TOOLKIT

ESDD checklist for lenders: 10 steps, and the evidence that closes each one

This checklist takes one loan from application to monitoring and names the document that proves each step ran. Print it, clip it to the credit file, and an auditor or a DFI reviewer can follow the decision without asking you.

AUTHOR	Omar Hamdy, Sustainable Finance specialist, Cairo
DATE	2 November 2026
READ ONLINE	omarhamdy.com/toolkit/esdd-checklist/

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Omar Hamdy, lender side, Cairo. Written in a personal capacity.

Last checked 2 November 2026

ESDD checklist for lenders: 10 steps, and the evidence that closes each one

This checklist takes one loan from application to monitoring and names the document that proves each step ran. Print it, clip it to the credit file, and an auditor or a DFI reviewer can follow the decision without asking you.

Who uses it: relationship managers and credit officers who take the first decision; E&S officers who confirm the category and run the review; credit administration, who release the money; internal audit, who test the file; and non-bank lenders (leasing, factoring, microfinance) on-lending DFI money.

01

What ESDD is, in one paragraph

Environmental and social due diligence (ESDD) is the lender's check of a borrower's environmental and social risks before it lends, and of what the borrower must fix as a condition of the money. On a loan it is not one report. It is a chain of decisions: is the activity excluded, how risky is it, what does the review find, which findings go into the loan agreement, and is the borrower doing what it signed. A checklist that stops at the report misses the last three.

02

What the public standards ask a lender for

SOURCE	WHAT IT REQUIRES OF A LENDER	WHERE
IFC Guidance Note on Financial Intermediaries, 29 Sept 2023	Apply the IFC Exclusion List (para 7); at a minimum check laws, permits and licences, and assess higher-risk transactions against the Performance Standards (para 34); categorise each transaction as good practice (para 36); put an E&S action plan and annual E&S reporting into the borrower's agreement (para 43)	Paras 7, 9, 34, 36, 43, 52
EBRD ESR 9, Environmental and Social Policy 2024 (in force 1 Jan 2025)	Screen all sub-projects against the EBRD Exclusion List; categorise as low, medium, high or Category A; agree corrective action plans; monitor compliance (para 13). Category A sub-projects meet ESRs 1 to 8 and 10 and go to EBRD (para 14)	Paras 10, 13, 14, 18
EBRD screening briefing note, June 2026	Two stages: exclusion screening (Annex A, the GET Exclusion List where relevant, and the Bank-wide exclusions), then Category A list screening (Annex B)	Stages 1 and 2
EBRD SME lending briefing note, June 2026	Categorise on two factors, sector risk and loan amount and tenor; scale the assessment to the category	Box 1, Table 1
CBE binding regulations, 3 Nov 2022	Sustainable finance policies inside credit and investment policies (by 1 Oct 2023); a qualified environmental expert on large corporate projects (from July 2023)	CBE "Principles and Regulatory Framework" page

SOURCE	WHAT IT REQUIRES OF A LENDER	WHERE
CBE ESRMS circular, 30 June 2026 (unofficial English translation)	An ESRMS no later than January 2028. Its guide lists 11 elements, including screening, categorisation, due diligence, findings in the credit memo, complaints and monitoring	Guide, section I
IFC Performance Standard 1, 2012	Seven ESMS elements (para 5); internal inspections and audits to verify compliance (para 23)	Paras 5, 23

Read together, they set ten steps. The order matters more than the form.

03

The checklist

Print this table. One row per step, one checklist per loan. A step is closed when the evidence in column five is on file, dated and signed by the person in column four.

#	STEP	QUESTION TO ANSWER	WHO SIGNS	EVIDENCE THAT CLOSES IT	DATE, INITIALS
1	Record the funding source	Whose money is in this loan: own funds, IFC, EBRD, another DFI?	Relationship manager	Facility reference and funder on the application. No funder recorded means screen against every list	.....
2	Exclusion screen	Is the activity on any list that binds this money, or illegal under national law?	Relationship manager	Screening record naming each list, its version and date, the item checked and the result	.....
3	Category A and referral screen	Is it a Category A type, or a transaction a DFI must see first?	E&S officer	Activity and capacity checked against EBRD Annex B or the IFC indicative list; referral email if yes	.....
4	Categorise by written rule	High, medium or low, and which rule set it?	Proposed by RM, confirmed by E&S	Category, the rule applied and the inputs (sector risk, amount, tenor)	.....
5	Intake questions	What does the borrower say, in writing, about activity, permits, labour, land, incidents and waste?	Borrower, then RM	Signed, dated intake form; every blank marked "not yet" with an owner	.....
6	Review, scaled to category	What are the risks, and what must the borrower fix?	E&S officer, or external consultant	Low: warranties on file. Medium: permit list checked, management interview note, track record search. High: all of that plus a site visit note or consultant report	.....
7	Findings into the credit memo	Did the committee see the findings before it decided?	Credit risk	Memo with the ESDD summary and category, approved and dated. "N/A" needs a written reason and an approver	.....
8	ESAP and loan terms	Which findings become conditions precedent, covenants or reporting duties?	Legal, with E&S	E&S schedule in the agreement; dated ESAP attached	.....
9	Release check	Were the conditions met before the money moved?	Credit administration	Condition checklist signed at each drawdown	.....

#	STEP	QUESTION TO ANSWER	WHO SIGNS	EVIDENCE THAT CLOSES IT	DATE, INITIALS
10	Monitor and test	Is the borrower doing what it signed, and does the file prove it?	E&S officer; internal audit	ESAP tracker; annual E&S report; visit note; complaints log; audit sample result	.....

Step notes

Step 1, funding source. A lender that on-lends DFI money runs at least three exclusion lists: its own, IFC's and EBRD's. They do not match. The binding wording for a loan is the strictest list among its funders. Write the funder down first, or step 2 has no answer. The exclusion list reconciliation shows how far the lists differ.

Step 2, exclusion screen. Check the borrower's main activity code and its revenue split. IFC's lines on weapons, alcohol other than beer and wine, tobacco and gambling apply only where the sponsor is "substantially involved". IFC's Guidance Note (footnote 9) says a lender is generally substantially involved above 5 per cent cumulative portfolio exposure to borrowers earning more than 20 per cent of revenue from the activity. For EBRD money, Annex A of the 2024 policy is not the whole screen: the June 2026 screening note also excludes projects related to tobacco, defence, certain alcoholic products, standalone gambling facilities and substances banned under international law, and GET-eligible loans also face the GET Exclusion List. A screening record that names a list without its version cannot be audited.

Step 3, Category A screen. EBRD's note tells a lender that finds a Category A sub-project to inform EBRD, run ESDD with external qualified specialists, commission an ESIA, and obtain EBRD approval before completing the transaction. IFC's Guidance Note adds a tenor test for higher-risk transactions (para 9): corporate loans of more than 36 months to activities with significant risks, occupational health and safety among them. A five-year loan to a plating shop can qualify.

Step 4, categorise. A category the relationship manager picks with no written reason is the weakest line in most files. EBRD's SME note shows a two-factor rule that runs in a branch: the sector's E&S risk (EBRD publishes a sectoral risk list for look-up) and the loan's amount and tenor. Use your own rule, but write it down and make the E&S officer confirm the result. Egypt's environmental authority also uses A, B and C, with the letters in the opposite order to IFC and EBRD; say which scale the file uses.

Step 5, intake. Ask only questions that lead to an action: stop, refer, condition, record or proceed. A twelve-question intake where every answer has a standard behind it beats a thirty-question survey. The ESG questionnaire piece `(https://conditionprecedent.substack.com/p/esg-questionnaire-is-a-credit-file)` has the twelve questions in full. The form can raise a flag. It cannot lower a category.

Step 6, review. EBRD's SME note scales the work. Low risk: confirm compliance through warranties and covenants. Medium: also engage the borrower's management on commitment, capacity and track record, and check permits if concerned. High: check compliance, engage management and visit the site. Track record means past breaches, fines, lawsuits, negative media and community complaints, which a lender can search online. A credible earlier ESDD report can stand in for a new site visit. Write the findings in an ESDD report; the report is what step 7 carries.

Step 7, the memo. The CBE guide asks for the due diligence findings in the credit or investment memo. The memo template is not the evidence. Twenty approved memos that each carry the report are.

Step 8, loan terms. Draft the E&S schedule before the memo is final, so the committee approves the conditions it relies on. A finding that stays in the E&S folder gives the lender no right to hold the next tranche.

Step 9, release. Put the check with whoever releases money. The release is the control a borrower notices.

Step 10, monitor and test. Every drawdown, every anniversary and any incident is a review date. Once a year, someone other than the owner samples closed files and logs exceptions. Complaints are monitoring data: see the grievance mechanism template.

04

The evidence pack by category

What a closed file should hold, before and after signing.

DOCUMENT	LOW	MEDIUM	HIGH	CATEGORY A
Funder and screening record with list versions	Yes	Yes	Yes	Yes
Category with the rule that set it	Yes	Yes	Yes	Yes
Signed intake form	Yes	Yes	Yes	Yes
E&S warranties and covenants in the agreement	Yes	Yes	Yes	Yes
Permit and licence list, checked	If concerned	Yes	Yes	Yes
Management interview and track record search	.....	Yes	Yes	Yes
Site visit note or consultant report	.....	Where needed	Yes	External specialists
ESIA	.....	.....	Where required	Yes
ESAP with dates, attached to the agreement	.....	Where findings need it	Yes	Yes
DFI referral and approval	.....	.....	Where the facility requires	Before completion
Release checklist at each drawdown	Yes	Yes	Yes	Yes
ESAP tracker and annual E&S report	.....	Yes	Yes	Yes

05

How to score your own file

Score each step from 0 to 3, then score the file at its weakest step. Never average.

SCORE	WHAT IT TAKES	WHAT IT PROVES
0	Nothing written	Step not run
1	A policy, procedure or template	Intent, on the approval date

SCORE	WHAT IT TAKES	WHAT IT PROVES
2	Level 1 plus dated records from live files	The step ran
3	Level 2 plus a sample test by someone other than the owner, exceptions logged	How well it runs

Then run the five-minute test. Pick a closed file. For each step, find its evidence in five minutes. A step you cannot evidence is one the policy describes and the lender does not run.

06

Worked example (fictional)

The borrower is invented: a metal parts maker with 120 staff asking for a five-year loan to add an electroplating line, paid in two tranches (building works, then equipment). Electroplating means chemical baths and metal-bearing rinse water.

#	WHAT HAPPENED	EVIDENCE FILED
1	Loan funded from a fictional EBRD credit line	Facility reference on the application
2	Electroplating is on no list, provided nothing banned goes into the baths	Screening record: EBRD Annex A (2024), Bank-wide exclusions, own list v3, dated
3	Not an Annex B type, but a five-year corporate loan to an activity with chemical and safety risks meets IFC's tenor test	Note on file; no referral required under the facility
4	Written rule: metal finishing starts at medium	Category medium, rule cited, confirmed by E&S
5	Intake declares an environmental permit	Signed form
6	Desk review and site visit: the permit covers the old line only; rinse water goes to the sewer untreated	Visit note; permit copy; ESAP with three dated items
7	Findings summarised in the memo	Approved memo
8	New permit becomes a condition precedent to tranche two; pre-treatment before commissioning and an annual E&S report become covenants	E&S schedule in the agreement
9	Credit administration holds tranche two until the permit arrives	Signed release checklist
10	E&S officer owns the tracker; RM collects evidence at each anniversary	Tracker; first annual report

A file that ran on policy alone would hold a screening tick and a category. This one holds ten dated documents, each with a name. The finding at step 6 only bites because steps 8 and 9 exist.

07

What most ESDD checklists leave out

- **The funder.** Without it, the lender cannot say which exclusion list binds.
- **The list version.** Lists change, and old copies stay online. EBRD's 2019 and 2024 lists both have 13 lettered items, but not the same 13.

- **The rule behind the category.** A label is not a decision.
- **The release control.** Most checklists end at the report. The money moves later.
- **A tester who is not the owner.** Tested does not mean clean. It means the lender knows, in writing, what is wrong.

08

Sources

1. IFC, Guidance Note on Financial Intermediaries, 29 September 2023 (https://www.ifc.org/content/dam/ifc/doc/2023/202309-ifc-guidance-note-on-financial-intermediaries.pdf)
2. IFC, Performance Standard 1, 1 January 2012 (https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-performance-standard-1-en.pdf)
3. IFC, Exclusion List (2007, amended 8 December 2025) (https://www.ifc.org/exclusionlist)
4. IFC, Environmental and Social Categorization (https://www.ifc.org/en/what-we-do/sector-expertise/sustainability/policies-and-standards/environmental-and-social-categorization)
5. EBRD, Environmental and Social Policy, October 2024 (in force 1 January 2025), Annexes A and B (https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/environment---sustainability/environmental-and-social-policy-esp/esp-2024/EBRD-Environmental-and-Social-Policy-2024-high-res.pdf)
6. EBRD, ESR 9: Financial Intermediaries (https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/environment---sustainability/environmental-and-social-policy-esp/esp-2024/EBRD-Environmental-and-Social-Policy-2024-ESR-9.pdf)
7. EBRD, Environmental and social risk management briefing note: screening, June 2026 (https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/environment---sustainability/fi-notes-2026/EBRD%20Environmental%20and%20social%20management%20system%20briefing%20note%20on%20screening.pdf)
8. EBRD, Environmental and social risk management briefing note for SME lending, June 2026 (https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/environment---sustainability/fi-notes-2026/EBRD%20Environmental%20and%20social%20risk%20management%20briefing%20note%20for%20SME%20lending.pdf)
9. Central Bank of Egypt, Principles and Regulatory Framework (Guiding Principles, July 2021; binding regulations, November 2022) (https://www.cbe.org.eg/en/sustainability/principles-and-regulatory-framework)
10. CBE circular on the implementation of ESRMS, 30 June 2026, unofficial English translation, Sustainable Banking and Finance Network (https://data.sbfnetwork.org/sites/default/files/2026-08/Circular%20on%20the%20Implementation%20of%20ESRMS%20%28Eng%20translation%29_0.PDF)
11. Netherlands Commission for Environmental Assessment, ESIA profile: Egypt (Category A "minimum environmental impacts", Category C "highly adverse impacts") (https://eia.nl/en/countries/egypt/esia-profile)

The spreadsheet version of the screening questions, with an evidence column and a fictional completed example, is on the Toolkit page.

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Cite this page

Hamdy, O. (2026) "ESDD checklist for lenders: 10 steps and the evidence". omarhamdy.com, 2 November 2026. https://omarhamdy.com/toolkit/esdd-checklist/

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Related pages

- ESMS for non-bank lenders `omarhamdy.com/guides/esms-for-nbfis/`
- ESMS for companies `omarhamdy.com/guides/esms-for-companies/`
- Toolkit: working files `omarhamdy.com/toolkit/`
- IFC vs EBRD exclusion list `omarhamdy.com/toolkit/exclusion-list-reconciliation/`
- Grievance mechanism template for borrowers `omarhamdy.com/toolkit/grievance-mechanism-template/`
- Rulebook tracker `omarhamdy.com/tracker/`
- COP31 for lenders `omarhamdy.com/toolkit/cop-to-credit-table/`
- PCAF data quality score worksheet for SME loan books `omarhamdy.com/toolkit/pcaf-data-quality-worksheet/`

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Glossary terms on this page

- E&S due diligence `omarhamdy.com/glossary/eands-due-diligence/`
- Exclusion list `omarhamdy.com/glossary/exclusion-list/`
- Categorisation A/B/C `omarhamdy.com/glossary/categorisation-a-b-c/`
- ESIA `omarhamdy.com/glossary/esia/`
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Terms used in this document

DFI	A development finance institution: a lender backed by governments, such as EBRD or IFC, that funds projects for their development impact as well as their returns.
E&S RISK	Environmental and social risk: the chance that a project harms people or nature, and the money that can be lost when it does.
E&S DUE DILIGENCE	The check of a client's or project's environmental and social risks before the lender says yes.
IFC	The International Finance Corporation: the World Bank Group's arm that lends to and invests in private companies in developing countries.
PERFORMANCE STANDARDS	IFC's eight rules for managing harm to workers, communities and nature in a project.
EXCLUSION LIST	Activities a lender will not finance at all, such as weapons, tobacco or harmful child labour.
EBRD	The European Bank for Reconstruction and Development: a development bank owned by governments and EU institutions that lends in Egypt, often through local banks.
CBE	The Central Bank of Egypt, which licenses and supervises the country's banks and sets their rules, including on sustainable finance.
ESRMS	Environmental and social risk management system: another name for an ESMS, the one some regulators use for banks.
ESMS	The rules and routine an organisation uses to find and control harm to people and the environment. A lender runs one on every loan, and may ask its borrowers for one.
ESAP	A dated list of fixes a borrower agrees to make to meet the lender's environmental and social rules.
CONDITION PRECEDENT	Something you must deliver before the lender pays out, such as a permit, a study or a signed policy.
COVENANT	A promise in the loan agreement that you keep for as long as the loan runs, such as a reporting date or a financial ratio.
DRAWDOWN	Taking money out of an agreed credit line, usually in parts.
ESIA	A study of what a project could do to people and nature, and how to avoid or reduce it.
CREDIT LINE / FACILITY	An agreed amount a lender makes available to draw over time, such as a development bank's line to a local bank.
DISBURSEMENT	The lender paying the loan money out to the borrower.

ESG	Environmental, social and governance: the non-financial things investors and lenders look at in a company.