



GUIDANCE NOTE

**ON THE SELECTION AND
SCOPE OF WORK FOR
LENDER'S INDEPENDENT
ENVIRONMENTAL AND
SOCIAL CONSULTANTS**



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Contents

GUIDANCE NOTE ON THE SELECTION AND SCOPE OF WORK FOR LENDER’S INDEPENDENT ENVIRONMENTAL AND SOCIAL CONSULTANTS.....	1
PREAMBLE.....	3
1 Introduction.....	4
2 Selection of the IESC.....	6
3 Terms of Engagement.....	8
4 Scope of Work.....	10
4.1 Pre-Financial Close ESDD - General Aspects.....	10
4.1.1 Overview.....	10
4.1.2 Project Definition.....	10
4.1.3 Applicable Standards.....	11
4.1.4 Approach to the ESDD.....	11
4.1.5 Timelines.....	16
4.1.6 Reporting formats/requirements.....	19
4.1.7 E&S Provisions in Loan Documentation.....	19
4.1.8 Liaison with the Finance Parties.....	19
4.2 Post-Financial Close Monitoring.....	19
LIST OF ABBREVIATIONS.....	22
ANNEX 1 List of Good Practice References and Sources.....	23
ANNEX 2 IESC Contract Good Practice Checklist.....	24
ANNEX 3 Scope of Work Template for Pre-Financial Close ESDD.....	25
ANNEX 4 Typical Document Review List for Pre-Financial Close ESDD.....	33
ANNEX 5 Scope of Work Template for Post-Financial Close Monitoring.....	35



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 selection, 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.

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 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:

- [The Equator Principles Implementation Note](#) [Ref 2]
- [Guidance for Consultants on the Contents of a Report for an Independent Environmental and Social Due Diligence Review](#) [Ref 3]
- [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.

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, 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.

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)

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, EPFIs 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 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 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.

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 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 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

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.

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 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.
- 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.

4 Scope of Work

4.1 Pre-Financial Close ESDD - General Aspects

4.1.1 Overview

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:

4.1.2 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.

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.

- 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.

4.1.3 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.

4.1.4 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

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.

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 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]).

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/>

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)

- 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].

- **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-evaluation 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. 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. 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.

4.1.5 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 EPA Guidance Note on ESIA Scope of Work [Ref 10] 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 EPA Guidance Note on ESIA Scope of Work [Ref 10] 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.

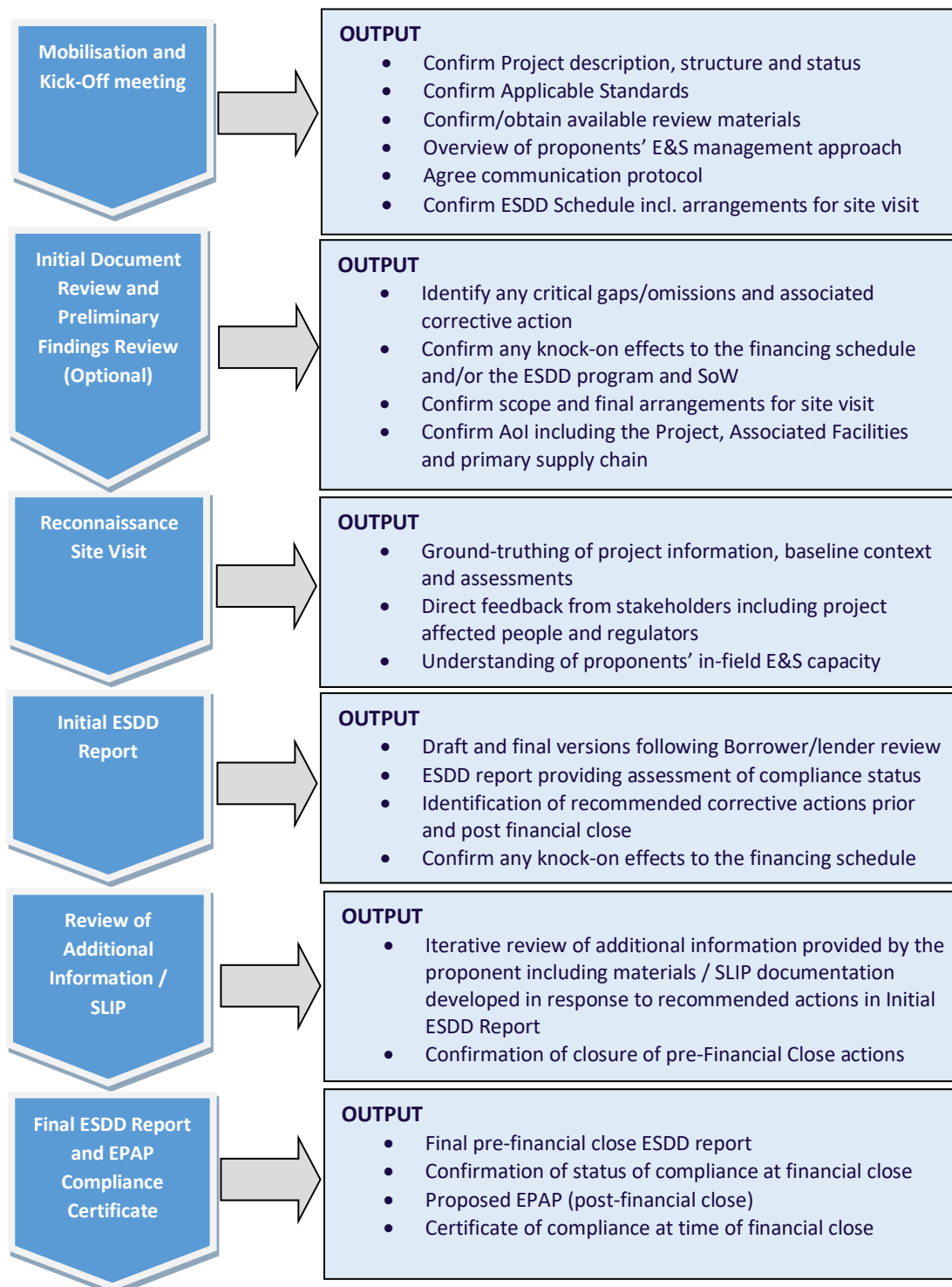


Figure 1 Typical Outline Program for the pre-Financial Close ESDD

4.1.6 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.

4.1.7 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 (see also Ref 11). 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.

4.1.8 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.

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 (see also Ref 11). 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).

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 ESIA Scope of Work, Equator Principles Association, July 2022
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 to 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 Scope of Work Template 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 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	
<ul style="list-style-type: none"> - 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.

SoW Component	GA, CS, O	Commentary of applicability/usage
- 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	
- 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.
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.

SoW Component	GA, CS, O	Commentary of applicability/usage
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. o 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. 		
	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.
	CS	Applicable to projects in Designated countries where the finance parties are EPFIs. May also wish to include reference to benchmarking against other GIIP

SoW Component	GA, CS, O	Commentary of applicability/usage
<ul style="list-style-type: none"> 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. 		
<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 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. 	CS	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 Designated countries. The media/NGO reviews described below may also be useful in this regard.
<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	

SoW Component	GA, CS, O	Commentary of applicability/usage
<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 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. 	GA	<p>Further guidance on the objectives of the site visit may be included in the RfP as follows: The 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</p>

SoW Component	GA, CS, O	Commentary of applicability/usage
		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.
- Task 5: Initial ESDD report.		
<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 e.g. where ECAs are involved in the financing the OECD guidance on use of consultants]. 	GA	
<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.

SoW Component	GA, CS, O	Commentary of applicability/usage
<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	
- Task 6: Review of Additional/SLIP Materials and Final ESDD Report.		
<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 support [the finance parties] in finalising the EPAP for inclusion in the financing documents. 	GA	May refer to an ESAP rather than EPAP if ECA/DFIs involved
<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-



SoW Component	GA, CS, O	Commentary of applicability/usage
		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 Scope of Work Template 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 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	CS	Will be required for all Category A project and Category B project as appropriate

SoW Component	GA, CS, O	Commentary of applicability/usage
Applicable Standards, through visual inspections, documentation reviews and interviews with the borrower teams, contractors and stakeholder 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
– 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		

SoW Component	GA, CS, O	Commentary of applicability/usage
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 be 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
- 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	
- 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	
	CS/O	