



РАЗВОЈНА БАНКА НА СЕВЕРНА МАКЕДОНИЈА АД СКОПЈЕ  
BANKA PËR ZHVILLIM E MAQEDONISË SË VERIUT SHA SHKUP  
DEVELOPMENT BANK OF NORTH MACEDONIA JSC SKOPJE

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## **ENVIRONMENTAL AND SOCIAL (E&S) POLICY**

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Pursuant to Article 65 of the Statute of the Development Bank of North Macedonia JSC, Skopje, the Bank's Risk Management Committee adopted the following:

## **ENVIRONMENTAL AND SOCIAL (E&S) POLICY**

### **1. Introduction and context**

The Development Bank of North Macedonia (DBNM) is a public development bank with the strategic goal of supporting the development of the Macedonian economy in accordance with the strategic policies, goals, and priorities of the Republic of North Macedonia. The main tasks of DBNM include: financing the development of trade companies established in the Republic of North Macedonia; encouraging exports; supporting small and medium-sized enterprises established in the Republic of North Macedonia; financing infrastructure; supporting regional development; and financing energy efficiency projects, projects for the provision and protection of the environment, and renewable energy. The National Bank of the Republic of North Macedonia supervises the operations of DBNM within its competencies. The Ministry of Finance supervises the operations that DBNM performs on behalf of and for the account of the Republic of North Macedonia.

To finance its activities, the Bank uses several sources of funding: its own capital, loans from reputable international financial institutions, and funds from the Budget of the Republic of North Macedonia. The Bank mainly carries out its activities indirectly, in cooperation with commercial banks.

DBNM is committed to fostering sustainable development of the country by integrating Environmental, Social, and Governance (ESG) considerations into its operations and financing activities. Within the framework of the Business Plan and Development Policy of DBNM JSC Skopje, the Bank has developed an ESG risk management strategy, which serves as the basis for the present Environmental and Social (E&S) Policy.

### **2. The Importance of Having an E&S Policy**

Environmental, Social, and Governance (ESG) Risk Management is becoming increasingly important in the financial system. International investors, creditors, and other financial market stakeholders now recognize that financial covenants alone are insufficient to fully assess a bank's risk profile and long-term value creation, but that climate and social action are also needed. They are strengthening their approach to ESG risk management and are expecting their portfolio institutions to demonstrate compliance with the established policies and standards.

From the perspective of foreign creditors, ESG considerations are becoming extremely important when deciding to cooperate with DBNM. Therefore, the consistent integration of ESG aspects in making business decisions is an inevitable step in support of the sustainable operations of the Bank. Given that ESG risks are already integrated into the financial instruments of international creditors, the way in which DBNM will manage them may affect access to capital and the cost of financing. Consequently, managing ESG risks is one of the critical prerequisites for appropriate planning of activities, but also for preserving and promoting the Bank's reputation as a national development institution.

### **3. Scope**

This Policy applies to all activities financed by DBNM, including activities carried out through the commercial banks in the Republic of North Macedonia. The Policy establishes an Environmental and Social Management System (ESMS) of the Bank, as well as capacity-building efforts in the area of the Environmental and Social Policy. DBNM encourages its cooperating commercial banks to improve their environmental and social risk management practices across their own portfolios.

### **4. Objectives**

This E&S Policy reflects the Bank's commitment to promoting environmental protection, combating climate change, and advancing social inclusion and equality, while aligning with national regulations, the ESG strategy as part of the Bank's Development Plan and business policy, and the best international practices.

#### 4.1 Ensure compliance with regulations and standards

- Adhere to all applicable national environmental and social regulations and commitments, including North Macedonia's Nationally Determined Contributions (NDCs) to the Paris Agreement.
- Align with national and international E&S standards and best practices, in accordance with national and international legislation applicable in the Republic of North Macedonia, such as Environmental and Social Standards (ESS) of the World Bank and the Conventions of the International Labour Organisation, when applicable.
- Promote the principle of responsible financing through DBNM's partner banks and North Macedonia's enterprises to safeguard the social, environmental, and economic sustainability of their business activities.

- Require partner commercial banks to implement their own E&S policies and demonstrate compliance with DBNM’s E&S requirements, including complying with all the national and international laws, regulations, and standards applicable in North Macedonia.

#### 4.2. Promote environmental sustainability

In line with the Law on DBNM, one of the Bank’s primary objectives is to support environmental protection and renewable energy projects, including financing energy efficiency initiatives. Guided by *the Guidelines on the Management of Climate Change-Related Risks* of the National Bank of the Republic of North Macedonia, DBNM defines its primary strategic climate objective as follows:

“To increase lending to projects with a positive environmental impact and to reduce the negative effects of climate change.”

As a result, the Bank will manage climate change-related risks through:

- **Green Lending**, i.e., financing projects related to environmental protection, energy efficiency, and renewable energy.
- **Sustainable Operations**, i.e., responsible resource use and efficient waste management in its daily activities.

In this manner, the Bank will also:

- Avoid financing activities that have significant adverse environmental impacts or violate environmental regulations;
- Align with international climate goals, including the Paris Agreement, by prioritizing low-carbon and climate-resilient investments;
- Support projects and financial institutions that contribute to climate change mitigation and adaptation, resource efficiency, and biodiversity protection.

#### 4.3. Advance social inclusion and equality

Recognising its employees as its most valuable asset, the Bank is committed to offering them a safe and supportive work environment, as well as opportunities for personal and professional growth and development. The Bank maintains a transparent recruitment process, ensuring fair selection based on integrity, competence, and equal opportunities for applicants.

DBNM upholds the principles of gender equality and actively works to eliminate stereotypes, empower women’s participation in the economy, and recognize the leadership

potential of women. The Bank fully adheres to all relevant domestic and international laws, obligations, and recommendations concerning gender equality and the inclusion of marginalised communities.

For that reason, the Bank, in its operational and financial activities, will continue to:

- Promote gender equality, diversity, and inclusion;
- Support financial institutions that enhance access to finance for underserved groups, including women, youth, and marginalised communities;
- Ensure safe and healthy working conditions, internally and in the financed companies, including adequate occupational health and safety culture and practice;
- Avoid financing activities that contribute to human rights violations, forced labour, or child labour.

## **5. Exclusion**

DBNM will not finance the activities included in the Exclusion List (Annex 1). Additional activities may also be excluded from finance, depending on the credit line.

## **6. Capacity Building**

Through targeted training sessions and regular updates, DBNM builds the E&S capacity of its own staff, ensuring all employees understand their roles and responsibilities in the implementation of this Policy.

When relevant and feasible, DBNM provides guidance to the commercial banks it cooperates with to strengthen their compliance with the Bank's E&S requirements.

## **7. Communication and Disclosure**

DBNM regularly communicates this Policy to its staff. Externally, DBNM systematically shares the Policy with the commercial banks it cooperates with through formal communication and ongoing dialogue, to ensure their compliance with the Bank's E&S requirements. Additionally, DBNM promotes transparency and accountability and shows leadership in environmental and social risks management by making this Policy publicly available.

DBNM ensures all relevant stakeholders are aware of its external grievance mechanism and have access to it, to address any concerns related to the environmental and social impacts of DBNM's financed activities. The external grievance mechanism is managed by a designated grievance focal person.

## **8. Guidance and Ownership**

This Policy fits into the existing risk management framework of the Bank. The Risk Management Committee establishes this Policy, monitors its implementation, and performs all tasks related to risk management in accordance with the Bank's Statute. The Supervisory Board adopts this Policy and monitors its implementation in accordance with the Bank's Statute.

At the operational level, this Policy is owned by DBNM's designated ESG focal person, who is responsible for its implementation, reporting to the Supervisory Board, as well as for proposing future updates and revisions to the Policy.

Considering that the challenges and best practices related to E&S evolve over time, this Policy will be regularly reviewed to incorporate novel best practices, regulatory changes, and feedback from stakeholders.

## **9. Transitional and Final Provisions**

This Environmental and Social (E&S) Policy for Environmental Protection and Support of Social Issues shall enter into force on the date of its adoption by the Supervisory Board of the Bank.

### **ANNEX 1 – EXCLUSION LIST**

DBNM excludes funding for activities that, according to national and international legislation applicable in the Republic of North Macedonia, involve the production or trade of illegal products, as well as any illegal activity. This includes in particular:

1. Production or activity that involves forced labour (any work or service that is obtained involuntarily and exacted by a person under the threat of force or penalty), child labour, or human trafficking,
2. Illegal activities, including activities with organs, tissues, and products of the human body or activities related to genetic engineering;
3. Research, promotion, or multiplication of genetically modified seeds;
4. Trade, production, breeding, or possession of wild and protected species of animals and plants;
5. Production, use, or trade in hazardous materials such as asbestos and chemical products, pesticides/herbicides that deplete the ozone layer;
6. Transboundary trade in waste, except that which is in accordance with international conventions and regulations;
7. Exploitation of diamond mines and diamond advertising;

8. Illicit trade or activities facilitating the illicit trade in cultural property;
9. Operations resulting from an irreversible change or significant displacement of key elements of cultural heritage (a “key cultural heritage” is considered any part of the heritage that is internationally or nationally recognised, as well as that which is of historical, social, and/or cultural interest);
10. Production or trade related to pornography or prostitution;
11. Production or trade in weapons and/or ammunition;
12. Gambling houses and casinos;
13. Projects for the construction, expansion, and renovation of coal-fired power plants;
14. Coal exploration, production, or processing projects.

I, the undersigned, hereby certify that the foregoing is a true and correct translation from Macedonian into English.

Skopje, 19 December 2025  
Court Certified Translator  
Tatjana Arsovska

Јас, долупотпишаната потврдувам дека правилно го извршив преводот од македонски на англиски јазик.

Скопје, 19.12.2025г.  
Постојан судски преведувач,  
Татјана Арсовска