

Environmental and Social Management Framework  
FinBRAZEEC Project

*Draft Version for Consultation*



## Table of contents

Introduction.....	3
Project description.....	3
Environmental and Social Assessment Frameworks.....	4
Operational Policy OP / BP 4.01 for World Bank Environmental Assessment.....	5
CAIXA Environmental and Social Responsibility Policy.....	6
CAIXA Environmental and Social Review Procedures.....	7
Procedures for Classification of the Environmental Risk Category of the Project.....	8
Environmental and Social Review Process of Financing Proposals.....	11
Procedures for implementing, monitoring and evaluating environmental and social management.....	12
Assessment of Environmental and Social Risks and Impacts of the Project.....	13
Safeguards policies triggered for the Project.....	15
Management of Environmental and Social Risks of the Project.....	14
OP / BP 4.01 - Environmental Assessment.....	16
OP / BP 4.04 Natural Habitat.....	17
OP / BP 4.09 Integrated Pest Management.....	17
OP / BP 4.11 Physical and Cultural Heritage.....	18
Health and Safety at Work.....	19
Disposal of solid waste.....	20
Gender Equity.....	21
Transparency and Accountability Processes.....	21
Grievance Redress Mechanism.....	22
Public Consultation.....	23
List of Attachments.....	23
Annex 1 - Environmental and Social Verification Form.....	24
Annex 2 - Reporting template for periodic monitoring reports on the implementation of environmental and social management of projects.....	29
Annex 3 - Summary of the Consultation Process.....	36

## Introduction

This Environmental and Social Management Framework (ESMF) is designed to guide the environmental and social management of the FinBrazeec Project - Financial Instruments for Brazil Energy Efficient Cities (P162455). The Environmental and Social Management Framework is considered to be the appropriate instrument for this Project since the activities to be supported are not yet fully defined, nor the locations where the activities will be developed.

The ESMF aims to enhance the FinBrazeec Project by contributing with policies and banking practices that are precursory, demonstrative, exemplary and with multiplier effects in terms of environmental and social responsibility, and that are in line with the goal of promoting development that does not compromise the needs of future generations.

The basic concept of the ESMF is that financial institutions must play a fundamental role in promoting the search for sustainable development that includes environmental protection and continuing improvement in the well-being of society.

The ESMF seeks to find answers to urgent issues such as water management, biodiversity conservation, sustainable forest management and combating global warming. These high priority issues are associated with the potential decline of ecosystem services which compromise human survival if not adequately addressed. From the social standpoint, sustainable development involves respect for human and labor rights, recognition of diversity and local cultures, and the reduction of poverty and income distribution inequality. Sustainable development also contributes to strengthening social and cultural ties.

## Project description

The Project aims to leverage financing in energy efficiency projects in Brazil in an innovative way in Brazil, encouraging other national private financial institutions to provide long-term credit in the sectors of Municipal Public Lighting and Energy Efficiency in Industry.

The financing proposal foresees the creation of an Energy Efficiency Facility (EEF), managed by the Caixa Econômica Federal (CAIXA), to invest in public lighting and industrial energy efficiency subprojects.

CAIXA is a 100% public institution which, as signatory to the Equator Principles (EP), plays a key role in urban development by prioritizing sectors such as housing, basic sanitation, infrastructure and services provision. It also supports numerous artistic, cultural, educational and sports activities.

The EEF will have three basic funding sources:

1. GCF (*Green Climate Fund*) totaling US\$196 million;
2. CAIXA, with the credit lines already managed, totaling US\$180 million;
3. National private banks to provide an estimated US\$400 million.

CAIXA is required to contract a World Bank loan with deferred disbursement, also called Deferred Drawdown Option (DDO) of US\$200 million (Libor+ approximately 0.90%) to create a CAIXA financial instrument to raise finance with funds from national private banks.

The proposal also provides for the provision of funding for technical assistance ("non-repayable funds"), with two objectives:

1. US\$4 million for Technical Assistance from the "GCF Grant", to be made available to CAIXA to support the establishment of the FEE and assist with defining a portfolio of projects to be financed;
2. US\$15-30 million to create sources of liquidity for the EEF, with the purpose of mitigating the risk of default by EEF borrowers (i.e, the subprojects). These resources will come from climate funds, including the GCF and / or the CTF (Clean Technology Fund ).

The GCF funds can only be raised through the World Bank, with the World Bank being the 'Accredited Entity' with that Fund. If the GCF does not approve the funds, the World Bank may possibly provide funds in addition to or in substitution of GCF funding.

The World Bank loan with deferred disbursement or DDO will provide liquidity to the EEF, thus providing a repayment guarantee of the loans provided by the private banks syndicated by CAIXA, and allowing the EEF to leverage a larger amount of funds, with fees at reduced interest rates. World Bank studies estimate that the funds provided by national private banks will be equivalent to double the value of the DDO, i.e. US\$400 million.

The DDO will only be used after the contractual guarantees have been exhausted, and CAIXA will need to pay an annual commitment fee of 0.25%-0.5%.

## **Social and Environmental Assessment Frameworks**

Brazilian environmental legislation rules on environmental impacts, damage, licensing, violations, etc. and is considered robust. Below is a summary of the main legal frameworks that support the CAIXA's environmental and social analysis.

## 1988 Federal Constitution

Article 5, LXXIII: Deals with "popular legal action with a view to annulling an act that is detrimental to public patrimony... administrative morality, the environment and historical and cultural heritage".

Article 216, V and paragraphs 1 and 3: Brazilian cultural heritage related to the environment.

Article 225, paragraphs 1 to 6: The environment.

Articles 231 and 232: Indigenous communities.

## Environmental and Social Compliance

· Law 12.651 of 05/25/2012. The "New Forest Code".

Law 6,938 of 8/31/1981. The National Environmental Policy: goals, formulation and application mechanisms.

· Law 7,347 of 7/24/1985. Rules on public civil action concerning responsibility for damages caused to the environment, consumers, goods of artistic, historical, tourist value - and the rights pertaining thereto - and on other measures.

· Law 9605 of 12/2/1998. Addresses criminal and administrative sanctions arising from conducts and activities harmful to the environment.

· Law 9,966 of 3/28/2000. Provides for the prevention, control and monitoring of pollution caused by the release of oil and other harmful or dangerous substances in waters under national jurisdiction.

· IBAMA Normative Instruction 146/07 of 10/1/2007. Establishes criteria and standardized procedures related to the environmental licensing of enterprises and activities that cause impacts on wildlife.

· Law 10.650, dated 4/16/2003. Provides for public access to data and information existing in the organs and entities that make up the National Environmental System - Sisnama.

· Decree-Law 3.365 of 6/21/1941. Public utility expropriations.

· Decree 3,179 of 9/21/1999. Specifies sanctions arising from conducts and activities harmful to the environment.

· Conama Resolution 1/86 of 1/23/1986. Basic criteria and general guidelines for the Environmental Impact Report - RIMA.

· Resolution Conama 6/86 of 1/24/1986. Approval of templates for publication of licensing applications.

· Conama Resolution 9/87 of 3/12 1987. Public hearings.

· Resolution Conama 1/88 of 6/13/1988. Federal Technical Registry for environmental protection instruments and activities.

· Conama Resolution 237/97 of 12/19/1997. Regulates aspects of environmental licensing set forth in the National Environmental Policy.

· Conama Resolution 306/02, of 07/5/2002. Establishes minimum requirements and TOR for environmental audits.

· Law 3,924 of 07/26/1961. Archaeological sites and prehistoric monuments.

### ***Operational Policy OP / BP 4.01 for World Bank Environmental Assessment***

The Project will take into account the World Bank's Operational Policy for Environmental Assessment (OP / BP 4.01).

This safeguard policy, a mandatory component of the Project, will guide previous analyses (environmental filter and environmental and social assessment fact sheets) of the potential impacts of the direct, indirect and cumulative Project interventions.

The policy will make it possible to determine the potential positive and negative impacts of the Project and assist the definition of mitigating measures and specific action plans. It will also facilitate the triggering of other safeguard policies to ensure that the required environmental assessment instruments are prepared and implemented.

The policy also seeks to assist the definition of measures to prevent, mitigate, minimize or compensate for negative effects by evaluating the most appropriate instruments for this activity.

It is also designed to appraise the institutional capacity of the implementers to manage the set of proposed measures.

The Environmental and Social Management Framework, a core instrument of the Project, evaluates the potential environmental risks of the actions to be carried out under the Project. It also establishes procedures for Project design by analyzing the alternative measures linked to each action: selection, location, planning, design and execution of the project; steps to avoid, minimize, mitigate or offset adverse environmental effects; and highlighting positive impacts.

Note that the OP 4.01 calls for public consultation.

### ***CAIXA Environmental and Social Responsibility Policy***

CAIXA's Environmental and Social Policy ([link](#)) seeks to ensure that the activities of CAIXA and its subsidiaries are performed in a sustainable manner. This involves them integrating social and environmental factors into their strategies and ensuring that the principles and guidelines of this policy are followed in the course of the relationships, processes and business transactions with stakeholders.

CAIXA adopts environmental and social risk assessment and management models in its products, processes, services and business arrangements to ensure:

- o Identification, classification, evaluation, monitoring, mitigation and control of environmental and social risk in CAIXA activities and operations.
- o Conforming to Equator Principles guidelines and other national and international protocols, treaties and conventions, where applicable, in own and third party assets management, in corporate operations, and in client and project risk analysis.

- o Maintenance of data records related to actual losses due to environmental and social damages.
- o Adoption of specific guidelines for sensitive sectors and segments and activities that represent greater potential for negative environmental and social impact.
- o Prior evaluation of the potential negative environmental and social impacts of new product and service modalities, conducting assessments of risks and opportunities when products and services are launched or repositioned.

### *CAIXA Environmental and Social Review Procedures*

#### (a) Eligibility Criteria

The FinBRAZEEC Project will not finance:

- (i) Projects that trigger OP 4.12 Involuntary Resettlement and OP 7.50 International Waterways.
- (ii) The Project will not support activities that require land acquisition and those that may cause adverse impacts connected with involuntary resettlement (physical displacement, economic displacement or restriction of access to natural resources in protected areas). Physical resettlement will be avoided in the Project by employing screening and planning mechanisms that provide access to alternative sustainable development activities.
- (iii) The Project will not support hydroelectric, irrigation, flood control, drainage and navigation projects involving the use or possible contamination of watercourses and international waterways.
- (iv) The Project will not support activities involving the conversion of natural habitats or ecologically sensitive areas, and the introduction of invasive plant species.

#### (b) Procedures for the Identification of Environmental and Social Risks of Projects

All environmental and social impacts involve assessments of their magnitude, relevance, proportionality, mitigation mechanisms and / or compensation for adverse impacts.

Certain impacts, due to the risks and damages generated, are however evaluated with greater caution, such as:

- o Protected natural habitats, native forests or areas of high biological diversity;
- o Loss of biological diversity, impacts on endemic, rare or threatened species, introduction of alien species, fragmentation and / or landscape change;

- o Significant change in physico-chemical soil properties (desertification, compression / surface sealing, fertility, generation of solid waste, erosion), water (quality and / or availability, sedimentation, eutrophication) and air (GHG particles );
- o Indigenous peoples, traditional communities, ethnic minorities and / or vulnerable groups;
- o Health and safety of communities and workers;
- o Involuntary resettlement and / or displacement of economic social activity;
- o Cultural, artistic properties or landscapes (religious and archaeological sites, caves, etc.)

At the project analysis stage, the impacts on the physical, biotic and economic and social environment are assessed by analyzing clients' documentation as required by the competent environmental agency (e.g. environmental impact studies, basic environmental plans, and the licenses/ authorizations issued). The environmental agency is responsible for defining which documents, etc. will be required according to the Project's level of impact. CAIXA is responsible for monitoring compliance with the conditions of the licenses issued, the action and / or environmental control plan, and the Equator Principles. If impacts and / or actions that may be adopted by the contractor are identified and have not been requested and / or analyzed by the environmental agency, the CAIXA can request a Corrective Action Plan.

In addition to providing the legal documentation required by the control bodies, the client is also assessed by means of specific questionnaires, meetings and, if necessary, by an independent audit company responsible for environmental and social *Due Diligence*.

After contracts are signed, the Project is periodically monitored, the action plan is re-evaluated and the impacts/risks are re-measured. If it is found that the client does not fully comply with these social or environmental obligations, or if new impacts associated with the Project are identified, new items are added to the Action Plan, and technical visits, audits and alignment meetings are organized to ensure the client's environmental and social compliance and the CAIXA's commitment to the Equator Principles.

### ***Procedures for Classification of the Environmental Risk Category of the Project***

All projects framed according to the Equator Principles are classified depending on the magnitude of their social and environmental risks and impacts. The classification system, developed by the IFC, is described in the chart below:



Category	Impact/Risk	Main features	Requirements
A	High	Projects with risk potential and / or significant adverse environmental and social impacts (multiple, irreversible or unprecedented).	Independent auditor to be hired to undertake <i>Due Diligence</i> and periodic environmental and social monitoring.
B	Medium	Projects with risk potential and/or a limited number of adverse environmental and social impacts, generally local, possibly reversible and controllable by mitigatory measures.	Environmental and social audit to fulfil the same requirements as under Category A.  No environmental and social audit: environmental and social documentation, project Action Plan and EMS to be submitted.
C	Low	Projects with reversible environmental and social impacts, with minimal risks and easy mitigation/compensation.	Environmental and social documentation to be compliant and Action Plan to be presented, if applicable.

Several factors influence the categorization of a project. These include the scale, location, sensitivity and magnitude of a project's impacts, and can vary according to its specific characteristics.

Environmental and social analysis is carried out in accordance with the Equator Principles, IFC Performance Standards and World Bank Group Environmental, Health and Safety Guidelines.

When the need for *Due Diligence* is identified in order to confirm the categorization of a project and / or to resolve queries about certain impacts, CAIXA

requests the client to contract an independent audit company (Annex 2). The audit hiring process needs to be approved by CAIXA (i.e. verification of the client's competence criteria, abilities and independence).

It should be noted that the project contracting process is only completed when the entire process of identification, classification and mitigation of social and environmental risks has been evaluated and incorporated into the analysis of the client / project. This means that the analysis of *Due Diligence*, the client's environmental and social management system and proposed Action Plan plays an important part in client / project evaluation and is duly taken into consideration when hiring.

#### Category A

Projects with potential risk and / or significant adverse environmental and social impacts that are multiple, irreversible or unprecedented are categorized as Category A ("high risk"). In these projects the client is required to hire an independent environmental and social auditor to prepare for Due Diligence and periodic environmental and social monitoring.

Following the *Due Diligence* evaluation , and based on the technical analysis of the environmental and social risk area, the periodicity of the relevant monitoring is determined. Monitoring should cover the entire construction period as a minimum. On completion of the works, the project is re-evaluated, and if the impacts at the operations stage are still "high", monitoring must continue and a re-evaluation of its periodicity performed.

#### Category B

Projects with a limited risk potential and / or the possibility of limited social and environmental impact, that are few in number and are usually local, possibly reversible and controllable by means of mitigation measures, are classified as "medium" impact / risk Category B projects.

If some impacts / risks require closer attention, an audit company may be hired to prepare *Due Diligence*, as in Category A.

If, after the evaluation of *Due Diligence* the project is deemed to require periodic follow-up by independent auditors the procedures to be followed will be the same as those applied to "high" impact projects.

If the project does not require monitoring by independent auditors, the contractor is responsible for providing monitoring reports of the works or operations at intervals defined by CAIXA. If the bank identifies any inconsistency and/or environmental and social risk, it can request the hiring of independent auditors to monitor the project.

The environmental and social monitoring of projects (with or without an audit) should take place at least annually for Categories A and B.

### Category C

Low risk/impact Category C projects are those with reversible environmental and social impacts and which present minimal risks or risks involving easy mitigation / compensation. In these cases the client, in addition to providing environmental and social documentary proof of compliance with the environmental agency, is also required to prove that he has an environmental and social management and risk system and can present an Action Plan designed to fulfill the conditions of environmental licenses and plans required by the environmental agency and / or other parties involved.

### *Environmental and Social Review Process of Financing Proposals*

CAIXA uses the following documentation provided by the client to evaluate and categorize projects:

- Environmental and Social Data Form of the project (Annex 1)
- Environmental Licenses (LP, LI), according to the development stage of the project; and protocols for requesting or renewing a license, if applicable;
- Environmental permits (concessions, vegetation removal, capture, collection and transport of fauna, etc.);
- Communications from official bodies (IPHAN, FUNAI, Palmares Cultural Foundation, IBAMA, ICM Bio, etc.), as necessary;
- Environmental and social impact studies (EIA / RIMA, RAS), if required by the environmental agency;
- Environmental and social programs (PBA, RCA), if required by the environmental agency;
- Executive Summary containing a concise description of the proposed project, its investment value, the amount of funding involved, a project implementation schedule and other relevant information;
- Other project documents such as topographic and road access maps, construction site plans, seismic surveys, specific reports and information about off-site investments that may be required for project functionality.

Depending on the project's impact level, the environmental agency may ask for a simplified licensing procedure, with no need for an Environmental Impact Study (EIA) and Basic Environmental Plan (BEP). In the case of lower impact projects, the environmental and social analysis is normally provided by the Environmental Control Report and the conditions contained in the environmental licenses.

For high impact social or environmental projects the environmental agency usually requires an EIA and PBA, public consultations/hearings, approvals by stakeholder agencies such as FUNAI and IPHAN. These projects are also subject to more stringent environmental licensing conditions (preliminary, installation and operation). CAIXA is responsible for analyzing all the documentation, together with other licenses that may be required such as concessions and permits for vegetation removal.

The basic documentation described above provides the basis for project analysis and classification. Depending on the level of exposure of the client/project the documentation may also refer to *Due Diligence* procedures for hiring independent auditors to conduct periodic monitoring, if applicable.

### ***Procedures for Implementing, Monitoring and Evaluating Environmental and Social Management***

An effective Environmental and Social Management System (ESMS) is a dynamic and continuous process which requires the engagement of the client, its employees, local communities directly affected by the project and, where appropriate, other stakeholders.

Performance Standard 1 is applicable to all projects. This provides the structure to enable the contractor to identify, evaluate, mitigate and monitor the environmental and social risks and impacts of the project. It also highlights the importance of the following: the need to conduct a comprehensive assessment to identify environmental and social impacts and risks as well as project opportunities; the need for effective community engagement based on dissemination of project-related information, and involving consultation with local communities on issues that directly affect them; and the client's environmental and social management and conduct throughout the entire project life cycle.

The IFC handbook for *Implementation of the Environmental and Social Management System* provides instructions on how to develop and implement the ESMS according to PD1. This is available at:

<http://www.ifc.org/publicationshandbookesms-general>

The ESMS of the CAIXA covers the following:

- Policy
- Identification of risks and impacts
- Management programs
- Organizational capacity and competence
- Emergency preparedness and response
- Stakeholder engagement

The project / client dossier comprises: the aforementioned environmental and social documentation, reports, official communications from government agencies, and

other project-relevant documents. The dossier can also contain copies of the financing agreement, disbursements and information on any contractual changes that might affect the environmental and social analysis of the project.

### *Evaluation of Environmental and Social Risks and Impacts of the Project*

A preliminary environmental and social diagnosis has identified the risks, benefits and general social and environmental impacts of the implementation of Law 12.651 / 2012 and the ABC Plan. This analysis considers aspects of environmental quality, environmental management and rural production.

The analysis also identified measures to prevent and mitigate adverse impacts, as well as measures for enhancing the environmental and social benefits of the Project.

World Bank environmental and social safeguard policies were defined as a result of this risk, impact and benefit analysis. The safeguard policies must be implemented and complied with by the Project's ESMS, with the processes and procedures specified and duly adopted.

The overall conclusion of the analysis is that the negative impacts identified basically represent risks or a need for improvements aimed at enhancing the effectiveness and efficiency of the Project. The activities are likely to generate environmental and social risks and impacts that are considered low to moderate and therefore the project is considered as having a medium-level intermediation (I2) consistent with the risk category definitions of the GCF.

The outcomes of Project implementation indicate no negative impacts on environmental quality, environmental management or owners of rural properties.

#### **POTENTIAL POSITIVE IMPACTS WITH INTENSIFICATION MEASURES**

<b>Actions</b>	<b>Potential positive impacts</b>	<b>Intensification measures</b>
Public Lighting Energy Efficiency	Increased perception of security in public spaces	Recommendation to prioritize areas of intervention with high levels of insecurity - Gender Action Plan
	Improved urban mobility conditions	Recommendation to prioritize areas of intervention with high levels of insecurity - Gender Action Plan
	Increased access to public lighting in urban areas	Reuse of replaced lamps
Energy efficiency in Industrial Plants	Streamlining of local and sectoral economies	Recommendation to hire local labor

Both?	Reduction of carbon emissions	Recommendation to conduct environmental education and raise energy consumption awareness
	Energy saving	
	Strengthening of the reverse logistics market resulting in input savings	
	Raised awareness of gender equity	Implementation of the Project's Gender Action Plan

**POTENTIAL NEGATIVE IMPACTS WITH PREVENTION / IMPACT MEASURES**

<b>Actions</b>	<b>Potential negative risks and impacts</b>	<b>Prevention / mitigation measures</b>
Energy Efficiency in Public and Industrial Plants	Financing of projects with substantial social and environmental risks	Compliance with Environmental and Social Management Framework guidelines  Use of the Environmental and Social Form as part of projects selection process  Monitoring of project implementation by the team responsible for EEF environmental and social risk management
	Inadequate disposal of waste generated during lamp replacement or industrial plant modernization processes	Compliance with National Solid Waste Plan guidelines
	Workplace-related accidents	Compliance with Regulatory Standards of the Ministry of Labor and Employment and World Bank Group EHS Guidelines  Clear contractual rules covering the need for occupational health and safety technical activities
	Interference with vegetation	Compliance with local requirements for permits or licenses authorizing vegetation removal

	Adverse impact on physical/ cultural heritage	Compliance with World Bank and national requirements and procedures for dealing with "incidental discoveries"
	Inappropriate use of pest control chemicals	Compliance with national legal provisions and WHO guidelines
	Inadequate handling of complaints and lack of information provided to communities	Establishment of Grievance Redress Mechanisms involving different levels of redress and communication strategies

### Safeguard Policies Triggered for the Project

In view of the risks, benefits and negative impacts potentially associated with the implementation of the Project, World Bank safeguards were defined, as well as the procedures to be followed to ensure compliance.

Safeguard Policies	Activated in the Project	
	Yes	No
Environmental Assessment (OP / BP 4.01)	X	
Natural Habitats (OP / BP 4.04)	X	
Integrated Pest Management (OP 4.09)	X	
Indigenous Peoples (OP / BP 4.10)		X
Physical and Cultural heritage (OP / BP 4.11)	X	
Involuntary Resettlement (OP / BP 4.12)		X
Forests (OP / BP 4.36)		X
Dams Safety (OP / BP 4.37)		X
International Waterways projects (OP / BP 7.50)		X
Disputed Areas projects (OP / BP 7.60)		X

### Management of Environmental and Social Risks of the Project

The EEF will have overall responsibility for monitoring, supervision and monitoring of the project's social and environmental risk management processes.

Within the EEF, a team responsible for preliminary verification of the social and environmental aspects of the projects will be formed. This team will supervise project implementation and ensure compliance with social and environmental safeguards. It will

also report periodically to the World Bank and CAIXA on matters concerned with safeguard policies.

The EEF will be subordinated to CAIXA and will report to the World Bank.

Contractors will be responsible for managing the social and environmental risks of their projects and must adhere to the guidelines set out in this Environmental and Social Management Framework. They must also report periodically to the EEF on environmental and social procedures and processes and, at any time, on any concerns of an environmental and social nature that may arise.

The FinBRAZEEC Project will adopt the analytical procedures performed by CAIXA for Category A projects and which are fully acceptable to the World Bank. Independent audits will be necessary only when the Project activities impact on historical / cultural heritage.

Impacts other than those described above could lead to the need to hire independent auditors, depending on the magnitude and relevance of an impact. Category A and Category B developments may require hiring auditors to prepare *Due Diligence*. Following the evaluation of *Due Diligence*, decisions will be taken on whether the Project requires periodic monitoring by independent auditors or not. In this event, the same procedure that CAIXA adopts for its high-impact projects will be followed, i.e. analysis of project documentation, official communications from environmental agencies (including conditions), the level of client ESMS maturity and the structuring phase of the project.

The following sections address the processes and procedures to be adopted to meet World Bank safeguard policies triggered for the Project, and other aspects of risk and social and environmental impact management.

#### *OP / BP 01.04 - Environmental Assessment*

This safeguard policy will guide the preparation of preliminary analyses and the management of any potential impacts of Project interventions. Direct, indirect and cumulative impacts will be considered, together with measures to prevent, mitigate, minimize or compensate for the negative effects and an assessment of the most suitable tools for implementing these measures.

The tools will enable recognition of the Project's potential impacts (positive and negative), and inform the definition of mitigation measures and specific action plans. The tools will also make it possible to decide whether to enforce other policies and to ensure that the required environmental assessment tools are readied and implemented.

This policy also requires an assessment of the institutional capacity of contractors to manage the set of proposed measures.



The Environmental and Social Management Framework (ESMF) was adopted as the key tool for this project. The ESMF assesses any potential environmental and social risks of the actions to be pursued by the Project, establishes procedures for project design and implementation, and defines measures to prevent minimize, mitigate or compensate for adverse environmental and social effects, as well as highlighting environmental and social benefits.

To comply with the guidelines of the OP/BP 4.01-Environmental Assessment, an evaluation was performed of the Environmental and Social System for Financial Intermediaries (Caixa Econômica Federal). This assessment concluded that the CAIXA system is robust and its procedures for preliminary verification of environmental and social impacts, and project monitoring and evaluation, are consistent with the Equator Principles and World Bank environmental and social safeguard policies.

No significant environmental impact is anticipated as a result of the proposed Project activities. The highest risks arising from its implementation are associated with the disposal of the light bulbs to be replaced in the public lighting efficiency projects, and workers' health and safety. Sufficient mechanisms are available in Brazilian legislation to deal with these risks.

#### *OP / BP 04.04 Natural Habitats*

The main thrust of the safeguard policy is to avoid funding projects that degrade critical habitats, and to support projects that affect such habitats only when there are no available alternatives, and if adequate mitigation measures are available.

Given that this project will not affect Conservation Units or other critical natural habitats, the conversion or degradation of natural habitats is not anticipated. The policy has been activated primarily to preclude possible interference in permanent preservation areas located close to industrial plants in urban areas.

No activities will be carried out that affect the appearance of existing vegetation cover and undermine the area's environmental function.

The Project is not under any circumstances involved in, or provides funds for, activities that could cause the conversion or degradation of critical natural habitats, including forest areas.

In rare cases where the Project is considered to support an activity which may negatively affect non-critical natural habitats, the completed Environmental and Social Verification Form will facilitate consideration of alternatives and guide mitigation actions.

#### *OP / BP 09.04 Integrated Pest Management*

This policy is triggered preventively. The basic aim is to ensure that the use of pest control chemicals meet the risk standards established by the World Health

Organization (*Recommended Classification of Pesticides by Hazard and Guidelines to Classification* [Geneva: WHO 1994-95]) which recommend the use of integrated management techniques.

Costs will not be met for any type of pesticides that fail to meet the WHO criteria (Classes IA, IB or II). However, the proposed technologies for pest management may consider the use of inputs such as pesticides and herbicides in their field strategies, but should pay attention to the legislative provisions (especially those of IBAMA and ANVISA) related to low toxicity, product application methods and periodicity, as well as monitoring the products' potential negative impacts.

The best mitigation strategy against inappropriate application of such inputs (in non-recommended quantities or non-compliance with procedures or periodicity) is to use qualified personnel. This approach needs to be followed in the event of any demands for the use of these substances as a result of project activities.

#### *OP / BP 4.11 Physical and Cultural Heritage*

This policy refers to movable or immovable physical and cultural resources: objects, sites, structures, groups of structures, intangible cultural goods, natural landscapes, etc. of archaeological, paleontological, historical, architectural, religious, aesthetic or other historical significance in urban or rural environments, in or under the earth or in water bodies. These cultural goods may attract local, state, national or international attention.

Bank policy aims to avoid or mitigate adverse impacts by the Project on physical and cultural resources, in conformity with current national legislation and Brazil's relevant international treaty obligations. The policy was triggered preventively for the Project with a view to ensuring the preservation of physical-cultural resources and preventing their destruction or damage, in full compliance with Brazilian standards of heritage conservation in the event of incidental discoveries during the implementation phase of the Project.

The Project will follow the guidelines established by World Bank safeguard policy OP / BP 4.11 - Physical Cultural Resources, in line with IPHAN rules.

The guidelines for cases of incidental discoveries are as follows:

- The Project must consult local people and key stakeholders and record the presence and importance of physical cultural resources.
- The Project must, if possible, avoid implementing activities that may cause significant damage to physical cultural resources, using qualified experts to conduct field research where appropriate.
- The Project must encourage the analysis of viable options to avoid, minimize or compensate for any adverse impacts, and promote positive impacts on physical cultural resources by designing activities and choosing alternative sites for its implementation.

- The Project requires preliminary management and conservation plans to be submitted by contractors to ensure that incidental discoveries of physical cultural resources can be appropriately dealt with.
- In the event of the discovery of a physical cultural resource or resources, the Project must disclose draft mitigation plans to key stakeholders in a timely manner.
- In cases of incidental discoveries, contractors must immediately halt the work underway and notify the team responsible for the environmental management of the Project, which must then notify Brazil's Institute of Historical and Artistic Heritage (IPHAN).
- IPHAN will be responsible for issuing appropriate instructions. If necessary, the environmental and social design team will prepare and undertake rescue, protection and documentation activities.
- Field activities will resume only after IPHAN has responded.

### *Health and Safety at Work*

The employment of child labor and / or forced labor analogous to slavery will not be permitted.

The Project will comply with the laws governing the elimination of forced labor according to Article 149 of Brazil's Penal Code (updated by Law 10,803 / 2003), and the Executive Group to Combat Forced Labor, established by Decree 1,538 / 1995.

The following procedures and conditions will apply:

- Respect for labor, health and safety standards. Consulting and non-consulting firms under contract to the Project will perform activities in accordance with current labor, health and safety laws. Bidding and contract documents must specify this requirement.
- Health and safety regulatory standards (NR) that are related to work at heights (NR-35) and work involving electrical equipment (NR-10) apply throughout Brazil and must be observed.
  - NR-35, the Regulatory Standard issued by the Ministry of Labor sets minimum protection measures for work performed at heights. This regulation covers planning, organization and implementation to ensure the health and safety of workers directly or indirectly involved in work performed above a height of two meters where there is a risk of falling.
  - NR-10 is the Regulatory Standard issued by the Ministry of Labor and Employment designed to ensure the health and safety of electric power workers. This NR covers all the stages of electric power production and all work done with or near electricity: generation, transmission, distribution and consumption, including the design, construction, installation,

operation, and maintenance of electrical installations and any work carried out in their immediate vicinity.

The regulatory standards are fully aligned with the General EHS Power Transmission Guidelines.

- Accidents and Incidents: All accidents or incidents that occur in the course of Project implementation shall be reported to the World Bank, including those involving consultants, third-party contractors and other staff directly associated with the Project. In the event of an accident or incident, its causes and effects must be analyzed, with mitigation measures taken to prevent its recurrence.

### *Disposal of solid waste*

Brazil's National Policy on Solid Waste (PNRS) - Law 12.305 / 2010 - requires companies to incorporate best practices in their internal processes. In the energy sector the most significant waste product is ascarel oil (scientific name - polychlorinated biphenyls, PCB), which is mainly used as a transformer electrolyte. Although it was banned in 1981 in new products in Brazil, PCB oil can still be found in substations and industrial buildings. Possible leaks of this product can cause serious damage to the environment and human health.

The PNRS requires the correct disposal of solid waste, effluents and chemicals, in both the construction and operations phases of projects. Environmental management plans must include all actions related to the disposal of solid waste at the various stages of a project.

Lamps containing mercury are classified as Class I Waste (i.e. dangerous), according to NBR 10004/2004 ('Solid Waste Classification') due to the mercury contained in them. Mercury, a toxic substance, can damage the environment and cause adverse effects on human and animal health by inhalation, ingestion or dermal absorption.

The PNRS rules that manufacturers, importers, distributors and retailers are required to design and implement reverse logistics systems for, among other products, fluorescent lamps (sodium, mercury vapor and mixed light), the return of products after use by consumers, regardless of public urban cleansing and solid waste management services. Prior to this legislation, there were no legal standards for handling waste containing mercury, although Federal Law No. 9.605/98 ('environmental crimes') and supplementary state and municipal laws were enacted to punish those responsible for generating passive pollution and harming human health and the ecosystems. At present any bulbs containing mercury must be properly handled, by planning the collection and disposal of these lamps and other types of post-consumer waste and by extending the life cycle and retrieving the value of the components through recycling, reuse or, as a last resort, by their proper disposal in the absence of other technically and / or economically viable methods.

In addition to complying with legal requirements, the Project will seek to encourage innovation in the recycling and reuse of the lamps that have been replaced as the result of activities supported by the Project.

### *Gender Equity*

The World Bank Operational Policy OP / BP 4.20 - Development and Gender, advises its clients to incorporate into their projects actions targeted at promoting gender equity. The Project must follow the following guidelines:

- The Project rejects all forms of gender bias and discrimination in its operations.
- The Project fosters a proactive gender mainstreaming policy in the preparation and implementation of its proposed activities.
- The Project aims to help enhance understanding among its employees and partners on key gender topics.
- The Project refuses to recognize unequal pay for equal work between men and women.
- The Project follows the guidelines of the United Nations Universal Declaration of Human Rights (1948) and the United Nations Convention on the Elimination of All Forms of Discrimination against Women (1979).

A Gender Action Plan was developed to ensure that advances in gender equity were incorporated into the Project.

### *Transparency and Accountability Processes*

The contractor must meet all the requirements of the environmental agency and other relevant bodies in order to obtain the appropriate licenses for the Project: 1 (Preliminary), 2 (Installation) and 3 (Operation).

The environmental agency defines which studies will be needed according to the impact level of the Project. An Environmental Impact Assessment - EIA is normally needed for Phases 1 and 2 and the Environmental Impact Report - EIR must be published in a readable form for access by the general public.

The EIA provides material for the environmental agency to define the conditions for plans and programs, including stakeholder participation verification procedures that must be followed by the contractor to obtain the required environmental license covering project installation.

The licensing process includes the public consultations and hearings required by the government for each corresponding phase. Following the consultations and hearings

the environmental agency sets out the criteria and conditions to be met by the contractor - mandatory prior to moving to the next licensing phases.

CAIXA normally analyzes projects once the public hearings have taken place and stakeholders have been identified, and when the client is in possession of the preliminary license (and often the installation license). The CAIXA is then responsible for evaluating the various conditions imposed, and for confirming that the client's Environmental and Social Management System satisfactorily meets the requirements of all the stakeholders.

CAIXA's annual Sustainability Report refers to the projects contracted during the year and describes the actions taken for analyzing and mitigating their environmental and social risks. These projects are also published annually on the Equator Principles website.

### *Grievance Redress Mechanism*

As part of the CAIXA's financing arrangements it requires a structured and continuous Social Communication Program to be created to receive complaints, suggestions or queries, and to monitor grievance resolution. The SCP is an integral part of the Basic Environmental Plan (BEP).

In accordance with the Equator Principles, CAIXA's environmental and social responsibility policy also requires all contractors who receive funding for Category A (and, where appropriate, Category B) projects to set up, as part of their ESMS, a grievance mechanism to receive comments and complaints about a project's environmental and social performance and to facilitate the identification of appropriate solutions.

The contractors' redress mechanism must be designed to reflect the risks and impacts of the project and target the Affected Communities (i.e. main users). The mechanism must seek to meet complaints, queries, etc. promptly by employing a transparent and easily-understandable consultative process that is culturally appropriate, easily accessible and cost free, and without subjecting the complainants to retaliation. Moreover, the mechanism must not compromise access to judicial or administrative redress. Contractors must inform the Affected Communities, in the course of the Stakeholder Engagement process, that this mechanism has been implemented.

**The creation and operation of Grievance Redress Mechanisms will be required by the EEF from all the contractors funded with Project resources.**

The EEF shall maintain a channel of communication to receive, record and redress grievances that cannot be resolved on site.

Finally, communities and citizens who are adversely affected by World Bank-supported projects can submit complaints and requests for information to the *Grievance Redress Service* (GRS). The GRS ensures that complaints received

are promptly reviewed so that issues directly related to the project can be addressed. After submitting complaints to the World Bank and giving the Bank an opportunity to respond, any communities and citizens who feel adversely affected as a result of non-compliance with corporate policies and procedures can also apply to the World Bank Inspection Panel. Information on the GRS is available at:

<http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>.

Information on how to submit complaints to the World Bank Inspection Panel is available at [www.inspectionpanel.org](http://www.inspectionpanel.org)

## **Public consultation**

The Environmental and Social Management Framework will be published at <http://www.caixa.gov.br/sustentabilidade/responsabilidade-social/compromissos/Paginas/default.aspx> during the period of 30 days from 16 January 2018.

Through this link, interested parties may send comments, suggestions and criticisms regarding the evaluation of environmental and social impacts and proposed risk minimization measures, adverse impact mitigation and enhanced benefits of the Project.

Comments, suggestions and criticism received will be recorded, analyzed and incorporated into the Environmental and Social Management Framework as appropriate.

A Summary Report of the consultation process will be attached to the final version of the Environmental and Social Management Framework.

## **List of Annexes**

- Annex 1: Environmental and Social Verification Form
- Annex 2: Template of periodic reports for monitoring implementation of the environmental and social management of the projects
- Annex 3: Framework of Consultation Process

## **List of Acronyms (TO BE INCLUDED)**

## Annex 1 - Environmental and Social Verification Form

### ENVIRONMENTAL AND SOCIAL FORM - PROJECTS

#### I. COMPANY

1 - Company name:		
2 - Address:		State:
3 - CNPJ:		
4 - Activity sector:		
5 - Persons responsible in the company for environmental and labor issues:		
Name:		Function:
Company Sector:	Email:	Phone:
Name:		Function:
Company Sector:	Email:	Phone:

#### II. PROJECT

1 - Title:			
2 - Location:	Address:		Municipality (ies):
	State (s):		Watershed:
	Geographic coordinates (Geodetic System, SIRGAS 2000 in latitude and longitude):		
3 - Zone within municipality:	Urban	Urban perimeter	Rural
4 - Main items of project:			



5 - Current location: (not started, items and % completed)			
6 - Estimated time for implementation (months):			
7 - Expected number of employees:	During works	Expected number of outsourcers	During the works
	On entire operation		On entire operation
8 - Was project publicized? ; Was affected population consulted?			
9 - Population to be benefited:			

### III. SITE FEATURES

Occurrences on site or in the Directly Affected Area (DAA)	Yes	No	If YES, specify
Settlements, dwellings or commercial activity			
Small-scale industry			
Large-scale industry			
Properties with cultural significance (e.g.: cemetery, archaeological, historical or religious site, affected by natural disasters, etc.)			
Indigenous groups, maroon or ethnic minorities			
Protected Areas (Conservation Area, APP buffer zone, caves, etc.)			
Small-scale agriculture or forestry			
Large-scale agriculture or forestry			
Pasture land			
Workshops or stables			
Water bodies (river, lake, stream, spring, waterfall, etc.)			
Endangered species - Flora			
Endangered species - Fauna			
Native forests			
Floodplains			
Protected natural habitats or areas of high biological diversity, including wetlands, coral reefs and mangroves			

Occurrences <u>before</u> the project: environmental impacts and / or mitigation actions (e.g. contaminated areas, floods, fires, etc.)			
Mining			
Other			

#### IV. ENVIRONMENTAL AND SOCIAL IMPACTS OF PROJECT

1 - Economic and social environment	
Main negative impacts	Mitigation / compensation measures (specify whether completed or planned)
Involuntary resettlement	
Indigenous group	
Maroon (quilombo) community	
Vulnerable groups	
Cultural, religious or archaeological heritage	
Other impacts	
2 - Biotic environment	
Main negative impacts	Mitigating/compensation measures (specify whether completed or planned)
Critical habitats	
Endangered species - fauna	
Endangered species - flora	
Vegetation removal	
Other impacts	
3 - Physical environment	
Main negative impacts	Mitigating/compensation measures (specify whether completed or planned)
Soil erosion	
Alteration of natural drainage	

Changes in rivers and streams	
Other impacts	

## V. ENVIRONMENTAL AND SOCIAL STUDIES

Information must be provided on existing or ongoing environmental and social studies, together with an assessment of the project and its environmental and social impacts at the site of its implementation and surrounding area (e.g.: Environmental Impact Assessment (EIA), Environmental and Social Impact Assessment, etc.). Please complete the table below.

**Table X: Environmental and Social Studies**

Study	Institution/Company	Date	Obs.

## V1. ENVIRONMENTAL AND SOCIAL DOCUMENTS

Report data and current status of Licenses, Environmental Permits and other documents related to the project. (E.g.: Preliminary, Installation, Operation, Concessions for Use of Water Rights, Vegetation Removal permits - ASV, IPHAN, FUNAI communications etc.). Please complete the table below.

**Table X : Environmental and Social Documentation**

Document	No.	Issuer	Project item	Date of issue	Expiration date	Renewal of document	Obs.

## VII. LABOR CONDITIONS

1 - Employee details:	Yes	No
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The company has an employee labor compliance monitoring system.		
The company has an employee Health and Safety monitoring system		
The company runs professional training and development programs		
The company has explicit policies against all forms of discrimination concerning recruitment, salaries, promotions, training and dismissal		
2 - Outsourced employees and contracted companies:	Yes	No
The company has an employee labor compliance monitoring system.		
The company has an employee Health and Safety monitoring system.		

#### VIII. CLIMATE CHANGE

	Yes	No
The company has, or plans to introduce, measures to reduce or compensate impacts related to climate change?		
Use of renewable energy sources in production activities.		
Use of renewable fuels in the company's vehicle fleet.		
Diagnosis of GHG (greenhouse gases) and adoption of measures to reduce emissions at the most critical points of the production chain.		
Compensation for greenhouse gas emissions.		
Solid waste management		
Water resources management		
Any other initiatives, specify:		

*NOTE: IF AT ANY TIME THE INFORMATION IN THE ABOVE TABLES IS DISCOVERED TO BE FALSE THE CONTRACTED OPERATION MAY BE TERMINATED FORTHWITH.*

WE DECLARE THAT THE ABOVE INFORMATION IS TRUE.

WE ARE PREPARED TO RECEIVE VISITS IN OUR PREMISES AND TO PROVIDE ANY ADDITIONAL CLARIFICATION THAT MAY BE REQUIRED..

/ /

Place

Date

Signature (s) of Legal Representative (s) of the Company:

Name:

Position/Function:

CPF:

## **Annex 2 - Reporting template for periodic monitoring implementation of environmental and social management of projects**

The templates for periodic reports are described in the Term of Reference for contracting the environmental and social consultancy to monitor the projects. The reports shall contain at least the specifications described in the following document (item 5).

### **Term of Reference for a Consultancy Work Proposal**

#### **Introduction**

The Equator Principles (EP) are a benchmark in international financial activities for the assessment and management of environmental and social risk in projects. The EP seek to ensure that funded projects are developed in an environmentally and socially responsible manner and incorporate safe environmental management practices.

In accordance with Equator Principles 7 and 9 for all high-impact projects (Category A) and, where necessary, for medium - impact projects (Category B), a specialist company shall be hired to carry out an independent environmental and social audit on behalf of the Banks.

We therefore invite [name of audit company] to present a work proposal for the project *(include clear identification of the project and any information about possibly relevant items such as: characteristics of the project, description of the sector/purpose of the work)*.

#### **Objective**

2.1 The independent environmental and social analysis aims to provide information to the Banks to enable them to assess whether the project conforms to the requirements of the Equator Principles and IFC Performance Standards, and to support the Banks in conducting Due Diligence of the project, as well as during the environmental and social monitoring phase of the project

2.2 The audit company will be responsible for documentary verification and on-site issuing of reports, action plans and other documents relevant to assessing the compliance and conformity of the projects. Also for highlighting opportunities for improvement and / or identification of issues of non - compliance by using the Action Plan and monitoring reports to achieve compliance with the requirements of the Equator Principles, or to indicate when this is not possible.

### **Scope of the *Due Diligence* / Monitoring Analytical Activity**

The scope of the work can be described as an Independent Evaluation for *Due Diligence* and / or Periodic Monitoring in order to assess the level of compliance of the Project with the following:

- Environmental Legislation, understood as laws that address environmental, health and safety at work aspects. The latter aspects refer to, but are not restricted to, communities affected by the Project. The following are understood to form an integral part of this item: timely and opportune verification of conformity of the Project with environmental licensing arrangements. These include up-to-date environmental licenses, concessions, permits and similar items related to the Project, as well as compliance with the respective conditions and Basic Environmental Plans.;
- The requirements of the Project to conform to Equator Principles include IFC (International Finance Corporation) Standards of Environmental and Social Sustainability and Performance, World Bank Group Guidelines on the Environment, Health and Safety (EHS Guidelines), and other correlated documents of the Group;
- Fundamental Principles and Rights at Work of the international Labor Organization - ILO;
- Any obligations that may be set by competent authorities including, in the case of Brazil, the Conduct Adjustment Terms (TAC);
- Other items that the Auditors or the Banks deem necessary.

At the monitoring stage, the audit company must, in addition to the above, verify compliance with the Action Plan according to Equator Principles that has been agreed for the Project. This document contains measures and actions to ensure that the Project meets applicable standards and requirements, including the conditions set forth in licenses, environmental permits and so on.

The audit must clearly highlight any discrepancies that could lead to risks / impacts on human or environmental health related to the items listed above. The magnitude and frequency of each discrepancy must be reported. The auditors must also present detailed and full justification for each discrepancy.

#### **Products:**

To be delivered to:

#### **Due Diligence:**

The *Due Diligence* report may draw attention to criticisms which have been identified during the technical visit.

The *Due Diligence* Environmental and Social report will analyze the conformity of the Project with the parameters set forth in this Proposal;

The Action Plan will highlight the gaps and items to be monitored during Project implementation and operation, identifying those responsible and deadlines that need to be met.

**Monitoring:**

(i) Preliminary Report containing any critical issues that have been identified during the technical visit;

(ii) Environmental and Social Monitoring Report presenting an analysis of the conformity of the Project with the parameters contained in this Proposal;

Action Plan containing information about work performance compliance, as well as drawing attention to new actions that may be necessary, identifying those responsible and deadlines that need to be met.

**Structure of *Due Diligence* and Monitoring Report**

The Reports must provide a structure containing at least the items listed in this box:

- |   |
|---|
| <p>Executive Summary to include inter alia (if it refers to a monitoring phase) information on the evolution of the Project compared with the previous monitoring exercise.</p> <p>Description of the project (identification of the contractor, location, history, purpose and justification).</p> <p>2.1. Description of the project (including any associated facilities and features of the area of environmental influence).</p> <p>2.2. Status of current construction or operational activities (comparison between X planned and Y implemented).</p> <p>Maps, figures and images showing the main aspects of the project, risks, impacts and environmental and social inconsistencies and analytic sources (e.g.: Document or other primary sources, EIS / EIR, BEP, licenses, fines, etc.).</p> <p>At the monitoring stage, if impacts that have not been previously identified are noted, the audit company must report the facts to the Bank (s) and suggest mitigation measures in a revised Action Plan.</p> <p>Environmental Management System (EMS) - Description and critique of policies (MA, SSO, HR, governance, etc.)</p> |
|---|

Environmental Management System (EMS) scope -main operation, auxiliary operations, etc.

Existing EMS with respective goals, targets and indicators.

EMS governance (structure for designing and reviewing procedures; procedures implementation structure; structure for checking and auditing of procedures implementation).

Monitoring programs related to social and environmental impacts - evaluation and identification of compliance with the Basic Environmental Project (BEP) or similar documents

Suggestion for classifying the project according to the level of environmental and social risk verified in the course of *Due Diligence*.

Compliance with the requirements determined by environmental agencies including, in the case of Brazil, the Basic Environmental Plan, licensing conditions and other administrative acts and Terms of Adjustment of Conduct (if any), and compliance with Brazil's Regulatory Norms and health and safety at work rules;

Existence of Investigative Procedures (inquiries, searches, etc.), legal actions, administrative penalties or proceedings (e.g: fines, restraining orders) related to the project or which may affect its implementation or operation;

Analysis of compliance with Equator Principles by the contractor, and any other relevant requirements, including conformity with Performance Standards (PD1 to PD8) and *EHS Guidelines* that apply to the project.

During the monitoring phase, it is expected that the current Action Plan will be checked. This is a mandatory requirement to ensure the project's compliance status.

Conclusion and Recommendations: includes a critical assessment of the environmental and social management system of the project as well as of the contractor's proposed budget to enable it to undertake the programs initially planned for the project as well as meeting the requirements to take appropriate steps to adapt and enhance the project according to the suggestions made by the consultants.

Technical consulting team, including individual duties and responsibilities.

Action Plan - In table format, with clear recommendations for each gap identified, and with items highlighted for monitoring (action, relevance, responsibility, time / date for completion). See item 6 for more details.

In accordance with the independence requirement under Equator Principles 7 and 9, the drafts of the Environmental and Social *Due Diligence* Report and those of the Environmental and Social Monitoring Report must be sent first to the Bank (s). Only after the Bank (s) has (have) clarified any queries, and any responses to these have



been incorporated into the document, the auditors will be authorized to share the relevant documents with the company engaged in analyzing the management of the project. If the Contractor wishes to have previous sight of the material, this can be agreed with the Bank (s) in due course and the documents delivered simultaneously.

### Structure of the Action Plan

The Action Plan linked to *Due Diligence* and periodic monitoring must contain the recommendations needed for identifying gaps in relevant legislation and the Equator Principles, the Performance Standards and EHS Guidelines. The Action Plan can also include the provisions set forth in the environmental licenses as well as other material supplied by intervening agencies, such as the Basic Environmental Project (i.e. items, regardless of the existence of gaps, that need to be monitored).

The Action Plan must address the actions on a consolidated basis and be presented in a form that can be easily incorporated into the financial documentation.

The Action Plan for *monitoring* must also describe the status of the recommendations made in the *Due Diligence* exercise or in previous reports, including an appraisal of the report issued by the contractor (RSAP).

The Plans must be structured to contain at least the items shown in the templates below:

#### Template for the *Due Diligence* action plan

Item	Criteria: Performance Standard/EHS/ Legislation	Action/ Recommendation	Situation/ Risk	Deadline

#### Template for the *Monitoring* action plan

Item	Performance standard	Action / Recommendation	Previous term	Status of work - RSAP	Assessment	Situation / Risk	New deadline

#### Criteria for submitting the Audit Work Proposal

## 7.1. Selection criteria to be considered

Proposals should be submitted to the Banks for approval of the company that will provide environmental and social audit services according to the minimum contents presented in item 7.2.

The company must not have any direct link with the contractor and / or have produced environmental and social studies connected with the project.

### Minimum contents of the proposal to be submitted

#### 7.2.1. Company details

1. Company headquarters
2. CNPJ
3. Geographical location of offices
4. Core activity of the company
5. Length of time in the market
6. Number of employees
7. Experience with the Equator Principles methodology, IFC Performance Standards and World Bank Group EHS guidelines
8. Main clients
9. Main projects carried out, identifying the client, the year and the sector in which the project (s) was (were) implemented

**7.2.2. Qualifications and the respective functions of the professionals to be tasked with delivering the services** (CVs must be attached to the proposal). Under this item, the bank can describe the professionals deemed necessary for analyzing the project.

#### 7.2.3. Qualifications of the audit company

The audit company must have experience in the activity sector of the project. It must also be familiar with Equator Principles (EP) analysis, and disclose its involvement with major projects, sectors and clients.

### Activities anticipated for *Due Diligence* and Monitoring (Scope of Work and Methodology)

#### Schedule of activities

The schedule must include items such as meetings, document analysis, technical visits, report preparation and deadlines deemed necessary by the audit company.

### **Detailed budget**

The detailed budget forecast must include payment for professionals' work time and estimated travel costs.

Calculation of the hours spent by each professional must take into account his/her involvement, when required, in at least the following activities:

*Kick-off* meeting with Banks and the company

Document Analysis in preparation for the technical visit

Technical Visit

Preparation of Action Plan and reports

Meetings with the Banks to answer queries; and submission of a products review

Meeting with the Banks and the company to finalize and if necessary to revise the products

A budget must be presented for the *Due Diligence* and Monitoring exercises.

### **Confidentiality**

The data contained in correspondence between the Banks, the audit company and the contractor, the contents of the technical proposal to provide audit services as herein specified, and any other available information, must be treated by the company as strictly confidential.

The information produced /supplied by any of the parties involved in the project must be used exclusively for auditing purposes that are relevant to the analysis of this document.

This information must be kept confidential by the receiving party. Any other unauthorized disclosure shall require the prior written approval of the contractor and the Banks.

The audit firm is committed to ensuring that its affiliates, its respective directors, advisers, employees and consultants maintain confidentiality with regards to all the opinions and assessments produced by the contractor and the Banks.

All the financial institutions that provide credit for the environmental and social validation project in question are permitted to have sight of the product delivered by the audit company.

## **Annex 3 - Summary of the Consultation Process** [to follow]

O-O-O