



COMPREHENSIVE TRAINING ON  
ENVIRONMENTAL & SOCIAL RISK  
MANAGEMENT (ESRM) FOR  
FINANCIAL INSTITUTIONS  
(EXECUTION LEVEL)

Supported by:



## Background

With a view of integrating sustainability into credit risk management in the financial sector, Nepal Rastra Bank released the Guidelines on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions in 2018. The objective is to establish the ESRM Framework as the standard process for proactive evaluation and integration of environmental and social issues into the credit risk assessment process of B/FIs.

In this context, NBI, in partnership with IFC (India) & ERM, is pleased to present a 2 day training that aims to provide an opportunity for participants to learn about the current international best practices in E&S risk management in financial institutions (FIs), and understand how their implementation improves the performance of institutional portfolios, generates business opportunities, and strengthens competitiveness.

### Program Details

**Date & Time:** 8th Dec ( 3:00pm-6:00 pm) & 9th Dec( 9: 00 am -4:45) 2023

**Duration:** 6 sessions

**Venue:** NBI Hall, Naxal

# Program Detail

## Program Objectives:

- Discuss & understand how banks can effectively implement E&S Management System/ Environment, Social and Governance (ESG) issues and integrate E&S risks into their credit appraisal process
- Understand how the implementation of ESRM improves the performance of financial institutions and their competitiveness through sustainable banking
- Understand and be able to convince the client and frame appropriate covenants to protect the interest of the bank in the process of regular enforcement of E&S standards.
- Understand and implement the regulatory requirement of ESRM Guidelines of Nepal Rastra Bank
- Become aware of current international best practices in E&S risk management in financial institutions

## Target Group:

- Asst. Relationship Managers, Relationship Managers and Managers handling Business.
- Officers, Sr. Officers and Managers handling Credit Risk and Credit Admin Department.
- Officials of legal department.

## Program Delivery:

- Slide presentation and discussion
- Quiz
- Experience sharing
- Brainstorming through pictures and video content
- Group activity on case studies.

**NATIONAL BANKING INSTITUTE LTD.**

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# Curriculum Outline

Headings/ Faculty	Contents/ Activities	Takeaways
<p><b>1. Introduction &amp; Evolution of ESRM</b></p> <p><b>Mr. Salil Devkota</b></p>	<ul style="list-style-type: none"> <li>• ESRM/ESG Overview</li> <li>• Overview of global trend</li> <li>• Overview of Nepal's trend &amp; commitment towards ESG</li> <li>• Bank's role in ESRM/ESG for sustainable finance - what and how?</li> <li>• Gap in current financing practices in the perspective of Nepalese lending practice</li> <li>• Impact on Banks – (Risk to banks more in detail)</li> </ul> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• Pic shown to identify E&amp;S risks</li> <li>• A video on Sustainable finance</li> </ul>	<p>- Participants will be aware about general outline of ESRM concept and its importance</p> <p>- Understanding of role of bank in environment protection and sustainability finance</p>
<p><b>2. Efforts by International bodies to regulate &amp; guide towards environment protection</b></p> <p><b>Mr. Salil Devkota</b></p>	<ul style="list-style-type: none"> <li>• Evolution of international frameworks.</li> <li>• Roles of prominent international bodies / protocols</li> <li>• Highlights on Equator Principles</li> <li>• IFC Performance Standards</li> </ul> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• Discussion</li> <li>• Case examples</li> <li>• Mind the gap</li> </ul>	<p>- Participants will understand the emergence and commitment on E&amp;S by countries across the globe.</p>
<p><b>3. ESRM guidelines in NRB purview</b></p> <p><b>Mr. Bholanath Dhungana</b></p>	<ul style="list-style-type: none"> <li>• NRB ESRM Guidelines Review: context, content and coverage</li> <li>• Risk such as Credit, Legal, financial, Operational, Reputational risks</li> <li>• Environmental &amp; social risks and their relation with various types of credit</li> <li>• ESG related Policy highlights and Bank's responsibility to alignment in credit functions towards such state policies</li> </ul> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• Case studies</li> <li>• Video content</li> <li>• Discussion</li> </ul>	<p>- Participants will be able to understand concept behind introduction of ESRM guidelines</p> <p>- Participants will understand the risk posed by E&amp;S issues in banking activities.</p>

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<p><b>4. National policy standards - Legal &amp; Regulatory measures</b> <b>Mr. Bholanath Dhungana</b></p>	<ul style="list-style-type: none"> <li>• Environment Protection Act and Rules</li> <li>• Forest Act and Related other Rules/Guidelines</li> <li>• Water Resource Act and Related other policies</li> <li>• Mines and Minerals Act and Rules</li> <li>• National Parks and Wildlife Conservation Act, CITES Implementation Related laws and Policies</li> <li>• Labor Laws and Related Regulations</li> <li>• Land Acquisition Act and related other Rules/Guidelines</li> <li>• Other laws and regulations relating to E&amp;S</li> </ul> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• Case studies: Hydro power/mining/hotel to understand applicability and effects of above laws &amp; regulations along with IEE/EIA.</li> </ul>	<p>- Participants will have overview of national laws relation to E&amp;S issues, their implications good understanding of projects needs to go through the laws while credit analysis, sanction and credit monitoring</p> <p>- Participants will be familiar about Environmental and Social Impact Assessment(ESIA) and different types of assessment requirement, relevant applicable projects and bank's role to adhere the same</p>

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<p><b>5. ESRM Guide-line procedure, ESDD implementation and ESMS integration</b></p> <p><b>Mr. Hemanth Raj Angdembay</b></p>	<ul style="list-style-type: none"> <li>• Process flow ESRM Guidelines</li> <li>• Step 1 to Step 8 in detail</li> <li>• Under project finance of section 'Loan Categorization', detail information on Project Life Cycle and its sources of risk to be highlighted.</li> <li>• Link appropriate NRB checklist / schedules at every step of the requirement/process.</li> <li>• Credit Risk Management - Integration of ESMS. Hypothetical Illustration of typical process and followed by summary screen showing ESMS applicability.</li> <li>• Components of ESMS</li> <li>• E&amp;S Capacity – Org chart, Roles &amp; responsibilities.</li> </ul> <p><b>Activities:</b></p> <ul style="list-style-type: none"> <li>• ESRM's exclusion list – spot the cases for inclusion or exclusion.</li> <li>• Discussion of a case study linking ESAP</li> <li>• Case studies: Snow Leopard Cement case for activity</li> <li>• Quiz: Brain Teaser on ESRM procedure.</li> </ul>	<ul style="list-style-type: none"> <li>- Participants will understand statutory requirements of enforcement of ESMS and procedure steps of ESRM guideline.</li> <li>- Participants will have good know-how in analyzing E&amp;S risks and integrating with the bank's CRM process.</li> <li>- Participant will be able to understand about E&amp;S evaluation process and take appropriate financing decision</li> <li>- Participants will be able to frame appropriate covenants to convince client in regular enforcement of E&amp;S standards.</li> </ul>

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<p><b>6. Ongoing portfolio Monitoring &amp; Reporting</b></p> <p><b>Managing eventualities and non-routine events</b></p> <p><b>Mr. Hemanth Raj Angdebay</b></p>	<ul style="list-style-type: none"> <li>• Loan monitoring – EHS issues disbursement wise</li> <li>• Aspects to be covered during monitoring</li> <li>• Frequency of monitoring</li> <li>• Internal &amp; external reporting of E&amp;S performance</li> <li>• New developments and unplanned events</li> <li>• Assessing readiness of the borrower.</li> </ul>	<ul style="list-style-type: none"> <li>- Participants will understand the monitoring aspects linked to each disbursement, post disbursement and its importance.</li> <li>- Timely escalation of any untoward events and non-compliance.</li> <li>- Significance of internal &amp; external reporting.</li> <li>- Knowledge on managing unplanned events of the borrower and guide them for their readiness</li> </ul>

**Program shall be followed by an assessment of 1hr.**

*\*\*Certification of completion shall be provided to participants scoring 60% or above in the assessment (MCQ). The rest of the participants shall receive certificate of participation.*

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# Facilitators' Profile

## **Mr. Hemanth Raj Angdembay**

**Banking Expert**



Mr. Angdembay has worked with Standard Chartered Bank Nepal for 22 years with 14 years of experience in managing SCBNL retail products, including 12 years of handling home loan products. He holds MBA degree from Ace Institute of Management, and has undergone training in areas like, sales & marketing, presentation, facilitator skill training, negotiation skills, time management, along with trainings such as Great Manager Programs, Leadership training etc.

## **Mr. Bholanath Dhungana**

**Company Secretary, Kumari Bank**



Mr. Dhungana, Company Secretary, Kumari Bank Ltd. holds LL.M degree with specialization on commercial law and engages in Corporate and Banking law profession for more than 20 years. Work experience with Rastriya Banijya Bank, Siddhartha Bank, Kumari Bank and other business organizations in different capacities such as legal officer, head of the legal department, company secretary and legal advisor. Visiting faculty in Kathmandu University School of Law, School of Management, and National Law College affiliated with Tribhuvan University. Associated with National Banking Institute since 2014 as a trainer in area of law, compliance and ESRM.

## **Mr. Salil Devkota**



Mr. Devkota has over 26 years of experience in multiple aspects of environmental consulting with a focus on environmental and social due diligence. He has experience in environmental assessments, environmental monitoring, design and implementation of environmental mitigation measures for infrastructure projects and preparation of environmental documents. Mr. Devkota has prepared several environmental assessment reports for major infrastructure projects.

Mr. Devkota holds a bachelor's degree in engineering from Mysore, India, and a master's degree in environmental policy and management from the University Of Denver, Colorado, USA. He has expertise in EIA, CIA, capacity building training, grievance management, project management and public relations.

Currently he is working as a freelancer as a specialist in environmental and social protection. Supervision of national and international graduate students in environmental sciences.