

Sustainability Guideline

Guideline of KfW IPEX-Bank GmbH for environmentally and socially sound financing

October 2020

0. Preamble	2
1. Contributions to environmental protection and social development	3
2. Applicability of this Guideline.....	3
3. Assessment of the environmental and social compatibility of projects	4
3.1. Project screening	4
3.2. Categorisation.....	4
3.3. Collecting relevant information	5
3.4. Analysing and evaluating information.....	6
3.5. Assessment standards	7
4. Disclosure obligations for the client.....	7
5. Decision and monitoring.....	8
5.1. Informing the decision-making bodies	8
5.2. Refusal of financing / approval with covenants	8
5.3. Monitoring and reporting.....	8
5.4. Transparency and disclosure	9
6. Revision of this Guideline	9
Appendix I Illustrative list of environmentally and socially relevant sectors / project types (including significant adverse effects)	10
Appendix II Illustrative list of potential ecological and social concerns to be addressed if relevant, in the environmental and social impact assessment.....	11
Appendix III Equator Principles 4.....	12

0. Preamble

0.1. KfW IPEX-Bank provides financing for the benefit of the German and European economies. Together with the German and European export sectors and its global corporate clients, it is aiding the transition to a sustainable society — in all three dimensions, economically, environmentally and socially — in Germany, Europe and throughout the world. It supports technological change by developing suitable financing solutions with the aim of improving and securing livelihoods and quality of life for future generations. Its actions in this regard are guided by the principles of responsibility and sustainability.

In summer 2019, KfW IPEX-Bank, in coordination with KfW Group, published an updated sustainability mission statement. This makes reference to the 2030 Agenda for Sustainable Development Goals and the Paris Climate Change Agreement and supports the German Federal Government's sustainability strategy.

0.2. The present Guideline specifies KfW IPEX-Bank's sustainability mission statement in terms of assessing the environmental and social compatibility of its products, along with its advisory and financial services. It incorporates the requirements of KfW Group's voluntary commitment of 2008 to consider human rights in its business activities by including them in the assessment of social compatibility. It describes the principles and procedure for dealing with the environment and social aspects of KfW IPEX-Bank's financial services. Its aim is to define a consistent and binding framework for the consideration/integration of international environmental and social standards in KfW IPEX-Bank's financing activities in accordance with its sustainability mission statement. In this way, it helps to make the principles and processes of KfW IPEX-Bank's environmental and social impact assessments (ESIA) more transparent.

The assessment ensures that any environmental impacts (including climate-related aspects) and social implications (including human rights) of the projects financed by KfW IPEX-Bank are identified and evaluated appropriately. The results of this analysis flow into KfW IPEX-Bank's financing decisions. To guarantee conformity with standards (to minimise the potential adverse effects), the conclusions drawn are taken into account and documented when executing the project.

0.3. With this Guideline KfW IPEX-Bank also intends to contribute:

- to encouraging suppliers, project sponsors, borrowers and other stakeholders to consider environmental and social aspects at the earliest possible stage when planning the project and its financing ("guidance"),
- to the recognition of the significance of environmental and social risks, as well as the advantages of taking timely measures to avoid, minimise and — where necessary — compensate for them, raising public awareness, and incorporating this into the projects,
- to encouraging clients/project sponsors to implement sustainable improvements by discussing the results of the environmental and social impact assessment procedures, other assessments and the requirements for environmental and social impact assessment studies.

0.4. This Guideline follows internationally recognised rules in their current version, particularly as they are set forth in the applicable version of the Equator Principles/EP (which are attached to this Guideline as Appendix III) and the environmental and social requirements of the OECD Common Approaches (Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence). It regards such principles as a binding framework for an environmental and social assessment procedure designed in accordance with KfW IPEX-Bank's own specific requirements and needs.

0.5. This Guideline does not cover in-house environmental management and sustainable procurement. These are governed generally by KfW Group's sustainability guideline on in-house environmental management and KfW Group's sustainability guideline on responsible procurement and are valid for KfW IPEX-Bank in their current version.

0.6. KfW IPEX-Bank only backs financings that comply with KfW Group's exclusion list and sectoral guidelines.¹

¹ <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Nachhaltigkeit/Ausschlussliste.pdf>

1. Contributions to environmental protection and social development

The financing backed by KfW IPEX-Bank is comprehensively and systematically assessed in respect of its environmental and social viability. KfW IPEX-Bank aspires to responsibly and appropriately take social and environmental aspects into account in the projects it co-finances. KfW IPEX-Bank guarantees the protection and fulfilment of international human rights through the instruments available to it. In particular, it acts in compliance with KfW Group's declaration on respect for human rights as well as in accordance with applicable international standards such as the UN Guiding Principles on Business and Human Rights.

The environmental and social impact assessment also addresses how KfW IPEX-Bank's financings contribute to the fulfilment of the Paris Climate Change Agreement and which risks must be taken into account as a result of climate change.

2. Applicability of this Guideline

2.1. This Guideline is applicable to all financings of KfW IPEX-Bank.

2.2. For all financings, the object of the review during the credit analysis is the existence and the design of the client's environmental and social management system (ESMS), its portfolio and its conduct in relation to ecological and social concerns; this also applies for financial institutions.

Such a system must have the following elements (in accordance with the IFC Performance Standards):

- (a) policy and framework
- (b) identification of risks and impacts
- (c) management programme
- (d) organisational capacity and competency
- (e) emergency preparedness and response
- (f) stakeholder engagement
- (g) monitoring and review.

2.3. Additionally, the Equator Principles are applied as an assessment basis for all project-specific and site-specific financings, irrespective of their threshold values.

2.4. The following financing products are subject to the applicable version of the Equator Principles based on their threshold values/definitions, not just during assessment but also in the course of KfW IPEX-Bank's reporting to the EP Association:

- Project finance advisory services (cash flow-based) where total capital costs are USD 10 million or more.
- Project financing (cash flow-based) with an investment volume of at least USD 10 million.
- Project-related corporate loans, where
 - the funds are used to finance an investment project over which the client has effective operational control (either direct or indirect), and
 - The total aggregate loan amount from all lenders is at least USD 50 million, and
 - KfW IPEX-Bank's commitment (before syndication or sell down) is at least USD 50 million, and
 - the loan tenor is at least two years.
- Bridge loans with a tenor of less than two years that are to be refinanced or redeemed by a project finance or project-related corporate finance transaction with the above criteria.
- Project-related refinancing and project-related acquisition financing, when all three of the following criteria are met:
 - The project has previously been financed in compliance with the Equator Principles,
 - There is no fundamental difference in the nature and extent of the project,
 - The project is not yet complete on the date on which the agreement is signed (project completion).

2.5. Project-related corporate loans can also be export finance. Export finance is always assessed against the OECD Common Approaches.

2.6. Specifically, new projects or projects that provide for a material modification (expansion or fundamental rehabilitation of existing projects) are assessed. A modification is material if the project

may cause adverse environmental and/or social effects or if the modification is so significant that it would normally require an environmental and social impact assessment study of its own.

2.7. The object and depth of the assessment as well as its scope must be presented to the relevant approval authorities for **all** financings.

3. Assessment of the environmental and social compatibility of projects

3.1. Project screening

At KfW IPEX-Bank, all financings are assessed and categorised. The first step in accordance with Section 2.2 is for the departments responsible for origination, structuring and contract management to assess all pending financings in respect of their relevance to environmental and social risks, where appropriate together with the Sustainability Officer of KfW IPEX-Bank, the technical experts, and the Competence Centre for Environmental and Social Compatibility of KfW Group.

3.2. Categorisation

3.2.1. The next step is placing the financing into one of the three categories "A", "B" or "C". In doing so, the financing's link to a specific site plays a major role. A distinction is made between financings for site-specific investments ("projects") and financings for non-site-specific investments intended for an international context. Appendix 1 lists relevant project types for clarification.

Projects with potential significant adverse environmental and social impacts or risks, which are irreversible, very diverse or unprecedented - **category A**.

Projects with limited adverse environmental and social impacts or risks that are few in number, very site-specific and largely reversible and can be reduced through mitigating measures - **category B**, and

Projects with minimal or no adverse environmental and social impacts - **category C**.

Financings for non-site-specific investments provided that they are subject to international norms in terms of safety, occupational health and safety, and environmental compatibility. Examples include means of transport intended for use in existing infrastructure networks and that are not tied to a specific site – **category C**.

In terms of content, the basis of the assessment is formed by a) a project-related environmental and social impact assessment study, which includes human rights aspects and climate change risks² and b) the resulting project-related environmental and social management plan, both of which the client submits to KfW IPEX-Bank for assessment. The environmental and social management plan is to show the measures which are necessary to prevent, mitigate, correct and monitor the adverse effects identified in the ESIA study; it also must show who is responsible for implementing the measures and for their costs.

3.2.1.1. Category A applies to projects with potential significant environmental and/or social risks and potential significant adverse impacts on the environment and/or the social conditions. Projects at newly developed sites (greenfield) in particular fall into this category.

Impacts have the potential to be considerably adverse if they are complex, irreversible or unprecedented. These risks and impacts can affect a wider area than just the facility under construction/operation, the immediate vicinity of the facility or any associated facilities or the project

² Project-related risks arising from climate change include physical and transitory risks. The definition is borrowed from the TCFD (Task Force on Climate-Related Financial Disclosure):

Physical risks are event-related and long-term risks.

- Examples of (acute) event-related risks include flooding, heatwaves and extreme weather.
- Long-term (chronic) risks resulting from climate change refer to long-term distortions in weather patterns, such as an increase in average temperature and sea level.

Transitory risks arise from adjusting to climate change and are reflected in regulation and medium-term and long-term technological, market and demand changes.

area in the stricter sense. Category A also includes projects that are considered sensitive as a matter of principle in that they

- Have the potential to impact important protected assets (e.g. protected habitats in accordance with IFC-PS, rainforests, coral reefs, nature reserves, wetlands, natural/near-natural forests, important cultural assets and historical sites);
- Could have significant impacts across international borders, or could be relevant for the purposes of international treaties (e.g. conventions on international legislation governing waste, protecting the oceans or preserving biodiversity)
- Consume a significant amount of resources, especially land or water
- Involve heightened risks to public health or safety (e.g. industrial or transport facilities near residential areas, significant emissions during construction and/or operation, handling of hazardous substances, noise or harmful emissions etc.)
- Require large-scale resettlement or result in the significant loss of livelihoods, or
- Are expected to adversely impact human rights, e.g. of indigenous populations.

For Category "A" projects an analysis/assessment of the environmental and social impacts is compulsory, including climate-related impacts and consideration of human rights. During its ESIA, KfW IPEX-Bank assesses the environmental and social management system of the client and the project in respect of appropriateness. Any doubts are to be clarified with KfW Group's Competence Centre for Environmental and Social Compatibility and, if necessary, KfW IPEX-Bank's Sustainability Officer(s).

3.2.1.2. Category "B" comprises projects that may also have adverse effects on the environment or on social conditions, but which are less severe than Category A and can usually be mitigated with state-of-the-art countermeasures or by standard solutions. Appendix I "Category B" lists examples of such projects. For projects of this kind the scope, priorities and depth of an impact assessment must be defined on a case-by-case basis in the meaning of this Guideline. Category B also includes projects that (in comparison to Category A) only have occasional significant adverse environmental and social impacts.

For Category B projects, an environmental and social impact assessment as described under Category A (under 3.2.1.1) that has been adapted to the impacts and risks and a risk-adjusted environmental and social management system (see 2.2) are required.

3.2.1.3 Category "C" comprises projects that cause no or only minor strain and adverse impacts. These include supplies of capital goods such as mechanical or electrical engineering products, the use of which usually does not cause any significant adverse environmental impacts, unless screening provides indications of particular adverse effects, where applicable in the overall project as well.

Projects in this category do not require any review besides the one required in Section 2.2.

3.2.2. The applicable assessment standards (national legislation and international requirements) depend on the project country; see Section 3.4.

3.2.3. As a matter of principle KfW IPEX-Bank does not conduct any assessments of its own on nuclear facilities and military goods. In these areas it follows the requirements of the German Federal Government and the applicable export regulations.

3.3. Collecting relevant information

3.3.1. In principle, KfW IPEX-Bank's clients are responsible for providing environmentally and socially relevant information and analysing it, or for arranging this (including, for example, exporters, project developers, sponsors, borrowers). Appendix II lists important aspects of such analyses.

3.3.2. Complete and relevant information is required for KfW IPEX-Bank's environmental and social impact assessment (Appendix II). Any gaps in the information are filled by an assessment of individual environmental and social aspects (e.g. in relation to human rights).

If qualified environmental and social assessment documents (e.g. environmental and social review summary of the IFC, or review reports by an independent consultant within the meaning of EP Principle 7) are available for financings carried out in a consortium or provided in parallel with Equator Principles Financial Institutions or with other financial institutions, it is normally sufficient to assess the plausibility of said assessment documents. This rules out neither the possibility of examining specific aspects in more depth, nor the necessity to examine implausibilities in more depth.

3.3.3. Additionally, as part of the environmental and social impact assessment the client must perform a climate change risk assessment (CCRA, in accordance with Principle 2 of the Equator Principles) for the project, based on the following criteria:

- For all Category A projects and for B projects with occasional significant environmental and social impacts (which are referred to as B+/B as appropriate to A), the relevant physical risks are taken into account;
- For all projects whose annual emissions exceed 100,000t CO₂eq.(scope 1 and 2 emissions in accordance with EP Principle 2), the transitory risks for the project must be outlined in addition to an analysis of the alternatives.

For this purpose, the client provides its results, e.g. from the environmental and social impact assessment. The examination of the physical and transitory risks should outline the effects of climate change on the project. The purpose of this analysis of alternatives is to prompt the client to choose the technically and financially most efficient alternative that makes the project emit the lowest possible amount of CO₂eq p.a.

3.3.4. If the project is expected to result in a critical human rights situation, an in-depth examination of human rights issues (human rights impact assessment) and measures to ensure compliance with human rights are required which are based on the UN Global Principles for Business and Human Rights.

3.4. Analysing and evaluating information

3.4.1. In the case of financings in Category A and Category B with occasional significant environmental and social impacts, KfW IPEX-Bank is assisted during its ESIA by an independent expert (Independent Environmental and Social Consultant, or IESC, within the intent of EP Principle 7) who has not been directly involved in preparations for the project on behalf of the client. This expert examines the client's environmental and social impact study, the resulting environmental and social management plan (or plans) and stakeholder engagement for the project, and reviews whether the procedures and results meet the requirements arising from this Sustainability Guideline (what is known as an independent review in line with EP or the OECD Common Approaches).

The independent expert usually compiles a review report (Environmental and Social Due Diligence Report), which verifies the standard conformity of the project for KfW IPEX-Bank. Project-specific deviations from the assessment standards are rectified with the help of an environmental and social action plan also prepared by the independent expert (Action Plan ESAP or EPAP, within the intent of EP Principle 4 also for simple Category B projects) which supplements the environmental and social management plan. In this plan, the outstanding need for action is laid down in concrete terms with a schedule for standard-compliant management and monitoring for the construction and operational phase of the project (including demolition and decommissioning, if necessary). The ESAP/EPAP forms part of the financing agreement for the project and can, in the course of the project, be updated following a qualifying review, such as by an IESC (within the intent of EP Principle 9, see Section 5.3).

An independent review is then carried out, in principle, if adverse effects on indigenous peoples, nature reserves, or protected areas or cultural heritage in accordance with international standards are anticipated or large-scale resettlement is expected.

3.4.2. The analysis of the documents submitted is performed by the project or contract manager who is familiar with the specific aspects of the project. To execute projects in Categories A and B, the Competence Centre for Environmental and Social Compatibility and the technical experts at KfW Group are consulted for professional support at an early stage and involved in project support. The Competence Centre for Environmental and Social Compatibility can perform the tasks of an independent expert.

3.4.3. During KfW IPEX-Bank's ESIA, it is to be determined whether appropriate procedural measures have been taken to evaluate the environmental and social aspects of the project in accordance with legal regulations and international requirements, as well as whether the disclosure of documents and stakeholder participation (stakeholders such as employees, neighbours, indigenous peoples and others) are made in a culturally and linguistically sensitive way.

3.4.4. In countries and areas where stakeholders including or under the management of state institutions are to be involved, the client should involve these state institutions in the relevant planning, implementation and monitoring measures as required.

3.4.5. Projects with potential adverse effects on indigenous peoples require free prior informed consent (FPIC) from these peoples. Adverse effects include the infringement of traditional and established usage and ownership rights over resources and areas, resettlement from such areas and damage to cultural and identity-forming heritage, including commercial exploitation thereof. If, despite participation by indigenous peoples, it remains unclear whether there is FPIC in accordance with accepted standards (within the intent of EP Principle 5 and in accordance with the IFC Performance Standards [PS 7]), KfW IPEX-Bank may define further steps related to the fulfilment of IFC PS 7 after consulting the independent expert (IESC or legal advisor).

3.4.6. The project must attempt to seek commercially viable solutions for appropriate protective measures; if this cannot be achieved, the project will not be financed.

3.5. Assessment standards

3.5.1. In the case of investments in countries with well-developed environmental and social regulations that are also enforced, the national standards will be used as the benchmark for the assessment. This applies to the high-income countries of the OECD as well as the “Designated Countries” in accordance with EP Principle 3. In the case of projects in Category A and projects in Category B with occasional significant environmental and social effects, KfW IPEX-Bank - in consultation with an independent expert (Independent Environmental and Social Consultant) - examines whether one or more IFC PS are applicable in addition to the national standards in accordance with EP Principle 3. If indigenous peoples are affected, the project’s conformity with IFC-PS 7 must always be assessed (see Section 3.3.4.) In all other countries, all IFC-PS and the Environmental Health and Safety Guidelines (EHS Guidelines) from the World Bank Group are always used as an assessment benchmark in addition to local standards.

Standards derived from European Union environmental legislation may also be applied.

In case of doubt, the Competence Centre for Environmental and Social Compatibility clarifies the extent to which the relevant legal and institutional framework of international requirements is fulfilled.

3.5.2. The client must justify any permanent or temporary deviations from these regulations.

3.5.3. When making decisions, KfW IPEX-Bank also takes into account — if relevant — the results of international initiatives such as the World Commission on Dams and the sectoral guidelines of KfW Group in their currently applicable form.

4. Disclosure obligations for the client³

In the case of financing services for projects in Category A and measures in Category B with occasional significant environmental and social impacts that fulfil the criteria specified in Section 3.4, it is necessary for the client to publish an online summary of the environmental and social compatibility study. The client also publishes the annual greenhouse gas emissions if the project generates emissions of more than 100,000 t CO₂ eq. KfW IPEX-Bank additionally recommends that its clients also publish online the emissions generated by a project, once the annual quantity of emissions exceeds 25,000 t CO₂ eq.

³ Projects involving unconventional prospecting, exploration and extraction of gas will disclose as per international standards in accordance with KfW Group's exclusion list and sector guidelines that

- no material lowering or contamination of groundwater levels is anticipated,
- measures for protecting resources (particularly water) and recycling have been taken, and
- suitable technology is used for the safe execution of drilling, which includes integrated piping of the borehole and a pressure test.

In the case of project financing, the client's consent is also obtained to disclose the project name to the Equator Principles Association. The Association will publish the project on its website. This is subject to the condition that

- the project financing has reached financial close with a volume of more than USD 10 million,
- the client has agreed to the publication,
- the publication complies with local legislation and
- the publication does not create any additional obligations for the participating credit institutions.

5. Decision and monitoring

5.1. Informing the decision-making bodies

5.1.1. The results of the assessment are recorded by the project/contract manager, based on the statement made by the Competence Centre for Environmental and Social Compatibility if applicable, and form part of the lending decision. The statement can be adequately summarised for the loan application.

5.1.2. If a financing transaction requires approval by the Loan Committee (LC) or the Credit Risk Committee (CRC) or the Board of Supervisory Directors, the information is furnished to the LC, CRC or Board of Supervisory Directors as part of the corresponding submission for approval.

5.2. Refusal of financing / approval with covenants

5.2.1. If the assessment under Section 3 reveals that the project fails to comply with appropriate environmental and social regulations of the country of investment by international standards or relevant provisions of international law, or that unacceptable environmental risks or unacceptable social disadvantages remain despite possible protection or compensation measures, KfW IPEX-Bank will not participate in the financing.

5.2.2. For each instance of financing, the decision-makers must be satisfied that this Guideline has been adhered to, for example that:

- all relevant environmental and social laws, regulations and approvals in the country of investment have been fulfilled in all material respects;
- the environmental and social action/management plan, where applicable during construction and operation of the project, has been fulfilled in all material respects;
- reporting occurs at appropriate intervals (at least annually) and in an agreed format with regard to legal conformity and fulfilment of the action/management plan;
- the decommissioning of facilities, where applicable and appropriate, is compliant with the agreed decommissioning schedule;
- any additionally agreed measures are communicated to the relevant stakeholders in an appropriate manner.

5.3. Monitoring and reporting

5.3.1. For projects that render necessary an ESAP or mitigation measures, the agreements for KfW IPEX-Bank's financing products stipulate reporting (monitoring) in respect of compliance with protection measures and the environmental and social action/management plan. In the case of projects in Category A and Category B with occasional significant environmental and social effects, the client - in coordination with KfW IPEX-Bank - commissions an independent expert (in accordance with EP Principle 9) to carry out monitoring. This expert carries out the monitoring or reviews the client's own monitoring. The monitoring is also conducted in close cooperation with the Competence Centre for Environmental and Social Compatibility of KfW Group.

5.3.2. If any extraordinary environmental or social impacts occur, KfW IPEX-Bank will, where possible, use its influence to contribute to alleviating the problem.

5.3.3. During the project term (preparation and operation) of projects in category "A" and, as appropriate, category "B" with occasional significant environmental and social effects, the client will establish a process for receiving and handling grievances from employees and the affected general public. Cases and results are documented and form part of the reporting.

5.4. Transparency and disclosure

5.4.1. It is up to the client responsible for a project to provide project information. KfW IPEX-Bank may not pass on to third parties any project information that is not publicly accessible without the prior consent of the corresponding stakeholders.

5.4.2. In accordance with Principle 10 of the Equator Principles, KfW IPEX-Bank will encourage the client to share its baseline studies resulting from its project/baseline study for biodiversity topics with the general public – e.g. via the Global Biodiversity Information Facility (GBIF⁴) or other relevant national or international databases - to ensure better coordination for the future.

5.4.3. In the case of projects for which an ESIA has been performed, public disclosure and stakeholder engagement are carried out by the responsible authorities, sponsors or third parties as part of this ESIA.

5.4.4. KfW IPEX-Bank reports briefly on the implementation of this Guideline in its annual report and in the Sustainability Report of KfW Group. The Board of Supervisory Directors is also informed accordingly in the annual report on the environmental and social activities of KfW Group. Reporting to the Equator Principles Association is conducted in the framework of annual Equator Principles reporting.

6. Revision of this Guideline

This Guideline is reviewed annually for necessary amendments.

⁴ See www.gbif.org/.

Appendix I Illustrative list of environmentally and socially relevant sectors / project types
(including significant adverse effects)**Category A:**

Projects that have complex impacts which partly cannot be compensated:

- Infrastructure projects such as roads, railway lines, bridges, pipelines, overhead high-voltage lines, tourism facilities (land consumption, conservation, resettlement)
- Forestry and plantation management (land consumption, nature conservation)
- Large-scale hydraulic engineering, such as reservoirs, coastal protection, port facilities, river and channel construction (nature conservation, resettlement, changes in the water balance)
- Mining and processing of mining products (transformation of the landscape, water pollution, resettlement)
- Processing of coal and mineral oil (plant safety, air emissions)
- Natural gas and mineral oil extraction (groundwater pollution, methane emissions)
- Non-ferrous metallurgic works and foundries (air emissions, dust)
- Iron/steel works (air emissions, dust)
- Basic chemical industry (plant safety, air emissions, water pollution, hazardous waste)
- Pulp and paper production (water pollution)
- Airports (land consumption, noise, groundwater pollution)
- Thermal power stations (land consumption, air emissions, water pollution, ash disposal)
- Large-scale wind and solar power generation (land consumption, noise pollution, biodiversity, water consumption)
- Food and fodder industries (water pollution)
- Building materials industry, glass industry (dust, air emissions)
- Mineral oil processing, distribution and storage (plant safety, air emissions, groundwater pollution)
- Agriculture, together with intensive livestock farming facilities (land acquisition, animal welfare, water pollution, waste)
- Projects involving social aspects, such as the necessity for large-scale resettlement; encroachment on the habitats of indigenous peoples; impacts on traditional rights (e.g. land rights, land use rights); threats to cultural heritage, privatisation of social services
- Projects with integral social aspects such as a large number of unskilled, temporary employees and/or migrant workers, labour-intensive production processes, dangerous working conditions (e.g. hazardous substances, emissions); projects in special economic zones with limited social standards

Category B:

Projects that may have environmental and social effects, which are usually manageable using state-of-the-art technology and/or standard solutions:

- Metal processing (pickling and degreasing agents, waste, noise)
- Wood processing (dust, chemical agents, noise)
- Textile manufacturing (dyeing effluents, noise)
- Chemical and pharmaceutical industry (air and water pollution)
- Liquid and solid waste disposal facilities (sludge disposal, safety of waste disposal sites, air emissions where applicable)
- No or only minor impact on third party social concerns
- Working conditions that do not deviate significantly from acknowledged standards

Appendix II Illustrative list of potential ecological and social concerns to be addressed if relevant, in the environmental and social impact assessment

- a) assessment of the baseline environmental and social conditions
- b) consideration of feasible environmentally and socially preferable alternatives
- c) requirements under host country laws and regulations, applicable international treaties and agreements
- d) protection and conservation of biodiversity (including endangered species and sensitive ecosystems in modified, natural and critical habitats) and identification of legally protected areas
- e) sustainable management and use of renewable natural resources (including sustainable resource management through appropriate independent certification systems)
- f) use and management of dangerous substances
- g) major hazards assessment and management
- h) efficient production, delivery and use of energy
- i) pollution prevention and waste minimisation, pollution controls (liquid effluents and air emissions), and waste management including hazardous substances
- j) Viability of project operations in view of reasonably foreseeable changing weather patterns/climatic conditions, together with adaptation opportunities
- k) cumulative impacts of existing projects, the proposed project, and anticipated future projects
- l) respect of human rights by acting with due diligence to prevent, mitigate and manage adverse human rights impacts
- m) labour issues (including the four core labour standards), and occupational health and safety
- n) consultation and participation of affected parties in the design, review and implementation of the project
- o) socio-economic impacts
- p) impacts on affected communities, and disadvantaged or vulnerable groups
- q) gender and disproportionate gender impacts
- r) land acquisition and involuntary resettlement
- s) impacts on indigenous peoples, and their unique cultural systems and values
- t) protection of cultural property and heritage
- u) protection of community health, safety and security (including risks, impacts and management of project's use of security personnel)
- v) fire prevention and life safety

(see Equator Principles, Exhibit II)

Appendix III **Equator Principles 4**

<https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf>