

Sustainability Policy adopted by the Board of Directors on 1 September 2011, and Exclusion List and Sustainability Guidelines adopted by the Board of Directors on 2 February 2012, with entry into force as of 21 March 2012.

# **SUSTAINABILITY POLICY AND GUIDELINES**



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## **Sustainability Policy**

In accordance with the Nordic Investment Bank's (NIB) mission statement, the Bank promotes sustainable growth of its member countries by providing long-term complementary financing, based on sound banking principles, to projects that strengthen competitiveness and enhance the environment.

This Policy covers the environmental and social dimensions of sustainable development. The Bank recognises that sustainability ranks high among the priorities of its activities. By following its Sustainability Policy, the Bank improves the predictability, transparency and accountability of its actions. The Bank recognises that taking environmental and social aspects into account is part of good business and leads to sustainable development. The Bank believes that this approach enhances the client's competitive advantage and that economic growth and a healthy environment go hand in hand.

### ***Our commitments***

Through its activities NIB aims to achieve improved sustainability in all areas where we are active. This is achieved through promoting projects with direct or indirect environmental benefits and by financing projects with a high environmental performance. The Bank assesses the environmental and social impacts of all loan applications for consistency with the Bank's Sustainability Policy and Guidelines.

A proposed project can be rejected due to non-compliance with the Sustainability Policy and Guidelines. NIB will also apply an exclusion list with activities not eligible for financing. At the same time, NIB recognises that adverse environmental and social impacts cannot be avoided in all projects but must be appropriately reduced, mitigated or compensated for.

NIB has a global view on the environment. Pollutants and emissions respect no national borders, and measures at the international level to deal with regional and worldwide environmental problems are important. In its member countries NIB promotes investments facilitating the transition to a more environmentally sustainable society.

Environmental opportunities in projects include resource efficiency, waste minimisation, recycling and cleaner production. Projects mitigating climate change are emphasised in particular and the Bank will finance reduction of greenhouse gases, improvement of energy efficiency and promotion of added renewable energy capacity. Furthermore, research and development and adaptation to climate change are crucial for sustainable development.

NIB recognises the environmental implications associated with shifting production and manufacturing from the Bank's member countries to emerging economies and will finance mitigation of environmentally damaging discharges or emissions from a global perspective. The net emission transfers via international trade from developing countries to developed countries have increased. NIB recognises the importance of a life-cycle assessment

approach and that embedded energy and embedded consumption of natural resources constitute a global concern.

The Bank recognises the special protected status of the Baltic Sea and its importance for sustainable growth in the region. The Bank focuses on the mitigation of eutrophication, elimination of hazardous substances, improved status of biodiversity and maritime safety in the Baltic Sea area. Further to this, the Bank has a focus on the protection of the Arctic region's unique and vulnerable nature.

NIB believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires the client to comply with international standards for the employment of minors. Use of forced labour is not accepted by NIB. Sound management of workers' and communities' safety and health is essential for the productivity and efficiency of the business as is the respect for their livelihood.

Transparency, accountability and integrity are key principles for achieving sustainable development. The Bank is committed to promoting openness and good governance in all its operations and to maintaining an open dialogue with its stakeholders. The Bank is further committed to its business ethics and to fight fraud and corruption in all its activities. Details of our commitments are captured in separate policy documents.

The Bank also commits itself to act as a good corporate citizen and will pursue improvements on a permanent basis in its operations and in applying best practices in environmental management in its internal operations (including energy and resource efficiency, waste reduction and recycling) and human resources management (such as equal opportunity, work/life balance, health and safety). The Bank actively and continuously works to improve its environmental management system and to improve the environmental qualities of the projects which it finances.

## Exclusion List

The NIB Exclusion List defines the types of projects that NIB does not finance.

NIB will not knowingly finance, directly or indirectly, projects involving the following:

1. Activities deemed illegal under host country (i.e. national) laws or regulations, or international conventions and agreements or subject to international phase-out bans, such as:
  - a. Production of or trade in products containing PCBs<sup>i</sup>
  - b. Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans<sup>ii</sup>
  - c. Production of or trade in ozone-depleting substances subject to international phase-out<sup>iii</sup>
  - d. Trade in wildlife or wildlife products regulated under CITES<sup>iv</sup>
  - e. Transboundary movement of waste prohibited under international law<sup>v</sup>
  - f. Biodiversity resources or cultural heritage<sup>vi</sup>
  - g. Production or trade in or use of unbonded asbestos fibres or asbestos-containing products
  - h. Shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements.<sup>vii</sup>
2. Drift-net fishing in the marine environment.
3. Production of ammunition and weapons, and weapons carriers.
4. Ethically controversial projects including:
  - a. sex trade and related infrastructure and services
  - b. gambling and related equipment
  - c. tobacco (production, processing and distribution).
5. Production of or trade in radioactive materials.<sup>viii</sup> This does not apply to medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded.
6. New base load power plants with an installed capacity above 50 MW<sub>(e + th)</sub> mainly fuelled with coal or fuels with a similar fossil carbon dioxide intensity.

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<sup>i</sup> PCBs: Polychlorinated biphenyls—a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from the period 1950-1985.

<sup>ii</sup> The reference documents used here are EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard.

<sup>iii</sup> Ozone-Depleting Substances (ODS): Chemical compounds which react with and deplete the stratospheric ozone, resulting in the widely publicised "ozone holes". The Montreal Protocol lists ODSs and their target reduction and phase-out dates.

<sup>iv</sup> CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora.

<sup>v</sup> Reference documents are: Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations; Basel Convention of 22 March 1989 on the control of transboundary movements of hazardous wastes and their disposal

<sup>vi</sup> The relevant international conventions referred to include, without limitation: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; Convention on Biological Diversity.

<sup>vii</sup> This includes: tankers which do not have all the required MARPOL SOLAS certificates (including, without limitation, ISM Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU) and tankers due for phase-out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used.

<sup>viii</sup> Where production of radioactive materials is the main activity.

# Sustainability Guidelines

## 1 Introduction to NIB's environmental and social review

NIB believes that economic growth and sustainability can go hand in hand and that taking environmental and social aspects into account is consistent with sound business practice and enhances both the Bank's and the client's competitive advantage. NIB prioritises financing projects that enhance the environment and requires all the projects it finances to comply with the environmental and social standards defined in this document. The environmental and social review is an integral part of the Bank's overall project analysis, which includes the assessment of financial and integrity risks.

The Sustainability Policy covers the environmental and social dimensions of sustainable development; the essence of the policy is expressed through the Bank's prioritisation of projects and through the environmental and social review performed for all projects. NIB prefers entering the projects at an early stage as opportunities can be highlighted and encouraged and potential environmental problems avoided or minimised.

NIB's objectives with the environmental and social review are the following:

- ensure that projects are in compliance with the Bank's Sustainability Policy and Guidelines
- identify both risks and opportunities, with local as well as regional and global perspectives, and ensure that all relevant environmental and social impacts have been taken into account in projects
- assess potential environmental and social liabilities
- ensure that costs related to environmental and social protection are estimated along with other costs and liabilities
- assess the commitment and capacity of the client to manage identified potential impacts.

The review should be appropriate to the nature and scale of the project, and proportional to the level of risks and impacts. The review may be expanded to the related business activities of the project, as deemed necessary by NIB.

Assessing and managing the environmental and social aspects of projects in a manner consistent with applicable laws, regulations, standards and the Bank's Sustainability Policy and Guidelines is the responsibility of the clients.

A proposed project can be rejected due to non-compliance with the Bank's Sustainability Policy and Sustainability Guidelines.

## 2 Definitions and Standards

A **project**, as defined by the Bank, is an investment with a technically and economically clearly defined scope, not only the part financed by the Bank. In addition to the core investment, a project comprises all additional components that are required to achieve the project scope.

The Bank defines the term **adverse environmental and social impacts** to include any potential deterioration of the physical, natural, or cultural environment, surrounding community, or health and safety of workers directly resulting from the business activity to be financed.

Whenever the Bank provides financing the recognised standards that projects must adhere to are the standards set out in this document.

The Bank is a signatory to the European Principles for the Environment (EPE), which promotes sustainable development and the protection and improvement of the environment. The EPE is based on the environmental principles, practices and standards of the European Union. The ambition is to apply the EPE to projects in all the countries in which the Bank and the other signatory banks operate.

Of the relevant EU legislation, particular emphasis is given to the EU acquis related to environmental assessment and the EU directives related to industrial production, water and waste management, air and soil pollution, occupational health and safety, and the protection of nature, as far as these can be applied to specific projects. Projects should also comply with any obligations and standards enshrined in relevant Multilateral Environmental Agreements (MEAs), according to applicable EU legislation (e.g., those dealing with biodiversity climate change, the ozone layer, wetlands, persistent organic pollution, trans-boundary air pollution, endangered species and environmental information, and others that may be ratified from time to time). A benchmark reference often applied in NIB's projects is the HELCOM standards for discharges to the Baltic Sea.

Other benchmarks are the World Bank Group policies and guidelines or other appropriate international standards.

Furthermore, in the case of co-financing with other international financial institutions (IFI) , the Bank will work together with the other partners to agree to a common approach to the project.

### **3 NIB's environmental and social review**

The review includes the following key components:

- Categorisation; based on assessment of potential negative impacts of the project
- Definition of risks and impacts of the project and of planned mitigating measures
- Benchmark of the project's environmental and social performance with relevant standards
- Assessment of the commitment and capacity of the client to manage these potential impacts
- Verification that the costs resulting from the environmental and social risks and impacts are factored into the project.

The first step in the review process consists of defining the assessment requirements. For this reason all projects are categorised according to their potential negative environmental impact. The categories are:

- **Category A Projects:** Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented
- **Category B Projects:** Projects with potential limited adverse environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- **Category C Projects:** Projects with minimal or no negative environmental potential impact.

A list of examples of category A, B and C projects is provided in Appendix 1.

Review of relevant documentation always forms part of all Category A and B projects. A site visit and interviews with relevant stakeholders will normally form part of all Category A and B projects. In case of complex social issues, a review of documentation and a site visit may also be required for Category C projects.

#### **4 Project information requirements**

The client is responsible for supplying the Bank with all the required information. The type and need of information depend among other issues on the categorisation of the project.

For all projects the information to be supplied to NIB should include but not be limited to:

- A detailed project description
- A description of potential significant environmental and/or social impacts (including a quantification of the project's impacts on greenhouse gas emissions)
- The client must demonstrate that all applicable permits and licences relating to environmental and/or social aspects are in force for the project. In case of pending permits a satisfactory plan for obtaining permits needs to be demonstrated.

Furthermore, the following information should be supplied to NIB upon request:

- Demonstration that labour conditions for employed and/or contracted personnel comply with the requirements of these guidelines by providing the Bank with for example policies, procedures or guidelines applied to the project
- An assessment whether adaptation to climate change impacts is needed with regard to the project
- The results of any community engagement on the project with relevant stakeholders.

In addition to the above:

For Category A projects:

- An environmental impact assessment (EIA)
- An environmental management plan (also within some contexts referred to as an environmental action plan). For large and complex Category A projects an independent social or environmental expert not directly associated with the borrower or the project should review and give a second opinion of the EIA. The EIA should not be carried out and reviewed by the same party.

The EIA should be performed as required in the EIA directive<sup>1</sup>. An example of a table of contents for an EIA report on a category A project is provided in Appendix 2.

For Category B projects:

- An environmental assessment
- An environmental management plan (also within some contexts referred to as an environmental action plan).

An example of a table of contents for an environmental assessment (EA) report on a category B project is provided in Appendix 3.

## **5 Review boundaries**

The environmental and social review relates to the entire project and its sphere of influence. To fully include in the review all potential impacts and risks of the project, the review boundaries may need to be more extensive than the actual project definition. Furthermore the scope of the review may be expanded to related business activities and supply chains of the project. Definition of the review boundaries may be impacted by the following: mitigation of emissions to other areas from the project and import of embedded emissions and consumption of energy and consumption of natural resources to the project.

Where there are significant historical environmental and/or social impacts associated with the project—including those caused by former owners of the project entity—NIB may require assessment and/or remediation measures.

## **6 NIB's compliance requirements**

All projects financed directly by NIB or indirectly through financial intermediaries must comply with the following:

### **6.1 Projects within the European Union or EEA countries**

- All applicable permits and licences relating to environmental and/or social aspects shall be in place. In case the permits are not in place a satisfactory plan for obtaining permits needs to be demonstrated.
- All applicable environmental principles, practices and standards of the European Union.

### **6.2 Projects outside European Union and EEA countries**

- All applicable permits and licences relating to environmental and/or social aspects shall be in place. In case the permits are not in place a satisfactory plan for obtaining permits needs to be demonstrated.
- Category A projects: Pollution prevention and abatement are required primarily according to EU legislation or, in the absence of relevant EU standards, to relevant international policies and guidelines (primarily World Bank Group).

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<sup>1</sup> Dir 85/337/EEC as amended by Directive 97/11/EC and 2003/35/EC .

- Pollution prevention and abatement must comply with International Finance Corporation's (IFC) Industry Guidelines.
- Biodiversity issues are to be appropriately addressed in accordance with IFC requirements.
- The project/client must adhere to IFC EHS guidelines.
- Community issues must be appropriately addressed, such as involuntary resettlement, land acquisition, cultural heritage, etc. in line with IFC performance standards.

## **7 Disclosure of information**

Information relating to Category **A** projects are made publicly available for comments to NIB, in the form of a short description of the project. Project descriptions are available at [www.nib.int](http://www.nib.int) according to NIB's Disclosure Policy. Project descriptions include the following: the name of the project; the project promoter or financial intermediary; the location of the project; a short project description; and the environmental impact assessment and/or a summary thereof.

## **8 Financial Intermediaries**

NIB seeks to ensure that environmental requirements are implemented equally well in projects that involve a financial intermediary (FI). NIB delegates part of the responsibility for the environmental assessments to the FIs. The extent to which the environmental review can be delegated to the FI will depend on the environmental risks associated with each allocation under NIB's loan with the FI and the review of the FI's organisational capacity to assess environmental and social risks and impacts. All FIs taking out loans with NIB should preferably have a management system in place capable of reviewing and managing the environmental aspects related to its on-lending or investment activities.

FI projects must comply, as all other NIB financed projects do, with the requirements of these guidelines. NIB has defined a Business Activity Risk List, a mandatory tool that will guide the FI in their assessment process in order to comply with these guidelines. Category A projects implemented under a loan programme must always be assessed by NIB.

## **9 Acquisitions**

When NIB finances acquisitions as a project, the project acquired must comply, as all other NIB-financed projects, with the requirements of these guidelines. For projects involving acquisitions there is sometimes a need for environmental due diligence. Environmental due diligence is conducted to assess the risk of environmental liabilities from impacts of past and current operations of existing projects and company facilities. The need for environmental due diligence is different from the need for an EIA, and these two do not substitute for one another.

The need for environmental due diligence in company acquisitions depends on the sector. The project/companies are classified, according to the environmental risks, into three classes;

- **High** includes petrochemical and chemical industry, heavy manufacturing, etc. Requirement: environmental due diligence performed by a third-party.
- **Medium** includes assembly plants, food processing, etc. Requirement: environmental due diligence, not necessarily performed by a third party.
- **Low** includes light manufacturing, retail, etc.

NIB will also take into consideration environmental liability risks that it may face through pledges and collaterals, such as becoming responsible for polluted property or real estate. A list of examples of sector classification is provided in Appendix 4.

## **10 Project monitoring**

The need for monitoring is assessed as part of NIB's environmental and social review. The Bank expects the clients to be in compliance with the Sustainability Policy and Guidelines throughout the project and provisions entitling the Bank to monitor projects are incorporated in the loan agreement. After NIB's financing is committed in legal documents and disbursed, the Bank carries out monitoring of projects with major environmental and social risks and impacts in accordance with the environmental review or when deemed necessary by NIB due to unexpected events.

## **11 NIB's footprint**

The Bank will allocate the appropriate resources and conduct in-house training in order to ensure the effective implementation of the Sustainability Policy and Guidelines.

NIB will include a section on sustainability in its Annual Report with information on impacts related to NIB's project portfolio as well as on impacts from its internal operations. The focus on NIB's internal environmental work lies in further development and implementing an Environmental Management System that calculates and reduces the Bank's internal carbon footprint.

## **12 Continuous development of the Policy and Guidelines**

The Bank's Sustainability Policy and Guidelines will be subject to periodic review by the Board of Directors.

## (Appendix 1) List of A, B and C projects

The following list will serve as a guide to typical category A, B and C projects. It is not feasible to provide exact and detailed guidelines covering all possible types of projects. The following list is only a selection of examples of projects. For example, a minor rebuild of an existing paper mill does not necessarily require a full Environmental Impact Assessment according to category **A** requirements. It would likely suffice to make an Environmental Assessment on the rebuild. A project may be reclassified if significant environmental concerns are identified during the review period or if the environmental concerns prove to be less serious than first anticipated.

### Category A

1. Crude-oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.
2. Thermal power stations and other combustion installations with a heat output of 300 megawatts or more, and nuclear power stations and other nuclear reactors including the dismantling or decommissioning of such power stations or reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. Installations designed for the production or enrichment of nuclear fuels, the reprocessing, storage or final disposal of irradiated nuclear fuels, or for the storage, disposal or processing of radioactive waste.
4. Manufacturing of metals like:
  - a) Integrated works for the initial smelting of cast-iron and steel;
  - b) Installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
5. Chemical installations, i.e. those installations for the manufacture on an industrial scale of substances using chemical conversion processes.
6. Infrastructure projects like:
  - a) Construction of lines for long-distance railway traffic
  - b) Construction of airports with a basic runway length of 2,100 m or more;
  - c) Construction of motorways and express roads or new road of four or more lanes, or realignment and/or widening of an existing road of two lanes or less so as to provide four or more lanes, where such new road, or realigned and/or widened section of road would be 10 km or more in a continuous length.
  - d) Inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tonnes;

- e) Trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1,350 tonnes.
7. Processing and disposal installations for the incineration, chemical treatment or landfill of hazardous waste.
  8. Waste disposal installations for the incineration or chemical treatment of non-hazardous waste with a capacity exceeding 100 tonnes per day.
  9. Groundwater abstraction or artificial groundwater recharge schemes where the annual volume of water abstracted or recharged is equivalent to or exceeds 10 million cubic metres.
  10. Transfer of water like:
    - a) Works for the transfer of water resources between river basins where this transfer aims at preventing possible shortages of water and where the amount of water transferred exceeds 100 million cubic metres/year;
    - b) In all other cases, works for the transfer of water resources between river basins where the multi-annual average flow of the basin of abstraction exceeds 2,000 million cubic metres/year and where the amount of water transferred exceeds 5 % of this flow. In both cases transfers of piped drinking water are excluded.
  11. Wastewater treatment plants with a capacity exceeding 150,000 population equivalent.
  12. Extraction of petroleum and natural gas for commercial purposes.
  13. Dams and other installations designed for the holding back or permanent storage of water, where a new or additional amount of water held back or stored exceeds 10 million cubic metres.
  14. Pipelines with a diameter of more than 800 mm and a length of more than 40 km:
    - a) for the transport of gas, oil, chemicals, and,
    - b) for the transport of carbon dioxide (CO<sub>2</sub>) streams for the purposes of geological storage, including associated booster stations.
  15. Installations for the intensive rearing of poultry or pigs with more than:
    - a) 85,000 places for broilers, 60,000 places for hens;
    - b) 3,000 places for production pigs (over 30 kg); or
    - c) 900 places for sows.
  16. Industrial plants for the
    - a) production of pulp from timber or similar fibrous materials;
    - b) production of paper and board with a production capacity exceeding 200 tonnes per day.
  17. Quarries and open-cast mining where the surface of the site exceeds 25 hectares, or peat extraction, where the surface of the site exceeds 150 hectares.

18. Construction of overhead electrical power lines with a voltage of 220 kV or more and a length of more than 15 km.
19. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tonnes or more.
20. Large-scale logging.
21. Large-scale tourism and retail development.
22. Large-scale land reclamation.
23. Large-scale primary agriculture/silviculture involving the intensification or conversion of natural habitats.
24. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tonnes of finished products per day.
25. Projects which are planned to be carried out in sensitive locations or are likely to have a perceptible impact on such locations, even if the project category does not appear in this list. Such sensitive locations include national parks and other protected areas identified by national or international law, and other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance, and areas of importance for indigenous peoples or other vulnerable groups.
26. Projects involving the involuntary resettlement of a significant number of affected people.
27. Storage sites pursuant to EU Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide.
28. Installations for the capture of CO<sub>2</sub> streams for the purposes of geological storage pursuant to Directive 2009/31/EC from installations covered by this list of Category A projects, or where the total yearly capture of CO<sub>2</sub> is 1.5 megatonnes or more.
29. Any change to or extension of projects listed in Category A where such a change or extension in itself meets the thresholds, if any, set out in Category A list of projects.

### Category B

1. Agriculture, silviculture and aquaculture
  - (a) Projects for the restructuring of rural land holdings;
  - (b) Projects for the use of uncultivated land or semi-natural areas for intensive agricultural purposes;
  - (c) Water management projects for agriculture, including irrigation and land drainage projects;
  - (d) Initial afforestation and deforestation for the purposes of conversion to another type of land use;
  - (e) Intensive livestock installations (projects not included in Category A list);
  - (f) Intensive fish farming;
  - (g) Reclamation of land from the sea.
2. Extractive industry

- (a) Quarries, open-cast mining and peat extraction (projects not included in Category A list);
  - (b) Underground mining;
  - (c) Extraction of minerals by marine or fluvial dredging;
  - (d) Deep drillings, in particular:
    - geothermal drilling,
    - drilling for the storage of nuclear waste material,
    - drilling for water supplies, with the exception of drillings for investigating the stability of the soil;
  - (e) Surface industrial installations for the extraction of ores.
3. Energy industry
- (a) Industrial installations for the production of electricity, steam and hot water (projects not included in Category A list);
  - (b) Industrial installations for carrying gas, steam and hot water; transmission of electrical energy by overhead cables (projects not included in Category A list);
  - (c) Surface storage of natural gas;
  - (d) Underground storage of combustible gases;
  - (e) Surface storage of fossil fuels;
  - (f) Industrial briquetting of coal and lignite;
  - (g) Installations for hydroelectric energy production;
  - (h) Installations for the harnessing of wind power for energy production (wind farms);
  - (i) Installations for the capture of CO<sub>2</sub> streams for the purposes of geological storage (projects not included in Category A list 1).
4. Production and processing of metals
- (a) Installations for the production of pig iron or steel (primary or secondary fusion) including continuous casting;
  - (b) Installations for the processing of ferrous metals:
    - (i) hot-rolling mills;
    - (ii) smitheries with hammers;
    - (iii) application of protective fused metal coats;
  - (c) Ferrous metal foundries;
  - (d) Installations for the smelting, including the alloyage, of non-ferrous metals, excluding precious metals, including recovered products (refining, foundry casting, etc.);
  - (e) Installations for surface treatment of metals and plastic materials using an electrolytic or chemical process;
  - (f) Manufacture and assembly of motor vehicles and manufacture of motorvehicle engines;
  - (g) Shipyards;
  - (h) Installations for the construction and repair of aircraft;
  - (i) Manufacture of railway equipment;
  - (j) Swaging by explosives;
  - (k) Installations for the roasting and sintering of metallic ores.
5. Mineral industry
- (a) Coke ovens (dry coal distillation);

- (b) Installations for the manufacture of cement;
  - (c) Installations for the manufacture of glass including glass fibre;
  - (d) Installations for smelting mineral substances including the production of mineral fibres;
  - (e) Manufacture of ceramic products by burning, in particular roofing tiles, bricks, refractory bricks, tiles, stoneware or porcelain.
6. Chemical industry (Projects not included in Category A list)
- (a) Treatment of intermediate products and production of chemicals;
  - (b) Production of pesticides and pharmaceutical products, paint and varnishes, elastomers and peroxides;
  - (c) Storage facilities for petroleum, petrochemical and chemical products.
7. Food industry
- (a) Manufacture of vegetable and animal oils and fats;
  - (b) Packing and canning of animal and vegetable products;
  - (c) Manufacture of dairy products;
  - (d) Brewing and malting;
  - (e) Confectionery and syrup manufacture;
  - (f) Installations for the slaughter of animals;
  - (g) Industrial starch manufacturing installations;
  - (h) Fish-meal and fish-oil factories;
  - (i) Sugar factories.
8. Textile, leather, wood and paper industries
- (a) Industrial plants for the production of paper and board (projects not included in Category A list);
  - (b) Plants for the pretreatment (operations such as washing, bleaching, mercerisation) or dyeing of fibres or textiles;
  - (c) Plants for the tanning of hides and skins;
  - (d) Cellulose-processing and production installations.
9. Rubber industry, manufacture and treatment of elastomer-based products.
10. Infrastructure projects
- (a) Industrial estate development projects;
  - (b) Urban development projects, including the construction of shopping centres and car parks;
  - (c) Construction of railways and intermodal transshipment facilities, and of intermodal terminals (projects not included in Category A list);
  - (d) Construction of airfields (projects not included in Category A list);
  - (e) Construction of roads, harbours and port installations, including fishing harbours (projects not included in Category A list);
  - (f) Inland-waterway construction not included in Category A list, canalisation and flood-relief works;
  - (g) Dams and other installations designed to hold water or store it on a long-term basis (projects not included in Category A list);
  - (h) Tramways, elevated and underground railways, suspended lines or similar lines of a particular type, used exclusively or mainly for passenger transport;
  - (i) Oil and gas pipeline installations and pipelines for the transport of CO<sub>2</sub> streams for the purposes of geological storage (projects not included in Category A list);
  - (j) Installations of long-distance aqueducts;

- (k) Coastal work to combat erosion and maritime works capable of altering the coast through the construction, for example, of dykes, moles, jetties and other sea defence works, excluding the maintenance and reconstruction of such works;
  - (l) Groundwater abstraction and artificial groundwater recharge schemes not included in Category A list;
  - (m) Works for the transfer of water resources between river basins not included in Category A list.
11. Other projects
- (a) Permanent racing and test tracks for motorised vehicles;
  - (b) Installations for the disposal of waste (projects not included in Category A list);
  - (c) Waste-water treatment plants (projects not included in Category A list);
  - (d) Sludge-deposition sites;
  - (e) Storage of scrap iron, including scrap vehicles;
  - (f) Test benches for engines, turbines or reactors;
  - (g) Installations for the manufacture of artificial mineral fibres;
  - (h) Installations for the recovery or destruction of explosive substances;
  - (i) Knackers' yards.
12. Tourism and leisure
- (a) Ski-runs, ski-lifts and cable-cars and associated developments;
  - (b) Marinas;
  - (c) Holiday villages and hotel complexes outside urban areas and associated developments;
  - (d) Permanent camp sites and caravan sites;
  - (e) Theme parks.
13. Any change or extension of projects listed in the Category A list or Category B list, already authorised, executed or in the process of being executed, which may have significant adverse effects on the environment (change or extension not included in Category A list); Projects in Category A list, undertaken exclusively or mainly for the development and testing of new methods or products and not used for more than two years.

### Category C

Projects with a small or insignificant potential environmental impact do not require an Environmental Assessment. Projects in this category will be categorised as C. Examples of projects in this category are:

- Small modifications in light industry
- Replacement and modernisation of industrial machines
- Repair and renovation of buildings and industrial plants
- Other small-scale projects with no apparent environmental impact

## **(Appendix 2) Table of contents of an environmental impact assessment (EIA)**

The Environmental Assessment Report should include:

### **Executive summary**

Key points on the background, the findings, the conclusions and recommended actions. Recommendations should include actions for mitigation measures and investment, operational and maintenance cost estimates.

### **1. Operational framework**

This section outlines the policy, legal and administrative context of the EIA summarising the environmental and project approval requirements of the project (host country and international regulatory framework, standards and guidelines, treaties applicable). The time frame for the community engagement, project appraisal and implementation should also be outlined.

### **2. Project description**

A concise description of the project in its geographic, ecological, social and temporal context, as well as the methodology employed in the Environmental Assessment process. This section should also include information on whether the project is part of a wider development programme.

### **3. Policy, legal and administrative framework**

Description of the framework within which the Environmental Assessment is prepared.

### **4. Baseline data**

Baseline data describing the existing environment in the project area including relevant physical, biological and socio-economic conditions. This part is to include, but is not limited to:

- Geomorphology and Geology
- Water Resources
  - Surface
  - Groundwater
- Biological and ecological resources
  - Flora and fauna
  - Biological diversity and cultural habitats
  - Parks and protected areas
  - Critical habitats
  - Ecosystems
- Landscape and visual impacts
- Air quality

Noise  
Social and socio-economic issues  
Community  
Vulnerable groups  
Archaeological / cultural heritage  
Public health  
Occupational health and safety  
Land use and settlement patterns

### **5. Environmental impacts**

The positive and negative impacts likely to result from the proposed project (and its feasible alternatives) should be identified, predicted and assessed in relation to appropriate guidelines and standards (local, national and regional/global impacts). Impacts associated with the construction phase, operation phase and decommissioning phase should be addressed separately. The possibility for cumulative impacts should also be considered. The sensitivity of the analysis to the quality and quantity of available data, key gaps in data and other uncertainties should be discussed.

### **6. Analysis of alternatives**

Comparison of alternative approaches to and options for the design, technology, location, size and operations in terms of their potential environmental impacts. This should include the “do-nothing” option.

### **7. Mitigation measures**

A mitigation plan should be presented which proposes feasible and cost-effective measures to avoid or to reduce adverse environmental (and social) impacts to acceptable levels on a sustainable basis. It should also address other environmental issues such as the need for worker health and safety improvements, inter-agency coordination, community involvement etc., as well as outline measures which would enhance environmental aspects within the area affected by the project. The mitigation action plan should provide details of work programmes and schedules, capital and recurrent cost estimates, as well as institutional and training requirements which are in phase with all stages of the project’s implementation.

### **8. Monitoring plan**

A monitoring plan should be submitted which describes how environmental impacts and issues will be monitored and managed in practice. The plan should address the monitoring of the environmental impacts during and after project implementation, and the performance of the mitigation measures which are part of any mitigation plan. The plan should specify the type of monitoring, responsibility for monitoring, costs and other inputs (e.g. training) and reporting requirements.

**9. Community engagement**

Identification of stakeholders

Summary of consultation process

Summary of comments and how they were taken into account

**10. Management plan**

All measures required addressing environmental and social impacts and issues as well as the monitoring and supervisory activities associated with these should be consolidated into a tabular form. This should also indicate institutional responsibilities, time frames and associated costs.

**Appendices**

Names of those responsible for preparing the EIA.

Written material references used in preparing the EIA.

List of meetings held.

Records of public meetings and consultations arranged in preparing the EIA, including a list of attendees involved in preparing the EIA.

Technical data that may relate to the assessment, but is too detailed to be included in the main text.

Maps

## **(Appendix 3) Table of contents of an environmental assessment (EA)**

The Environmental Assessment Report (to be used for projects with potential limited adverse environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures) should include:

### **1. Project description**

A project is an investment with a technically and economically clearly defined scope, not only the part financed by the Bank. In addition to the core investment it comprises all additional items that are required to achieve the project scope.

The project description should be a concise technical description of the project and its components in its geographic, ecological, social and temporal context. This section should also include information on whether the project is part of a wider development programme.

### **2. Policy, legal and administrative framework**

This section should include a description of the legal framework valid for the project described under section 1.

### **3. Baseline data**

In this section the situation before the implementation of the project should be described in form of baseline data describing the existing environment in the project area including relevant physical, biological and socio-economic conditions. This part is to include (when relevant):

Geomorphology and Geology

Water Resources

Surface

Groundwater

Biological and ecological resources

Flora and fauna

Biological diversity and cultural habitats

Parks and protected areas

Critical habitats

Ecosystems

Landscape and visual impacts

Air quality

Noise

Social and socio-economic issues

Community

Vulnerable groups

Archaeological / cultural heritage

Public health

Occupational health and safety

Land use and settlement patterns

**4. Environmental impacts**

The negative impacts likely to result from the proposed project (for example discharges to water, emissions to air, generation of wastes) should be identified and predicted and assessed in relation to local and national legislation. Impacts associated with the construction phase, operation phase and decommissioning phase should be addressed separately. The possibility for cumulative impacts should also be considered. The sensitivity of the analysis to the quality and quantity of available data, key gaps in data and other uncertainties should be discussed.

**5. Mitigation measures**

A mitigation plan should be presented which proposes feasible and cost-effective measures to avoid or to reduce adverse environmental (and social) impacts to acceptable levels on a sustainable basis. It should also address other environmental issues such as the need for worker health and safety improvements, inter-agency coordination, community involvement etc., as well as outline measures which would enhance environmental aspects within the area affected by the project. The mitigation action plan should provide details of work programmes and schedules, capital and recurrent cost estimates, as well as institutional and training requirements which are in phase with all stages of the project's implementation.

**6. Monitoring plan**

A monitoring plan should be submitted which describes how environmental impacts and issues will be monitored and managed in practice. The plan should address the monitoring of the environmental impacts during and after project implementation, and the performance of the mitigation measures which are part of any mitigation plan. The plan should specify the type of monitoring, responsibility for monitoring, costs and other inputs (e.g. training) and reporting requirements.

**7. Management plan**

All measures required addressing environmental and social impacts and issues as well as the monitoring and supervisory activities associated with these should be consolidated into a tabular form. This should also indicate institutional responsibilities, time frames and associated costs.

## **(Appendix 4) Classification of requirements concerning environmental due diligence (EDD) reports**

Environmental audits are conducted to assess the impact of past and current operations of existing projects and company facilities and are applicable, for instance, in company mergers or acquisitions and otherwise when the risk of environmental liabilities is present.

### **High merger and acquisition risk**

The nature of the projects/activities for which financing is proposed is such that there may be highly significant, negative and/or long-term environmental impacts and liabilities. The financing of such activities may also entail significant reputation risk for the Bank. Thus a third-party environmental due diligence report is required.

Examples:

- Petrochemical and chemical industry
- Heavy manufacturing, etc.

### **Medium merger and acquisition risk**

This category includes loans for projects/activities in sectors where it is likely that environmental impacts can be readily identified and standard preventative and/or remedial measures can be prescribed within the borrower's capabilities. An environmental due diligence is required, although not necessarily conducted by a third party.

Examples:

- Assembly plants
- Food processing, etc.

### **Low merger and acquisition risk**

This category includes projects whose environmental impacts are expected to be negligible, for which no environmental appraisal would be required. Such projects are required to comply with applicable environmental, health and safety regulations or product standards. A statement is required that all applicable laws and regulations are in place.

Examples:

- Light manufacturing
- Retail, etc.

**(Appendix 5) List of abbreviations used in the document**

CITES	Convention on International Trade in Endangered Species of Wild Flora and Fauna
EA	Environmental Analysis
EDD	Environmental Due Diligence
EEA	European Economic Area
EEC	European Economic Community
EHS	Environmental Health and Safety
EIA	Environmental Impact Assessment
EPE	European Principles for the Environment
EU	European Union
FI	Financial Intermediary
HELCOM	Helsinki Commission
IFI	International Financial Institution
IFC	International Finance Corporation
ILO	International Labour Organisation
IMO	International Maritime Organisation
kV	kilovolt
MARPOL	International Convention for the Prevention of Pollution from Ships
MEA	Multilateral Environmental Agreement
NIB	Nordic Investment Bank
ODS	Ozone-Depleting substances
OHS	Occupational Health and Safety
PCB	Polychlorinated biphenyls
SOLAS	International Convention for the Safety of Life at Sea
UN	United Nations
WHO	World Health Organisation