



GUIDANCE NOTE

TO SUPPORT EFFECTIVE
CONSISTENT APPLICATION OF
THE EQUATOR PRINCIPLES



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PREAMBLE

This document provides guidance and associated templates to support consistent application of the [Equator Principles](#) (EPs) [Ref 1] by Equator Principle Finance Institutions (EPFIs). The document provides guidance specifically in relation to the following topics:

- Scope of work (SoW) and terms of reference (ToR) for Independent Environmental and Social Consultant (IESC) undertaking Environmental and Social Due Diligence (ESDD) and monitoring on behalf of EPFIs as defined under the EPs.
- SoW for the development of Environmental and Social Impact Assessments (ESIA) by the Borrower as required under EP Principle 2.

The guidance and templates provided in this document are intended to be read in conjunction with other available guidance and resources available on the Equator Principles Association (EPA) [website](#). The guidance has been developed based on the fourth version of the EPs dated July 2020 (EP4).

1 IESC Selection, Terms of Engagement and Scope of Work

1.1 Introduction

The requirement for an IESC to be appointed for Project Finance and Project-Related Corporate Loans is governed by EP Principle 7 (for pre-financial close ESDD) and Principle 9 (for post-financial close monitoring), and is required for all Category A and, as appropriate, Category B Projects. This section provides guidance and supporting templates for the Terms of Engagement, selection, appointment and Scope of Work (SoW) of the IESC.

WHO IS THIS GUIDANCE FOR?

- EPFIs directly involved in the appointment of the IESC – e.g. when EPFI is a role bank such as Agent, Financial advisor, Lead Arranger *etc.*
- EPFIs during their internal due diligence to confirm the IESC scope and terms of engagement when taking reliance on their IESC ESDD report

The guidance and associated templates provided in this section cover the following aspects:

- Selection of the IESC.
- Terms of Engagement and contractual arrangements for the IESC.
- The IESC SoW, which is split between:
 - Pre-Financial Close ESDD and Post-FC monitoring in recognition of the differing tasks involved during these phases.
 - ESDD for Projects in Designated and Non-Designated countries in recognition of the differences in requirements in the EPs, especially under Principle 3. Note: the distinction between Designated and Non-Designated Countries only applies to the EPs and hence if for instance Export Credit Agencies (ECAs) or development Finance Institutions (DFIs) are involved in a loan within a Designated Country then the ESDD undertaken by the IESC would need to consider full compliance with the IFC PS or relevant DFI requirements, respectively.

This guidance is provided in the context of, and should be read in conjunction with, the [EP documentation](#) and other related [available EPA guidance](#), of which the following are of general relevance:

- [Guidance for Consultants on the Contents of a Report for an Independent Environmental and Social Due Diligence Review](#) [Ref 3]
- [The Equator Principles Implementation Note](#) [Ref 2]
- [OECD/EPA Good Practice Note for Environmental and Social Agents](#) [Ref 4]

Other relevant good practice reference materials include the following (note that some of these will be especially relevant depending on the make-up of the finance parties):

- OECD Guidance Note - Good Practice in the Use of Consultants by Export Credit Agencies [Ref 5]
 - this is especially relevant where ECAs are potentially involved and provides guidance on the selection of the IESC (independence and capacity), requirements in the IESC terms of engagement (duty of care, reliance, liability indemnity/insurance etc.) and the IESC output.
- Individual DFI tools and guidance, e.g. those of World Bank, EBRD etc..

A full list of reference materials is provided in Annex 1 of this note.

1.2 Selection of the IESC

Representatives of the finance parties should be involved in the selection of the IESC in conjunction with the Borrower/ Sponsors, with the final selection of the IESC consultant being mutually agreed between representatives of the relevant parties. EPFIs acting as advisors, agent or lead arranger should take a lead role in the IESC selection process; see also OECD/EPA Good Practice Note for Environmental and Social (E&S) Agents [Ref 4], which recommends that the E&S Agents should coordinate the selection of the IESC. This should include input into both the identification of candidate IESC companies (a minimum of three candidates is recommended), procurement and, ultimately, the selection of the successful candidate.

The selection process should ensure the independence, capacity and suitable experience of the IESC. For the pre-financial close ESDD phase, the IESC consultant should be selected on the basis of review of written proposals requested from candidate consultancies and,

Good Practice for IESC selection

- Lender representatives (including role banks) should take a lead role in identification of candidate IESC companies and final IESC selection
- Selection should be mutually agreed between representative of the lenders and the Borrower based on the IESC's **capacity, experience** (Company and key individuals), **proposal quality, schedule** and **price** - weighting of criteria are preferably agreed in advance with the Borrower/project Sponsors
- Selection made from review of received proposals and, as appropriate, interviews of short-listed candidates
- The selected IESC should have no conflicts of interest and should not have been involved in the development of key Project design components or E&S documentation (see guidance for potential exceptions)

where appropriate, interviews of short-listed candidates. At the end of the pre-financial close ESDD, it may be agreed between the parties that the same IESC consultant be re-appointed for the post-financial close monitoring phase. Alternatively, it may be agreed between representatives of the financing parties and the Borrower/project Sponsors to select the post-financial close IESC on the basis of a competitive tender. Regardless of whether the same consultant is selected for both phases of the ESDD, it is recommended that the IESC role for these phases is subject to separate engagement contracts or contract extension as appropriate.

Capacity and Experience

Selection should be based on the IESC's capacity, experience (both company and key individuals), proposal quality, schedule and price. For transparency, it is good practice for the finance parties and the Borrower/Sponsor to agree a formal weighting/scoring protocol across these criteria for use in the proposal evaluation process.

The main experience considerations to be taken into account in the selection of the IESC will depend on the specific context of the project, but may typically include, *inter alia*, the consultants':

- Experience of acting as an IESC, understanding and managing E&S aspects of the financing process, and of practical implementation/interpretation of specific Applicable Standards.
- Industry, sector, geographic experience (the significance of which will vary according to the particulars of the Project).
- Local experience, including language skills, knowledge of local/national legislation, and knowledge of the local E&S context and sensitivities.
- Expertise in any E&S aspects likely to be of particular importance to the specific Project/location (e.g. biodiversity, land acquisition/resettlement, labour and working conditions, human rights, indigenous peoples, cultural heritage etc. as potentially applicable).

Within the selection process, EPFI should review both technical and commercial aspects of candidate IESC proposals in order to assess whether the consultant has allowed for adequate time and resource to meet the ESDD needs and their overall capacity to meet realistic Project schedules (see section 3.3 for further details). In assessing the consultant's capacity and experience, it is important to understand both their corporate profile and the experience of the individual team members being proposed for the Project. This should include confirmation from the IESC of the anticipated level of involvement and availability of key IESC team members and it is good practice for fee submissions from candidate IESC's to include a breakdown of time spent for relevant individuals on each task (see also Section 3.3 for contractual controls over future changes in the team personnel). A schedule of

rates of individual team members should also be presented in the IESC fee proposals in order to enable direct comparison between the candidate consultancies.

Independence

The selected IESC should be able to confirm and demonstrate that it has no conflicts of interest in relation to having previously worked for the project Sponsor/Borrower in a capacity that could compromise its ability to independently represent the EPFIs. It is recommended that EPFIs pay particular attention to ensuring demonstrable independence of the IESC where the IESC and the project/Borrower are based in a geography with limited consultancy resources. Specifically, it is good practice that the IESC has not been involved in any of the following:

- Development of key Project design elements and especially those aspects that materially influence the scale and nature of E&S risks and impacts.
- Provision of E&S advisory services to the project.
- Production of E&S documentation such as the ESIA or ESMP.
- A long-standing and current E&S advisory role with the project Sponsor/Borrower, e.g. in a framework and/or retained consultancy capacity.

1.3 Terms of Engagement

Good practice for the Terms of Engagement to be defined in the IESC contract (typically in the form of an Engagement Letter) includes clear definition and roles of the relevant parties (e.g. Finance Parties, Sponsor/Borrower, Agent, Financial Advisor, Mandated Lead Arranger, the IESC etc, but also Relying Parties and Paying Party, as applicable) and the following aspects:

- The Engagement should include appropriate definition of the Project and key Parties and ensure/specify that:
 - The IESC's duty of care is to the finance parties.
 - Reliance on the IESC's output is extended to the finance parties (as Relying Parties).
 - The IESC contract is multi-party between the IESC, the Borrower/Sponsors and preferably a direct representative(s) of the finance parties (e.g. the Agent, MLA etc. where in place) or otherwise the Financial Advisor (FA) where it is an EPFI (this helps to strengthen the IESC's mandate on behalf of the Finance Parties).
 - Payment of the IESC's fees must not be linked to the status of the Project's compliance and, in particular, must not be dependent on Conditions Precedents to loan drawdowns having been met as this would constitute a conflict of interest.

- The IESC contract should include a total aggregate limit of liability to the finance parties to whom reliance is extended; typically, a fixed cap rather than a multiplier of the IESC fees should be used to define the aggregated limit of liability and the actual level should be agreed with the finance parties where identified/known at the time of appointment. The contract should also include a clear communication channel and methods for resolving disagreements between Borrower/Sponsors, the IESC and the finance parties.
- The IESC contract should also include a requirement for the IESC to maintain suitable level of professional indemnity insurance commensurate with the liability cap.
- The IESC contract should define the IESC SoW, which should cover the aspects and considerations described in Section 3.4 below.
- While some elements of a ‘Core’ SoW¹ may be well-defined at the time of the IESC’s appointment and hence may reasonably be undertaken on a fixed or capped price basis, the precise scope of other elements of the ESDD process are difficult to judge at the onset of the ESDD (see Section 3.4 for further discussion). It is therefore good practice that, while certain core aspects of the SoW may be sufficiently defined at the time of the time of appointment of the IESC to reasonably enable such work to be undertaken on a fixed price basis, the contract should provide sufficient flexibility to allow the IESC to undertake requested additional tasks on a time and materials basis over-and-above the fixed-price scope; such flexibility is essential to ensuring that the IESC is able to fulfil its mandate to the finance parties.
- The IESC contract should also include a clause to enable representatives of the finance parties to give instruction to, and request reasonable additional work/support from, the IESC.
- The contract should state that the IESC deliverables are to be provided simultaneously to the finance parties for review/comment and to the Borrower/Sponsors for factual accuracy check. The contract should stipulate the IESC should dismiss any review comments or requests from any party (Borrower/Sponsor or finance party) that compromise the IESC’s independence, for example by attempting to limit the output’s comprehensiveness, or influence the substance or tone of the IESC’s stated professional opinions.
- The contract should define appropriate and realistic timelines for the performance of the ESDD. This may be included either directly within the main contract terms or otherwise defined within the agreed SoW attached to the contract – see Section 3.4.1 for further details.
- To ensure the ongoing capacity and experience of the IESC, it is recommended that the contract stipulates that changes to the IESC team need to be agreed in advance with the finance parties (such agreement to not be unreasonably withheld). It is also recommended that the contract includes a clause that enables representatives of the finance parties to reasonably request a change in consultancy firm during the provision of IESC services in the event of inadequate performance.

¹ Core Scope elements may include (with reference to the task components shown in figure 1): the Kick-Off Meeting; Initial Information Review and Preliminary Findings Review; Reconnaissance Visit; and production of the initial ESDD Report.

- While the same consultant may undertake the IESC role for both the pre-Financial Close ESDD and the post-Financial Close monitoring, it is recommended that these two phases of work are subject to separate engagement contracts. This is considered good practice as: (i) it provides a breakpoint to review the performance of the IESC; and (ii) the SoW for the post-Financial Close monitoring will not be well defined in the initial stages of the ESDD.

A good practice checklist to support review of IESC contracts/engagement letters is provided in Annex 2.

1.4 Scope of Work

1.4.1 Pre-Financial Close ESDD - General Aspects

The overall objectives of the IESC scope of work during the pre-financial close ESDD are to assess the E&S compliance and capacity of the Project as a whole. This includes: assessment of the level of the Project's compliance through review of its design and E&S management documentation and well as interviews with relevant stakeholders; assessment of the E&S management capacity of the Project proponent; confirmation of areas of E&S risks for finance party; identification of corrective actions to resolve any identified compliance issues; and recommendation of measures to manage ongoing/future E&S risks. Good practice for the components of the IESC SoW is presented below. The Request for Proposal (RfP) should describe a clearly defined SoW against which prospective IESC tenderers can respond in their proposal submissions. A template of model text to be used to define the SoW in the Request for Proposal (RfP) to be issued to candidate consultancy for the IESC role is provided in Annex 3.

It is considered good practice for the IESC's pre-financial close ESDD scope of work to address the following considerations and components:

Project Definition

A definition of the main components of the project should be included in the RfP for pre-financial close ESDD services. However, the SoW should also include a specific task for the IESC to confirm, based on information provided by the project proponent and in particular the ESIA, a detailed description of the Project and its Area of Influence. This detailed definition should be confirmed through systematic review of the Project and relevant third-party activities and facilities. This review should be completed in the initial stages of ESDD process in order to ensure that all aspects of the Project are correctly considered throughout. In line with IFC Performance Standard 1, the definition should consider the relevant activities and facilities that form each of:



- The Project².
- Any associated facilities (as defined under the IFC Performance Standard 1)³.
- Primary supply chain components (as defined under IFC Performance Standards 1, 2 and 6).
- Any other existing, planned or reasonably defined developments that may impact cumulatively with the project.

Applicable Standards

The IESC SoW should clearly define the Applicable Standards against which Project compliance will be assessed. As a minimum, the Applicable Standards will include relevant: local, national laws/regs; international laws and conventions; the EPS (to extent applicable to Borrowers); the IFC PS and WB EHS General Guidelines plus applicable Industry Sector Guidelines; and the United Nations Guiding Principles on Business and Human Rights (UNGPs). Other sources of Good International Industry Practice (GIIP) may also be relevant, and examples are included in Annex 1 (see also below). Under EP Principle 3, the extent to which the IFC PS and EHS guidelines apply varies between Projects located in Non-Designated and Designated Countries and this is further discussed further below.

The Applicable Standards will also need to consider any relevant lender-specific requirements dependent on the composition of other financial institutions involved - e.g. Common Approaches for ECAs, DFI-specific requirements, individual lender policies etc. In addition, other relevant standards and benchmarks may be identified as being relevant in any specific case. The list of additional standards applicable to a particular Project/group of lenders should be identified at the IESC appointment phase as far as possible based on the known/likely lender group composition and the nature of the Project. However, as, for instance, identification of all individual lenders is often not confirmed at the time of the IESC appointment, it is good practice that the IESC SoW (and budget) allows for flexibility to include consideration of further specific requirements in the ESDD process as necessary.

Further guidance on the list of Applicable Standards is provided in the IESC SoW template presented in Annex 3.

² Where ECAs are/may be involved in the financing, the definition of the Project will need to take due account of the definition of 'Projects' in the OECD Common Approaches.

³ Where non-commercial bank lenders are involved care needs to be taken in defining 'Associated Facilities' as this definition under some other lender standards may have subtle but important differences from those of the IFC PS, and this needs to be accounted for in the overall ESDD.

Approach to the ESDD

A typical ESDD Program is shown in Figure 1. Further good practice commentary is provided on each element below:

- **Kick-off Meeting.** The ESDD should be initiated by a kick-off meeting to be attended by the IESC and representatives of the Borrower/project Sponsor and the finance parties where available. It may be relevant for other stakeholders such as the Project’s E&S advisors and other lender advisors to attend the meeting as appropriate. The primary objectives of the meeting are for: the IESC to gain a fuller understanding of project definition, status and E&S management structure and systems; confirm the status of available E&S and other Project documents to inform the ESDD; agree arrangements for the site visit; confirm the ESDD schedule; and agreement of liaison and communication protocols with defined roles and responsibilities.
- **Information and documentation reviews.** The IESC review of relevant Project information and documentation should include:
 - Identification and confirmation of the Project, its Aol, Associated Facilities and primary supply chain components.
 - Review and assessment of the Borrower’s E&S management approach, structure and institutional capacity, including as relevant (e.g. in relation to sovereign loans) flow-down of requirements to the Buyer, Operator, EPC Contractors etc. The IESC should opine on the capacity, willingness and preparedness of the Borrower/Sponsors to implement their obligations.
 - A central component of the ESDD will be review of the Project’s E&S and other relevant materials. A typical list of E&S materials to be review is provided in Annex 4, although the IESC should be requested to provide a Project-specific list to the Borrower of all the data and information requests required to complete the ESDD. Specific requirements in relation to the review of the ESIA and ESMP for projects in Non-Designated and Designated Countries are further described below:
 - **Non-Designated Countries:** Review is required of the of key E&S materials (ESIA, ESMP, E&S policy, ESMS manual, Stakeholder Engagement Plan/records, etc.) against the Applicable Standards including the IFC Performance Standards and relevant EHS Guidelines). The review should also cover: Climate Change Risks Assessment (CCRA) as applicable (see Box 1); Human Rights Assessment (HRA) as applicable (see Box 2); Free Prior and Informed Consent (FPIC) for Indigenous Peoples (IPs) (as applicable); the internal and external Grievance Mechanism; and biodiversity data sharing etc. as per Principles 3 to 6 and 10. Review of legal/permit compliance should address: (i) a description of local legal/permitting process, including identification of key required E&S permits; (ii) the status of acquisition of key E&S permits; and (iii) adequacy of the Borrowers’ procedure for managing ongoing legal compliance.
 - **Designated Countries:** The E&S standards applied by ECAs and DFIs do not generally distinguish between Designated and Non-Designated Countries. As such if ECAs or

DFIs are involved in the financing of a project in a Designated Country, then the scope of the IESC's ESDD will be effectively the same as for a Non-Designated Country, and, for instance, if ECAs are involved then the IESC ESDD will need to assess compliance against the full requirements of the IFC PS and relevant IFC EHS Guidelines.

Where only commercial bank funding is involved, the IESC SoW for Projects in Designated Countries will largely follow the SoW for Non-Designated Countries except that it will focus more heavily on assessment of compliance with the host nation standards and will include a review of compliance with national regs/laws – this should be primarily through review of the status of, and process for, permit approvals (noting that the IESC should not be expected to provide legal opinion). However, in addition, the IESC will need to determine on the basis of the project type and the E&S requirements of the host country, the extent to which aspects of the IFC PS (and other relevant GIIP) should be used as guidance to address specific risks in the ESDD as per Principle 3. The EPFI may wish to identify these themselves or otherwise include a requirement for this to be developed by the IESC as part of their scope for agreement with the EPFI. The identification of such gaps should be conducted through: (i) a high-level comparison of the scope of the local/national legal requirements against the IFC PS/EPs; and (ii) review of the regulatory submissions to identify whether there are any significant elements of the IFC PS requirements that have not been addressed. Typical aspects where the consideration of the IFC PS may be relevant to address potentially significant risks include: definition of the project Area of Influence (and especially consideration of associated facilities and the supply chain, and treatment of cumulative impacts); biodiversity (e.g. the definition of natural/critical habitat and requirements for no net loss and net gains respectively); aspects of resettlement (e.g. treatment of informal land users); and assessment of some aspects of social impacts).

The scope of the ESDD in Designated Countries will still need to cover review of: CCRA as applicable (see Box 1); HRA as applicable (see Box 2); ESIA, ESMP/ESMS, SEP (and FPIC for IPs as applicable); the internal and external Grievance Mechanism; and biodiversity data sharing etc. as per Principles 3 to 6 and 10.

- While the IESC's role is typically to review E&S materials developed by the Borrower, where appropriate based on the level of detail provided by the Borrower, the IESC should undertake a high-level verification of the potential for key sensitive receptors based on review of publicly available information sources (e.g. iBAT⁴, UNESCO⁵, ThinkHazard⁶, UN Human Rights Treaty reports⁷). This may be especially important where limited baseline information is available, including projects deemed to be lower risk Category B projects and for Projects in

⁴ <https://www.ibat-alliance.org/>

⁵ <https://www.unesco.org/en>

⁶ <https://understandrisk.org/tool/think-hazard-online-resource-thor/>

⁷ <https://uhri.ohchr.org/en/>

Designated Countries. The media/NGO reviews⁸ described below may also be useful in this regard. If the IESC identifies the potential presence of sensitive receptors/habitats not addressed in the Borrower's E&S documentation, then the IESC should make recommendations for further studies to be undertaken by the Borrower.

- The IESC should undertake media/NGO reviews in order to identify any potential community/NGO reputational issues and risks related to the Project.
- In performing the ESDD, the IESC should liaise with other lender advisors as appropriate. In instances where an LTA has not been appointed, relevant aspects of technical design review may be included in the IESC SoW. The IESC SoW should also allow for liaison with role banks; in the case where E&S Agents have been appointed, liaison is required to ensure effective coordination of the IESC role with the Agent role (see also the OECD/EPA Good Practice Note for Environmental and Social Agents [Ref 4]).
- The IESC scope should include review of Project compliance with biodiversity data sharing/GBIF as per EP Principle 10. This review should take due account of the EPA [Guidance Note on Biodiversity Data Sharing](#) [Ref 8].

Box 1: Climate Change Risk Assessment

Where the Project meets EP4 Principle 3 requirements for the production of physical and/or transitional Climate Change Risk Assessment(s) (CCRA) and/or a GHG Alternatives analysis, these will need to be reviewed by the IESC. It may not be confirmed at the time of the appointment of the IESC whether the Project meets these criteria, and in such circumstances the IESC SoW needs to reflect this uncertainty and to include a requirement for the IESC to make such a determination. In some situations, review of the CCRA and GHG Alternatives analysis by the IESC may be strengthened by liaison with the Lenders' Market Advisor (LMA - in relation to transition risks) and the Lenders' Technical Consultant (LTA - in relation to physical risks and GHG alternatives). Review of the CCRA should take due account of the existing EPA Guidance Note on Climate Change Risk Assessment [Ref 6]. Consideration during the review will also need to be given to alignment with any lender-specific climate-related policies.

Box 2: Human Rights Assessment

The IESC SoW should include review of the Human Rights Assessment (HRA) to be produced by the Borrower/ Sponsors under EP4 Principle 3. Review of the HRA should take due account of the EPA [Guidance Note on Implementation of Human Rights Assessments under the Equator Principles](#) [Ref 7].

⁸ See also for human rights risks Amnesty international (<https://www.amnesty.org/en/documents/pol10/3202/2021/en/>) and Human Rights Watch (https://www.hrw.org/sites/default/files/media_2021/01/2021_hrw_world_report.pdf)

- **Preliminary Findings Review** - A preliminary findings (including ‘Red Flag’ review) may be requested in the initial stages of the ESDD review. Such a review can be helpful in the early identification of critical issues so that they can be addressed in as timely fashion as possible. In the event that significant gaps/issues are raised in the Preliminary Findings Review that require significant additional work/action/Project changes by the Borrower to ensure compliance, then this may require adaptation of the ESDD program and, potentially, the financing schedule, and the IESC SoW should make allowance for a potential break point and re-valuation of the forward ESDD requirements following the Preliminary Findings Review. The Preliminary Findings Review should include consideration of the development/availability of primary E&S documentation such as the ESIA, ESMS manual, construction phase ESMP, SEP/GM, CCRA, HRA and, if relevant, Biodiversity Action Plan (BAP), and Resettlement Action Plan (RAP)/Livelihood Restoration Plan (LRP) etc., the development of which needs to be understood in the context of the Project/financial scheduling (including any required disclosure periods for ECAs/DFIs, if involved).
- **Reconnaissance site visit** – It is good practice to undertake a reconnaissance site visit as part of the IESC’s pre-financial close ESDD. The reconnaissance visits should be used by the IESC to: ensure full familiarisation with the Project, its status and the local context; understand extent of local/community support and any emerging reputational risks (including from interviews with relevant stakeholders); ground-truth the findings of the desk-based review (including confirmation of the key E&S sensitivities); gain first-hand understanding of the on-the-ground capacity, willingness and preparedness of the Borrower/Sponsors to implement their obligations and also of any relevant external parties (e.g. in the case of government/third-party resettlement). In the case of sovereign loans, meetings should also be organised with the Borrower, Buyer and any other relevant departments to enable the IESC to assess their level understanding, commitment and resources in relation to meeting the lender standards. Reconnaissance site visits should be undertaken in-person with virtual/remote visits only performed where in-person visits are not feasible, for instance due to health, safety or security issues at the project site. The size and composition of the site visit team will need to reflect the key potential Project sensitivities, and the site visit will typically require more than one specialist (e.g. environmental, social, biodiversity, resettlement, cultural heritage, engineering, IPs etc.) in order to ensure that the right skills are deployed for the Project. Where the IESC is an international consultancy, the use of local subconsultants to support the IESC can provide useful local knowledge and context. It is recommended that the timing of the site visit is carefully considered by the IESC to ensure that sufficient initial review is undertaken prior to the visit to ensure that such visit is focused, well planned and effective.

The IESC SoW and budget should allow for flexibility to enable a larger team and/or longer site visit if subsequently deemed necessary following the initial stages of the ESDD. The SoW also needs to allow for the potential for additional pre-financial close visits where the ESDD process becomes prolonged. In addition, some of the finance parties may wish to undertake site visits prior to financial close and the IESC SoW should include the potential for the IESC to attend such meetings, although it is good practice for IESC attendance at lender site visits to be in addition to a dedicated IESC reconnaissance visit.

- **Initial ESDD report** - The Initial ESDD Report will be based on the findings of the site visit, completion of the E&S information and documentation review, assessment of the Project’s E&S capacity, and the media/reputation risk review. The structure of the ESDD Report should follow the reporting format/requirements described later in the guidance note.

A key purpose of the Initial ESDD Report will be to identify any recommended actions required to bring the Project into/maintain compliance with the Applicable Standards. Timelines for the completion of each action should be recommended by the IESC for agreement by the finance parties. Where appropriate, the timelines should be placed in the context of the financing schedule (*e.g.* lender board decision, signing, Financial Close) and the Project program (construction, commissioning, operation, decommissioning *etc.*). Particular focus should be paid to the identification of any necessary additional E&S actions to be developed by the Borrower/Sponsors and subsequent review by IESC prior to signing/Financial Close; such materials are often developed as part of a Supplemental Lender Information Package (SLIP). Where significant additional actions and/or SLIP materials are required, it may be necessary to consider how realistic timeframes for the delivery, review and agreement of the materials may affect the financing schedule; where no ESIA (including adequate relevant baseline, impact assessment and development of suitable mitigation) has been developed, the ESDD process may need to go on hold until such assessment has been developed by the Borrower/Sponsors (although in such cases it may be valuable for the IESC to provide initial review input on the scope of work for the ESIA). An action plan summarising all actions required prior to signing/Financial Close can provide a useful management tool for tracking resolution of identified issues.

Good practice is to resolve issues prior to signing/Financial Close where technically reasonable and to minimise the number and nature of post-signing/Financial Close actions, and so, as a matter of good risk management, the IESC should aim for E&S risks to be managed-out early in the process. Post-signing/Financial Close actions that have uncertain outcomes, and which may therefore pose future compliance risks, should be avoided. This is particularly important if there are potential financial costs associated with the outcomes of that work, such as costs for completion of RAPs/LRPs and BAPs. In particular, actions to undertake baseline surveys or to undertake additional impact assessment studies must be performed prior signing.

A draft version of the Initial ESDD Report should be provided simultaneously to both the Borrower/project Sponsors and the finance parties for review as described in Section 3.3. A presentation of the key findings of the Initial ESDD by the IESC to the finance parties may be useful in this review process.

- **Final ESDD Report** - The Final ESDD Report should be developed prior to Financial Close following review of the actions and SLIP materials undertaken/produced by the Borrower/project Sponsors in response to the recommendations made in the Initial ESDD, and also to reflect any other project updates. A primary purpose of the Final ESDD Report is to report on the status of the project compliance ahead of financial close. The Final ESDD should also include a proposed Equator Principles Action plan (EPAP) (sometimes also referred to as an E&S Action Plan (ESAP)) that describes all the actions required post-financial close to ensure the project’s ongoing compliance. The proposed EPAP should be agreed by the finance parties for inclusion in the finance documents, and the IESC SoW should allow for support to the finance parties in finalising

the EPAP. A draft version of the Final ESDD Report should be provided simultaneously to both the Borrower/project Sponsors and the finance parties for review as described in Section 3.3. Following completion of the Final ESDD Report and as part of the Conditions precedent to financial close, the IESC may also be requested to produce an E&S Certificate confirming the status of the Project's compliance including completion of all E&S actions required prior to financial close.

Timelines

The SoW should define appropriate and realistic timelines for the performance of the ESDD, allowing adequate time for a robust and comprehensive ESDD process to be undertaken (see also Section 4 for guidance on related timelines for the completion of the ESIA as a key input to the ESDD process). As a general guideline, and given the need to allow for documentation review, sites, time for the Borrower/Sponsor to respond to identified gaps, iteration of the final ESDD report *etc.*, a typical minimum feasible duration for a pre-financial close ESDD process is approximately three months. Shorter ESDD periods may be possible for less complex Category B (for example without significant resettlement or impacts on natural/critical habitat), although this is only likely to be achievable when the Borrower/Sponsor having strong E&S capacity and all primary E&S materials (ESIA, ESMP *etc.*) have prepared prior to the IESC appointment and being of good quality. In practice, for more complex projects, it is more typical that the pre-financial close ESDD will take between 6 and 12 months, or longer where significant and time-intensive compliance gaps are identified against the Applicable Standards (see below for examples). Specific aspects to be considered in defining the timeline for the ESDD include:

- The timeline defined in the IESC contract should have due allowance for the status of the Project's regulatory approvals and the availability of key review materials, and in particular the ESIA, ESMP, Stakeholder Engagement Plan (SEP) and Grievance Mechanism (GM) and, if appropriate, Resettlement Action Plan (RAP), Biodiversity Action Plan (BAP) *etc.* As a general point, it needs to be understood by all parties that only limited aspects of the ESDD will be possible until a suitably comprehensive ESIA has been developed for review by the IESC, and the ESDD timeline needs to take due account of this. Nonetheless, where an ESIA has yet to be produced, there may be value in early engagement with the IESC to provide initial review input to the scope of work for the ESIA.

Special consideration should be given to cases where a project environmental impact assessment (EIA) has been produced to local/national requirements but no ESIA intended to meet the full suite of Applicable Standards (including the IFC Performance Standards *etc.*) has been developed. This scenario is likely to lead to requirements for additional studies (potentially including lengthy and/or seasonal baseline studies – see for example EPA best practice guidance for biodiversity baseline surveys [Ref 9]) that will need to be addressed prior to signing/Financial Close (and possibly earlier depending on the finance parties' requirements) and hence which are likely to have a knock-on effect on the feasible timeframes for the ESDD process.

- EPFIs involved in setting the IESC scope and timelines need to ensure that these risks are accounted for in realistic timeline expectations that are understood by the Borrower/Sponsor prior to the IESC appointment.



- Where the finance parties include ECAs and/or DFIs, the timelines need to consider associated requirements for disclosure periods for these institutions.
- The initial ESDD output often identifies actions that need to be implemented/resolved prior to signing and/or Financial Close. Flexibility in the timeline is therefore recommended to allow for any such actions to be undertaken by the Borrower/Sponsors and reviewed by the IESC (and the ESDD output to be updated). See also commentary in Section 4 below on the ESDD program and the value of a Preliminary Findings/Red Flag review of the IESC as part of the initial stage of the ESDD process.

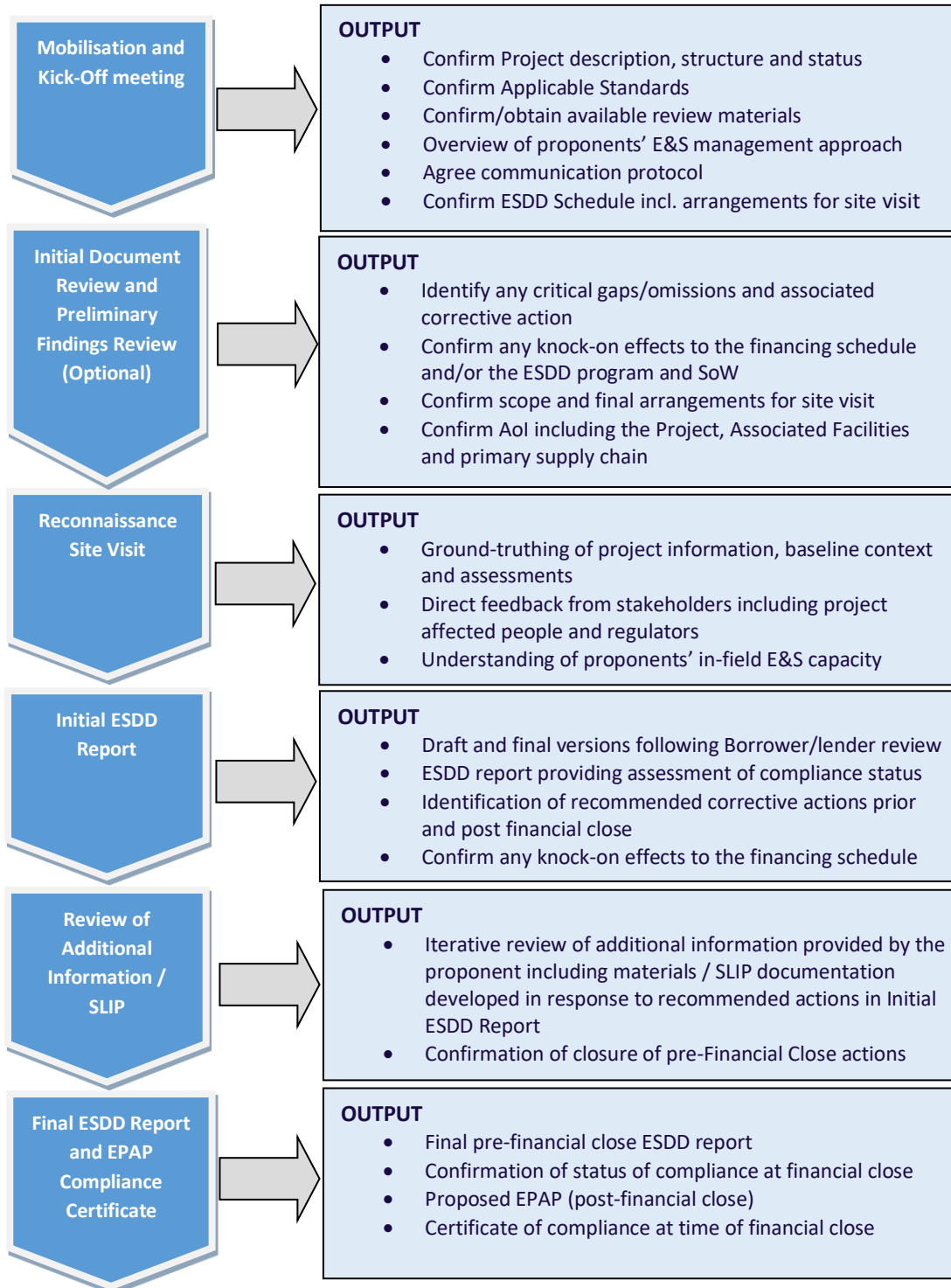


Figure 1 Typical Outline Program for the pre-Financial Close ESDD

Reporting formats/requirements

The structure and contents of the IESC's ESDD reports, including the EPAP, should follow good practice guidance, including the EPA guidance for Consultants on the Contents of a Report for an Independent ESDD Review [Ref 3] and other relevant external (e.g. where ECAs are involved in the financing the OECD guidance on use of consultants [Ref 5]– and in particular the section on Consultancy Outputs).

The ESDD reports should assess and document compliance with all relevant elements of the Applicable Standards. Specifically, reporting of compliance issues 'by exception' is not considered good practice and the ESDD Report should present a description of how the project as a whole complies with the Applicable Standards.

The ESDD report should include the IESC's recommendation as to the project's categorisation. This categorisation should be based on the project description and information provided in the Borrower's E&S materials, and, in particular, the ESIA and associated studies.

E&S Provisions in Loan Documentation

The finance parties may also wish to request that the IESC provides support in the drafting and review of E&S provisions in the loan documentation. As a minimum, the drafting of the E&S provisions should be provided to the IESC so that they can be taken into account in their ESDD.

Liaison with the Finance Parties

The IESC SoW should include allowance for the IESC to provide support and advice throughout the ESDD process. This support may take the form of periodic progress calls, presentation of findings at incremental stages of the ESDD, support on lender site visit *etc.* The level of support required in liaison with the finance parties is often difficult to judge at the beginning of the IESC assignment, and so flexibility on the level of support and the necessary resource budget needs to be built into the IESC SoW and engagement contract. It is good practice for one of the EPFIs (e.g. the Agent if appointed) to act as a primary coordinating contact point between the Finance Parties and the IESC.

1.4.2 Post-Financial Close Monitoring

The SoW for the post-financial close monitoring phase needs to align with the E&S provisions defined under the loan documentation. It is also essential that E&S provisions in the loan documentation are made available to the monitoring consultant to enable them to fulfil their mandate. Post-FC Monitoring will need to cover the different Project phases from construction through to

commissioning and operation. It is typically good practice for enhanced monitoring to be undertaken during early stages of construction as: (i) E&S risks are typically higher during this time due to both the nature of initial activities (e.g. site clearance etc.) and also the need for Borrower/Sponsors and their contractors to establish practical implementation of the Construction ESMP; and (ii) key EPAP/ESAP items are often undertaken during this period. Depending on the nature of the Project, other key risk periods requiring enhanced monitoring by the IESC may include commissioning (e.g. in relation potential simultaneous construction and operation ‘SIMOPs’ activities) and initial operation (e.g. risk associated with the transition of E&S management control from construction project to operational teams and the adoption of the operational ESMP) etc.. Monitoring requirements within these different project phases should be further defined in the loan documentation.

The overall objectives of the post-FC monitoring are to assess compliance of the Project against the E&S requirements (as defined in the loan documentation), assess progress on close out of EPAP/ESAP items, and to make recommendations for corrective actions as necessary. In assessing the E&S performance of the Project, the IESC should comment on the ongoing adequacy of the Project’s E&S management approach, including the ESMP, and make recommendations for enhancement where necessary.

Good practice components of the monitoring consultants scope work are summarised below and a template of model text to be used to define the SoW in the Request for Proposal (RfP) to be issued to candidate consultancies for the post-financial close monitoring role is also provided in Annex 5:

- Periodic review/monitoring comprising:
 - Review of the Borrower’s self-monitoring E&S reports.
 - Review progress on the Borrower’s actions/deliverables under in the EPAP/ESAP.
 - Performance of a site visit – site visits should generally be performed by in-person IESC teams where possible, these may be supported by remote/virtual visits using video-conferencing, live-stream supported site tours, drone footage and the use of remote sensing technology.
 - Reporting to lenders – this should include both a written monitoring report (see Table 1 below for good practice contents for monitoring reports) and also to provide the Finance parties with the opportunity for a call to discuss key findings if desired.

The tasks within the lifecycle of each monitoring review period are shown in Figure 2 below



Figure 2 Lifecycle of Each Monitoring Review Period

- Interim status reports of implementation of the RAP (where this is not completed prior to financial close).
- Ad-hoc tasks - as agreed between lenders and the borrower under the terms of the loan documentation. Such ad-hoc tasks may include ad-hoc updates to lenders and review of any material incidents/breaches (including additional site visits and review of remedial actions plans as appropriate and as may be defined under the loan documentation).
- Ongoing liaison with the Borrower and lenders.
- Review of progress on EPAP/ESAP.
- As appropriate interim review of progress on implementation of key sensitive plans/activities (e.g. significant levels of resettlement, implementation of milestone BAP actions).
- Pre-completion visit:
 - Review of the project’s preparedness for the transition to operation.
 - Confirmation of as-built compliance with E&S design standards (including emission/discharge standards etc. where relevant).
 - Review of simultaneous operations (SIMOPs) risks (where relevant).

Good Practice Contents of a Post-Financial Close Monitoring Report

Typical contents of the periodic IESC Monitoring Report would include [note these need to reflect the full suite of E&S provisions in the loan documentation once agreed]:

- Executive Summary
- Overview of ESDD activities undertaken in the reporting period
- Overview of Project status
- Overview of the Borrower’s HSES management approach and adequacy of HSES resources
- Review of the Borrowers’ Self-Monitoring Report
- [Specific to projects with ongoing RAP implementation: Overview of RAP Implementation Status]
- [Specific to projects with ongoing BAP implementation: Overview of BAP Implementation Status]
- Status of remedial/corrective action plans (as defined under the loan documentation – if any)
- Monitoring Visit (where included in the reporting period):
 - Visit agenda, scope and approach
 - Review of findings (split by topic as defined by visit scope)
 - Overview of progress against previously identified outstanding issues/actions
- EPAP Status
 - Summary of progress during review period including:
 - cross-reference to any review notes produced by the IESC in response ESAP materials produced by the Borrower during the review period)
 - Summary of any overdue ESAP items
 - Updated ESAP table
- Summary of key findings and recommendations
- Action Tracker – A tabular format tracker should be used to summarise and track progress on compliance issues identified during previous review periods and register new items identified during the current review period. All actions are classified as either non-compliances (with associated materiality rating of L/M/H) or as Opportunities for Improvement (OFIs). The table is also used to record Positive Observations (PO).

2 ESIA Scope of Work

2.1 Introduction

Environmental and Social Impact Assessment (ESIA) is a key component of the Assessment process required by EPFI to Clients (Principle 2) for the identification and assessment of the environmental and social risks. A well planned and executed ESIA provides a comprehensive assessment of Project environmental and social impacts and describes the proposed measures to minimise, mitigate or offset/ compensate those impacts in a manner relevant and appropriate to the nature and scale of the Project.

As described in IFC PS 1 the objectives of an ESIA includes the consideration of Potential Project impacts in the early planning and design phase through implementing the mitigation hierarchy. A good ESIA is undertaken at a stage of the Project where there is the greatest opportunity for avoidance of potential significant impacts through design, siting and selection of operating strategy. Applying the mitigation hierarchy effectively requires an interactive approach between the ESIA team and the Project design team to identify the appropriate mitigation measures for significant impacts and to re-assess those impacts on the basis of amended design.

ESIA is usually undertaken for greenfield developments or large expansions and prepared by the Client to the satisfaction of the EPFI to demonstrate that environmental and social risk identification and evaluation is comprehensive, accurate and objective and that measures to mitigate impacts are relevant and appropriate. EPFI's may rely on the ESIA during due diligence and project categorisation and to engage with Affected Communities and Other Stakeholders regarding environmental and social impacts of Projects and the proposed mitigation measures.

These ESIA Scope of Work (SoW) guidance and templates are designed to assist EFPIs who are engaging with Clients on the implementation of the Principles where an environmental and social assessment is yet to be commenced or where EPFI has identified that additional assessments are required to demonstrate how the Project will achieve compliance with the applicable environmental and social standards. The SoW guidance could also be used to review the scope of the environmental and social assessments proposed or completed by Clients where the assessment process had commenced prior to the EPFI engagement or when Project financing options are still being considered.



An ESIA that comprehensively addresses the full range of environmental and social risks sufficient to meet the Applicable Standards allows for an efficient and timely progress of the Environmental and Social Due Diligence including categorisation. In many instances the Client’s assessments have been commenced or completed to meet national permitting requirements without full consideration of the applicable Lender standards, including the Equator Principles. Addressing the deficiencies in the Client’s environmental and social assessments identified through due diligence often requires specialist resources and extended time periods. Supplementary environmental and social assessments undertaken as an outcome of due diligence may require additional baseline studies and stakeholder engagement that requires several months or more to complete. The ESIA SoW guidance and templates aims to provide EPFI’s and their Client’s with tools that assist in effective scoping and procurement of ESIA at an early stage in Project planning such that extensive delays in the environmental and social consideration of Project Financing can be avoided.

In most jurisdictions the environmental and social assessment process commences early in the Project planning phase as it is generally a requirement for Project planning approvals, such as a national Environmental Impact Statement / Assessment (EIS/EIA). The ESIA SoW guidance should be applied by Clients, as advised by their agents or by the EPFI, to supplement the scope of other assessments undertaken for national approvals and permitting requirements when EPFI finance is being considered.

2.2 Approach to Environmental and Social Assessment

2.2.1 Components of Environmental and Social Assessment

The Environmental and Social Assessment process can be described through a phased approach that includes:

- screening of environmental and social requirements;
- scoping of the required studies for impact identification and characterisation;
- impact assessment; and
- the development of plans to mitigate impacts to the requirements of the applicable standards.

The processes are further described with the commonly applied components for each phase as presented in Figure 3.

The ESIA may encompass all phases of the environmental and social assessment as described above or may be limited to the impact assessment and management planning components with the scoping



and screening components undertaken separately. ESIA for high risk projects will often be phased whereby the screening and scoping phase is undertaken as a separate assignment that allows the Project proponent, or relevant government authority, to undertake a preliminary identification of environmental and social aspects of the Project and undertake an initial screening of risks against the applicable environmental and social standards, including national requirements. The outcome of screening will often inform the level of Assessment required under national requirements. In some instances, the outcomes of ESIA screening could be used to inform Project categorisation by the EPFI and determine if the Project is considered a high risk or moderate/low risk for the purposes of defining the environmental and social assessment requirements.

Ideally, the screening phase is completed prior to the development of detailed Terms of Reference (ToR) for an ESIA. The project scoping may also be undertaken as a discrete exercise to define the scope of an ESIA and may include the development of a detailed ToR. Whilst Lenders and regulators may not require a scoping phase under their ESIA policies; the scoping phase provides for early identification of the potential environmental and social issues associated with the Project, providing the basis on which the scope of the ESIA can be discussed with stakeholders and provides the ToR for the ESIA study. This phased approach will allow the Client and the EPFI(s) to understand the extent and complexity of ESIA study requirements, the specific expertise necessary to undertake the studies and the timeframe that would be expected for the completion of an ESIA.

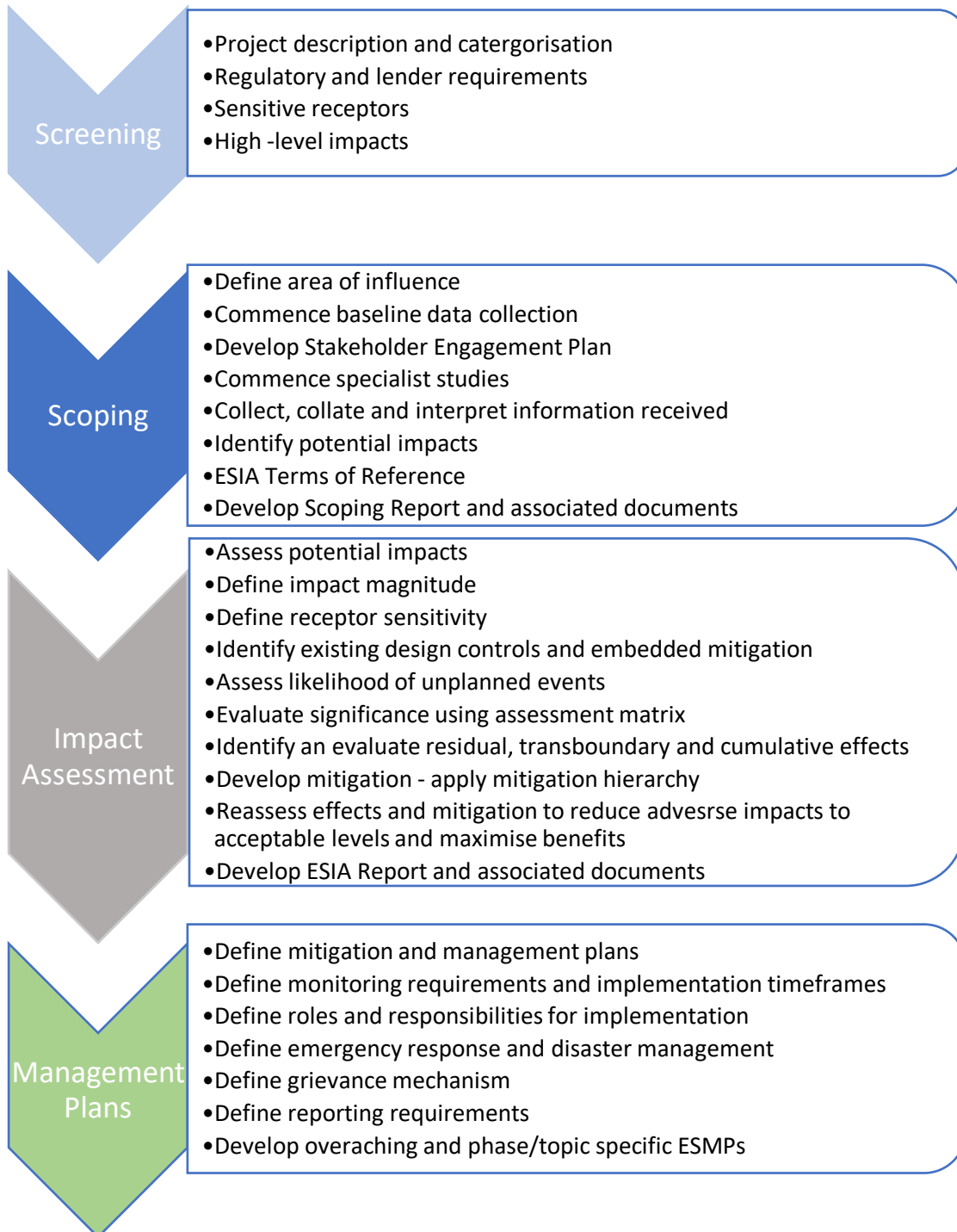


Figure 3 Example Environmental and Social Assessment Framework

2.2.2 ESIA Procurement

The procurement of appropriately experienced and capable services for ESIA by the Client is essential to ensure that the ESIA process is developed efficiently and comprehensively to meet the EPFI requirements. A range of procurement considerations are provided below to guide EPFI Clients and their advisors.

Phased Procurement

It is recommended that the Client undertakes ESIA screening and scoping, as described below, prior to issuing a Request for Proposal (RfP) for the ESIA consultants or specialist services. For this to be effective the Client should have appropriate level of in-house experience, expertise and capacity to do so, otherwise the Client should seek assistance from an external advisor (Client ESIA Advisor).

The screening and scoping phase allows identification of key environmental and social risks and identifies knowledge gaps and the expertise required to address these gaps. The screening and scoping process allows a consideration by the Client of likely Project categorisation by the EPFI, or, in an ideal circumstance, the EPFI could complete categorisation informed by the screening and scoping completed by the Client or its Consultants/Advisors.

The outcome of the ESIA screening and scoping can then allow the Client, ideally with guidance from the EPFI, to determine if a comprehensive ESIA should be undertaken for high-risk Projects or if a targeted or limited environmental and social assessment would suffice for medium and low risk projects. At the same time this process should be used to inform the project programme, including the EPFI's own due diligence and ultimately the financing schedule for the Project.

The ESIA detailed ToR can be developed as an outcome of the ESIA scoping phase whereby the key requirements for ESIA, as identified in the Applicable Standards, are developed into specific work tasks and environmental and social study scopes are defined. The costs and timeframe for ESIA can be more accurately estimated after the ESIA scoping has been developed than if scoping had not been commenced to assist with Project planning and budgeting.

Client ESIA Advisor

The Consultant/Advisor engaged by the Client to undertake the ESIA Screening and Scoping should be experienced with the requirements for ESIA as applied to Project financing, knowledgeable of the environmental and social aspects of the Project sector type and have a good understanding of the requirements of applicable national laws relative to the environmental and social assessments.



The Consultants engaged to undertake the ESIA may be different to the consultants engaged to complete the Scoping and Screening. It may be appropriate for the Client to retain the services of the Consultant who completed the ESIA Screening and Scoping to act as the Client's ESIA advisor, providing oversight of the ESIA consultants and coordinating the assessment process on behalf of the Client.

Client ESIA Advisors should also be experienced with EPFI financing process and bankability from an E&S perspective.

International ESIA Consultants

International ESIA consultants are those consultancies with specific expertise and experience in the development of ESIA that supports Projects financed by EPFI's and other international financial institutions. These international consultants are defined by their experience and not by location. International ESIA consultants are often engaged in partnership with other jurisdictional specific environmental permitting and approvals consultants where there is a need for local representation and familiarity/experience with nationally applied environmental and social assessment processes. International ESIA consultant can act as Clients ESIA Advisor and/or the principal contractor/provider of the international ESIA works and documentation.

Host Country Environmental and Social Consultants

The procurement of host country (national) consultants is usually required where a national environmental assessment is required under law for Project permitting and approvals. National consultants are often best placed to undertake primary baseline studies and stakeholder engagement activities for ESIA. For Projects in Non-designated Countries, the Client should seek to procure national consultants who are experienced with the applicable national laws and, if possible, familiar with the environmental and social standards applied by EPFIs. However, where the national permitting and approvals consultants do not have experience in the implementation of the Applicable Standards, including the requirements of the EPFI, then International ESIA Consultants can be engaged to support and supplement the work completed by the national consultants. It is recommended that Clients seek inputs from the Client's ESIA Advisor, or other suitably experienced person, in the selection and procurement of national consultants and the development of the ToR for such engagement.

As above, it is recommended that the Client seeks appropriate advice for the development of ToR and procurement of the international ESIA consultants, as appropriate. The procurement of the international ESIA consultants should consider:

- Experience in the Project's host country

- Experience with the Project type/sector.
- Availability of key experts (see 4.2.3).
- Relationship/ collaboration with national consultants.
- Experience with the implementation of the Applicable Standards.

2.2.3 Selection of ESIA Specialist Team

Clients can use in-house staff and/or external consultants or experts to carry out the Assessment work, provided that the Applicable Standards are met. The in-house staff or external personnel conducting the Assessment must be in a position to provide the required expertise to complete the work accurately and objectively, with the requisite qualifications and experience. For projects with issues that may pose significant adverse impacts and risks, high risk Projects, Clients will require external experts to assist in the conduct of all or part of the Assessment. These may include experts required for:

- Land acquisition, resettlement and livelihoods impact.
- Biodiversity specialists where critical habitats may be affected.
- Social engagement specialists with experience in Free Prior and Informed Consent where indigenous peoples may be encountered.
- Climate change risk consultants with experience in climate risk identification (physical and transitional) and adaptation measures.
- Human rights risk assessors.
- Specialists who can undertake monitoring and modelling of air quality, noise, hydrology or hydrogeology for the assessment of specific emissions and discharges.
- Human health/occupational health risks specialists where impacts to community or worker health are identified.
- Waste management and product life cycle assessment specialists.

These experts should have relevant and recognized experience in similar projects and operate independently from those responsible for design and construction. However, it is essential that the ESIA specialists (project leads) have appropriate experience to engage effectively with Client design and construction teams and other relevant advisors and stakeholders.

In addition, external experts are required in certain defined circumstances, on issues concerning biodiversity (as provided in paragraph 4 of Performance Standard 6), Indigenous Peoples (as provided



in EP Principle 5⁹ and paragraph 11 of Performance Standard 7) and cultural heritage (as provided in paragraph 4 of Performance Standard 8). Recommendations for the engagement of consultant with specific skills and experience required for Climate Change Risk Assessment is provided in the Guidance Note on Climate Change Risk Assessments¹⁰.

When engaging consultants or Client in-house teams to undertake environmental and social assessments required for national approval processes and to meet Lender requirements then it is important to ensure that the selected team has sufficient skills and experience to achieve both objectives.

For medium/low risk Projects the environmental and social assessment team is unlikely to require the depth of knowledge and experience as described above for high risk Projects. The in-house consultants or consultant team selected for medium/low risk Assessments should be able to demonstrate knowledge and experience with the Applicable Standards and a good general understanding of the environmental and social risks and mitigations measures applicable to the Project type and location. Experienced and credentialed national EIA consultants with a working knowledge of the Applicable Standards would be expected to be able to complete ESIA for medium/low risk projects in parallel with the national impact assessment process.

2.3 ESIA Scope of Work Guidance

This guidance supports the use of the Assessment templates in Annex 6 and Annex 7.

2.3.1 ESIA Screening

The initial screening of a Project against Applicable Standards (as per Principle 3), including national laws and regulations, will identify issues that may pose social or environmental risks that require additional Assessment through ESIA. The screening process identifies the extent and complexity of impacts on the Project's Area of Influence which is the total area likely to be affected by both onsite and offsite impacts of project activities. This stage would, ideally, be undertaken prior to the ESIA ToR being developed and would inform the environmental and social considerations for the environmental and social scoping and will assist in determining if the Project is considered a high risk or medium/low risk project for project categorisation.

⁹ [Guidance Note: Evaluating Projects with Affected Indigenous Peoples \(equator-principles.com\)](#)

¹⁰ [Guidance Note: On Climate Change Risk Assessment \(equator-principles.com\)](#)



Environmental and Social screening should be completed at a time when the project is sufficiently defined to allow for a high level identification of potential impacts. This would normally occur when the project's preferred location is known and the design concepts and resource/infrastructure requirements are understood at a feasibility level of definition.

Screening may be completed by the Client or the EPFI, for project categorisation (Principle 1), with input from specialists, in house or consultants, with knowledge and experience of:

- environmental and social issues associated with the Project type/sector;
- issues that may be specific to the Project location;
- national requirements environmental and social requirements; and
- other Applicable Standards.

The Project design and/or engineering teams should be consulted during the screening phase to advise on key Project characteristics including:

- project alternatives (including no-project option), design concept and philosophy;
- project programme and procurement strategy;
- the nature and extent of emissions and discharges;
- size of workforce;
- requirement for support infrastructure and significant temporary works;
- resource requirements (water, energy, other natural resources).

Effective Environmental and Social Screening will consider:

- Project definition – including the project activities and components that are proposed to be financed and any Associated Facilities.
- Determining the Applicable Standards including the requirements of applicable national laws and regulations. This may also include a gap analysis of applicable laws/regulations against the Project's Applicable Standards as defined by the EPFI so as to determine the extent by which any national assessment process achieves the assessment requirements under Principle 2.
- The extent to which the Applicable Standards may apply to Projects in Designated Countries would be informed from the outcomes of the screening process.
- Likely sensitive receptors, both environmental and social.

The outcomes from the environmental and social screening can be used to inform if a comprehensive ESIA is required, for high risk projects¹¹, or, for moderate/low risk projects, if a limited or focussed environmental and social assessment¹² is required.

2.3.2 Scoping

The Scoping process is informed from the outcomes of the Project Screening and has the purpose of identification of key sensitivities and those activities with the potential to contribute to, or cause, significant effects to the environment and social receptors and resources. The key scoping objectives include:

- Identify significant potential impacts;
- Obtain stakeholder views through consultation; and
- Develop the ToR for ESIA through consultation to ensure that the ESIA process and associated reporting output are focussed on key issues and is fit for purpose.

The scoping process uses available information on the project location and design, known baseline characteristics, results of early stakeholder engagement and the details of the applicable environmental and social standards determined during project screening. The scoping phase requires:

- Project design data including alternative sites, design configurations and construction methods;
- Initial baseline description from scoping phase baseline studies (usually desktop and field surveys) including identification of potential environmental and social receptors, known trends in the status of receptors that may be affected by the Project; and
- Stakeholder engagement to understand the views of stakeholders on key issues and obtain information to identify sensitive receptors. The initial stakeholder engagement may inform a Stakeholder Engagement Plan developed to manage and coordinate engagement with project affected people and other stakeholders throughout the ESIA process.

The scoping of the ESIA will include:

- Determine the Project Area of Influence (AoI) and Study Area;

¹¹ For greenfield developments or large expansions with specifically identified physical elements, aspects, and facilities that are likely to generate potential significant environmental or social impacts, the client will conduct a comprehensive Environmental and Social Impact Assessment, including an examination of alternatives, where appropriate.

¹² These projects may include, for example, modernization and upgrade of existing production facilities, not involving major expansions or transformations; real estate projects in urban areas and/or developed areas with the needed infrastructure; development of social infrastructure such as health and education facilities.

- Identify the type of environmental impacts to be assessed and reported in the ESIA Report, and in doing so “scope out” “insignificant impacts” that do not warrant further consideration at the ESIA stage (a clear justification for assigning impacts as insignificant should be documented in the scoping report);
- Identify and prioritise missing information/ information needs, for example baseline data gaps; and
- Determine assessment techniques e.g. predictive modelling requirements.

The project AoI should be determined in the ESIA scoping phase according to the criteria described in IFC PS1 and includes consideration of areas affected by:

- Direct and indirect impacts. For indirect impacts, the focus is specifically on impacts affecting biodiversity and ecosystem services upon which affected Communities’ livelihoods are dependent;
- Impacts from unplanned, but predictable events caused by the Project that may occur later or at different locations e.g. population influx, loss of containment of hazardous materials.
- Associated facilities; and
- Cumulative effects arising from the Project and other existing, planned or reasonably defined developments at the time the scoping and impact assessment process is conducted.

The study area is not necessarily the same as an AoI and is a defined area for specific studies to determine or verify receptor sensitivity and or the potential for and extent/intensity of impacts. Study areas will vary depending on receptor and impact type and are defined in the scoping phase.

The scoping process can be undertaken by the Client’s in house personnel, where internal expertise exists, and/or consultants with the relevant expertise and objectivity. The engagement of consultants to undertake the ESIA scoping may be separate from the engagement of ESIA consultants for the impact assessment or it could be combined in a single engagement process. In either case, it is recommended to phase the engagement such that a consultant’s proposal for the ESIA is undertaken on the basis of a completed scoping study.

2.3.3 Project Description and Analysis of Alternatives

The ESIA should define the project with a focus on those aspects of the project that have the potential for environmental and social impacts. The Project description should be written in non-technical language and use maps and concept diagrams to present locations, layouts and process flows in a way that can be readily understood by a broad non-technical audience. The use of engineering drawings and design diagrams should be avoided. The description of the Project should include a description of associated facilities, which are facilities that are not funded as part of the Project and that would

not have been constructed or expanded if the project did not exist and without which the project would not be viable.

For high risk and greenfield developments, the ESIA will include an examination of technically and financially feasible alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed. The analysis should consider alternative project locations, designs, operational processes or alternative ways of dealing with environmental and social impacts. The analysis of alternatives should also consider options that may improve resource efficiency such as the use of design alternatives that reduce GHG emissions or reduce the requirement for water abstraction. This analysis should be undertaken in consultation with Client design and engineering teams who would consider such alternatives during early Project scoping/feasibility studies.

2.3.4 Stakeholder Identification and Engagement

Stakeholder Identification involves the determination of the various individuals or groups who may have an interest in the project or who may affect or be affected by the Project. The process includes:

- Identify individuals, groups or local communities that be affected by the project, positively or negatively and directly or indirectly, including those who are disadvantaged or vulnerable.
- Identify broader stakeholders who may be able to influence the outcome of the Project because of their knowledge about affected communities or political influence over them.
- Identify legitimate stakeholder representatives.
- Mapping the impact zones by placing the affected groups and communities with a geographic area, which will assist the Client to define or refine the Aol.

Stakeholder mapping will identify the presence of individuals or groups within the project area of influence who are particularly vulnerable or disadvantaged and who could experience adverse impacts from the proposed project more severely than others. Large scale projects with a large project area of influence and multiple affected communities are more likely to expose these individuals and groups to adverse impacts than smaller scale projects with site specific issues.

The ESIA should assess potential impacts, including differentiated impacts, on these individuals and groups and propose specific (and if necessary separate) measures in consultation with them to ensure that potential impacts and risks to them are appropriately avoided, mitigated or compensated.

The ESIA will include a description of stakeholder engagement activities and outcomes from those engagements undertaken at various stages throughout the process. A Stakeholder Engagement Plan

(SEP) is usually developed early in the ESIA process and will describe the following engagement activities:

- Engagement aimed at seeking opinions and inputs from identified stakeholders on the proposed Project and its likely environmental and social aspects and impacts, including cumulative impacts and feasible alternatives.
- Engagement to assist in identification of indigenous people¹³ and/or disadvantaged or vulnerable groups.
- Engagement with appropriate stakeholders to contribute to the collection of baseline data (see 4.3.5 below) on, for example, land use and livelihoods, biodiversity and ecosystem services and cultural heritage.
- Seeking stakeholder comments and input to the ESIA through a public consultation period and responding to comments and recommendations received.
- Where a Resettlement Action Plan is required, then the engagement process shall be integrated to meet the needs for resettlement planning in addition to the broader engagement objectives.

A Non-Technical Summary of the ESIA should be developed as a part of the ESIA public disclosure process, required by the EPFI for Category A and, as appropriate, Category B Projects, or under the relevant national laws. The summary should communicate the key outcomes of the ESIA to Project stakeholders in a way that is readily understood, in the relevant local language/s and concise. The Non-technical Summary will be focussed on describing the key environmental and social impacts and how negative impacts are proposed to be mitigated and how positive impacts will be enhanced.

2.3.5 Baseline Information Gathering

Baseline information gathering should describe the relevant existing conditions, such as physical, biological and socio-economic. Analysis of project and site-specific impacts should be based on current and verifiable primary information. Reference to secondary information on the project's AoI is acceptable, but it may still be necessary to gather primary information from field surveys to establish baselines appropriate to the proposed project's potential impacts and risks.

Site specific primary data is usually required where the project is likely to have specific impacts to sensitive receptors, social or environmental, where the sensitivity of receptors is unknown. Primary baseline data is commonly gathered for:

- Identifying and characterising potential biodiversity receptors.

¹³ See - [Guidance Note: Evaluating Projects with Affected Indigenous Peoples \(equator-principles.com\)](https://www.equator-principles.com/guidance-note-evaluating-projects-with-affected-indigenous-peoples)

- Identify/verifying social livelihoods and land use.
- Characterising receiving environments for direct and indirect emissions/discharges to air, water and soil.
- Identification of use of natural resources for assessment of impacts to ecosystems services.

Relevant data may be available from various host governmental, NGO and academic studies. However, Clients should carefully evaluate data sources and potential data gaps. Accurate and up-to-date baseline information is essential, as rapidly changing situations, such as in-migration of people in anticipation of a project or development, or lack of data on disadvantaged or vulnerable individuals and groups within an affected community, can seriously affect the efficacy of social mitigation measures.

Primary and secondary baseline data should be reviewed by relevant experts to ensure currency and applicability of the data. Limitations on data, such as the extent and quality of available data, assumptions and key data gaps, and uncertainties associated with predictions, should be clearly identified. Where necessary, additional surveys may be required to address identified limitations.

The timeframe required for baseline data gathering for ESIA is often the key determinant for the time required for completion of the Assessment. Characterisation of receiving environments and sensitive receptors may require consideration of seasonal changes that occur including:

- Seasonal changes to biodiversity and uses of habitats.
- Social land use and livelihood changes that occur throughout a year or between years.
- Seasonal changes to meteorological conditions that may affect air quality, water resources and ecosystems services.

The Equator Principles Best-Practice Note on Biodiversity Baseline Surveys¹⁴ provides specific guidance on the timeframes for biodiversity baseline studies and recommends that these studies should be undertaken for at least 1 year for Projects where significant biodiversity risks are identified.

Biodiversity data collected for an ESIA should be developed in consideration of Principle 10 of the EPS where EPFI's encourage Clients to share species occurrence data and other useful information in accordance with the Guidance Note on Biodiversity Data Sharing – For EPFI Clients¹⁵.

¹⁴ [Best-Practice Note Biodiversity Baseline Surveys_Mar2022 \(equator-principles.com\)](#)

¹⁵ [Guidance Note: On Biodiversity Data Sharing – For EPFI Clients \(equator-principles.com\)](#)

The ESIA should describe the baseline environmental and social conditions using summarised information and /or maps, graphs and other tools that allow concise presentation of key contextual information for identification and analysis of Project impacts. Detailed data sets and baseline surveys reports should be annexed to the ESIA and not included in the main body text of the document.

2.3.6 Impact Assessment

Potential impacts and risks should be assessed and documented for each key stage of the project cycle including design and planning, construction, operations, and decommissioning or closure and for their short-term, long-term, and cumulative contexts, keeping in mind the dynamic and shifting nature of these impacts and risks.

The impact assessment process should include robust and consistently applied methods for:

- Predicting impacts, which includes:
 - Determining impact magnitude - considering impact type (positive or negative), spatial extent, duration, frequency, likelihood and reversibility (whether an impact is reversible or irreversible -resulting in a permanent impact).
 - Receptor sensitivity - based on the degree to which a receptor is resilient to change and the value attributed to the receptor by stakeholders or applicable regulations/policies.
- Impact evaluation – where the impact magnitude and receptor sensitivity results are combined to determine the significance of the effect.

The assessment of impacts should include unplanned events which are reasonably foreseeable but are not planned to occur as part of the project. These may include major accidents such as industrial accidents that result in fatalities and/or major injuries or release of hazardous materials that pose a major public health risk. Impacts arising from unplanned events should be assessed using systematic and consistently applied methods that consider both the incident likelihood and the consequence of the event.

Cumulative Effects

Cumulative effects are those that arise due to an impact from the Project interacting with another activity to create additional impact. For example, a residential property positioned between a railway project and an airport would result in the residential receptors experiencing the combined effect of the two noise sources. Cumulative impacts should consider existing, planned and /or reasonable anticipated future projects. Impacts from Associated Facilities should be considered in the assessment of cumulative effects. An initial cumulative assessment process is outline in Figure 4.

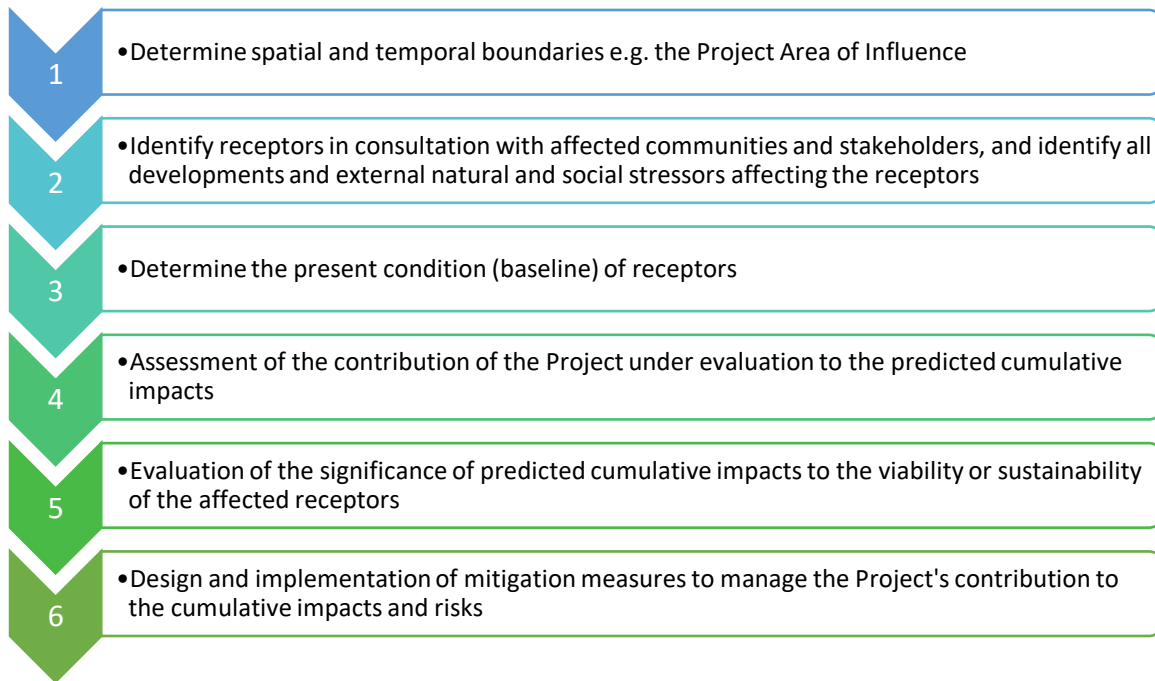


Figure 4 Rapid Cumulative Impact Assessment Process

Transboundary Impacts

The impact assessment component should identify transboundary impacts that extend to multiple countries, beyond the host country of the project, but are not global in nature. Examples include air pollution extending to multiple countries, use or pollution of international waterways, and transboundary epidemic disease transmission. The ESIA should describe any requirement for notification by the Project to the affected country or counties if it is determined that:

- the project entails activities that may cause adverse effects through air pollution or abstraction of water from or pollution of international waterways;
- the affected countries and the host country have entered into any agreements or arrangements or have established any institutional framework regarding the potentially affected airshed, waterway, subsurface water, or other resources; or
- there are unresolved differences between the affected and host countries regarding the potentially affected resource, and the likelihood of a resolution is not imminent.

Climate Change



The impact assessment should include a climate change risk assessment aligned with the Climate Physical Risk and Climate Transition Risk categories of the Taskforce for Climate Related Financial Disclosures (TCFD) as applicable to EP Principle 2. The depth and nature of the Climate Change Risk Assessment will depend on the type of Project as well as the nature of risks, including their materiality and severity. EP Annex A provides an overview of a Climate Change Risk Assessment, including alternatives analysis requirements and the Guidance Note on Climate Change Risk Assessment¹⁶ is also applicable.

Human Rights

EPFIs expect clients to properly assess the risks of actual or potential adverse Human Rights impacts related to project development in line with the UNGPs (particularly paragraphs 17-21) and incorporate that risk assessment into the Project's Assessment Documentation (EP, Principle 2). The UNGPs indicate that a company needs to assess Human Rights risks based on the scale and complexity of the Project and the severity and likelihood of potential Human Rights risks. Each Project's risk assessment will therefore be unique and proportional to the Project's risks and the level of detail provided by the client in the Assessment Documentation will be proportional to the level of risks identified. The Guidance Note on Implementation of the Human Rights Assessments Under the Equator Principles¹⁷ provide further guidance.

Indigenous Peoples

Where Projects identify the potential for impact to Indigenous Peoples, through stakeholder identification, the ESIA will be required to specifically assess and address these impacts in accordance with the requirement of Principle 5 of the EPs¹⁸ and, as applicable, IFC PS7¹⁹.

2.3.7 Impact Mitigation

As part of the ESIA process, when negative impacts are identified (the effects of which cannot be managed via design controls /incorporated mitigation), additional mitigation measures will be developed (including avoiding, management and monitoring actions). The process of identifying design controls and mitigation measures shall follow the sequence of mitigation hierarchy as specified

¹⁶ [Guidance Note: On Climate Change Risk Assessment \(equator-principles.com\)](https://equator-principles.com/guidance-note-on-climate-change-risk-assessment)

¹⁷ [Guidance Note: On Implementation of Human Rights Assessments under the Equator Principles \(equator-principles.com\)](https://equator-principles.com/guidance-note-on-implementation-of-human-rights-assessments-under-the-equator-principles)

¹⁸ [Guidance Note: Evaluating Projects with Affected Indigenous Peoples \(equator-principles.com\)](https://equator-principles.com/guidance-note-evaluating-projects-with-affected-indigenous-peoples)

¹⁹ Where Projects meet the special circumstances under the IFC PS7 paragraphs 13-17



in EP Principle 2 and in IFC PS1. Efforts should be firstly applied to avoid or prevent, then minimise or reduce adverse effects through the application of the design controls. Where trade-offs between avoidance and mitigation/compensation are considered, these should be documented. The Assessment should consider economic, financial, environmental and social costs and benefits and identify to which parties these accrue.

These efforts are supplemented by additional design controls and mitigation measures during Project construction, operation and decommissioning. For positive impacts, enhancement measures to increase the benefits generated by the project may also be developed.

The mitigation measures in the ESIA should consider the extent to which the Client can mitigate or influence impacts from Associated Facilities or other third party operated facilities that result in significant cumulative impacts. Mitigation actions may include applying influence to third party operated facilities within the Project Aol with the intent of aligning those project's environmental and social plans with the Applicable Standards. For example, the Client project's mitigation actions may include environmental and social provisions aligned with the Applicable Standards in the contract for services for a third party operated water treatment plant that is identified as an Associated Facility.

Environment and Social Management Plan and System

The ESIA will document mitigation measures either through a description of design controls (which include specific design criteria required for effective performance) or within a management program or plan that is implemented through the Client's Environmental and Social Management System (ESMS). The level of detail and complexity of this program and the priority of the identified measures and actions will be commensurate with the project's risks and impacts. The program will define desired outcomes as measurable events to the extent possible, with elements such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, and with estimates of the resources and responsibilities for implementation. Recognizing the dynamic nature of the project development and implementation process, the program will be responsive to changes in project circumstances, unforeseen events, and the results of monitoring.

The level of detail for the Environmental and Social Management Plan developed for the ESIA should be sufficient to describe the implementation of mitigation actions, the desired outcomes, the responsibilities, resources and timeframes for implementing the mitigating actions. The mitigation plans included either within the ESIA, or as an outcome of the ESIA, do not necessarily require the level of procedural detail provided to a contractor or employee to perform the tasks. The plans should, as a minimum, provide a comprehensive framework for implementation with the expectation that



further details of tasks and prescriptive methodologies would be undertaken prior to the mitigation plans being implemented by the Client or its Contractor.

LIST OF ABBREVIATIONS

AF	Associated Facility
Aol	Area of Influence
BAP	Biodiversity Action Plan
CCRA	Climate Change Risk assessment
DFI	Development Finance Institute
ECA	Export Credit Agency
EPs	Equator Principles
EPAP	Equator Principles Action Plan
EPFI	Equator Principles Finance Institution
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
FA	Financial Advisor
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
GM	Grievance Mechanism
HRA	Human Rights Assessment
IESC	Independent Environmental and Social Consultant
LMA	Lenders' Market Advisor
LTA	Lenders' Technical Advisor
MLA	Mandated Lead Arranger
NGO	Non-Governmental Organisation
RAP	Resettlement Action Plan
RfP	Request for Proposal
SEP	Stakeholder Engagement Plan
SLIP	Supplemental Lenders' Information package
SoW	Scope of Work
ToE	Terms of Engagement
ToR	Terms of Reference
UNGP	United Nations Guiding Principles on Business and Human Rights



ANNEX 1 LIST OF GOOD PRACTICE REFERENCES AND SOURCES

1. Equator Principles “EP4”, Equator Principles Association, July 2020
2. The Equator Principles Implementation Note, Equator Principles Association, September 2020
3. Guidance for Consultants on the Contents of a Report for an Independent Environmental and Social Due Diligence Review, Equator Principles Association, October 2020
4. Good Practice Note for Environmental and Social Agents, OECD/Equator Principles, April 2021
5. Guidance Note – Good Practice in the Use of Consultants by Export Credit Agencies, OECD, November 2016
6. Guidance Note on Climate Change Risk Assessment, Equator Principles Association, September 2020
7. Guidance Note on Implementation of Human Rights Assessments under the Equator Principles, Equator Principles Association, September 2020
8. Guidance Note on Biodiversity Data Sharing, Equator Principles Association, September 2020
9. Best Practice Note on Biodiversity Baseline Surveys, Equator Principles Association, March 2022
10. Guidance Note on Evaluating Projects with Affected Indigenous Peoples, equator Principles Association, September 2020
11. Guidance Note for EPFIs on Incorporating Environmental and Social Considerations into Loan Documentation, December 2020

ANNEX 2 IESC Contract Good Practice Checklist

IESC CONTRACT – GOOD PRACTICE CHECKLIST		Y/N
Contract Parties		
- Are all relevant parties defined including clear roles and responsibilities		
- Are representatives of finance parties (or equivalent) signatories to the contract		
Payment		
- Is a payment process defined		
- Is the payment of IESC de-coupled for the Project's compliance status (e.g. independent from completion of conditions precedent by the Borrower/Sponsor etc.)		
- Are rates and time allocation (where appropriate) provided for team members		
Duty of care and reliance – does the contract:		
- Confirm the IESC duty of care to the finance parties		
- Extend reliance on the IESC outputs to the finance parties		
- Enable the finance parties to give instruction to, and request reasonable additional work/support from, the IESC (directly or through Agent)		
- Provide a total aggregate limit of liability to the finance/relying parties		
- Provide a requirement for the IESC to maintain a suitable level of professional indemnity insurance		
- Provide a communication mechanism for resolving disagreements between Borrower/Sponsors, the IESC and the finance parties		
IESC Scope of Work		
- Is the SoW adequately defined in line with the SoW included in this guidance note including a Core Scope		
- Does the scope and associated IESC's budget allow for flexibility to meet evolving needs of the ESDD		
- Does the SoW distinctly cover either pre-financial close ESDD or the post-financial close monitoring (good practice is for these phases to be covered under separate contracts)		
IESC Outputs – does the contract stipulate that:		
- IESC outputs be provided simultaneously to the finance parties		
- The IESC shall not respond to any received comments on its outputs from any party (including the Borrower/Sponsor and finance parties) that may compromise its independence		
ESDD Timelines		
- Are realistic timelines defined in the contract / scope of work		
- Do the timelines allow for reasonable flexibility to account for evolving ESDD requirements		
Changes to the Consultant / Consultant Team		
- Does the contract stipulate that changes to the IESC team need to be agreed in advance with the finance parties (such agreement to not be unreasonably withheld)		
- Does the contract enable representatives of the finance parties to reasonably request a change in consultancy firm in the event of inadequate performance		



ANNEX 3 Template Scope of Work for Pre-Financial Close ESDD

The template below provide model text to define the IESC’s pre-financial close ESDD scope of work for inclusion in the RfP to be issued to prospective consultancies. Model text for direct inclusion in the RfP is in black. SoW aspects that need to be project/case specific are described in blue. Terminology/information that needs to be insert to reflect the project-specific details is presented in square brackets in [red]. The text provided in the table below is intended to provide a starting point for the development of the IESC’s SoW, and the EPFIs involved in the development of the IESC RfP may then develop the final SoW taking into account the specifics of the individual project/transaction.

The second column provides guidance on which elements of the SoW are (i) Generally Applicable as good practice (Generally Applicable/‘GA’), (ii) good practice in certain scenarios (Case Specific/‘CS’); and (iii) optional at the EPFI’s discretion (Optional/‘O’). Guidance on the applicability of the option scope elements is provided in the third column.

SoW Component	GA, CS, O	Commentary of applicability/usage
Scope of project to be assessed		
The ESDD will cover the [Insert name of the Project and provide a description of its main components and activities]. The IESC will confirm, based on the ESIA and any other information provided by the [Borrower/project Sponsors], a detailed description of the project and its area of influence, including the relevant activities and facilities that form each of (as defined in the Applicable Standards): <ul style="list-style-type: none"> - The Project - Any associated facilities - Primary supply chain components - Any other existing, planned or reasonably defined other existing, planned or reasonably defined developments that may impact cumulatively with the funded project. 	GA	Where non-commercial bank EPFI lenders are involved care needs to be taken in defining the ‘Project’ and ‘Associated Facilities’ as these definitions under some other lender standards, for instance the OECD Common Approaches, have subtle but important differences from those of the IFC PS, and this needs to be accounted for in the overall ESDD.
The physical, operational and management interactions between the existing and [new expansion project] will need to be clearly identified by the IESC	CS	Applicable for expansion project.
Applicable Standards		
The Applicable Standards to be considered in the ESDD will be confirmed by the [IESC] during the initial stages of the ESDD in agreement with the [Borrower/project Sponsor(s)] and [representative(s) of the finance parties], but shall include as a minimum:	GA	
- All relevant host country laws, regulations and permits that pertain to environmental and social issues	GA	This is a specific requirement under EP Principle 3.
- Any International Conventions and Treaties relating to the environment to which the host country is a party (specific Conventions and Treaties to be confirmed and agreed)	GA	

SoW Component	GA, CS, O	Commentary of applicability/usage
- The Equator Principles [latest applicable version/date]	GA	
- IFC Performance Standards [latest applicable version/date]	CS	Required under the EP standard for projects in Non Designated countries. This should also be included if ECAs are included in the finance parties (not as EPFIs)
- World Bank Group Environmental, Health and Safety (EHS) Guidelines including the IFC EHS General Guidelines and applicable sector guidelines (to be confirmed and agreed)	CS	Required under the EPs standard for projects in Non Designated countries.
- Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the “Common Approaches”) [latest applicable version/date]	CS	Required if any export credit agencies are amongst the finance parties
- [Any addition standards/policies of individual finance parties as relevant]	CS	To be included on the basis of the known finance parties. These may include internal policies of individual EPFI or other types of financing institutions such as DFIs
- Other relevant international standards and guidance		
o The ILO conventions covering core labour standards and the basic terms and condition of employment	GA	Referenced from the IFC PS, but good practice to include specifically in the SoW, even if conventions not adopted by the host country
o UN guiding principles on business and human rights	O	Referenced from the EPS and associated EPA guidance of human rights risk assessment
o Voluntary Principles on Security and Human Rights	O	Good practice to include in SoW
o IFC/EBRD Workers' Accommodation: Processes and Standards	O	Good practice to include in SoW
o Any other relevant guidance as identified and agreed between the [Borrower/project Sponsor(s)] and [representative(s) of the finance parties]	CS	Allow for the context of the specific project and also any additional policy requirements of individual finance parties. It is good practice to request the IESC to proposal any additional guidance / GIIP.

SoW Component	GA, CS, O	Commentary of applicability/usage
In addition, relevant aspects the IESC will evaluate the specific risks of the Project to determine whether one or more of the IFC Performance Standards could be used as guidance to address those risks, in addition to host country laws.	O	Required as a standard for projects in Designated countries.
Overview of ESDD Program		
The ESDD will comprise the following components:		
<ul style="list-style-type: none"> - Task 1 - Kick off Meeting: Kick-off meeting with representatives of [the Borrower/project Sponsor], [the finance parties] (where available), and other relevant stakeholders. The primary objectives of the meeting are for: the IESC to gain a fuller understanding of project definition, status and E&S management structure and systems; confirm the status of available E&S and other project document to inform the ESDD; agree arrangements for the site visit; confirm the ESDD schedule; and agreement of communication protocols. 	GA	
<ul style="list-style-type: none"> - Task 2 - Information and Documentation Review: The IESC review will address: <ul style="list-style-type: none"> o Review and assessment of [the Borrower's/Sponsor's] E&S management approach, structure and institutional HSES capacity, including as relevant flow-down of requirements to [the Buyers, Operators, EPC Contractors etc. as applicable to specifics of the project] o Review and assessment of the project's E&S and other relevant materials. A typical list of review documentation is provided [see list in Annex 4 for inclusion] but the IESC provide a project-specific list to [the Borrower/Sponsors] of all the data requests required to complete the ESDD. o Review is required of the of key E&S materials (ESIA, ESMP, E&S policy, Stakeholder Engagement Plan/records, internal and external Grievance Mechanism etc.) against the Applicable Standards including the IFC Performance Standards and relevant EHS Guidelines). o Review of legal/permit compliance including: (i) a description of local legal/permitting process, including identification of key required E&S permits, (ii) the status of acquisition of key E&S permits; and (iii) adequacy of the Borrowers' procedure for managing ongoing legal compliance. 	GA	For Sovereign loans flow down may include Buyers and Operators etc. as necessary depending on the loan and project structure.
	GA	The typical document list provided in Annex 4 can be included in the SoW but should be reviewed for relevance/applicability to the specific case.
	CS	Applicable to project in Non-Designated Countries. Also applicable in Designated countries where non-EPFIs (e.g. ECAs or DFIs) are among the finance parties.
	GA	Note that the IESC should not be expected to provide legal opinion.

SoW Component	GA, CS, O	Commentary of applicability/usage
<ul style="list-style-type: none"> ○ Determine the extent to which aspects of the IFC PS should be used as guidance to address specific risks in the ESDD as per Principle 3 through: (i) a high-level comparison of the scope of the local/national legal requirements against the IFC PS/EPs; and (ii) review of the regulatory submissions to identify whether there are any significant elements of the IFC PS requirements that have not been addressed. Alignment of the project against the identified relevant aspects of the IFC PS should be assessed. ○ Review of ESIA, ESMP/ESMS, SEP, and (where applicable) Free Prior and Informed Consent for Indigenous Peoples, the grievance mechanism, and biodiversity data sharing as per Principles 4 to 6 and 10. 	CS	Applicable to projects in Designated countries where the finance parties are EPFIs. May also wish to include reference to benchmarking against other GIIP
<ul style="list-style-type: none"> ○ Determine the project's requirements under EP Principle 2 for: (i) a physical climate change risk assessment (CCRA); (ii) a transition CCRA; (ii) a GHG alternatives analysis. ○ Review of the project's CCRA (if a CCRA is determined as being required under EP Principle 3 but has not been produced by [the Borrower/Sponsors] then with in agreement with [the Borrower/Sponsors] and [the finance parties], the IESC may be requested to undertake a screening CCRA to determine whether there are potentially significant physical and/or transition risks that [the Borrower/Sponsors] needs to assess in detail. Where appropriate, the IESC should liaise with other lender advisors [insert lenders' technical advisor and lenders market advisor if in place]. Review of the CCRA should take due account of the existing EPA Guidance Note on Climate Change Risk Assessment. 	GA/CS	Where possible the level of applicability of the CCRA should be assessed prior to the development of the SoW, and where applicable the Borrower/Sponsors should be encouraged to develop a CCRA for submission to the IESC early in the ESDD process.
<ul style="list-style-type: none"> ○ Review of the Human Rights Assessment (HRA) to be produced by [the Borrower/Sponsors] under EP Principle 3. Review of the HRA should take due account of the EPA Guidance Note on Implementation of Human Rights Assessments under the Equator Principles. Where [the Borrower/Sponsors] has not developed an HRA, then with in agreement with [the Borrower/Sponsors] and [the finance parties], the IESC may be requested to undertake a screening HRA to determine whether there are potentially significant physical and/or transition risks that [the Borrower/Sponsors] needs to assess in detail. 	GA/CS	The Borrower/Sponsors should be encouraged to develop a HRA (or potentially a screening HRA) for submission to the IESC early in the ESDD process.
<ul style="list-style-type: none"> ○ Where appropriate based on the level of detail provided by the Borrower, the IESC should undertake a high-level verification of the potential for key sensitive receptors 	CS	This may be especially important where limited baseline information is available, including projects

SoW Component	GA, CS, O	Commentary of applicability/usage
<p>based on review of publicly available information sources (e.g. iBAT, Birdlife international etc.). If the IESC identifies the potential presence of sensitive receptors/habitats not addressed in the Borrower's E&S documentation, then the IESC should make recommendations for further studies to be undertaken by the Borrower.</p>		<p>deemed to be lower risk Category B projects and for Projects in Designated countries. The media/NGO reviews described below may also be useful in this regard.</p>
<ul style="list-style-type: none"> ○ Undertake media/NGO reviews in order to identify any potential community/NGO reputational issues and risks related to the Project. 	GA	
<ul style="list-style-type: none"> ○ Review of the project compliance with biodiversity data sharing/GBIF as per EP Principle 10. This review should take due account of the EPA Guidance Note on Biodiversity Data Sharing. 	GA	
<ul style="list-style-type: none"> ○ In performing the ESDD, the IESC should liaise with [other lender advisors e.g. legal advisors, technical advisor and market advisor if/as appointed] and the [role bank(s)] as appropriate. 	GA	<p>In instances where an LTA has not been appointed, relevant aspects of technical design review may be included in the IESC SoW.</p> <p>In the case where E&S Agents have been appointed, liaison is required to ensure effective coordination of the IESC role with the Agent role (see also the OECD/EPA Good Practice Note for Environmental and Social Agents [Ref 4])</p>
<ul style="list-style-type: none"> - Task 3: Preliminary Findings Review. Following initial documentation review, the IESC will produce a brief Preliminary Findings Review to identify early in the ESDD process any significant gaps/issues that require significant additional work/action by [the Borrower/Sponsors] to ensure compliance, including any that may require adaptation of the ESDD program and, potentially, the financing schedule. The Preliminary Findings Review should include consideration of the development/availability of primary E&S documentation such as the ESIA, construction phase ESMP, SEP/GM, CCRA, HRIA and, if relevant, BAP, and RAP/LRP etc., the development of which needs to be understood in the context of the Project /financial scheduling. 	O	<p>Optional, but can be valuable in the early identification of risks to financing schedule, and can be especially valuable where either the proposed financing schedule is aggressive and/or where there are uncertainties in the scope and quality of available E&S materials produced by the Borrower/Sponsors in advance of the ESDD process commencing.</p>
<ul style="list-style-type: none"> - Task 4: Reconnaissance site visit. The IESC will undertake a reconnaissance site visit. Reconnaissance site visits should be undertaken in-person, with virtual/remote visits only 	GA	<p>Further guidance on the objectives of the site visit may be included in the RfP as follows: The</p>

SoW Component	GA, CS, O	Commentary of applicability/usage
<p>performed where in-person visits are not feasible for instance due to health, safety or security issues at the project site and the unavailability of competent local consultants. The size and composition of the site visit team will need to reflect the key potential Project sensitivities, and for example the site visit will typically require more than one specialist (e.g. environmental, social, biodiversity, resettlement, cultural heritage, engineering, IPs etc.) in order to ensure that the right skills are deployed for the Project.</p>		<p>reconnaissance visits should be used by the IESC to: ensure full familiarisation with the Project, it's status and the local context; understand extent of local/community support and any emerging reputational risks (including from interviews with relevant stakeholders); ground-truth the findings of the desk-based review (including confirmation of the key E&S sensitivities); gain first-hand understanding of the on-the-ground capacity, willingness and preparedness of the Borrower/Sponsors to implement their obligations and also of any relevant external parties (e.g. in the case of government/third-party resettlement). In the case of sovereign loans, meetings should also be organised with the Borrower, Buyer and any other relevant departments to enable the IESC to assess their level understanding, commitment and resources in relation to meeting the lender standards.</p>
<p>- Task 5: Initial ESDD report.</p>		
<ul style="list-style-type: none"> ○ The IESC will produce an Initial ESDD Report based on findings of site visit, completion of the E&S information and documentation review, assessment of the project's E&S capacity and the media/reputation risk review. The structure and contents of the IESC's ESDD reports, including an Action Plan summarising all recommended actions required resolve any identified non-compliances, should follow good practice guidance, including the EPA guidance for Consultants on the Contents of a Report for an Independent ESDD Review [Ref 3] and other relevant guidance [insert as appropriate 	<p>GA</p>	

SoW Component	GA, CS, O	Commentary of applicability/usage
<p>e.g. where ECAs are involved in the financing the OECD guidance on use of consultants].</p>		
<ul style="list-style-type: none"> ○ The ESDD report will assess and document compliance with all relevant elements of applicable E&S standards. Specifically, reporting of compliance issues ‘by exception’ is not considered good practice and the ESDD Report should present a description of how the project as a whole complies with the Applicable Standards. 	GA	
<ul style="list-style-type: none"> ○ The ESDD report will include the IESC’s recommendation as to the project’s categorisation. This categorisation should be based on the project description and information provided in the Borrower’s E&S materials, and in particular the ESIA and associated studies. 	GA	
<ul style="list-style-type: none"> ○ The Initial ESDD Report will identify any recommended actions required to bring the Project into/maintain compliance with the Applicable Standards. Timelines for the completion of each action should be recommended by the IESC for agreement with [the finance parties]. Where appropriate the timelines should be placed in the context of the financing schedule and the Project program. Particular focus will be paid to the identification of any necessary additional E&S actions to be developed by [the Borrower/Sponsors] prior to signing/Financial Close; such materials may form part of a Supplemental Lender Inform Package (SLIP). 	GA	See main body of guidance in relation to time scales for the ESDD, including the need for a comprehensive ESIA to be available before the main part of the ESDD (including the Initial ESDD) can be undertaken. The IESC scope will need to reflect this.
<ul style="list-style-type: none"> ○ A draft version of the Initial ESDD Report will be provided simultaneous to both [the Borrower/project Sponsors] and [the finance parties] for review prior to development of the final version. 	GA	
<p>- Task 6: Review of Additional/SLIP Materials and Final ESDD Report.</p>		
<ul style="list-style-type: none"> ○ The Final ESDD Report should be developed prior to Financial Close following review of the actions and SLIP materials undertaken/produced by the Borrower/project Sponsors in response to the recommendations made in the Initial ESDD, and also to reflect any other project updates. A primary purpose of the Final ESDD Report will be to report on the status of the project compliance ahead of signing. 	GA	
<ul style="list-style-type: none"> ○ The Final ESDD should also include a proposed EPAP that described all the actions required post-financial close to ensure the project’s ongoing compliance. The IESC will 	GA	May refer to an ESAP rather than EPAP if ECA/DFIs involved

SoW Component	GA, CS, O	Commentary of applicability/usage
support [the finance parties] in finalising the EPAP for inclusion in the financing documents.		
<ul style="list-style-type: none"> ○ A draft version of the Final ESDD Report should be provided simultaneous to both [the Borrower/ Sponsors] and [the finance parties] for review prior to finalisation. 	GA	
<ul style="list-style-type: none"> ○ Following completion of the Final ESDD Report and as part of the Conditions precedent to financial close, the IESC will produce an E&S Certificate confirming the status of the Project's compliance including completion of all E&S actions required prior to financial close. 	O	Requirement is dependent on the CPs specified in the loan documentation.
- Task 7: Additional liaison and Support to Lenders		
<ul style="list-style-type: none"> ○ The IESC will provide support to [the finance parties] in the drafting and review of E&S provisions in the loan documentation. 	O	Requirement dependent on the wishes of the finance parties. As a minimum, the drafting of the E&S provisions should be provided to the IESC so that they can be taken into account in their ESDD.
<ul style="list-style-type: none"> ○ The IESC will provide support and advice to [the finance parties] throughout the ESDD process. This support may take the form of periodic progress calls, presentation of findings at incremental stages of the ESDD, support on lender site visits etc., as requested by [the finance parties]. 	GA	
<ul style="list-style-type: none"> ○ Any other additional ad-hoc tasks as requested by [the finance parties] and agreed by [the Borrower/Sponsors] 	GA	
Timescales		
To be determined	GA	The RfP should include a timeframe for the ESDD. However, this will need to be developed on a case-by-case basis and taking into account the aspects identified in the main body of this guidance.

ANNEX 4 Typical Document Review List for Pre-Financial Close ESDD

Information Category	Information Required
Project Overview, Structure and Design	Detailed description of the project and its area of influence, including the relevant activities and facilities that form each of (as defined in the Applicable Standards): <ul style="list-style-type: none"> • The funded Project • Any associated facilities • Primary supply chain components • Any other existing, planned or reasonably defined other existing, planned or reasonably defined developments that may impact cumulatively with the funded project.
	Overview of the Project ownership and organizational structure
	For Project expansions – details on the physical, operational and management interactions between the existing operations and the new expansion project.
	Overview of the Project status including procurement form and status
	Project design documentation including as applicable: <ul style="list-style-type: none"> • BAT demonstration documents • Environmental basis of design documentation • Major hazards studies • High-level process flow diagrams • Project footprint plans (e.g. GIS, KMZ files etc.)
Permitting	Permits, consents and authorizations for the construction and, where available, operation of the Project, including any legal registers and status of land acquisition.
Impact Assessment	Environmental and Social Impact Assessments (ESIA), including: <ul style="list-style-type: none"> • Local EIA Assessments produced to host nation requirements (if different from the ESIA below) • Environmental and Social Impact Assessment (ESIA) (and ESIA scoping if available) for Applicable Standards • Alternatives analysis • Critical Habitat Assessment (CHA) • Cumulative Impact Assessment • GHG Quantification
	Climate Change Risk Assessment and GHG Alternatives (if applicable as per EP Principle 2)
	Human Risks Assessment
	Biodiversity Action Plan (as applicable where natural and/or critical habitat identified in the CHA)
Stakeholder Engagement	Community consultation activities, the Project Stakeholder Engagement Plan (SEP) and community grievance mechanism (procedure and details of any grievances raised).

Information Category	Information Required
Indigenous Peoples	Details on management of consultation with IPs and evidence of FPIC (as applicable if IPs within the Area of Influence)
Land acquisition and Resettlement	Resettlement Action Plan (RAP) and/ Livelihood Restoration Plan (LRP) (if applicable) Status of implementation of the RAP/LRP, including status of any government led resettlement.
Management & Monitoring	Information on the capacity and capability of the Borrower/Projects Sponsors to ensure ongoing compliance with the Applicable Standards, including organization charts and resourcing plans
	The Borrower's/Sponsors' and EPC Contractor's (as applicable) environmental and social policies, ESMS Manual and ESMPs, addressing environmental (including resource efficiency, pollution prevention and biodiversity) and social management, labour and working conditions (including health & safety, labour rights and human resources management), and community health, safety and security (including emergency, preparedness and response).
	Environment and social provisions in Engineering, Procurement, Construction (EPC) (or equivalent) contracts and/or any other provisions to ensure subcontractor environment and social performance
	For Project expansions – details on E&S management policies/systems/plans and performance of existing operations

ANNEX 5 Template Scope of Work for Post-Financial Close Monitoring

The template below provides model text to define the IESC’s post-financial close monitoring scope of work for inclusion in the RfP to be issued to prospective consultancies. Model text for direct inclusion in the RfP is in black. SoW aspects that need to be project/case specific are described in blue. Terminology/information that needs to be insert to reflect the project-specific details is presented in in square brackets in [red].

The text provided in the table below is intended to provide a starting point for the development of the IESC’s SoW, and the EPFIs involved in the development of the IESC RfP may then develop the final SoW taking into account the specifics of the individual project/transaction.

The second column provides guidance on which elements of the SoW are (i) Generally Applicable as good practice (Generally Applicable/‘GA’), (ii) good practice in certain scenarios (Case Specific/‘CS’); and (iii) optional at the EPFI’s discretion (Optional/‘O’). Guidance on the applicability of the option scope elements is provided in the third column.

SoW Component	GA, CS, O	Commentary of applicability/usage
Task 1 – Periodic Review/Monitoring.		
The following periodic monitoring reviews will be undertaken by the IESC on [insert as defined in the loan documentation, but typically quarterly] basis prior to [physical completion], [insert as defined in the loan documentation, but typically biannually] basis prior to [physical completion] post [physical completion] while any EPAP items open; and [insert as defined in the loan documentation, but typically quarterly] basis prior to [physical completion, but typically annually] thereafter [frequency to be confirmed and agreed within the loan documentation]:	GA	The frequency of the monitoring reviews will be as set in the loan documentation. Good practice is for more frequent monitoring during construction (defined as prior to physical completion / or equivalent as defined in the loan documents) than operation. Enhanced monitoring may be in place in the initial stages of operation where EPAP items are still to be completed.
a) Review of the Borrowers’ self-monitoring/progress report [frequency to be agreed as part of loan documentation but assumed to match the frequency of the IESC site visits]	GA	The frequency with which the Borrowers’ self-monitoring reports are provided to be agreed as part

SoW Component	GA, CS, O	Commentary of applicability/usage
		of loan documentation but assumed to match the frequency of the IESC site visits
b) Review progress on the Borrower's actions/deliverables under in the EPAP (see also Task 3 below)	GA	
c) Undertake a site visit. The purpose of the site visit will be to ground-truth the findings in the borrower's self-monitoring/progress report and assess any other areas of compliance with the ESMP, EPAP and Applicable Standards, through visual inspections, documentation reviews and interviews with the borrower teams, contractors and stakeholder as appropriate.	CS	Will be required for all Category A project and Category B project as appropriate
d) During the period of RAP implementation, compliance will be evaluated during the site visit by: spot-check reviews of relevant agreements and other documentation for a small sample of individual PAPs; and interviews with selected Project Affected People (PAPs) complainants under the grievance mechanism and relevant local Authorities, Assemblies, Community Representatives, NGOs and any other independent third parties involved in monitoring of RAP implementation. Information will be sought from PAPs, grievant and the Authorities/Assemblies/Community Representatives on the community's perception of the RAP implementation process and feedback on any issues that could indicate non-compliance with the RAP.	CS/O	Relevant where RAP activities are still ongoing during the post-financial close period.
e) If requested by Lenders, the IESC will present summary findings from the site visit to lenders via teleconference	GA	
f) Based on the above, provide a report to lenders that summarises the level of the project's compliance with the E&S standards.	GA	See main body of this guidance note for an example contexts for an IESC monitoring report
Task 2 – Interim RAP status reviews.	CS/O	Relevant where RAP activities are still ongoing during the post-financial close period.
a) The IESC will review the RAP documentation for each construction section/area prior to commencement of work in that section/area. The review would be based on a high-level review of the summary RAP status and the RAP implementation database (see assumed inputs i and ii below), followed by a sample-based review of the administrative records of agreements/payments for a small sample of PAPs. This review will be used to give an opinion on whether the administrative process for RAP implementation prior to land clearance has been addressed as per the requirements given in the RAP. In the case where such review coincides with a quarterly site visit, then the compliance process can include field-based interviews as described above under Task 1(d) above.	CS/O	Relevant where resettlement is ongoing during the post-financial close period, for instance on linear projects

SoW Component	GA, CS, O	Commentary of applicability/usage
<ul style="list-style-type: none"> Prior to each drawdown the IESC will provides its opinion of the status of the RAP process for the identified sections based on it reviews under Task 2(a) above and on the basis of updated RAP implementation information from the borrower. 	CS/O	Relevant where resettlement is ongoing during the post-financial close period, for instance on linear projects
Task 3 – EPAP/ESAP Reviews		
The IESC will review actions/deliverables produced by the borrower under the EPAP and will provide a review note to the Borrower and Lenders for each individual action/deliverable as they are produced. The IESC will provide a summary of EPAP compliance (including timeliness of action completion) in the periodic review/monitoring reports as per Task 1 above.	GA	May refer to an ESAP rather than EPAP if ECA/DFIs involved
Task 4 –Liaison		
The IESC will hold periodic (biweekly or monthly as agreed by all parties) progress calls with the borrower during the construction period prior to physical completion	GA	Lenders may also wish to join such calls
Task 5 – Ad-hoc Tasks		
In addition to the above, the IESC will undertake other ad-hoc tasks as agreed between lenders and the borrower under the terms of the loan documentation. Such ad-hoc tasks may include ad-hoc updates to lenders and review of any material incidents/breaches (including additional site visits and review of remedial actions plans as appropriate and as may be defined under the loan documentation)	GA	
Task 6 – Review of transition to Operations		
The IESC will review the preparedness of the projects’ E&S management team and systems for the transition from construction to operation. This review will be initiated 6 months prior to physical completion.	GA	
Task 6 – Commissioning Monitoring		
The IESC will conduct a specific site monitoring visit during the commissioning [and/or Lenders’ Reliability Test if applicable]. The scope of this monitoring visit will the same scope as Task 1, but with the following addition scope:	CS/O	Required for projects where there is a significant commissioning phase and/or a lenders’ reliability test is a loan requirement
<ul style="list-style-type: none"> Review of the Borrowers HSES management approach and resources for the operation phase, including organisational transition from construction to operation, management of SIMOPs during transition, and status of development and implementation of the Operational phase ESMP 	CS/O	



SoW Component	GA, CS, O	Commentary of applicability/usage
- Review of compliance of the performance of the as-built facilities against the Project Standards Document including all significant emission and discharge standards as tested during the commissioning and/Lenders' Reliability Test.	Cs/O	

ANNEX 6 Template Scope of Work for High Risk ESIA

The template below provides guidance for the EPFI or Borrower in the development of a scope of work (SoW) for an ESIA with potential significant environmental and social risks. The scope of work would be used for issuing a Request for Proposal from suitably qualified consultants or to define a work program undertaken by the Borrower's/Sponsor's in-house personnel. The template refers to the ESIA developer as the Consultant even though the SoW may be undertaken by in-house personnel.

The requirements for an ESIA are largely Project specific and would be defined through ESIA Scoping and Screening, which are included here as a component of the broader ESIA process. The scope of work may include the ESIA Screening/Scoping with an ESIA or these may be issued as separate scopes depending on the stage of the Project.

The second column provides guidance on which elements of the SoW are recommended for use in all instances (Always/'A') and those that will only be relevant in certain instances (Optional/'O'). Guidance on the applicability of the option scope elements is provided in the third column.

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
1. ESIA Screening	O	Screening may be included in the ESIA SoW if this has not already been undertaken by the Borrower/ Sponsor or the EPFI. The outcomes from the environmental and social screening will determine if a comprehensive ESIA is required, for high risk projects, or, for moderate/low risk projects, if a limited or focussed environmental and social assessment is required. The Screening tasks are identified as Always Required (A) or Optional(O) below on the basis that Screening is a component of the SoW.
1.1 The ESIA will cover the entire Project and provide a description of its main components, location and activities. The Consultant will confirm, based on the information provided by the Borrower/Sponsor a detailed description of the project and its area of influence, including the relevant activities and facilities that form each of (as defined in the Applicable Standards): <ul style="list-style-type: none"> - The funded Project - Any Associated Facilities 	A	

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<ul style="list-style-type: none"> - Primary supply chain components - Any other existing, planned or reasonably defined other existing, planned or reasonably defined developments that may impact cumulatively with the funded project. 		
1.2 The physical, operational and management interactions between the existing and proposed new expansion project will need to be clearly identified by the Consultant	O	Applicable for expansion project.
1.3 The Consultant will, in consultation with the Borrower/Sponsor confirm Project categorisation in accordance with the Applicable Standards and in consideration of Sensitive Receptors and High level Impacts	O	The requirement for initial Project categorisation will depend on the stage of the project. If categorisation has already been confirmed then this will not be required.
1.4 The Applicable Standards to be considered in the ESIA will be confirmed by the Consultant in agreement with the Borrower/Sponsor and representative(s) of the finance parties, but shall include as a minimum: <ul style="list-style-type: none"> • All relevant host country laws, regulations and permits that pertain to environmental and social issues • Any International Conventions and Treaties relating to the environment to which the host country is a party (specific Conventions and Treaties to be confirmed and agreed) • The Equator Principles [latest applicable version/date] • IFC Performance Standards • IFC Environmental, Health and Safety (EHS) Guidelines including the IFC EHS General Guidelines and applicable sector guidelines (to be confirmed and agreed) • Any addition standards/policies of individual finance parties as relevant 	A A A O O O	This is a specific requirement under EP Principle 3. As necessary under EP Principal 3
1.5 Sensitive Receptors The Consultant will, in consultation with the Borrower/ Sponsor(s), undertake an initial screening of potential sensitive environmental and social receptors from direct or indirect Project impacts through use of available secondary data. The sensitive receptor screening will consider the Project location, layout and the high level environmental and social risks as described in 1.6.	A	A high level screening of receptors will use publicly available data sources including GIS resources to identify, for example: nearby residents, existing land users, protected areas, natural habitats, water resources etc.

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>1.6 High Level Environmental and Social Issues</p> <p>The Consultant will, in consultation with the Borrower/ Sponsor(s) undertake an initial screening of the high level environmental and social risks of the Project in consideration of the Project location, layout, the design concepts and resource/infrastructure requirement.</p> <p>The screening will identify the extent to which the Applicable Standards apply to the high level environmental and social issues</p>	A	<p>The Project design and/or engineering teams should be consulted during the screening phase to advise on key Project characteristics including:</p> <ul style="list-style-type: none"> • the nature and extent of emissions and discharges • size of workforce • requirement for support infrastructure • resource requirements (water, energy, other natural resources).
<p>1.7 ESIA Screening Report</p> <p>The Consultant will develop an ESIA Screening Report that provides a summary of the outputs from tasks 1.1 to 1.6 and includes:</p> <ul style="list-style-type: none"> • Data sources and references • Limitations to the findings as applicable • Recommendations for further assessments or to address screening uncertainty 	A	
<p>2. ESIA Scoping</p>	O	<p>The Borrower/Sponsor may include ESIA Scoping in the SoW or may include this as a separate SoW to be undertaken prior to the ESIA to inform a detailed Terms of Reference for an ESIA.</p> <p>The Scoping tasks are identified as Always Required (A) or Optional(O) below on the basis that ESIA Scoping is a component of the SoW.</p>
<p>2.1 The Consultant will, in consideration of the ESIA Screening findings, Project design, Project implementing strategy and the outcomes of an initial site visit, including stakeholder engagement:</p>	A	<p>The scoping phase requires:</p>

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<ul style="list-style-type: none"> • Identify the environmental and social impacts of significance that will be assessed and reported in the ESIA, and scope out insignificant impacts that do not warrant further consideration in the ESIA. • Identify key stakeholders and their concerns • Determine the Project Area of Influence (AoI) and Study Area • Identify and prioritise missing information/ information needs, for example baseline data gaps; and • Determine assessment techniques e.g. predictive modelling requirements. 		<ul style="list-style-type: none"> • Project design data including alternative sites, design configurations and construction methods; • Initial baseline description (usually desktop and field surveys) including identification of potential environmental and social receptors, known trends in the status of receptors that may be affected by the Project; and • Stakeholder engagement to understand the views of stakeholders on key issues and obtain information to identify sensitive receptors.
<p>2.2 ESIA Scoping Report</p> <p>The Consultant will summarise the findings of Task 2.1 in an ESIA Scoping Report that will also include:</p> <ul style="list-style-type: none"> • Maps showing the Project AoI, Study Areas and locations of sensitive receptors • Recommended additional studies for ESIA including Terms of Reference, as applicable, for: <ul style="list-style-type: none"> - Baseline Environmental and Social studies - Land use and livelihoods surveys - Predictive modelling studies - Climate Change Risk Assessments - Human Rights Risk Assessment - Critical Habitat Assessment • Preliminary Stakeholder Engagement Plan 	O	<p>The Scoping Report may be included within the main ESIA report or developed a separate report and used to define the detailed Terms of Reference for the ESIA.</p> <p>The initial stakeholder engagement may inform a Stakeholder Engagement Plan developed to manage and coordinate engagement with project affected people and other stakeholders throughout the ESIA process</p>
<p>3. ESIA Study</p>		
<p>3.1 Project Description</p>	A	<p>The objective of the project description is to communicate the proposed project to a broad audience and provide the context for identification</p>

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>The Consultant will describe all phases of the Project (design, construction, operation and decommissioning), including associated facilities, with a focus on those Project components or activities that have the potential for environmental and social impacts.</p> <p>The Project Description will include the details of those in-built design or operational components that are proposed for mitigation of environmental and social impacts , e.g. air pollution control systems, waste water treatment systems. The description of the design or project siting controls should describe how the Applicable Standards are being achieved through these measures for all phases of the Project.</p> <p>The Project description will include, as appropriate, clearly presented maps and diagrams to describe the Project location, layout and process.</p>		<p>of those Project aspects that have the potential for significant environmental and social impacts. The use of technical language, engineering drawings and design diagrams should be avoided.</p> <p>The description of the Project should include a description of associated facilities, which are facilities that are not funded as part of the Project and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable.</p>
<p>3.2 Analysis of Alternatives</p> <p>The Consultant will, in consultation with the Borrower/Sponsor, identify and evaluate/compare technically and financially feasible alternatives to the source of Project impacts including consideration of alternative locations, designs, operational processes or alternative ways of mitigating environmental and social impacts.</p>	A	This analysis should be undertaken in consultation with Borrower/Sponsor design and engineering teams who would consider such alternatives during early Project scoping/feasibility studies
<p>3.3 Stakeholder Identification</p> <p>The Consultant will undertake studies, including field visits to:</p> <ul style="list-style-type: none"> • Identify individuals, groups or local communities that be affected by the project, positively or negatively and directly or indirectly, including those who are disadvantaged or vulnerable. • Identify broader stakeholders who may be able to influence the outcome of the Project because of their knowledge about affected communities or political influence over them • Identify legitimate stakeholder representatives • Map the impact zones by placing the affected groups and communities within a geographic area, which will assist to define or refine the Aol. 	A	<p>Stakeholder mapping will identify the presence of individuals or groups within the project area of influence who are particularly vulnerable or disadvantaged and who could experience adverse impacts from the proposed project more severely than others.</p> <p>Required under EP Principal 5</p>

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>The Consultant will identify the potential for impact to Indigenous People, through stakeholder identification, to specifically assess and address these impacts in the ESIA in accordance with the requirement of Principle 5 of the EPS and IFC PS7.</p>		<p>Guidance Note: Evaluating Projects with Affected Indigenous Peoples (equator-principles.com)</p>
<p>3.4 Stakeholder Engagement</p> <p>The Consultant will develop and implement a Stakeholder Engagement Plan (SEP) which includes the following activities as a minimum:</p> <ul style="list-style-type: none"> • Engagement aimed at seeking opinions and inputs from identified stakeholders on the proposed Project and its likely environmental and social aspects and impacts, including cumulative impacts and feasible alternatives. • Engagement to assist in identification of indigenous people and/or disadvantaged or vulnerable groups. • Engagement with appropriate stakeholders to contribute to the collection of baseline data on, for example, land use and livelihoods, biodiversity and ecosystem services and cultural heritage. • Seeking stakeholder comments and input to the ESIA through a public consultation period and responding to comments and recommendations received. <p>The outcomes of Stakeholder Engagement activities will be summarised in the ESIA, where appropriate, with detailed meeting minutes and interview transcripts provided in the appendix to the ESIA.</p>	<p>A</p>	<p>Guidance Note: Evaluating Projects with Affected Indigenous Peoples (equator-principles.com)</p> <p>Required under EP Principal 5</p> <p>The stakeholder engagement activities shall be focused on those key stakeholders as identified in the Stakeholder Identification task.</p>
<p>3.5 Baseline Data Gathering</p> <p>Baseline information on the social and environmental conditions of the Project AoI shall be described within the ESIA with sufficient detail to allow an accurate assessment of receptor sensitivity.</p> <p>The baseline studies shall focus on those key components of the environmental and social environment that are potentially affected by the significant Project impacts identified through the ESIA scoping study.</p>	<p>A</p>	<p>Characterisation of receiving environments and sensitive receptors may require consideration of seasonal changes that occur including:</p> <ul style="list-style-type: none"> • Seasonal changes to biodiversity and uses of habitats

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>Baseline data shall include relevant, credible and current secondary data supported by recent primary data gathered by field surveys and studies. Primary data will be gathered over a period sufficient to characterise the environmental or social condition.</p> <p>All secondary data sources will be fully referenced in the ESIA.</p> <p>The methodologies for baseline data gathering will be described in the baseline description component of the ESIA.</p> <p>Limitations on data, such as the extent and quality of available data, assumptions and key data gaps, and uncertainties associated with predictions, should be clearly identified.</p> <p>The Consultant will provide a comprehensive summary description of the baseline condition in the main body text of the ESIA. Supporting baseline survey results, data lists, analytical results shall be provided in the ESIA appendices.</p> <p>Biodiversity data collected for an ESIA should be developed in consideration of Principle 10 of the EPs where EPFI's encourage Clients to share species occurrence data and other useful information in accordance with the Guidance Note on Biodiversity Data Sharing – For EPFI Clients</p>	O	<ul style="list-style-type: none"> • Social land use and livelihood changes that occur throughout a year or between years; • Seasonal changes to meteorological conditions that may affect air quality, water resources and ecosystems services. <p>Best-Practice Note Biodiversity Baseline Surveys Mar2022 (equator-principles.com)</p> <p>Guidance Note: On Biodiversity Data Sharing – For EPFI Clients (equator-principles.com)</p>
<p>3.6 Impact Assessment</p> <p>The Consultant will document and implement the impact assessment methodology, consistent with the methods described in the ESIA Scoping Study, that allows for a robust and consistently applied impact assessment process. The impact assessment will predict impacts, through consideration of impact magnitude and receptor sensitivity, and evaluate the significance of impacts.</p>	A	<p>The impact assessment should focus on those potential impacts of significance as identified through ESIA Scoping whereby insignificant impacts are scoped-out of the impact assessment process as documented in the ESIA Scoping Study.</p>

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>Impact assessment will consider all phases of the project including design, construction, operations and decommissioning.</p> <p>The assessment of impacts will include unplanned events which are reasonably foreseeable but are not planned to occur as part of the project.</p> <p>The outcomes of impact assessment will be fully described in line with the relevant assessment methodology such that the ESIA explicitly details how the impact significance has been determined.</p>		<p>The specific impact assessment methodology may be prescribed under national laws or the Consultant may apply various accepted impact assessment methods and best practices that are suitable to the Project and its setting. However, it is essential that the methodology and assessment criteria are fully described and consistently applied throughout the ESIA.</p>
<p>3.6.1 Cumulative Affects</p> <p>The Consultant will implement and document an assessment of cumulative impacts that considers the cumulative effects that arise due to a Project impact interacting with another activity to create an additional impact.</p> <p>The cumulative impact assessment will consider existing, planned and or reasonably anticipated future projects with the potential to result in impact that are additional to the Projects predicted impacts.</p> <p>The methodology and outcomes of the cumulative assessment, including required mitigations, will be documented in the ESIA.</p>	A	<p>See IFC Performance Standard 1 GN37 and GN38 to GN44</p> <p>Guidance Note 1: Assessment and Management of Environmental and Social Risks and Impacts - Published January 1, 2012 (updated June 14, 2021) (ifc.org)</p>
<p>3.6.2 Transboundary Impacts</p> <p>The Consultant will identify and assess Project environmental and social impacts that extend to multiple countries, beyond the host country of the Project, but are not global in nature (such as emission of ozone depleting substances or GHG)</p>	O	<p>The identification of potential transboundary impacts should be undertaken in the ESIA scoping phase and included in the ESIA SoW should such issues be reasonably foreseen.</p>
<p>3.6.3 Climate Change Risk</p>	A	<p>Requires under EP Principal 2 .</p>

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>A Climate Change Risk Assessment will be completed for the Project as relevant to the requirements of EP Principal 2. The assessment will be aligned with the Climate Physical Risk and Climate Transition Risk categories of the Taskforce for Climate Related Financial Disclosures (TCFD) as applicable.</p>		<ul style="list-style-type: none"> • Category A and, as appropriate, Category B Projects will include consideration of relevant physical risks. • For all Projects, in all locations, when combined Scope 1 and Scope 2 Emissions are expected to be more than 100,000 tonnes of CO₂ equivalent annually. Consideration must be given to relevant Climate Transition Risks (as defined by the TCFD) and an alternatives analysis completed which evaluates lower Greenhouse Gas (GHG) intensive alternatives. <p>Guidance Note: On Climate Change Risk Assessment (equator-principles.com)</p>
<p>3.6.4 Human Rights Risk</p> <p>The Consultant will undertake and document an assessment of risks of actual or potential adverse Human Rights impacts related to all phases of the Project in line with the UNGPs (paragraphs 17-21) and incorporate this assessment into the ESIA.</p> <p>The Consultant will assess Human Rights risks based on scale and complexity of the Project and the severity and likelihood of potential Human Rights risks.</p>	A	<p>Each project's risk assessment will therefore be unique and proportional to the project's risks and the level of detail provided by the client in the Assessment Documentation will be proportional to the level of risks identified. The Guidance Note on Implementation of the Human Rights Assessments Under the Equator Principles provide further guidance.</p> <p>Guidance Note: On Implementation of Human Rights Assessments under the Equator Principles (equator-principles.com)</p>



ANNEX 7 Template Scope of Work for Assessment of Moderate and Low Risk Projects

This template provides guidance for the development of a scope of work (SoW) for an Assessment of a Project with moderate to low environmental and social risks as determined through Project screening. In accordance with EP Principle 2, a limited or focused environmental or social assessment may be appropriate for Category B Projects that are not considered to be high risk, and potentially Category C Projects. The Environmental and Social Assessment for moderate to low risk Projects is expected to apply applicable risk management standards relevant to the risks or impacts identified during the categorisation/screening process.

The IFC Performance Standard 1 Guidance Note (GN) 27 and 28 provide further recommendations for limited or focussed assessments of moderate and low risk Projects, including the need for assessments that are specific to potential environmental and social risks and/or impacts identified as associated with the project. In some instances, confirmation and documentation of the application of environmental siting, pollution standards, design criteria, or construction standards should be appropriate. Examples of focused assessments include air pollutant emissions and air quality impact studies, noise and vibration studies, water resources impact studies, contamination investigations and assessments, traffic studies along transport corridors, social baselines, resettlement evaluations and labour audits.

The scope of work would be used by the Borrower/Sponsor for issuing a Request for Proposal from suitably qualified consultants or to define a work program undertaken by the Borrower's/Sponsor's in house personnel. The template refers to the entity undertaking the impact assessment as the Consultant even though the SoW may be undertaken by in-house personnel.

The requirements for moderate/ low risk Environmental and Social Assessments are largely Project specific and would be defined through ESIA Scoping and Screening, as described in the Annex 6 Scope of Work Template for High Risk ESIA.

The second column of the template table provides guidance on which elements of the SoW are recommended for use in all instances (Always/'A') and those that will only be relevant in certain instances (Optional/'O'). Guidance on the applicability of the option scope elements is provided in the third column.

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
1 Description of Project	A	The objective of the project description is to communicate the proposed project to a targeted

SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>The Consultant will describe the Project and the phases of project lifecycle (design, construction, operation and decommissioning), with a focus on those Project components or activities that are the source of key environmental and social impacts. A broad overview of the Project and its location and setting should be provided for context, but the focus of the description should be on those aspects of the Project that are the source of the key environmental and social risks identified from the screening.</p>		<p>audience and provide the context for identification of those Project aspects that result in the key environmental and social impacts which are the focus of the Assessment. The use of technical language, engineering drawings and design diagrams should be avoided. For example, the focussed environmental assessment for the expansion of a manufacturing facility where noise emissions are identified as a key environmental risk should include a focussed description of those aspects of the Project that contribute to noise emissions.</p>
<p>2. Describe the Design Mitigations and Proposed Controls. The Consultant will provide a description of those in-built design or operational components, including management systems, that are proposed for mitigation of the key environmental and social impacts that are the focus of the Assessment, e.g. air pollution control systems, waste water treatment systems, project siting, waste management plan and layout.</p> <p>The Project description will include reference to design or operational criteria relevant to the environmental and social risk which may include relevant emission standards, performance criteria or industry standards.</p>	A	<p>This section should reference the relevant Applicable Standards, including national laws, that may apply to the key environmental and social risks that are the focus of the Assessment. Any gaps between the design criteria and Applicable Standards should be identified.</p>
<p>3. Analysis of Alternatives The Consultant, in consultation with the Borrower/Sponsor, should identify and evaluate/compare technically and financially feasible alternatives to the design or other in-built mitigations proposed to address the key environmental and social risks that are the focus of the Assessment. The analysis should consider the source of</p>	O	<p>The analysis of alternatives for a focussed environmental and social assessment should aim to provide the rationale for the selected designs and in-built mitigations that are in place to address the key risks.</p>



SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
key Project impacts including consideration of alternative locations, designs, operational processes or alternative ways of mitigating the impacts.		
<p>4. Baseline Condition</p> <p>The Consultant will undertake a limited assessment of the environmental and social baseline of those environmental and social receptors that are potentially affected by the key risks that are the subject of the Assessment.</p> <p>Baseline information on the social and environmental conditions shall be described within the Assessment with sufficient detail to allow an assessment of receptor sensitivity.</p> <p>The baseline studies shall focus on those key components of the environmental and social environment that are potentially affected by the significant Project impacts identified through the ESIA scoping study.</p> <p>Baseline data shall include relevant, credible and current secondary data supported by recent primary data gathered by field surveys and studies if required. Primary data will be gathered over a period sufficient to characterise the environmental or social condition.</p> <p>The methodologies for baseline data gathering will be described in the baseline description component of the Assessment</p> <p>Limitations on data, such as the extent and quality of available data, assumptions and key data gaps, and uncertainties associated with predictions, should be clearly identified.</p>	A	<p>Characterisation of receiving environments and sensitive receptors for the medium /low risk Project Assessment should provide an understanding of receptor sensitivity and provide a baseline to determine the effectiveness of impact mitigations measures/controls.</p> <p>For example, a Project which has been subject to a focussed Assessment due to traffic related impacts will be expected to include a representative baseline traffic study sufficient to allow an assessment of the risks from Project induced traffic and to measure the effectiveness of implemented traffic control measures.</p>
<p>5. Impact Assessment</p>	A	<p>For example, undertake predictive ambient air quality studies, noise modelling or assessment of</p>



SoW Component	Always (A) / Optional (O)	Commentary of applicability/usage
<p>The Consultant will assess the key environmental and social impacts subject to the targeted Assessment that will predict impacts, through consideration of impact magnitude and receptor sensitivity, and evaluate the significance of impacts.</p> <p>The assessment will evaluate impacts relevant to the applicable national laws, applicable Lender standards or relevant industry benchmarks.</p> <p>The assessment will consider the effectiveness of design controls or other in-built mitigations.</p>		social impacts to local communities from predicted worker influx.
<p>6. Identification of additional mitigations</p> <p>On the basis of the completed impact assessments, the Consultant will identify the need for additional mitigation actions that should be applied and the appropriate phase of the Project lifecycle that the mitigations actions may apply to. The identification of mitigation actions should apply the mitigation hierarchy as described in EP PS2.</p>	O	Additional controls will be necessary if the limited/targeted assessment identify potential residual impacts that are not effectively managed through the design controls, management systems or other in-built mitigations described in item 2. of this template.
<p>7. Environmental and Social Management Plans/Framework</p> <p>The Consultant will provide a description of the environmental and social management framework that is, or will be, implemented by the Borrower/Sponsor to ensure that the key impact mitigation actions including any additional mitigations are effectively applied, achieve the specified performance criteria and are periodically reviewed.</p> <p>The Consultant will document the resource requirements, including financial and human resources, that are required by the Borrower/Sponsor to implement the environmental and social management framework including specific mitigation plans and for monitoring the effectiveness of these plans. Any specialist capability required, or already retained, for the effective implementation of the plans should be described.</p>	A	The description of the management plans and implementing framework should be targeted towards the mitigation of key impacts that are subject to the Assessment. For example, a targeted air quality assessment would be expected to include a summary of the air emission control plans, emissions monitoring plans, maintenance plans specific to air control equipment, and potentially, community grievance plans in place to manage air emission complaints from nearby communities.