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# **POLICY ON ENVIRONMENTAL AND SOCIAL MANAGEMENT**

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The Board of Directors of the Kosovo Credit Guarantee Fund;

Pursuant to Article 17, paragraph 1, subparagraph 1.6, of Law No. 05/L-057 on the Establishment of the Kosovo Credit Guarantee Fund, amended and supplemented with Law No. 08/L-138, and Article 8, paragraph 1.5, of the Charter of KCGF;

On its meeting held on 25.09.2025, approved this:

## **POLICY ON ENVIRONMENTAL AND SOCIAL MANAGEMENT**

### **CHAPTER I GENERAL PROVISIONS**

#### **Article 1 Introduction**

1. This Policy presents the vision and mission of the KCGF with respect to the environment, society, and contributions to sustainable development. KCGF recognizes the importance of environmental and social risk management and is committed to identifying and addressing all such risks associated with its guaranteeing activities. The Policy outlines guiding principles and rules that should be part of the best environmental and social risk management practice of the guarantee where KCGF bears most of the risk.
2. The objective of KCGF through this Policy is to:
  - 2.1. fulfill its institutional mandate with full responsibility toward the environment and society;
  - 2.2. set out how the Registered Financial Institutions (hereafter RFIs that are supported by KCGF will assess and manage environmental and social risks and impacts associated with the projects they finance;
  - 2.3. promote good environmental and social management practices in the projects the RFIs finance;
  - 2.4. promote good environmental and sound human resources management within the RFIs.
3. The RFIs will carry out environmental and social assessments in accordance with relevant environmental national legislation and based on best international practices. This assessment process is carried out: to determine the possible positive or negative impacts of proposed projects of qualifying borrowers' or MSMEs; to evaluate the precautions to be taken in order to avoid, prevent, mitigate or minimize negative impacts which may damage the environment; and to supervise and inspect the project implementation.

#### **Article 2 The Purpose and Scope**

1. The purpose of this Policy is to establish a steady and healthy framework that measures and protects the credit guarantee environmental and social risk within the framework of KCGF activities.

2. This Policy regulates relations on indirect impact of KCGF through the credit guarantee service offered to the qualifying borrower.
3. This Policy defines and sets the rules for:
  - 3.1. eligible and non-eligible environmental and social projects;
  - 3.2. environmental and social risk screening;
  - 3.3. environmental and social risk categories;
  - 3.4. legal requirements to be complied by MSMEs;
  - 3.5. grievance redress mechanism;
  - 3.6. monitoring of RFIs and performance of the KCGF's environmental and social management guarantee portfolio.

### Article 3 Definitions

1. Terms used in this Policy shall have the following meaning:
  - 1.1. **KEPA** – Kosovo Environmental Protection Agency;
  - 1.2. **Kosovo Credit Guarantee Fund (KCGF)** – is an independent and autonomous legal entity, established by the Law No. 05/L-057 on the Establishment of the Kosovo Credit Guarantee Fund (hereinafter “the Law on Establishment of the KCGF”), to manage the assets of KCGF and to provide Credit Guarantees in accordance with the provisions of Law in question, KCGF’s Statute, and KCGF’s Internal Policies and Procedures;
  - 1.3. **Credit Guarantee** – means a guarantee provided by KCGF to a registered financial institution, on a Loan, in accordance with the provisions of Law no.05/L-057 on the Establishment of the KCGF and the Guarantee Agreement;
  - 1.4. **FI** – Financial Institution;
  - 1.5. **RFI** – Registered Financial Institution;
  - 1.6. **International Labour Organization’s Fundamental Instruments** – means the instruments of International Labor Organization, on child labor (conventions numbered C138 and C182), forced labor (convention numbered C029 and its 2014 protocol numbered P029, and convention numbered C105), discrimination (conventions numbered C100 and C111) and freedom of association and collective bargaining (conventions numbered C087 and C098), occupational health and safety (C155 and C187), stemming from the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998, as amended in 2022;
  - 1.7. **International Finance Corporation’s Performance Standards** – means the International Finance Corporation Performance Standards on Social and Environmental Sustainability;
  - 1.8. **Environmental and Social Risk Categories** – includes categories A, B, and C, as well as subcategories B+ and B- as described in Article 11 of this Policy<sup>1</sup>;
  - 1.9. **Qualified Borrower** – an MSME or a farm with an identification number, qualified to be the subject of a credit guarantee in accordance with the eligibility criteria provided in the guarantee agreement;
  - 1.10. **Qualified Credit** – means credits that fulfill the acceptable criteria set forth in this Policy;
  - 1.11. **KfW** – means German Development Bank;
  - 1.12. **MESPI** – means Ministry of Environment, Spatial Planning, and Infrastructure;

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<sup>1</sup> The environmental and social risk categories are also named as follows: Category A high environmental and social risk, category B+ substantial environmental and social risk, category B- moderate environmental and social risk and category C low environmental and social risk.

- 1.13. **Guarantee Agreement** – means the agreement signed between the KCGF and the RFI, which determines the terms and conditions for the credit guarantee;
- 1.14. **MSME** – means a micro, small or medium business enterprise registered at the Kosovo Business Registration Agency that has a unique identification number and has less than two hundred and fifty (250) employees;
- 1.15. **PAP** – Project-affected People means individuals or groups, including local communities, who are affected or likely to be affected by a project or program due to of actual impacts or potential risks to their physical environment, health, security, cultural practices, well-being, or livelihoods;
- 1.16. **International Labour Organization** – means the tripartite United Nations Agency, which brings together governments, employers and workers of its member states in joint action to promote decent work worldwide;
- 1.17. **Environmental, Social, Health and Safety Performance** – means the level of compliance of a project or program with the environmental and social engagement plan - EPAMS (if applicable), environmental and social instruments and all environmental and social requirements;
- 1.18. **Environmental and Social Management Policy (ESMP)** – means this Environmental and Social Management Policy of KCGF, including its amendments and additions;
- 1.19. **Environmental and Social Management System (ESMS)** – means internal policies, procedures, tools and capacities to identify and manage the Guaranteed Party's exposure to the environmental and social risks of its clients/investors approved in accordance with the KCGF's ESMP;
- 1.20. **International Finance Corporation's Performance Standards** – define the responsibilities of International Finance Corporation's clients for managing their environmental and social risks;
- 1.21. **World Bank Group EHS Guidelines** – means World Bank Group Environmental, Health, and Safety, Guidelines. These are technical reference documents, with general industry-specific examples of Good International Industry Practice (GIIP), with respect to environmental, health and safety management during construction and operation of projects or programs.

## **CHAPTER II**

### **IMPLEMENTATION OF THE ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY REQUIREMENTS**

#### **Article 4**

##### **Authority and Responsibilities**

1. In the process of preparing and approving of the ESMP and its monitoring and implementation in the institution and towards the third parties, the authorities and responsibilities are delegated in accordance with the Law on the Establishment of the KCGF, the Statute of the KCGF, and the organizational structure of the KCGF.
2. The Board of Directors is responsible for approving and supervising the implementation of this Policy. The Managing Director proposes this Policy, its amendments and supplements, for approval by the Board of Directors, and is responsible for its implementation.
3. The Environmental, Social and Governance Specialist (hereinafter: ESGS) is the designated person responsible for coordinating and implementing this Policy within the framework of the internal operations of the KCGF. The ESGS monitors the implementation of the ESMS, organizes training for the KCGF staff and the RFIs, and presents recommendations for amending or supplementing the ESMP as necessary.
4. The Risk Management Unit and the Portfolio Development Unit, throughout the process of assessing the FIs, the acceptance of loans under guarantee, and the annual review of RFIs, ensure that these institutions comply with the environmental, social, health, and safety requirements outlined in this Policy. In addition, on a regular basis, the respective units remind RFIs of the importance of maintaining such compliance, promote staff awareness, and ensure alignment with the ESMS, the Guarantee Agreements, and this Policy.

#### **Article 5**

##### **Implementation of the Environmental and Social Management System by FIs**

1. FIs applying for registration with KCGF must, among others, meet the following requirements:
  - 1.1. Have an environmental and social management system in accordance with the standards of the International Finance Corporation/World Bank Group, and requirements from this Policy;
  - 1.2. Appoint a Risk Officer who will act as the Environmental Coordinator for the implementation of the ESMS.
2. RFIs should have established practices and internal capacity in relation to the implementation of their ESMSs. RFIs with functional ESMSs in place will use their systems for project review and management.
3. RFIs should have designated a Risk Officer to act as an Environmental Coordinator who will be responsible for the day-to-day implementation of the ESMS, including: (a) E&S procedures, tools and requirements; (b) ensuring that appropriate resources are available for management and training on E&S matters; and (c) ensuring that appropriate technical expertise, whether internal or supported by external experts, is available to conduct due diligence and manage the E&S risks of RFI projects, including providing implementation support as required.

4. RFIs will be responsible for categorizing the environmental and social risk of projects, and for ensuring that each project subject to the guarantee includes an assessment of its environmental and social impact appropriate to the category and that the project complies with national environmental and social regulations and other requirements under this Policy.
5. Borrowers' projects shall be subject to an environmental and social review process by the RFIs.
6. The obligations and conditions arising from this Policy relate to the RFIs, or eligible borrowers shall be included in the Guarantee Agreements with the RFIs.

## **Article 6**

### **Stakeholder Involvement in the Management of Environmental and Social Risks**

1. In the credit guarantee process, there are three main stakeholders: (i) KCGF – who guarantees the RFIs' portfolio; (ii) RFIs – the recipients of KCGF guarantees, (iii) qualifying borrowers – MSMEs.
2. The above stakeholders' responsibilities are as follows:
  - 2.1. KCGF is responsible to implement this Policy and only guarantee financing of projects that meet the environmental and social criteria;
  - 2.2. RFIs are responsible for implementing the requirements of this ESMP, for using KCGF guarantees only for environmentally sound projects as defined in this Policy, and for requiring their borrowers to comply with the requirements set forth by applicable legislation and the requirements arising from guarantee agreements regarding health, safety and the environment;
  - 2.3. Qualified Borrowers are responsible for complying with the requirements set forth in their loan agreements and applicable legislation in force regarding occupational safety and health and the environment.

## **Article 7**

### **Applicable Environmental, Social, Health, and Safety Legislation**

1. MESPI and KEPA are the two main governmental institutions that draft, enforce, and oversee the implementation of environmental legislation and regulations in Kosovo.
2. MESPI is a central executive body tasked with the creation and implementation of general management legislation in the field of environment, water, housing spatial planning, and construction.
3. KEPA is a government institution that engages, through integrated environmental monitoring, an efficient system of environmental information, and continuous reporting on the environment, to maintain the quality of air, water, soil and biodiversity, promote the use of renewable energy sources and sustainable use of natural resources.
4. Local government – municipalities – are responsible for the issuance of Municipal Environmental Permit for the projects and activities that are subject to such permits listed in the Annex of the Administrative Instruction No. 01/2017 of the MESPI, as well as the projects and activities that have passed the selection phase in MESPI and are assessed

to be subject to Municipal Environmental Permit and not Environmental Impact Assessment. If an Environmental Impact Assessment report is not required, the relevant Municipality assesses the project against the requirements of a municipal permit and may initiate the procedure for issuing a Municipal Environmental Permits.

5. During the evaluation process of guaranteed loans, the KCGF is based on the applicable laws listed below:
  - 5.1. Law on Environmental Protection, including its amendments and supplements;
  - 5.2. Law on Environmental Impact Assessment;
  - 5.3. Law on Labour, including its amendments and supplements;
  - 5.4. Law of Nature Protection, including its amendments and supplements;
  - 5.5. Law on the Inspectorate of Environment, Waters, Nature, Spatial Planning and Construction;
  - 5.6. Law on Construction, including its amendments and supplements;
  - 5.7. Law on Occupational Safety and Health, including its amendments and supplements;
  - 5.8. Law on Waste, including its amendments and supplements;
  - 5.9. Law on Noise Protection, including its amendments and supplements;
  - 5.10. Law on Cultural Heritage;
  - 5.11. Law on Waters of Kosovo, including its amendments and supplements;
  - 5.12. Other applicable laws for the purpose of assessing loans for credit guarantee.

## **Article 8**

### **Applicable International Environmental and Social Standards**

1. For the implementation of this Policy, KCGF will adhere to the following international environmental and social standards listed below:
  - 1.1. Performance Standards of the International Finance Corporation:
    - 1.1.1. Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts;
    - 1.1.2. Performance Standard 2: Labor and Working Conditions;
    - 1.1.3. Performance Standard 3: Resource Efficiency and Pollution Prevention;
    - 1.1.4. Performance Standard 4: Community Health and Safety;
  - 1.2. Sustainability Guidelines of KfW;
  - 1.3. World Bank Environmental Health and Safety Guidelines and applicable sector-specific guidelines;
  - 1.4. International Labor Organization Core Labour Conventions and Fundamental Instruments;
  - 1.5. International Finance Corporation's Interpretation Note on Financial Intermediaries (FIs);
  - 1.6. European Investment Bank and European Investment Fund Environmental and Social Standards;
  - 1.7. Statistical Classification of Economic Activities in the European Community (NACE codes).

## Article 9

### Other Environmental and Social Standards that are Relevant, but not Applicable to KCGF

1. Other relevant international environmental and social standards that are not applicable to KCGF include:
  - 1.1. Performance Standard 5: Land Acquisition and Involuntary Resettlement;
  - 1.2. Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;
  - 1.3. Performance Standard 7: Indigenous Peoples
  - 1.4. Performance Standard 8: Cultural Heritage;
  - 1.5. UN Basic Principles and Guidelines on Development-Based Evictions and Displacement;
  - 1.6. World Commission on Dams (WCD) (for large dam projects);
  - 1.7. World Bank Environmental and Social Standards 10.

## Article 10

### Prohibited, Restricted Sectors and Loan Purposes

1. This Policy is based on the exclusion list of partner institutions of KCGF.
2. This Policy outlines prohibited and restricted sectors as below:
  - 2.1. Forced labour<sup>2</sup> or child labour<sup>3</sup>;
  - 2.2. Activities or materials deemed illegal under the laws or regulations of the host country or international conventions and agreements, or subject to international phase-outs or bans, such as:
    - 2.1.1. Ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
    - 2.1.2. wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
    - 2.1.3. unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length);
  - 2.3. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations;
  - 2.4. Destruction of High Conservation Value areas <sup>4</sup>;
  - 2.5. Radioactive<sup>5</sup> materials and unbounded asbestos fibres;

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<sup>2</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>3</sup> Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, moral or social development. In addition, any labour that is performed by a person which has not yet reached the age of 15 is considered to be harmful, unless the local legislation specifies compulsory school attendance or the minimum age for working to be higher; in such cases, the higher age will be applied for defining harmful child labour.

<sup>4</sup> Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost. High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

<sup>5</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

- 2.6. Pornography and/or prostitution;
- 2.7. Gambling, casinos and equivalent enterprises or hotels hosting such facilities;
- 2.8. Ammunition and weapons, military/police equipment or infrastructure, and/or correctional facilities;
- 2.9. Racist and/or anti-democratic media;
- 2.10. Excluded activities according to NACE codes defined in Annex II of this Policy;
- 2.11. IT Sector Restrictions: research, development or technical applications relating to electronic data programs or solutions, which aim specifically at/or which include:
  - 2.11.1. supporting any activity included in the Restricted Sectors referred to under 2.2. and 2.8. (inclusive) of this Article;
  - 2.11.2. internet gambling and online casinos;
  - 2.11.3. intended to enable to illegally;
  - 2.11.4. enter into electronic data networks; or
  - 2.11.5. download electronic data;
- 2.12. Life Science Sector Restrictions: When providing support to the financing of the research, development, or technical applications relating to:
  - 2.12.1. human cloning for research or therapeutic purposes;
  - 2.12.2. Genetically Modified Organisms ("GMOs");
  - 2.12.3. Live animals for scientific and experimental purposes, including the breeding of these animals;
- 2.13. Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction;
- 2.14. Quarries;
- 2.15. Prospection, exploration and mining of coal;
- 2.16. Land-based means of transport and related infrastructure essentially used for coal;
- 2.17. Power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines<sup>6</sup>;
- 2.18. Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands;
- 2.19. Purchase of logging equipment for use in tropical natural forests or high natural value forests in all regions; and activities that clear-cutting and/or degradation of tropical natural forests or high nature value forest;
- 2.20. New palm oil plantations;
- 2.21. In the event that any of the products below form a substantial<sup>7</sup> part of a project's primary financed business activities:
  - 2.21.1. Production and trade of alcoholic beverages (excluding beer and wine);
  - 2.21.2. Production and trade of tobacco;
- 2.22. Carbon intensive sectors allowed under the NACE<sup>8</sup> codes defined in Annex I of this Policy;
- 2.23. Force evictions<sup>9</sup>.

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<sup>6</sup> Investments in power transmission grids with significant coal-based power feed-in will only be pursued in countries and regions with an ambitious national climate protection policy or strategy (NDC), or where the investments are targeted at reducing the share of coal-based power in the relevant grid.

<sup>7</sup> For MSMEs, substantial means more than either of the following two criteria: a) 10% of their consolidated balance sheet (total assets) or b) 10% of revenues from sales. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.

<sup>8</sup> Participation of these activities should not exceed 10% in the outstanding portfolio of the RFI within the KCGF.

<sup>9</sup> "Force Evictions refers to the acts and/or omissions involving the coerced or permanent or temporary involuntary displacement of individuals, groups and communities from homes and/or lands and common property resources which they occupy or depend on, this eliminating or limiting the ability of an individual, group or community to reside or work in a particular dwelling, residence or location, without the provision of, and access to, appropriate forms of legal or other protection."

## Article 11

### Environmental and Social Risks Categorization

1. Depending on the type, location, sensitivity, scale of the project and the nature and magnitude of its potential environmental and social impacts, the final investment of MSMEs can be classified into one of three categories: A, B and C.
2. Loans for activities that fall into Category A will not be guaranteed by KCGF, since those might likely have highly significant, diverse, and/or long-term adverse impacts on human health and the natural environment. Loans for activities that fall into categories B and C, on the other hand, will be guaranteed by KCGF in accordance with this Policy and its internal regulations.
3. **Category A:** Activities that fall into this category are those projects or programs that potentially entail significant negative impacts or risks that are diverse, irreversible or unprecedented. They may, for instance, affect a wider area than just the facility under construction, the site or the project area or may be expected to have significant negative effects on protected areas, biodiversity, cultural or material assets, or indigenous groups. They may also be associated with being highly resource intense, carrying high risks to human health or requiring resettlement.
4. **Category B:** Activities that fall into this category are those projects that their potential adverse environmental impacts on humans or the environment are less adverse than those of Category A projects. Typically, the potential impact and risks of category B activities are limited to local areas, are in most cases reversible and are easier to mitigate through appropriate measures. Category B includes projects such as upgrades, civil works, construction, as well as reconstruction, rehabilitation or adaptation of the existing buildings. This category is divided into B+ and B- sub-categories:
  - 4.1. **B+:** Includes constructions projects that are listed under Annex II of Kosovo Environment Impact Assessment Law (Annex VI of this Policy) that do not require full Environmental Impact Assessment by MESPI. Except loans that qualify under the Green Window - GROW, loans that require Environmental Impact Assessment that fall under this category will not be guaranteed by KCGF;
  - 4.2. **B-:** Includes small civil works, small constructions (annexes to buildings), exterior renovation, reconstruction, rehabilitation or adaptation of the existing building.
5. **Category C:** Activities are categorised under this category if they are likely to have minimal or no adverse environmental impacts and therefore do not require an Environmental Assessment. Category C may include projects such as investments in fixed assets, working capital, purchase of immovable property, renovation (inside of the premises), purchasing of land and buildings. Beyond initial screening, no further environmental assessment action is required for a Category C project.

## Article 12

### Environmental Due Diligence Documentation

1. The Applicant prepares an initial project concept. Following a discussion with the RFI, in which the RFI alerts the Applicant of environmental assessment requirements, the RFI distributes an Environmental and Social Risk Assessment Form (Annex III). The Applicant provides requested information and submits the filled Environmental and Social Risk Assessment Form and other requested documentation to the RFI. The Applicant is responsible to initiate discussions with MESPI or relevant Municipality in order to fulfill any local and central environmental review requirements (such as opinion on Environmental Impact Assessment procedure and/or other official approval/permits). The Applicant is

responsible to obtain the appropriate permits and licenses as required by national law in order to facilitate the clearance process with MESPI or relevant Municipality. By the time the Applicant contacts the RFI, all the permits and opinions/consents/approvals must be obtained by the Applicant. These requirements are considered separate, but parallel, to those presented here and satisfying them is the responsibility of the Applicant. The Applicant is responsible for validity and truthfulness of the information provided in the Environmental and Social Risk Assessment Form and other documents.

2. Based on the submitted Environmental and Social Risk Assessment Form, the RFI categorizes the project as A or otherwise non-eligible, B+, B-, C, as follows:
  - 2.1. For B+ category projects, the RFIs fulfill the draft Environmental and Social Risk Assessment Form. RFI informs the Applicant on: (i) Environmental and Social risk category; (ii) required process and reports. Public discussion for B+ projects will be as per legislation in force and requirements of institutional partners of KCGF;
  - 2.2. For B- category projects, the RFIs fulfill the Environmental and Social Risk Assessment Form. For this type of category, approval from KCGF is not needed. The ESGS will provide assistance when required;
  - 2.3. For category C projects, no further actions are required other than following the RFIs internal environmental management procedures.
3. When an RFI is satisfied with the environmental documentation provided by the Applicant, the RFI approves the application, disburses a loan and requests the guarantee. The Applicant implements the mitigation and monitoring measures in the Corrective Action Plan. RFIs will perform supervision and propose corrective actions if needed. At least the first three (3) Environmental and Social Risk Assessment Forms of each RFI that is registered for the first time in the KCGF will be subject to KCGF review and approval.
4. For all category B projects, any established significant non-compliance will be reported in the Environmental Audit Report and submitted to KCGF. RFIs are required to keep records of Environmental and Social Risk Assessment Forms, and relevant associated documents (e.g., waste manifests and records, complaints). In addition to the supervision, Environmental Audits will be assessed against these documents.

### **Article 13**

#### **Grievance Redress Mechanism**

1. KCGF has established a Grievance Redress Mechanism (GRM). The mechanism is accessible to the general public and in particular to the project affected persons, and the workforce engaged in project implementation. The KCGF website has contact information on the ESGS to whom any grievance can be submitted as well as description of the GRM process.
2. The grievances will be addressed by the Grievance Committee consisting of the Managing Director, Senior Legal and Compliance Manager and ESGS.
3. The Grievance Committee will make a Decision on the Complaint if the following criteria are met:
  - 3.1. the grievance concerns any of the guaranteed activities;
  - 3.2. contains a sufficient number of details to indicate a malignant action has occurred or is likely to take place, affecting individual or collective well-being or posing a risk to the environment.
4. In case the second criterion foreseen in subparagraph 3.2 of this article, is not fully met, the ESGS will still make further inquiries (with or without contacting the complainant) as

well as take corrective measures and then provide response to the complainant. In the case the complaint is anonymous, the feedback will be provided on the KCGF website.

5. The ESGS shall report, monthly, to KCGF Management and the donors and/or financial partners regarding the grievances received over the course of the year and on which measures have been taken or plan to be taken in response to them.
6. The KCGF, through the guarantee agreements, shall require the RFI to develop and implement a Grievance Mechanism. The Grievance Mechanism shall be accessible to the general public and in particular to individuals affected by the Project financed through guaranteed loans, as well as to the workforce engaged in the implementation of the financed projects in accordance with the requirements of IFC PS 1.

## **Article 14**

### **Monitoring and Reporting**

1. Once the loan is disbursed and accepted under guarantee, the investment - *purpose of the MSME's loan* - enters the implementation stage, whereas the environmental work moves to a new phase.
2. In the course of investment implementation, the MSMEs are responsible for carrying out their daily activities and applying mitigation measures in compliance with the requirements set by national environmental/ social regulation and good industry practice.
3. RFIs will be expected to monitor their borrowers according to internal policies and report to the KCGF on the environmental and social, health and safety, performance of their clients if incompliance happens or in case of serious environmental, social, health and safety incidents.
4. The KCGF through guarantee agreements will require RFIs to report on the environmental and social performance of loans and the development of the ESMS, complaints and incidents received at least once a year and immediately in the event of serious environmental, social, health, and safety incidents.
5. KCGF's team, on a regular monthly basis, shall monitor the overall guarantee portfolio development in terms of environmental categorization and should be presented to the management. The monitoring shall include:
  - 5.1. the portfolio categorization according to RFI's;
  - 5.2. the loan portfolio quality according to environmental and social risk categorization;
  - 5.3. the portfolio environmental and social quality according to destination;
  - 5.4. the portfolio environmental and social quality according to economic sectors, complaints and potential incidents, including any concerns raised by the community, beneficiaries, or the RFIs themselves;
  - 5.5. monitoring of Category B+ projects, including: implementation of mitigation measures specified in the environmental and social impact assessment forms;
  - 5.6. on-site verification that RFIs and eligible borrowers are in compliance with the KCGF Policies, including in particular environmental and social measures and procedures. The ESGS, on a regular basis, through selected samples, assesses compliance with the ESMP and the environmental and social risk categorization criteria in accordance with this Policy.
6. The purpose of the monitoring is to determine the distribution of the portfolio and the concentration of Environmental and Social risk.

7. KCGF will inform the Board of Directors and its donors and/or its financial partners for portfolio development and any incompliance through general reporting.
8. The reporting standards that KCGF has defined ensure that appropriate information on environmental and social risk is available to all levels of the organization and that both internal and external reporting requirements can be met on time and the reports are of high quality.

## **CHAPTER III FINAL PROVISIONS**

### **Article 15 Implementation of this Policy**

1. This Policy is in place to ensure the orderly running of KCGF and to set the internal rules of conduct and the professional standards required to be met by KCGF employees and management.
2. KCGF, in providing its services, will be in full compliance with this Policy. In case there is a conflict between the Policy and the Law on Establishment of the KCGF, the Law shall prevail.
3. The Managing Director issues the decision that regulates the implementation of energy-efficient measures and optimization within KCGF.

### **Article 16 Amendments to this Policy**

1. This Policy will be reviewed by the Board of Directors and may be amended whenever the Board deems it appropriate, in light of changing circumstances or staying in accordance with the applicable laws.
2. Any changes to this Policy will require the consent of the relevant partner institutions, in accordance with the agreements in force.

### **Article 17 Repealing Provisions**

1. With the entry into force of this Policy, the Environmental and Social Management Policy, dated 28.04.2023, is repealed.
2. All decisions, policies and other documents approved by the Board of Directors or Managing Director based on the previous Policy shall continue to remain in force until and unless repealed or replaced with decisions or other documents based on this Policy.

### **Article 18 Compliance and Sanctions**

KCGF employees are individually responsible for complying with this Policy. Violations to this Policy and the above-mentioned rules and prohibitions could subject employees to disciplinary measures.

## **Article 19**

### **Annexes**

1. This Policy includes the following Annexes:
  - 1.1. Annex I - Carbon intensive sectors listed by NACE codes;
  - 1.2. Annex II - Excluded activities according to NACE codes;
  - 1.3. Annex III – Environmental and Social Risk Assessment Form;
  - 1.4. Annex IV – Generic Credit Approval Process Flow;
  - 1.5. Annex V - Projects listed in Annex I of the EIA law which require an EIA;
  - 1.6. Annex VI - Projects listed in Annex II of national EIA Law;
  - 1.7. Annex VII - List of activities that subjugate to the Municipal Environmental Permit.

## **Article 20**

### **Entry into force**

This Policy shall enter into force on the date of the approval by the Board of Directors.

**25.09.2025**

**Agan Azemi**  
**Chairperson of the Board of Directors**

## Annex I

### Carbon Intensive Sectors listed by NACE Codes

1411	Manufacture of leather clothes
1711	Manufacture of pulp
1712	Manufacture of paper and paperboard
2352	Manufacture of lime and plaster
2451	Casting of iron
4612	Agents involved in the sale of fuels, ores, metals and industrial chemicals
4671	Wholesale of solid, liquid and gaseous fuels and related products
4730	Retail sale of automotive fuel in specialized stores
4941	Freight transport by road (except when purchase of hybrid or electric vehicles)

## Annex II

### Excluded Activities according to NACE Codes

0115	Growing of tobacco
0220	Logging
0510	Mining of hard coal
0520	Mining of lignite
0710	Mining of iron ores
0721	Mining of uranium and thorium ores
0729	Mining of other non-ferrous metal ores
0811	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate
0899	Other mining and quarrying n.e.c.
1200	Manufacture of tobacco products
1910	Manufacture of coke oven products
2012	Manufacture of dyes and pigments
2013	Manufacture of other inorganic basic chemicals
2014	Manufacture of other organic basic chemicals
2015	Manufacture of fertilisers and nitrogen compounds
2016	Manufacture of plastics in primary forms
2017	Manufacture of synthetic rubber in primary forms
2020	Manufacture of pesticides and other agrochemical products
2351	Manufacture of cement
2410	Manufacture of basic iron and steel and of ferro-alloys
2442	Aluminium production
2443	Lead, zinc and tin production
2444	Copper production
2445	Other non-ferrous metal production
2446	Processing of nuclear fuel
2452	Casting of steel
2454	Casting of other non-ferrous metals
3812	Collection of hazardous waste
3822	Treatment and disposal of hazardous waste
4635	Wholesale of tobacco products
4726	Retail sale of tobacco products in specialised stores

### Annex III

#### Environmental and Social Risk Assessment Form

Bank name:		Date of field visit:	____/____/____ —		Name of Bank Staff and Position:	
Business/client name:		Activity:			Sector:	
Business' shareholder name:		Contact phone number:			Business address:	
The amount of funding request:		Investment type:			Brief Description of Investment Plan:	
Environmental and Social Category: (B+, B-, C)		Exclusion List:			Specific Environmental and Social Issues (Impacts during the implementation of the investment):	

ASSESSMENT OF APPLICABLE REQUIREMENTS		YES	NO	N/A	ADDITIONAL INFORMATION	COMMENTS
<b>Aspect</b>	Information Required				(Please provide additional information to support all responses)	
<b>National Laws:</b>	Does the activity comply with National regulatory requirements?					
	In accordance with the business activity and regulatory requirements, is any specific environmental permit/license required? If YES, in additional information, list the names of the necessary permits/licenses, their expiration dates and evidence of their possession.					

Assessment of Environmental and Social Risks and Impacts of the Client's Business						
1. Assessment and Management of Environmental and Social Risks and Impacts	1.1. Does the company have a system for managing the environmental and social risks of its business activities? If yes, who is the responsible person?					
	1.2 What is the number of employees in the company?					
	1.3 Is the company in compliance with the Laws in Kosovo regarding environmental and social issues?					
2. Review of Working Conditions	2.1 Does the enterprise apply the principle of non-discrimination in the process of employment, compensation and working conditions, including for vulnerable groups of employees?					

	2.2 Does the enterprise have occupational health and safety procedures?					
	2.3 Does the enterprise provide its employees with a safe and healthy working environment?					
	2.4 Does the enterprise have training programs for employees on occupational health and safety?					
	2.5 Where applicable, does the enterprise provide employees with personal protective equipment (helmets, masks, gloves, protective boots, noise protection, height protection measures, etc.) and does it require/monitor their use?					
	2.6 Does the business provide training on the use of machinery/equipment ?					
	2.7 In the case of more specific machinery/equipment , are protective mechanisms in place that prevent risks during operation.					
	2.8 Does the enterprise record and report the levels of injuries, occupational diseases, lost days and the number of work-related fatalities? Please provide the latest data?					

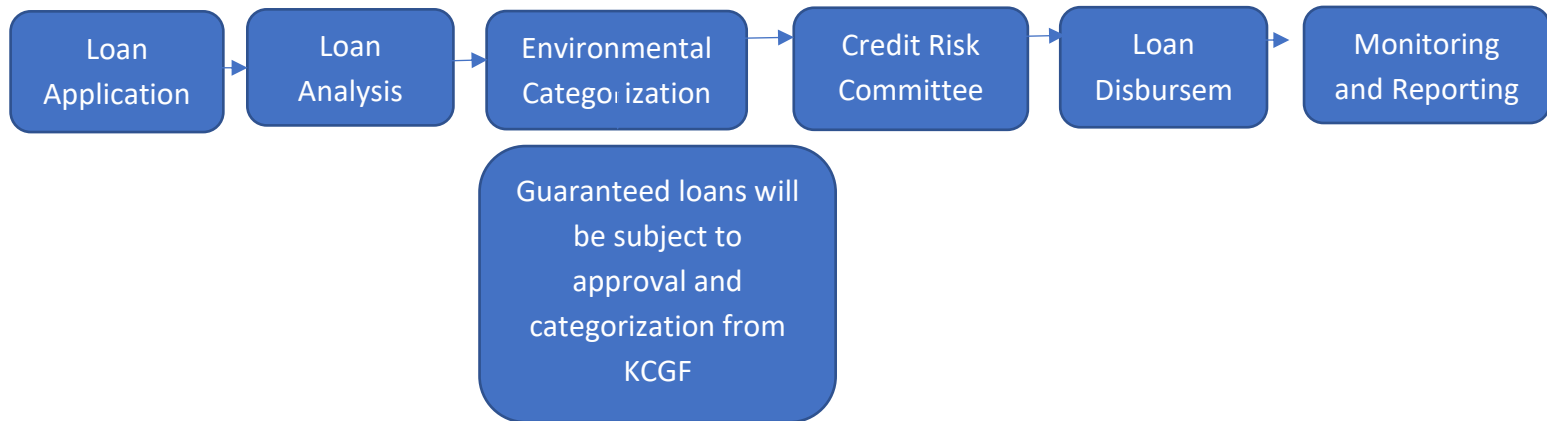
	2.9 Is the company involved in harmful child labor or forced labor (including in the supply chain)?					
<b>3. Pollution Prevention at the Business/Enterprise Site</b>	3.1 Does the enterprise implement measures to improve efficiency in the consumption of energy, water, raw materials and other resources?					
	3.2 Does the enterprise generate air, liquid or solid emissions during the construction and/or operation phases of its activities? If so, please provide details.					
	3.3 Please describe the procedures in place for monitoring air and water emissions. Please provide a copy of any wastewater discharge permits.					
	3.4 Does the company have guidelines for the storage, treatment and disposal of solid waste (including hazardous waste) arising from its business? If yes, please provide brief details.					
	3.5 Are oil storage tanks connected to secondary tanks to prevent leakage?					
	3.6 Is there a response procedure to manage accidental releases?					
	3.7 Are there communities living in the vicinity of the company's facilities? Does the company have procedures to address community health and safety					

	issues in the context of its operations?					
	3.8 Does the company have safety procedures to deal with the release, transport and disposal of hazardous materials in order to avoid or minimize exposure of local communities to these materials? Please describe.					
	3.9 Does the company have procedures for preventing and monitoring noise during its construction/operation?					
<b>4. Community Health and Safety</b>	4.1 Please describe the procedures in place to engage with local communities and address community grievances where applicable. (e.g., grievance redress mechanism, stakeholder engagement plan).					
<b>Overall Assessment of Environmental and Social Issues (Please provide a summary that addresses the management of key environmental, social, safety and health issues related to the client's business)</b>						

<b>Action plan to improve environmental and social impact - This should be included in the bank agreement and monitored for compliance</b>			
Issue identified for improvement	Action to be taken	Date of completion:	Opinion or conclusions as to whether the actions outlined are easily achievable, necessary and do these investments (planned by the client/recommended by the bank) contribute to improving the environmental impact?
Waste on site			
Protective equipment			

Installation of scaffolding and nets					
Construction machinery					
Other					
Bank responsible person:		Signature:		Date:	___/___/___
Instructions: - Please provide as much information as possible in the additional information section to support the answers given - For sector-specific information on environmental and social risks, please refer to the links below: <i>http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/</i> <a href="http://ifc.org/ehsguidelines">http://ifc.org/ehsguidelines</a>					

**Annex IV**  
**Generic Credit Approval Process Flow**



1. **Loan Application:** Client applies to RFI for loan; the application form is submitted along with relevant documents;
2. **Loan Analysis:** Collection of documents/permits that were missing in the application phase, investment plan needs to be included;
3. **Environmental Categorization:** In this phase, environmental categorization occurs. Based on the investment plan, the loan can be categorized as A-non eligible, B+, B- and C. B+ categories will be subject of approval and categorization from KCGF for the first three cases of RFIs registered for the first time by the KCGF;
4. **Credit Risk Committee:** Loan is presented to Bank's management;
5. **Loan Disbursement:** Contract signing and transferring of funds;
6. **Monitoring and Reporting:** The RFI will monitor the loans and their environmental and social impacts (if any) and report to KCGF in case of incompliances.

**Annex V**  
**Projects listed in Annex I of the Law on Environmental Impact Assessment,  
that are subject to environmental impact assessment procedures**

**1. Metal production and processing**

1. Plant for the roasting or sintering for metallic minerals (including sulphur-containing minerals).
2. Factory for casting cast iron and steel (primary or secondary joint), including continuous casting.
3. Factory/foundry for processing of ferrous metals:
  - 3.1. hammer blacksmiths, the energy of which exceeds fifty (50) KJ per hammer, while the calorific power input exceeds twenty (20) KW;
  - 3.2. application of alloy metal protective coatings with a capacity exceeding 1 ton of brut to steel per hour;
  - 3.3. ferrous metal foundry with a production capacity of over one hundred (100) tons / day.
4. Factories/foundry for:
  - 4.1. production of non-ferrous metals from minerals, concentrates or by-products of metallurgical, chemical, electrolytics processes;
  - 4.2 smelting, including alloying, including recovered products (refining, foundry casting, etc.) with a smelting capacity exceeding one (1) ton per day for lead and cadmium, or ten (10) tons per day for all other metals.
5. Factory for surface treatment of metals and plastic materials, using electrolytic or chemical process, in which the volume of the treatment tub exceeds ten (10) m.
6. Plants for the surface treatment of substances, objects or products using organic solvents, in particular for coating, pressing, overcoating, degreasing, anti-water penetration, dyeing, cleaning or compaction, with a capacity exceeding one hundred (100) tons / year.
7. Production and processing of alloys of non-ferrous metals containing arsenic, mercury and lead, with a capacity exceeding one thousand (1000) tons per year.

**2. Mineral Industry**

8. Factory for the production of cement in rotary kilns (baking and drying) with a production capacity exceeding three hundred (300) tons per day, or for the production of lime in rotary kilns with a production capacity exceeding thirty (30) tons per day, or in other furnaces with a production capacity exceeding thirty (30) tons per day.
9. Factory for the production of materials with the process of calcination and roasting of minerals that contain toxic elements such as mercury, arsenic and cadmium.
10. A plant for the production of glass, including glass fibers, with a melting capacity exceeding ten (10) tons per day.
11. Foundry for smelting mineral substances, including the production of mineral fibers with a capacity exceeding ten (10) tons per day.
12. Factory for the production of ceramic products by fire, in particular tiles, bricks, refractory bricks or porcelain, with a production capacity exceeding thirty (30) tons per day.
13. Asbestos extraction and processing departments for asbestos and asbestos-containing products: for asbestos-cement products, with an annual output of more than five thousand (5000) tons of final products, for abrasive materials, with an annual production of fifty (50) tons of final products, and for other uses of asbestos, the amount of production of which exceeds two hundred (200) tons per year.
14. Plant for the roasting and sintering of non-metallic minerals with a production capacity exceeding thirty (30) tons / day.

### 3. Extractive Industry

15. Open quarries and mines, in a surface greater than five (5) ha, or peat extraction, in a surface greater than ten (10) ha, or extraction of more than fifteen thousand (15,000) tons / year.
16. Extraction and processing (excluding liquefaction and gasification) of coal, lignite and bituminous minerals, with capacities exceeding fifty thousand (50,000) tons per year.

### 4. Chemical Industry

17. Integrated activities for the industrial production of substances or groups of substances referred to in subparagraphs 17.1 to 17.7 by chemical processes:
  - 17.1. For the production of basic organic chemicals, such as:
    - 17.1.1. simple hydrocarbons (linear or cyclic, saturated or not saturated, aliphatic or aromatic);
    - 17.1.2. oxygen-containing hydrocarbons, such as: alcohols, aldehydes, ketones, carboxylic acids, ethers, peroxides, epoxy resins;
    - 17.1.3. sulphur-containing hydrocarbons;
    - 17.1.4. nitrogen-containing hydrocarbons, such as: amines, amides, nitro compounds, nitrate compounds, nitriles, cyanides, isocyanates;;
    - 17.1.5. phosphor-containing hydrocarbons;
    - 17.1.6. halogen hydrocarbons;
    - 17.1.7. organometallic compounds;
    - 17.1.8. base plastic materials (polymers synthetic fibres and cellulose-based fibers);
    - 17.1.9. synthetic rubber;
    - 17.1.10. dyes and pigments;
    - 17.1.11. surface active agents.
  - 17.2. For the production of basic inorganic chemicals, such as:
    - 17.2.1. gases such as: ammonia, chlorine or hydrochloric gas, fluorine or hydrogen fluoride gas, carbon dioxide, sulphur compounds, sulphur dioxide, hydrogen, carbonyl chloride;
    - 17.2.2. acids, such as: chromic acid, hydrofluoric acid, phosphoric acid, nitric acid, hydrochloric acid, sulphuric acid, oleum sulphuric acid;
    - 17.2.3. bases such as: ammonium hydroxide, potassium hydroxide, sodium hydroxide;
    - 17.2.4. salts such as: potassium carbonate, sodium carbonate, perborates, silver nitrate;
    - 17.2.5. non-metals, metal oxides or other inorganic compounds such as calcium carbon, silicon, silicon carbon;
  - 17.3. for the production of phosphate, nitrogen or potassium-based chemical fertilizers (simple or compound chemical fertilizers);
  - 17.4. for the production of basic plant protection products and biocides;
  - 17.5. plants using chemical or biological processes for the production of pharmaceutical based products, dyes and pesticides;
  - 17.6. for the production of explosives;
  - 17.7. for the production of protein supplements, enzymes and other protein substances by chemical or biological means;
  - 17.8. Waste chemical treatment plants.

### 5. Energy Industry

18. Power plants and other combustion plants with a power output exceeding fifty (50) MW.
19. Nuclear power plants.
20. Construction of high voltage power lines, with a minimum voltage of two hundred and twenty (220) KV and with a length greater than ten (10) km.

21. Oil and gas refineries, equipment for liquefaction and gasification of coal and bituminous sands, plants for the regeneration of used oils in quantities higher than one hundred thousand (100,000) tons / year.
22. Warehouses for storage and storage of oil, its products, chemical and petrochemical products with a capacity higher than or equal to one hundred thousand (100,000) tons.
23. Warehouse for storage of radioactive materials.

## **6. Transport Infrastructure**

24. Construction of lines for long-distance rail traffic and for airports with a base crossing length greater than or equal to two thousand one hundred (2100) m.
25. The construction of a new road with two or more lanes, or the widening of an existing road with two or fewer lanes, where two or more lanes will be provided, and this new road or the widened part of the road shall be five (5) km or more in a row.
26. Pipelines with a diameter of five hundred (500) mm or more and a value of ten (10) km or more for the transport of:
  - 23.1. natural gas, petroleum products, or chemicals;
  - 23.2. carbon dioxide (CO<sub>2</sub>) for geological disposal purposes, including stations pumping companions.
27. Pipelines with a diameter of more than eight hundred (800) mm and a length of more than forty (40) km for the transport of carbon dioxide (CO<sub>2</sub>) for geological disposal purposes, including associated pumping stations.

## **7. Food Industry**

28. Targeted treatment and processing for the production of food products by:
  - 28.1. raw materials of animal origin (except milk) with a final production capacity greater than thirty (30) tons / day;
  - 28.2. plant raw materials with a final production capacity greater than two hundred and fifty (250) tons / day;
  - 28.3. treatment and processing of milk, in the amount of one hundred (100) tons / day (average value on an annual basis);
  - 28.4. Meat processing plants.

## **8. Waste and discharged wastewater treatment**

29. Plants for incineration, recovery, chemical treatment, or disposal of hazardous waste
30. Municipal waste incineration plants with a capacity greater than one (1) ton / hour.
31. Urban waste landfills with a capacity greater than thirty (30) tons / day.
32. Discharged urban water treatment plants with equivalent or greater capacity, per one hundred thousand (100,000) inhabitants;
33. Industrial wastewater treatment plants.

## **9. Projects for storage, transport and water supply**

34. Groundwater abstraction or artificial groundwater recharge schemes, where the annual volume of water discharged or recharged, is equal to or greater than five (5) million m<sup>3</sup>.
  - 34.1. Works for the transfer of water resources from river basins, where the transfer aims at shortened preventive waterways and where the amount of transferred water is greater than thirty (30) million m<sup>3</sup> / year.
  - 34.2. In all cases, works for the transfer of water resources from river basins where the perennial flow of the basin is greater than six hundred (600) million m<sup>3</sup> / year and where the amount of transferred water is greater than 5 percent of this leak. In both cases the transfer of drinking water through pipes is excluded.
35. Dams and other reservoirs designed for the collection or storage of water, where the additional amount of water is greater than five (5) million m<sup>3</sup>.

## **10. Paper, Wood, Textile and Leather Industries**

- 36. Production of cardboard fibers over one hundred thousand (100,000) m<sup>2</sup> / year.
- 37. Industrial plants for:
  - 37.1. production of pulp from wood or other similar fibers;
  - 37.2. production of paper and cardboard with a production capacity greater than fifty (50) tons/day.
- 38. Production of furniture with capacities over ten thousand (10,000) m<sup>3</sup> / year, raw material.
- 39. Plants for the pre-treatment (operations such as washing, bleaching, mercerization) or dyeing of fibers and textiles.
- 40. Factory for leather treatment and processing.

## **11. Intensive Agriculture**

- 41. Farms for intensive breeding of poultry, pigs and small livestock having more than
  - 41.1. ten thousand (10,000) fowl;
  - 42.2. five hundred (500) pigs;
  - 42.3. one hundred (100) cattle;
  - 43.4. one thousand (1,000) small cattle;

## **12. Other Projects**

- 42. Plant for the disposal or treatment of animal waste and animal skeletons;
- 43. Warehousing areas for geological storage of carbon dioxide;
- 44. Installations for the capture of CO<sub>2</sub> aggregates for the purpose of geological disposal from installations covered by this Annex, or in cases where the total annual CO<sub>2</sub> capture is 1.5 megatons or above this value;
- 45. Any change or extension of any project set forth in this Annex, when such change or extension reaches the threshold set out in this Annex, if such is included.

## Annex VI

### Projects listed in Annex II of National Environmental Impact Assessment Law

#### **1. Agriculture, forestry and fisheries**

- 1.1. Projects for the use of non-agricultural lands or semi-natural areas for intensive agricultural purposes;
- 1.2. Water management projects for agriculture needs including irrigation and land drainage projects;
- 1.3. Afforestation and deforestation for the purposes of changing land use destination;
- 1.4. Intensive fish farms.

#### **2. Extractive industry**

- 2.1. Quarries, open pit mining and peat extraction, including identified craft sites (projects not included in Annex 1);
- 2.2. Underground mining;
- 2.3. Extraction, crushing and separation of mineral-inerts from river drainage;
- 2.4. Deep drilling, in particular:
  - 2.4.1. Geothermal drilling;
  - 2.4.2. Drilling for water supplies, excluding drilling to check soil stability;
- 2.5. industrial surface facilities for the extraction of coal, lignite and bituminous materials (projects not included in Annex 1).

#### **3. Energy Industry**

- 3.1. Industrial plants for the production of electricity, steam and hot water (projects not included in Annex 1);
- 3.2. Industrial plants for holding gas, steam, hot water; for the transmission of electricity by cable (projects not included in Annex 1);
- 3.3. surface storage of natural gas;
- 3.4. Underground storage of combustible gases;
- 3.5. Storage on and below ground surface of combustible liquid (projects not included in Annex 1) and storage at ground level of fossil fuels;
- 3.6. Industrial briquetting of coal and lignite;
- 3.7. Hydropower plants including cascades (projects not included in Annex 1);
- 3.8. Wind power equipment for energy production;
- 3.9. Continuous radiation sources (ionizing and non-ionizing);
- 3.10. Installations for the capture of CO<sub>2</sub> aggregates for geological disposal purposes (installations not included in Annex 1).

#### **4. Production and processing of metals**

- 4.1. Production of continuous cast iron and steel;
- 4.2. Ferrous metal processing plant (projects not included in Annex 1);
- 4.3. Ferrous metal ores (projects not included in Annex 1);
- 4.4. Smelting plant, including non-ferrous metal alloys, excluding precious metals, including recovered products (refining, foundry casting, etc.), (projects not included in Annex 1);
- 4.5. Plant for surface treatment of metals and plastic materials (projects not included in Annex 1);
- 4.6. Production and assembly of vehicles and production of engines for vehicles;
- 4.7. Plants for roasting and sintering of metal ores;
- 4.8. Aircraft construction and repair installations;
- 4.9. Manufacture of railway equipment;
- 4.10. Fragmentation with explosive.

## **5. Mineral industry**

- 5.1. Coking coal ovens (dry distillation of coal); of dry coal;
- 5.2. Cement plant (projects not included in Annex 1);
- 5.3. Plants for the production of asbestos and for processing of asbestos products (projects not included in Annex 1);
- 5.4. Factory for the production of glass and glass fibers (projects not included in Annex 1);
- 5.5. Mineral fusion foundry, including mineral fibers (projects not included in Annex 1);
- 5.6. Production of ceramic products by combustion, in particular roof tiles, bricks, bricks refractory, tiling, stone or porcelain cladding (projects not included in Annex 1)
- 5.7. Asphalt production plant;
- 5.8. Factory for the production of concrete.

## **6. Chemical industry**

- 6.1. Inter-product treatment and production of chemicals;
- 6.2. Production of pesticides and pharmaceuticals, dyes and varnishes, elastomers and peroxides (projects not included in Annex 1);
- 6.3. Storage facilities for the purpose of storing or trading petroleum products, storing petroleum products and chemical products.

## **7. Food industry**

- 7.1. Production of animal and vegetable oils and fats (projects not included in Annex 1);
- 7.2. Packaging and packaging of plant and animal products;
- 7.3. Production of dairy products (projects not included in Annex 1);
- 7.4. Beer production and malting (projects not included in Annex 1);
- 7.5. Production of syrups and confectionery (projects not included in Annex 1);
- 7.6. Animal slaughter installations;
- 7.7. Industrial plants for starch production;
- 7.8. Sugar factories (projects not included in the Annex 1).

## **8. Textile, leather, wood and paper industry**

- 8.1. Paper and cartridge factories (projects not included in Annex 1);;
- 8.2. Pre-treatment plants (washing, bleaching, mercerizing) or dyeing of fibers and textiles (projects not included in Annex 1);
- 8.3. Fur and leather tanning plants;
- 8.4. Cellulose processing and production plants.

## **9. Rubber Industry**

- 9.1. Production and treatment of products, based on elastomer

## **10. Infrastructure projects**

- 10.1. Industrial development projects;
- 10.2. Urban development projects, including the construction of shopping malls and car parks;
- 10.3. Construction of railways, intermodal transport equipment and intermodal terminals (projects not included in Annex 1);
- 10.4. Construction of airports and airfields for small aircraft (projects not included in Annex 1);
- 10.5. Road construction (projects not included in Annex 1);
- 10.6. Construction, construction or modification of groundwater canals, canal projects and leakage prevention;

- 10.7. flood prevention projects including modification to river channels (projects not included in Annex 1);
- 10.8. Dams or other installations designed to hold water or store it for a long time (projects not included in Annex 1);
- 10.9. Construction or modification of tram rails, elevators or underground railways, used only or mainly for passengers;'
- 10.10. Oil and gas pipeline installations and pipelines for the transport of CO<sub>2</sub> effluents for geological storage purposes (projects not included in Annex 1);
- 10.11. Groundwater abstractions and artificial groundwater recharge schemes (projects not included in Annex 1);
- 10.12. Works on the transfer of water resources between river basins (projects not included in Annex 1).

## **11. Tourism and free time**

- 11.1. Ski trails, cable cars, cable cars and developments associated with these types of activities;
- 11.2. Tourist villages and hotel complexes outside urban areas and facilities associated with these types of activities;
- 11.3. Places (areas) of caravans and camps;
- 11.4. Amusement parks;
- 11.5. Infrastructure facilities in protected zones that are not included in the spatial plan.

## **12. Other projects**

- 12.1. Permanent roads used for testing and racing of motor vehicles;
- 12.2. Fertilizer disposal installations (projects not included in Annex 1);
- 12.3. Wastewater treatment plants (projects not included in Annex 1);
- 12.4. Sludge collection installations (projects not included in Annex 1);
- 12.5. Warehouses for the storage of scrap iron and other metals, including metal frames of obsolete machines;
- 12.6. Installations for the production of artificial mineral fibers (projects not included in Annex 1);
- 12.7. Installations for the recovery or destruction of explosive substances;
- 12.8. Landfills for non-hazardous industrial waste;
- 12.9. Sites used for the collection-disposal of dead or undesirable animals (projects not included in Annex 1);
- 12.10. Food industry (projects not included in Annex 1 or section 7 above)
- 12.11. Any alterations or extensions of the projects listed in Annex I or Annex II, which are permitted, implemented or in the process of being implemented, which may have significant adverse environmental impacts (alterations or extensions that not included in Annex 1);
- 12.12. Projects in Annex I, undertaken exclusively or mainly for the development or testing of new methods or products and which have not been used for more than two (2) years.

## Annex VII

### List of activities that are subject to the Municipal Environmental Permit

1. Auto-services;
2. Car-washes;
3. Auto services with vehicles out of use up to 20 pieces;
4. Outlets of the gas (LNG) to 5 m<sup>3</sup>;
5. Petrol station with capacity up to 50 m<sup>3</sup>;
6. Saw for wood material;
7. Factory for wood processing, joinery, etc. up to 1000 m<sup>3</sup>/year;
8. Furnace for production of bread and other flour products;
9. Sewage wastewater network and their rehabilitation with the length to 5 km;
10. Construction and the rehabilitation of water supply, in lengths up to 5 km;
11. Reconstruction of existing roads and construction of new road axes (length up to 5 km);
12. Butcheries;
13. Production of lime;
14. Production of concrete and prefabricated elements, tiles etc. capacity designed to 2m<sup>3</sup> concrete / hour;
15. Storage of construction and demolition waste for the Municipalities that have less than 60,000 inhabitants;
16. Growth of fish in artificial ponds, surface up to 300 m<sup>2</sup>;
17. Swimming pools, without hotel facilities and auxiliary buildings;
18. Marble processing workshops;
19. Construction of collective housing buildings and services (catering, trade, commercial, business, etc.) with the surface based on 450 m<sup>2</sup> or total area of the building over 1500 m<sup>2</sup>;
20. The activity of compost, with total amount, up to 100 m<sup>3</sup> or 40 tons/year;
21. Warehouse for fertilizers and pesticide;
22. Food service facilities (kebab, confectionery, popular kitchen, restaurants etc.);
23. Places or centres for the collection and accumulation of waste, which is stored solid waste (plastic, paper and glass) in quantities up to 30 tons;
24. Installations for intensive rearing of poultry, swine, cattle and large flocks that have less than: 5000 birds; 250 pigs; 50 cattle; 500 small livestock;
25. Installations for harnessing of wind power for energy production, up to 100 kW/h;
26. Solar power systems and Photovoltaic systems of energy/steam production, up to 100 kW/h;
27. Stations for mobile telephone;
28. Places of livestock in open and closed places;
29. Storage and trading points of building materials;
30. Craft centres;
31. Services (servicing of technical and electronic equipment);
32. Photographic studios;
33. Manufacture of plastic doors and windows.