “PIVDENNY” establishes the Bank’s approach to engagement with all Stakeholders who either directly or indirectly affect, or are affected by, the Bank’s activities.

5.2.5. The Bank welcomes feedback and comments from any Stakeholders and is committed to handling complaints and expressions of dissatisfaction fairly, consistently, and promptly. Where contact details are available, the Bank provides feedback to the person submitting an appeal.

Appeals are processed in accordance with the Law of Ukraine “On Citizens’ Appeals” and the Procedure for Handling Customer Complaints, Suggestions, Notifications, and Expressions of Appreciation at PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK “PIVDENNY”.

5.3. The **Corporate Social Responsibility (CSR)** area provides for the governance of the Bank’s CSR activities through the implementation of a systematic approach to delivering social initiatives and defining the Bank’s responsibilities to society, as well as establishing a clear, transparent, and consistent framework for the provision of charitable assistance that reflects the Bank’s values, fosters employee engagement, and creates a positive impact on society.

This area is governed by the Corporate Social Responsibility Policy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK “PIVDENNY”.

The Bank’s key CSR areas are:

- Children and youth;
- Armed Forces of Ukraine;
- Veterans.

SUSTAINABLE FINANCE

6.1. The **Sustainable Finance** area provides for the allocation of financing to clients with due consideration of ESG factors, with the objective of contributing to the achievement of the Sustainable Development Goals (SDGs).

6.2. The key areas and general terms of financing, including the Bank’s portfolio composition by industry, geography, product type, and collateral, as well as the determination of lending priorities, credit eligibility criteria, and restricted or high-risk sectors, including those applicable during martial law, are governed by the Credit Policy and Credit Risk Management Policy of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK “PIVDENNY”.

6.3. The Bank has established the following strategic priorities under the Sustainable Finance area:

- contributing to Ukraine’s recovery;
- supporting Ukraine’s defence capabilities;
- strengthening the Ukraine’s energy resilience;
- promoting the development of alternative (renewable) energy sources.

6.4. The area is currently under development and continues to evolve. At present, the Bank’s primary focus is on the following initiatives:

- ✓lending under the Affordable Loans 5-7-9% Programme. Effective from 1 December 2024, lending decisions under the Affordable Loans 5-7-9% Programme are made with due consideration of the World Bank Environmental and Social Standards (ESSs);
- ✓supporting the development of alternative (renewable) energy sources, in particular through financing solar power plants and battery energy storage systems, including under energy efficiency partnership programmes designed to help customers reduce costs, integrate ESG principles into their operations, and contribute to the restoration and strengthening of Ukraine's energy sector.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT FOR LENDING PROJECTS UNDER CO-FINANCING PROGRAMMES

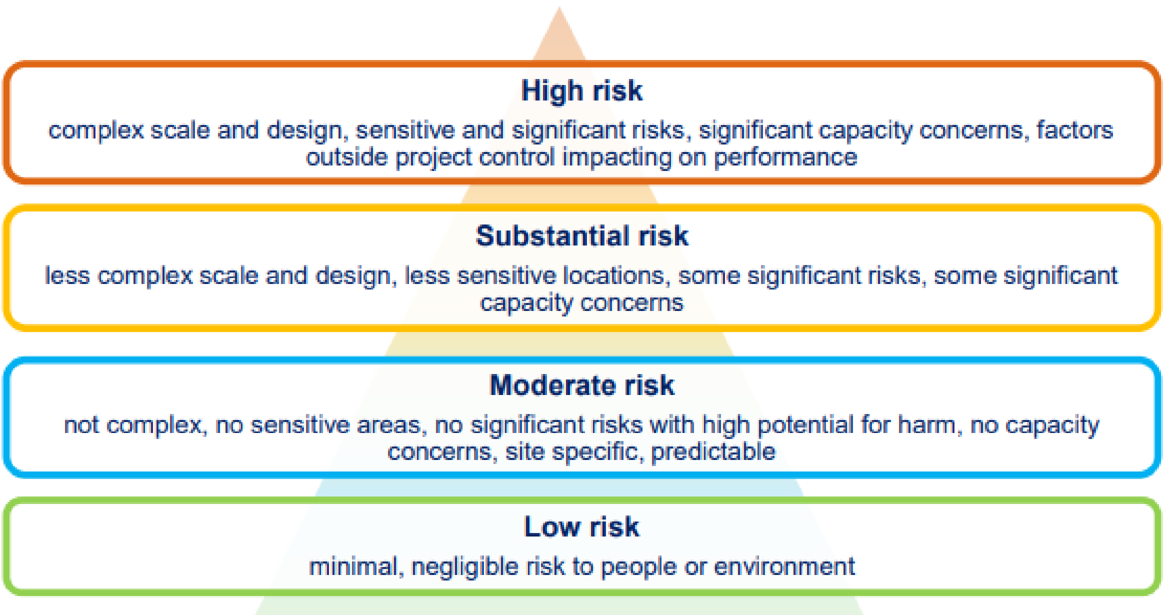
7.1. Environmental and Social Risk Management for Lending Projects

The Bank manages environmental and social (E&S) risks within its overall credit risk management system. The assessment of E&S risks constitutes an integral component of the Bank's risk management system.

7.2. The Regulation on Environmental and Social Responsibility of PUBLIC JOINT-STOCK COMPANY JOINT-STOCK BANK "PIVDENNY" for Participation in Co-Financing Programmes establishes the Bank's framework for managing E&S risks. It defines the scope of application of E&S risk assessments and sets out the exclusion lists approved by the Bank for projects financed under co-financing programmes.

7.3. As part of its environmental and social risk management process, the Bank classifies borrowers' projects[5] into one of four E&S risk categories:

Figure 2



A detailed description of each E&S risk category is provided in Appendix 1 to this Policy.

ESG RISK MANAGEMENT

8.1. The **ESG Risk Management** area provides for the governance of ESG risks to which the Bank may be exposed as a result of the current or potential adverse impacts of *ESG factors*. Such impacts may materialise through other risk types, including credit risk, market risk, operational risk, liquidity risk, reputational risk, and concentration risk. The assessment of ESG risks forms an integral part of the Bank's risk management system.

8.2. The Bank identifies the following categories of ESG factors:

1) Environmental factors:

- climate change – the impact of the Bank’s activities on the climate, including greenhouse gas emissions and the implementation of measures aimed at reducing the Bank's carbon footprint;
- resource use – design, production, and distribution of materials and products to preserve their maximum value throughout their lifecycle. Eco-design and design for durability, repair, reuse, repurposing, disassembly, and refurbishment are examples of approaches that optimise resource efficiency;
- biodiversity conservation – the Bank’s impact on ecosystems and measures aimed at preserving biodiversity;
- waste management – collection, transportation, recovery, and disposal of waste, including supervision of such operations and the aftercare of disposal sites, as well as activities carried out by waste dealers or brokers;
- pollution – direct or indirect release of pollutants into the air, water, or soil as a result of human activity, which may be harmful to human health and/or the natural environment, cause damage to property, or impair or interfere with infrastructure and other lawful uses of natural resources;
- development: promoting the adoption of innovative approaches in the Bank’s activities to reduce adverse impacts on the natural environment.

2) Social factors:

- labour practices – protecting employees’ rights, ensuring safe and healthy working conditions, supporting employee development, and organising training and professional development programmes;
- equality and inclusion – policies promoting equal treatment of employees regardless of gender, race, nationality, religion, etc.;
- community engagement – the impact of the financial institution’s activities on local communities and initiatives aimed at supporting their development;
- human rights – adherence to internationally recognised human rights standards in the Bank’s operations and those of its counterparties;
- customer responsibility – ensuring the safety of products and services, responsible marketing, and responsible sourcing;
- data protection and privacy – ensuring the protection of personal data and the right to privacy;
- social finance – financing projects and institutions that support vulnerable population groups and communities with limited budgetary resources.

3) Governance factors:

- corporate governance – the governance framework of the Bank, including the authority and oversight responsibilities of the Supervisory Board, which is appropriately structured to oversee the Bank’s strategy; the independence of Board members; and the competence of the Bank’s management;

- ethics and anti-corruption measures – policies on preventing and combatting corruption, ethical standards of business conduct, prevention of conflicts of interest and tax evasion;
- accountability – transparency, accuracy, and timeliness in reporting on the Bank's activities, including both financial and non-financial performance;
- risk management – processes for identifying, measuring, monitoring, reporting, controlling, and mitigating risks, including ESG and other risks that may be material;
- control system – the internal control framework, the internal audit function, the risk assessment and management system (including ESG risks), and the compliance function ensure the prudent management of the financial institution's assets, operational efficiency, the accuracy of reporting, and compliance with internal policies, procedures, laws, and regulations;
- Stakeholder engagement – maintaining effective engagement with all Stakeholders.

8.3. *This area is currently under development*. In 2026, as part of the ESG initiatives (set out in the Sustainable Development Strategy), the Bank plans to conduct a double materiality assessment to evaluate the significance of ESG factors over the short-, medium-, and long-term horizons. The results of this assessment will form the basis for a subsequent evaluation of the materiality of ESG risks to the Bank.

CONTROL AND RESPONSIBILITY

9.1. Responsibility for the implementation of this Policy rests with the Bank's governing bodies, the Chief Risk Officer (CRO), the Chief Compliance Officer (CCO), and the heads of the Bank's structural units, within the scope of their respective powers and responsibilities as defined by this Policy, the regulations governing the relevant structural units, and their job descriptions.

9.2. The Chief Risk Officer (CRO) is responsible for communicating the requirements of this Policy to the relevant structural units of the Bank and for ensuring its effective implementation.

9.3. Control over compliance with this Policy is the responsibility of the Chief Risk Officer (CRO), acting within the scope of the authority and responsibilities established by the CRO's job description.

FINAL PROVISIONS

10.1. This Policy shall become effective upon its approval by the resolution of the Supervisory Board of the Bank, unless a different effective date is specified in the relevant resolution of the Supervisory Board approving the Policy. The Policy shall remain in force until a revised version is approved or until the Supervisory Board adopts relevant resolution terminating this Policy.

10.2. Amendments to this Policy shall be made in the event of changes in the applicable legislation or in other cases as required. Such amendments shall become effective upon their approval by the Bank's Supervisory Board.

10.3. Should the legislation of Ukraine be amended, this Policy shall remain effective to the extent that it does not conflict with the new legal requirements until the relevant amendments to this Policy are made.

10.4. Matters not governed by this Policy shall be regulated by the legislation of Ukraine, other internal regulatory documents of the Bank, individual resolutions of the Supervisory Board and/or the Management Board, orders/directives of the Chairperson of the Management Board and/or other authorised persons, as well as official internal correspondence, where applicable.

10.5. This Policy is binding on all managers and employees of the Bank involved in the implementation of the ESG areas specified in Section 3.2 of this Policy, in accordance with their respective roles and responsibilities.

10.6. Heads of the Bank's structural units are responsible for communicating the requirements of this Policy to their subordinate employees and ensuring its implementation.

Appendix 1

Category	Description
High Risk	A project[2] is classified as High Risk after considering, in an integrated manner the risk and impacts of the project, taking into account the following, as applicable: a. The project is likely to generate a wide range of significant adverse risks and impacts on human populations or the environment. This could be because of the complex nature of the project, the scale (large to very large) or the sensitivity of the location(s) of the project. This would take into account whether the potential risks and impacts associated with the Project have the majority or all of the following characteristics: i. long term, permanent and/or irreversible (e.g., loss of major natural habitat or conversion of wetland), and impossible to avoid entirely due to the nature of the project; ii. high in magnitude and/or in spatial extent (the geographical area or size of the population likely to be affected is large to very large); iii. significant adverse cumulative impacts; iv. significant adverse transboundary impacts; and v. a high probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.). b. The area likely to be affected is of high value and sensitivity, for example sensitive and valuable ecosystems and habitats (legally protected and internationally recognized areas of high biodiversity value), lands or rights of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities and other vulnerable minorities, intensive or complex involuntary resettlement or land acquisition, impacts on cultural heritage or densely populated urban areas. c. Some of the significant adverse ES risk and impacts of the project cannot be mitigated or specific mitigation measures require complex and/or unproven mitigation, compensatory measures or technology, or sophisticated social analysis and implementation. d. There are significant concerns that the adverse social impacts of the project, and the associated mitigation measures, may give rise to significant social conflict or harm or significant risks to human security. e. There is a history of unrest in the area of the project or the sector, and there may be significant concerns regarding the activities of security forces. f. The project is being developed in a legal or regulatory environment where

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

	there is significant uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex projects, or changes to applicable legislation are being made, or enforcement is weak. g. The past experience of the Borrower and the implementing agencies in developing complex projects is limited, their track record regarding ES issues would present significant challenges or concerns given the nature of the project's potential risks and impacts. h. There are significant concerns related to the capacity and commitment for, and track record of relevant Project parties, in relation to stakeholder engagement. i. There are a number of factors outside the control of the Project that could have a significant impact on the ES performance and outcomes of the project.
Substantial Risk	An activity is classified as Substantial Risk after considering, in an integrated manner, the risks and impacts of the project, taking into account the following, as applicable: a. the project may not be as complex as High Risk projects, its ES scale and impact may be smaller (large to medium) and the location may not be in such a highly sensitive area, and some risks and impacts may be significant. This would take into account whether the potential risks and impacts have the majority or all of the following characteristics: i. they are mostly temporary, predictable and/or reversible, and the nature of the project does not preclude the possibility of avoiding or reversing them (although substantial investment and time may be required); ii. there are concerns that the adverse social impacts of the project, and the associated mitigation measures, may give rise to a limited degree of social conflict, harm or risks to human security; iii. they are medium in magnitude and/or in spatial extent (the geographical area and size of the population likely to be affected are medium to large); iv. the potential for cumulative and/or transboundary impacts may exist, but they are less severe and more readily avoided or mitigated than for High Risk projects; and v. there is medium to low probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.), and there are known and reliable mechanisms available to prevent or minimize such incidents. b. The effects of the project on areas of high value or sensitivity are expected to be lower than High Risk projects. c. Mitigatory and/or compensatory measures may be designed more readily and be more reliable than those of High Risk projects. d. The activity is being developed in a legal or regulatory environment where there is uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex projects, or changes to applicable legislation are being made, or enforcement is weak. e. The past experience of the Borrower and the implementing agencies in developing complex projects is limited in some respects, and their track record regarding ES issues suggests some concerns which can be readily addressed through implementation support. f. There are some concerns over capacity and experience in managing

	stakeholder engagement, but these could be readily addressed through implementation support.
Moderate Risk	An activity is classified as Moderate Risk after considering, in an integrated manner, the risks and impacts of the project, taking into account the following, as applicable: a. the potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the project is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. As such, the potential risks and impacts and issues are likely to have the following characteristics: i. predictable and expected to be temporary and/or reversible; ii. low in magnitude; iii. site-specific, without likelihood of impacts beyond the actual footprint of the project; and iv. low probability of serious adverse effects to human health and/or the environment (e.g., do not involve use or disposal of toxic materials, routine safety precautions are expected to be sufficient to prevent accidents, etc.). b. The project's risks and impacts can be easily mitigated in a predictable manner.
Low Risk	A project is classified as Low Risk if its potential adverse risks to and impacts on human populations and/or the environment are likely to be minimal or negligible. These projects, with few or no adverse risks and impacts and issues, do not require further ES assessment following the initial screening.