

**GUIDELINE**  
**ON**  
**ENVIRONMENTAL & SOCIAL RISK MANAGEMENT (ESRM)**  
**FOR BANKS AND FINANCIAL INSTITUTIONS**



**NEPAL RASTRA BANK**  
**CENTRAL OFFICE**  
**BANKS AND FINANCIAL INSTITUTIONS REGULATION**  
**DEPARTMENT**

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## Message from Governor

Sustainability is a well-recognized central tenet to economic growth, particularly in emerging economies. Nepal, one of the world's emerging economies, is in a state of economic transition, experiencing increasingly resource-intensive growth, rapid urbanization, changing consumption by a fast-rising middle class, expanding production patterns, and demand for energy and infrastructure. Nepal's Millennium Development Goals include ensuring social protection, prosperity, opportunity and equality, as well as environmental sustainability, by integrating the principles of sustainable development into country policies and programs across a breadth of key economic sectors (e.g., renewable energy, agriculture, tourism, manufacturing).

The social challenges facing Nepal include reducing poverty, sustaining human health, promoting gender equality and empowering women, and improving working conditions. The environmental challenges we face are as diverse as our geography and climate and include the increasing demand for energy, the use of renewable energy and energy-efficient technology in rural areas, reducing vulnerability to the impacts of climate change, and resource conservation and management. The Government of Nepal has accorded high priority to social and environmental issues, integrated these into its decision-making processes, and has formulated policies (e.g., National Agricultural Policy, 2004; Industrial Policy, 2011; Climate Change Policy, 2011), strategies (e.g., Poverty Reduction Strategy, 2003, Sustainable Development Agenda, 2000) and programs (e.g., National Adaptation Plan of Action, 2010), to ensure sustainable economic development.

As key actors in the economic development process, Banks and Financial Institutions (B/FIs), such as commercial banks, development banks, and leasing companies, have a significant role to play in supporting sustainable development. Within the international financial sector, new standards and codes of conduct have been developed for environment and social risk management by banks and financial institutions. The goals of such standards are to promote corporate accountability and transparency with respect to the impacts of businesses on environment and society, and to encourage sustainable development. The role of environmental and social risk management in B/FIs is to reduce the transaction risks resulting from environmental and social risk factors associated with their clients' business activities.

With a view to integrating sustainability into credit risk management in the financial sector, Nepal Rastra Bank is releasing this Guideline on Environmental & Social Risk Management for Banks and Financial Institutions. The objective is to establish the Environmental & Social Risk Management Framework as the standard process for proactive evaluation and integration of environmental and social issues into the credit risk assessment process of B/FIs.

This Guideline has come through a long process of drafting by experts of Nepal Rastra Bank, International Finance Corporation (IFC), rigorous multi-step consultation with B/FIs as well as development partners, and NRB will be fully supportive as always in implementation of the Guideline along with capacity building initiatives.

Name

Signature

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## Abbreviations

B/FIs	Banks and Financial Institutions
CITES	Convention on International Trade in Endangered Species
CO	Credit Officer
CRA	Credit Risk Analyst
DoE	Department of Environment
E&S	Environmental & Social
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
ESDD	Environmental & Social Due Diligence
ESIA	Environmental & Social Impact Assessment
ESMS	Environmental & Social Management System
ESRM	Environment and Social Risk Management
FI	Financial Institution
IEE	Initial Environmental Examination
IFC	International Finance Corporation
IP	Indigenous People
ISO	International Organization for Standardization
MOFS	Ministry of Forests and Environment
MOPE	Ministry of Population and Environment
NPR	Nepalese Rupee
NSIC	National Standard Industrial Codes
OSHAS	Occupational Health and Safety Assessment Series
RM	Relationship Manager
SA	Social Accountability
SBN	Sustainable Banking Network
SME	Small & Medium Enterprises

# Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions

## 1. Introduction

Impressive growth of the urban and sub-urban populations and the related infrastructure in Nepal is leading to rapid increase in air and water pollution and solid waste management problem. The quality of water and air has deteriorated remarkably in past 15 years. The pollution level in major cities is above the WHO safe limit and Nepalese environmental standards creating environmental, health, safety and occupational risks leading to public health concerns. The risks are highest among populations living below poverty level.

As capital providers, Banks and Financial Institutions (B/FIs) are well placed to help the private sector adapt to new economic realities linked to environmental and social (E&S) sustainability such as climate change, changing communities, and increased resource scarcity, by increasing green financing and inclusive lending which also contributes to national sustainable development agendas. In addition, B/FIs around the globe are taking proactive steps to address the management of environmental and social risks within their own business operations by managing E&S risks in their portfolio and reducing their own carbon footprint.

B/FIs frequently report that their biggest concern about implementing E&S risk management procedures is that they will be at a competitive disadvantage in the marketplace versus B/FIs which choose not to implement such procedures. For B/FIs to effectively integrate new practices in E&S risk management and green and inclusive lending, they require an enabling regulatory context that ensures a level playing field.

With this in mind, to date, 32 countries, represented by the banking regulators and banking associations, have joined to form the Sustainable Banking Network (SBN) dedicated to promoting a shift in how the financial sector contributes to achieving national environmental and social goals. Nepal Rastra Bank (NRB) became a member in 2013. Fifteen (15) SBN countries have already launched sustainable banking national policies, mandatory guidelines, voluntary principles, or roadmaps for their financial sector. They include Bangladesh, Brazil, China, Colombia, Ecuador, Indonesia, Kenya, Mexico, Mongolia, Morocco, Nigeria, Peru, South Africa, Turkey and Vietnam. A number of other SBN countries, including Cambodia, Fiji, Ghana, India, Pakistan, Philippines and Sri Lanka are currently pursuing similar efforts.

As part of the SBN initiative, a growing number of emerging market banking regulators have partnered with international financial institutions to pioneer the development of regulatory guidance that requires or encourages local B/FIs to adopt sustainable banking practices. These include more effective management of E&S risks in the transactions they finance and support for businesses that are greener, climate friendly and socially inclusive. Recently, the International Finance Corporation (IFC) partnered with Nepal Rastra Bank (NRB) to help the Bank propose improved environmental and social risk management practices for B/FIs to strengthen portfolio performance, generate new business opportunities and boost competitiveness in the region.

The experience from other countries clearly shows that adopting and adhering to such sustainable finance principles and practices provides benefits to B/FIs, their clients, the communities in which they operate and to the environment while contributing to the creation of a level playing field for the financial sector.

## 2. Overview of the ESRM Guideline

The core objective of the ESRM Guideline is to require B/FIs to integrate Environmental & Social risk management into the overall credit risk management process in order to fully inform the credit authority of E&S risks prior to the financing decision regarding individual transactions. This ESRM Guideline introduces the following features:

- The Guideline focuses on environmental, social, and climatic risks, related to the business activities of the B/FI's client, which are becoming increasingly relevant and crucial for Nepal.
- The Guideline defines its scope of applicability to various type of financing (i.e., SME finance, commercial leasing, Business Working Capital Finance/Term Finance, project finance).
- The Guideline requires all B/FIs engaging in the types of transactions mentioned above to develop and implement an Environmental and Social Management System (ESMS) consistent with local environmental and social laws and regulation and overtime with recognized international standards such as IFC's Performance Standards on Environmental and Social Sustainability and the Equator Principles.
- The Guideline incorporates E&S Risk Management Tools and Templates to enable non-technical B/FI staff to oversee and facilitate the management of E&S risk.
- The Guideline describes the necessary organizational roles and responsibilities built on the principles of integrating E&S risk management into the B/FI's overall credit policy.

## 3. Typical E&S Risks for B/FI Clients

Environmental risks pertain to the potential for damage of the environment and ecosystem. The principal sources of such potential damage are pollution of the air, water and land resulting from industrial activity. Environmental risks are largely a function of the nature (i.e., sector) of the business activity. Social risks pertain to the potential of business activities to cause an adverse impact such as damage, injury or loss to persons (e.g., employees, customers) and communities (e.g., neighbors). Social risks can include violation of labor standards, unsafe working conditions, community impacts such as public health, safety and security, discrimination, impacts on indigenous peoples and cultural heritage, or involuntary resettlement. Social risks are largely a function of the client's behavior (Please see Annex 1 for details on typical E&S risks to which that a B/FI's clients are exposed).

Every business activity has some inherent potential to cause adverse impact on communities or the environment, and the extent of that potential varies greatly among different types of businesses and how they are managed. If B/FI's clients don't recognize and manage those inherent E&S risks in their business, they can incur unexpected financial, legal and/or reputational liabilities. Similarly, if B/FIs don't manage their exposure to such clients, they too can incur unexpected financial, legal and/or reputational liabilities.

Typical examples of environmental issues include generation of polluted waste water (e.g., textile dyeing and tanning units), harmful fumes (e.g., brick kilns, metal re-rolling units), particulate air emissions (e.g., wood-burning), and land contamination from use of chemicals (e.g., agriculture). In terms of social issues, concerns include employee safety, community health and safety, child labour, discrimination, and vulnerable populations. As investments are ramped up to generate increased electricity, develop infrastructure, and expand manufacturing activities in the short to medium term in order to achieve higher growth rate and create jobs, a key challenge will be to ensure that these activities are environmentally and socially responsible so that the resulting growth is not only high and inclusive, but also sustainable.

Even investments in projects which offer environmental and social advantages are not without inherent

environmental and social risks. For example, Nepal has the potential to deliver higher and more inclusive growth by properly utilizing the large amount of water available for generating hydropower. However, the sustainable development of hydropower has its environmental and social challenges which must be considered by developers and B/FIs when financing such projects (Please see Annex 2 for guidance on Management of E&S issues in hydropower projects).

From an environmental and social risk perspective, developers must consider such factors as watershed management, habitat conversion, water quality, effects on aquatic populations, reservoir management, pollution prevention and control, health and safety during construction and operation, and emergency preparedness and response (e.g., in case of a dam failure or flooding).

Potential E&S risks in a transaction may not seem significant or relevant at the time of approval of a financial transaction but may become so post-disbursement. For example, such risks may result from higher regulatory or supply chain standards for, and increased levels of enforcement, by both regulators and customers of the B/FI's client. In other cases, E&S risks, such as spills, fires or explosions, may seem unlikely to occur, but when they do, the E&S impact is potentially extremely high. Please refer to Typical E&S Risks for B/FIs Clients (Annex 1) for descriptions of some of the common E&S risks which may be associated with a B/FI's client's business activity.

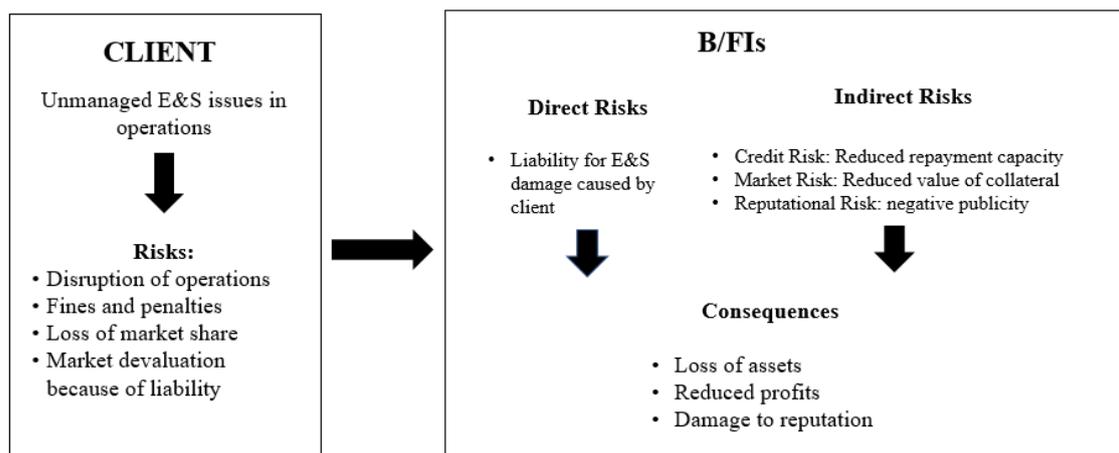
To reduce exposure to Environmental and Social (E&S) risks associated with their clients, B/FIs must ensure that their clients' financial and operational sustainability is not undermined by adverse impacts on the environment or communities resulting from their clients' business activities. B/FIs require a good understanding and evaluation of the E&S risks associated with a potential client's operations, and their implications to the client and the B/FIs, prior to making a financing decision.

This requires proactive identification, assessment, and management of E&S risks before they become significant or result in an adverse outcome for the client. A B/FI can best achieve this by developing and implementing an Environmental and Social Management System, to systematically assess the E&S risks arising from their clients' operations and manage its exposure to those risks.

#### **4. Risks to B/FI Associated with Client E&S Risks**

B/FIs are exposed to some level of E&S risk through their clients. If left unmanaged, these risks can lead to a decline in the B/FI's reputation, costly litigation, or loss of revenue. The type, quantity and severity of E&S issues that present a risk to a B/FI for any given transaction depend on a variety of factors, including geographic context, industry sector, scale of the activity, and the type of transaction (e.g., SME finance, Term Finance, project finance, commercial leasing). Please refer to E&S Risks of Various Types of Credits in Annex 3 for risks typically associated with different types of financial transactions.

The figure below summarizes the types of risks resulting from E&S issues to which a B/FI's client can be exposed and how those risks can translate to risks for a B/FI financing such clients.



- **Credit risk:** A B/FI is exposed to credit risk when a client is unwilling and/or unable to fulfil the contractual obligations associated with a transaction as a result of E&S issues. For example, if a client faces increased capital or operating costs of complying with regulatory or supply chain E&S standards or if operating permits or pollution control certificates are absent or expired resulting in regulatory fines or penalties, there is a risk that the client cannot meet its financial obligations to the B/FI. Also, a B/FI is exposed to credit risk stemming from a reduction in the asset value of collateral associated with a transaction due to E&S problems. For example, if a production site becomes contaminated, the market value of the underlying collateral may decrease.
- **Legal risk:** By virtue of taking possession of collateral assets, a B/FI is exposed to liability risks stemming from a client’s legal obligations. This includes fines, penalties, and costs for addressing third-party claims for damages due to negligence in managing E&S risks in a client’s operations and clean-up of contamination.
- **Operational risk:** A B/FI is exposed to financial risk stemming from potential disruption of client’s operations as a result of E&S problems. A client’s failure to effectively address E&S considerations can jeopardize its business operations, affect cash flow and ability to meet its financial obligations.
- **Reputational risk:** A B/FI is exposed to reputational risk due to potentially negative publicity associated with a client’s poor E&S practices. This can harm a B/FI’s brand value and image in the media, with the public, with the business and financial community, and even with its own staff. For example, if a client faces strong public opposition against its operations, the B/FI’s reputation may be tarnished through its association with this particular client.

## 5. Applicability of the Guideline

The transaction types for which the ESRM Guideline is applicable are SME finance, commercial leasing, Term Finance, and project finance. In order to identify, manage and mitigate E&S risks, all B/FIs engaged in any of the above types of financing are required to develop a robust Environmental and Social Management System (ESMS), consistent with national laws and international best practice.

**All business purpose loans:** For all business purpose loan applications subject to this Guideline, the B/FI must ensure that the activity financed is not on the Exclusion List (See Annex 4).

**Small loan:** a loan application (New/Renewal/Rescheduling/Restructuring) less than NPR 10 million (USD 100,000) will have to be checked with exclusion list and national laws and regulations. If transactions are in

any of the critical sectors listed below then despite of the loan size it will be subject to E&S due diligence using the *ESDD Checklist* (Annex 5).

Critical sectors<sup>1</sup>:

- Washing, dyeing and finishing units of RMG sector (water, chemical pollution)
- Small steel re-rolling mills (operational health and safety, thermal, air pollution)
- Brick kilns (air pollution, child labour, burning of fossil fuel)
- Units for tanning, dressing and dyeing of leather and fur (water, chemical, air pollution)
- Pesticides, agrochemical and nitrogen manufacturing units (land contamination, water, air pollution)
- Chemicals and chemical products manufacturing units (safety, pollution)
- Rubber and plastic products manufacturing units (pollution)
- Batteries and accumulators manufacturing units (chemical pollution)
- Paper manufacturing and paper pulp processing unit (water contamination, depletion of water source, chemicals)
- Small foundries (air pollution, safety, child labour)

**Term Finance<sup>2</sup>:** a loan application (New/Renewal/Rescheduling/ Restructuring) from NPR 10 million (USD 100,000) will have to undergo E&S due diligence process using the *ESDD Checklist* (Annex 5)

**Project Finance<sup>3</sup>:** For all Project Finance transactions, apart from Exclusion List screening, the E&S due diligence will be performed by B/FIs and a third party Environmental Impact Assessment (EIA) may be required by Nepali law. EIA will generally be arranged by the client at his/her/its own cost and submitted along with loan application. B/FIs will ensure that the third party will be qualified to carry out the ESDD.

For all short-term loans<sup>4</sup> including Business Working Capital Loan<sup>5</sup>, trade and retail the requirements will be Exclusion list screening and compliance with national laws and regulations.

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<sup>1</sup> *The critical sectors* for small businesses are those where due to the nature of the business operation negative impacts on the surrounding environment, local community or workers' health and safety tend to occur if environmental or social issues are not managed properly by the business. Although small businesses can generally cause only limited damages to the environment or people (contamination of local water stream from untreated industrial effluents, illegal dump of wastes - particularly chemical ones, e.g. from tanning hides or dyeing textile or mixing chemicals to local water streams, local air pollution, such damages may have local (geographically limited) but considerable impact on the health & safety of local community or workers in these businesses. Therefore, businesses of these sectors should not be left out of the E&S due diligence. The E&S due diligence on such businesses is simplified to a quick review by using the ESDD Checklist. The list was mainly prepared based on the Schedule 7 of the Environment Protection Rules, 2054 (1997).

<sup>2</sup> *Term Financing* is payable over a term greater than 1 year

<sup>3</sup> *Project finance* is the financing of long-term infrastructure, industrial projects and public services based on a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project.

<sup>4</sup> *Short term loans* are those with less than 1 year tenor

<sup>5</sup> A *business working capital loan* is a loan that has the purpose of financing the everyday operations of a company. Working capital loans are not used to buy long-term assets or investments and are instead used to finance a company's short-term operational needs (accounts payable, wages, etc.)

The chart below summarizes the ESDD activities appropriate for various types of financial transactions.

No.	Transaction Type	Exclusion List	E&S Due Diligence (incl. <i>ESDD Checklist</i> )	EIA Review
1.	Small loans in non-critical sectors	√		
2.	Small loans in critical sectors	√	√	
3.	Term Finance	√	√	
4.	Project Finance	√	√	√ <sup>*)</sup>
5.	All short term loans (less than 1 year tenor)	√		

\* If the EIA is required by the Nepali law.

## 6. Applicable Standards

All proposals (New/Renewal/Rescheduling/Restructuring) for transactions subject to this Guideline will, at a minimum, require screening against the Exclusion List (Annex 4) to ensure that B/FIs do not finance any excluded activities.

All national environmental, health, safety and labor regulations and relevant international conventions are applicable to all transactions subject to this Guideline. While carrying out E&S due diligence, all required E&S permits, licenses, and monitoring of E&S parameters are to be considered as mandatory compliance requirements for evaluation of a loan application. A list of key national E&S regulations, required documentation and permits, and International Labor Organization (ILO) treaties to which Nepal is a signatory is provided as Annex 6.

International frameworks such as ISO 14001 (environmental management), OHSAS 18001 (occupational health and safety management), SA8000 (socially acceptable work practices) as well as supply chain environmental and social standards imposed by buyers (e.g., Apple, H&M, Ikea, Nike, Starbucks, Walmart) are considered as best practices and indicative of a B/FI's clients' commitment to sustainable operations.

Adherence to IFC Performance Standards will be considered as good practice in case of project financing focused on development of specific assets.

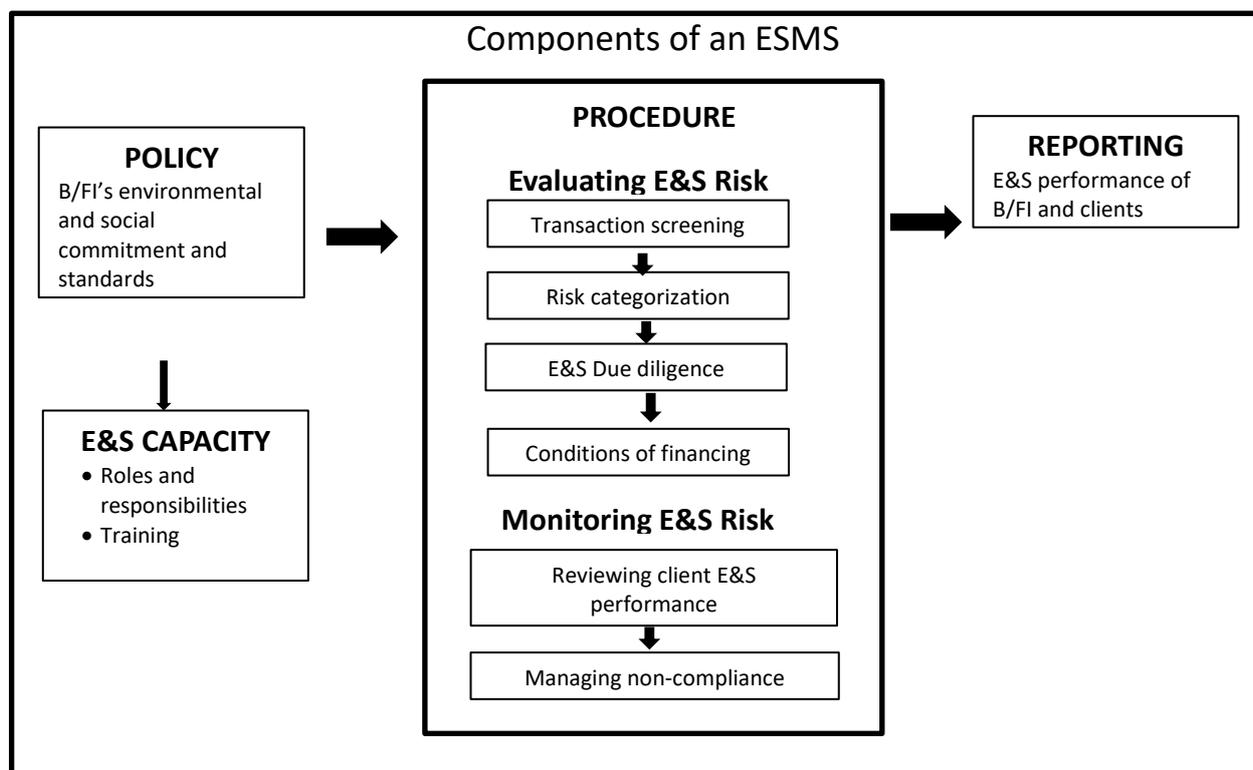
## 7. Environmental and Social Management System (ESMS) for B/FIs

A sound ESMS consists of a policy, procedures, tools and internal capacity to identify, appraise, manage and monitor a B/FI's exposure to the E&S risks of its clients' operations. The policy includes a statement of the B/FI's commitment to E&S management, while the procedures define the process for identifying, assessing and managing E&S risk of financial transactions, identifies required documentation and records, describes the decision-making process, and the roles and responsibilities of B/FI staff. An ESMS helps a B/FI to:

- Identify environmental and social risk associated with its borrower's operations and understand the potential impact of lending to such borrowers on its portfolio;
- Systematically assess and manage those environmental and social risks of the borrower's operation;
- Implement the necessary steps within its risk management system and its proper documentation;
- Monitor borrower's compliance with national environmental and social regulations and international good practices and standards;
- Require borrowers to implement mitigation measures for identified unacceptable environmental and social risks and/or non-compliance with applicable standards;
- Identify social and environmental business opportunities; and

- Develop a good reputation among clients/investees, investors and other relevant parties in the financial market.

The schematic below illustrates the key components of an ESMS.



The effective implementation of a B/FI's E&S Policy is ensured through a set of detailed E&S Risk Management Procedures for:

- Screening transactions,
- Categorizing transactions based on the loan characteristics (e.g. size, type) or their inherent environmental and social risk,
- Conducting risk appropriate environmental and social due diligence,
- Rating transactions based on the level of their compliance with E&S requirements and magnitude of E&S problems
- Informed decision-making,
- Managing a client's non-compliance with the applicable E&S standards, and
- Monitoring the client's environmental and social performance.

The E&S risk management procedures should be integrated into the B/FI's overall risk management framework and must be appropriately applied to each transaction. For each transaction, this requires a B/FI to (i) formally document its environmental and social review as part of its credit appraisal documentation, (ii) consider environmental and social findings during the decision-making process, and (iii) incorporate, when appropriate, environmental and social requirements (e.g., Corrective Action Plan) as clauses in legal agreements with clients.

Specific details of key components of an ESMS are described below.

## 7.1 E&SPolicy

An E&S policy states a B/FI's vision and mission with respect to the environment, society and contributions to sustainable development. It is a short, written statement, approved and supported by senior management that articulates the B/FI's commitment to integrating E&S considerations into its business activities as well as contributions to sustainable development. The typical E&S policy may include one or more the following statements and commitments:

- Incorporating E&S risk considerations into all financing activities;
- Setting strategic E&S objectives, such as offering new products that address E&S sustainability;
- Excluding financing clients whose business activities do not meet the B/FI's principles;
- Establishing applicable E&S requirements for clients such as complying with national E&S regulations and international standards;
- Communicating E&S expectations to all staff, clients and other external stakeholders;
- Committing to improving the overall E&S performance of its portfolio through enhanced risk management;
- Committing to continually building capacity of its staff to manage E&S risks,

## 7.2 Roles and Responsibilities

For an ESMS to function properly, it is essential that roles and responsibilities for implementing procedures and making decisions are clearly defined. Banks and Financial Institutions could assign ESRM responsibilities to the existing designated departments and/or business function for the purpose of analysis of the credit customers regarding ESRM Guidelines wherever applicable.

- **Relationship Managers/Loan Officers:** RMs or LOs should be responsible for identifying E&S risks in a client's operation (i.e., environmental and social due diligence [ESDD]) by talking to the client/ relevant officials, site visits, collecting documents, permits relevant for the proposed transaction. They are usually responsible for filling out the *ESDD Checklist* in consultation with the client at approval stage, collect additional information, if required and respond to credit authority queries if necessary, and follow up with client if there are any pre-disbursement actions.
- **Credit Risk Managers/Credit Officers:** CRMs or COs are the first point of contact for any transaction once the ESDD has been conducted by the RMs/LOs and should be responsible for review of the results of ESDD including the compliance check and E&S risk rating.
- **Legal Department:** The Legal Department should be responsible for ensuring that the any client E&S requirements (e.g., remedial actions, monitoring and reporting) identified during the ESDD process are incorporated in legal agreements for each transaction.
- **Credit Authority:** The appropriate credit authority is responsible for ensuring that it has sufficient information regarding the potential E&S risks associated with a transaction available to make an informed credit decision, and that it is comfortable that the provisions of the Loan agreement are sufficient to ensure identified E&S risks are managed so as to be acceptable to the B/FI.

In addition, a **E&S focal point** can be appointed to take the operational responsibility for E&S risk management in the financial institution, including the development, integration and implementation of the ESMS. (e.g., the Head of Credit Department can take this role). This person is responsible for updating the Senior Management of B/FIs on the current status of the Bank/FI's portfolio regarding ESRM, facilitating decision making process where there are unresolved E&S issues or non-compliance. The E&S Focal Point is also responsible for periodic reporting to NRB as/when required. The E&S focal point may be called upon by Senior Management to opine on critical E&S issues of a particular

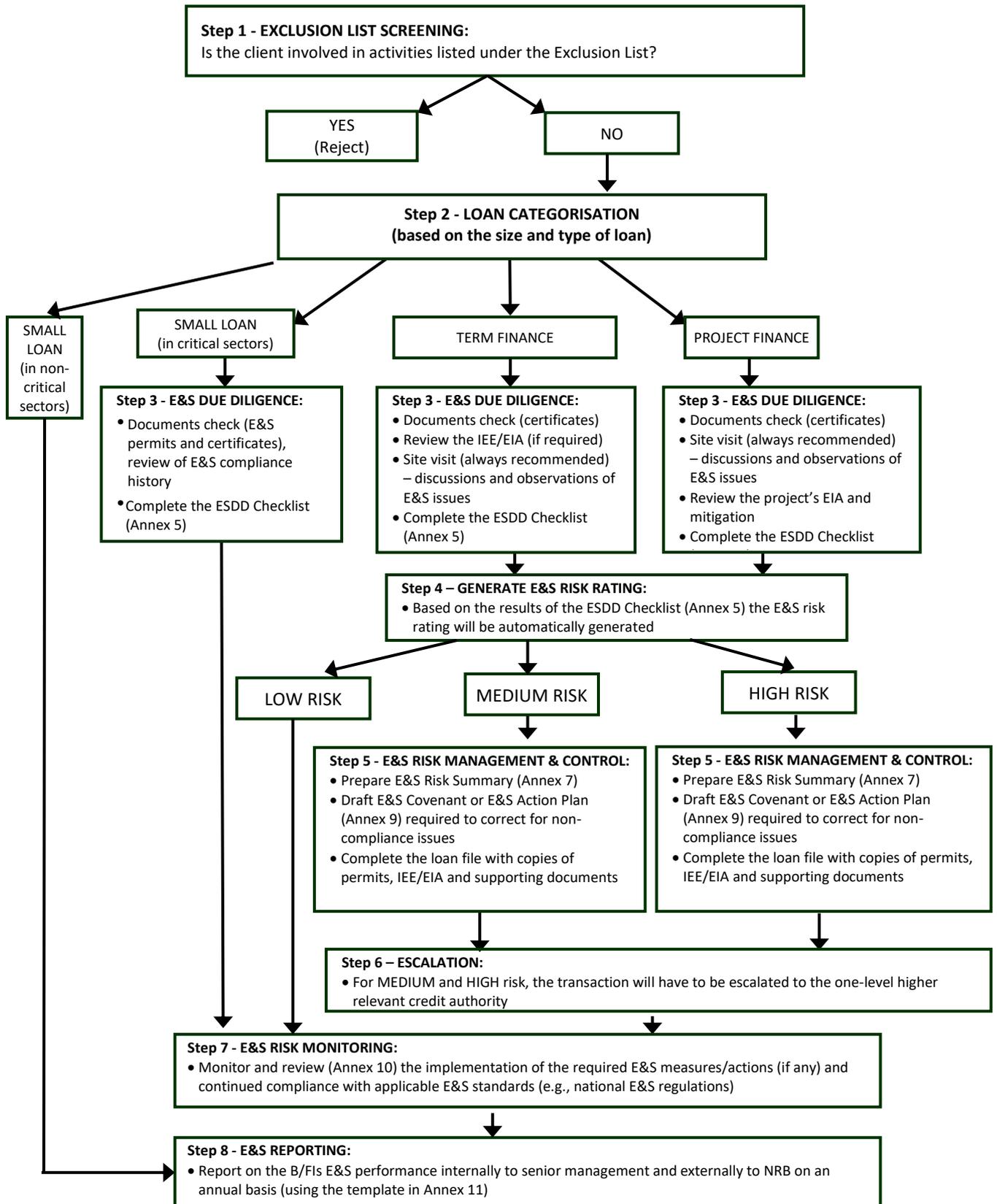
transaction. He will also be responsible for tracking latest E&S issues in the media and support transaction teams in identifying and managing E&S risks in lending.

### 7.3 E&S Risk Management Procedures

Typical Steps to follow for conducting an ESDD include:

- **Step 1 - Exclusion List:** Screening of the project against a list of excluded activities adopted by the financial institution;
- **Step 2 - Initial Categorization:** Determining the category of loan by the size or type of the loan (e.g. Small loans in non-critical sectors, Small loans in critical sectors, Term Finance, Project Finance). The Loan Category determines the extent of E&S appraisal as it is specified in section 5 of this Guideline.
- **Step 3 – Environmental & Social Due Diligence (ESDD):**
  - Review the project’s compliance with applicable national environmental and social regulations including the document check (e.g., approval of IEE or EIA, pollution control certificates, permits, etc. as specified in Annex 6 to this Guideline);
  - Review the project sponsors’ track record on environmental and social issues, in terms of potential non-compliance with national regulations or negative publicity;
  - Review the project’s compliance against international standards or industry best practice regarding environmental and social issues;
- **Step 4 - Generate E&S Risk Rating:** Upon completion of the *ESDD Checklist* (Annex 5) an E&S risk rating (High, Medium, or Low) will be generated automatically.
- **Step 5 – E&S Risk Management & Control:**
  - For **LOW** Risk transactions, no mitigation measures are required.
  - For **HIGH** and **MEDIUM** Risk transaction, a time bound action plan and relevant covenants, addressing required remedial actions by the client, will have to be included in the loan documentation.
  - Prepare an **E&S Risk Summary** (Annex 7) for the Credit Authority describing the results of the ESDD and recommendations regarding any required remedial actions by the client
  - Document all required information. Every loan file should have a fully completed *ESDD Checklist*, copies of all permits, clearances (Approval or IEE/EIA, fire safety license, buyer’s audit report), *E&S Risk Summary*, any E&S covenants in the loan agreement and, after disbursement, subsequent E&S supervision reports.
- **Step 6 - Escalation:** Depending upon the risk rating, the transaction will have to be escalated to the relevant authority.
- **Step 7 – E&S Risk Monitoring:** Review of the proposed actions (if any) to mitigate potential environmental and social issues associated with the project throughout all phases of the project life cycle.
- **Step 8 – E&S Reporting:** B/FIs must establish E&S performance reporting procedures for both internal reporting to senior management and external reporting to NRB, shareholders and stakeholders.

The following flow chart summarizes the steps to be followed while conducting ESDD:



### 7.3.1 Screening Transactions

At the initial stage of evaluating a potential financial transaction, B/FI staff (e.g., RM) should screen the activities of the potential client to determine if it is an excluded activity. If the activity falls on NRB's or the B/FI's list of excluded activities, the transaction should not be considered for financing (Please see Annex 4 for a list of Excluded activities).

### 7.3.2 Categorizing Transactions

The Loan Category determines the extent of E&S appraisal as it is specified in section 5 of this Guideline:

**Small loan in non-critical sector:** a loan application (New/Renewal/Rescheduling/Restructuring) less than NPR 10 million (USD 100,000), in non-critical sectors, goes through a normal credit approval process.

**Small loan in critical sectors:** a loan application (New/Renewal/Rescheduling/Restructuring) less than NPR 10 million (USD 100,000), in critical sectors (see the list of critical sectors in section 5 of this Guideline), will be subject to E&S due diligence stage.

**Term Finance**<sup>6</sup>: a loan application (New/Renewal/Rescheduling/ Restructuring) from NPR 10 million (USD 100,000) will have to undergo E&S due diligence process.

**Project Finance**<sup>7</sup>: the E&S due diligence will be performed by B/FIs and a third party Environmental Impact Assessment (EIA) may be required by Nepalese law.

### 7.3.3 Conducting E&S Due Diligence (ESDD)

E&S due diligence involves the systematic identification, quantification and assessment/evaluation of E&S risks associated with a proposed transaction and is a critical component of a B/FI's ESMS. The results of, and conclusions from, ESDD should be summarized in an E&S Risk Summary which is included in the loan proposal to the credit authority, and factored in to the decision-making process before proceeding with a transaction. The objectives of the E&S due diligence are:

- Identify and assess potential E&S impacts and issues, both adverse and beneficial, associated with a proposed transaction;
- Assess the client's awareness of, and commitment and capacity to responsibly manage, the E&S risks inherent in their business activities,
- Evaluate the client's measures to avoid, minimize, mitigate, or offset/compensate for, adverse impacts on workers, affected communities, and the environment;
- Identify any areas of client non-compliance, if any, with national environmental, health, safety and labor laws and other applicable standards (e.g. missing pollution control certificate or violation the conditions specified in the certificate) and define remedial measures as needed;
- Ensure that the loan documentation includes appropriate definitions, covenants, clauses and associated elements to obligate the client to comply with all E&S laws and regulations and remedy areas of non-compliance.

The activities to be performed during the E&S due diligence include:

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<sup>6</sup> *Term Financing* is payable over a term greater than 1 year.

<sup>7</sup> *Project finance* is the financing of long-term infrastructure, industrial projects and public services based on a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project.

For **small loans in critical sectors**:

- **Documents check** – desktop review of the collected documents making sure the client has all required E&S related permissions (provisional/permanent Pollution Control Certificate, Certificate of completion of Sewage, Sanitary and Drinking water supply system where subject to those; Certificate of Fire Safety) and all permissions are valid (see Annex 6 for details on E&S permits and certificates); and
- **Review E&S compliance history** and ensure client compliance with E&S laws and regulations (e.g., written certification from client). See the Overview of the E&S permitting and regulatory requirements in Nepal in Annex 6.
- **Completion of the ESDD Checklist** (Annex 5) and preparation of *E&S Risk Summary (Annex 7)* – the *ESDD Checklist* has been designed to provide guidance for bankers to assist in addressing typical E&S risks

For **Term Finance**<sup>8</sup> category:

- **Documents check** – desktop review of the collected documents making sure the client has all required E&S related permissions (Approval of IEE or EIA if required; provisional/permanent Pollution Control Certificate, Certificate of completion of Sewage, Sanitary and Drinking water supply system where subject to those; Certificate of Fire Safety) and all permissions are valid (see Annex 6 for details on E&S permits and certificates).
- **Review the E&S compliance** history of the client. See the Overview of the E&S permitting and regulatory requirements in Nepal in Annex 6.
- **Site Visit** - conduct a visit to client's premises / project site to gain an impression of the environmental and social issues associated with the daily operations of a client's business. This provides insight into potential environmental and social risks. The focus of the site visit is to identify potential environmental and social issues that may represent a risk to the client's business activities if left unmitigated and to review a client's compliance with the B/FI's and national environmental and social requirements.
- **Completion of the ESDD Checklist** (Annex 5) and preparation of *E&S Risk Summary (Annex 7)* – the *ESDD Checklist* has been designed to provide guidance for bankers to assist in addressing typical E&S risks.

For **Project Finance**<sup>9</sup> category:

- **Documents check** – desktop review of the collected documents making sure the client has all required E&S related permissions (Approval of IEE or EIA; provisional/permanent Pollution Control Certificate; Certificate of completion of Sewage, Sanitary and Drinking water supply system where subject to those; Certificate of Fire Safety) and all permissions are valid (see Annex 6 for details on E&S permits and certificates).
- **Review the E&S compliance** history of the client. See the Overview of the E&S permitting and regulatory requirements in Nepal in Annex 6. For Hydropower projects see the Management of E&S Issues in hydropower projects in Annex 2.

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<sup>8</sup> *Term Financing* is payable over a term greater than 1 year.

<sup>9</sup> *Project finance* is the financing of long-term infrastructure, industrial projects and public services based on a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project.

- **Site Visit** - conduct a visit to client's premises / project site to gain an impression of the environmental and social issues associated with the daily operations of a client's business. This provides insight into potential environmental and social risks. The focus of the site visit is to identify potential environmental and social issues that may represent a risk to the client's business activities if left unmitigated and to review a client's compliance with the B/FI's and national environmental and social requirements.
  - The site visit should be conducted during hours of operation and should focus on key areas such as operations and processes performed on the site, size of the workforce and labor practices, surrounding land use, processing/manufacturing lines, installations for effluent treatment (if any), sources of air emissions and filters, storage areas for hazardous materials, storage areas for waste and disposal processes, worker facilities.
  - Signs of possible environmental and social concerns may include lack of use of appropriate personal protective equipment by workers, poorly maintained storage tanks/facilities with hazardous or flammable materials, discoloration of nearby streams or drainage channels, excessive noise, strong odour, proximity of surrounding communities and complaints by local residents.
- **Review of the results of IEE or EIA** – B/FI staff should review the Approval of IEE or EIA and any conditions included in the Approval and ensure compliance with those conditions by the client.
- **Completion of the *ESDD Checklist*** (Annex 5) and preparation of *an E&S Risk Summary* (Annex 7) to be included in the credit proposal to the Credit Authority – the *ESDD Checklist* has been designed to provide guidance for B/FIs staff to assist in addressing typical E&S risks and mitigation gaps. Relevant documents will have to be collected to support E&S findings.

For some complex transactions (e.g., project finance in high risk sector such as a hydropower), the B/FI may consider the services of an external expert/consultant to provide independent view of the related environmental and social risks and impacts and those views should be factored into the credit decision-making process.

#### 7.3.4 E&S Performance Risk Rating

Upon completion of the *ESDD Checklist* an E&S risk rating – ESRR (Low, Medium, High) will be generated automatically by the excel-based *ESDD Checklist* (in a separate annex to the Guideline). This rating is indicative of the E&S risk and compliance level in the actual transaction, irrespective of sector activity. So, for example, Mining and Quarry is a high environmental and social risk sector, however, if the client has managed all the E&S issues well, the ESRR of this transaction might be LOW based on actual management of E&S risk issues identified on the ground. Below is an interpretation of the transaction level risk ratings:

- **HIGH Risk:** Transactions typically involve clients with business activities with significant adverse E&S impacts that are diverse, irreversible or unprecedented. A potential impact is considered significant if it may be irreversible (such as loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites. "High" ESRR may also indicate serious non-compliance or irresponsible behavior of the client towards managing E&S issues.
- **MEDIUM Risk:** Transactions typically involve clients with business activities with specific E&S impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures and international best practice. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of High Risk transactions. "Medium" ESRR also indicates transactions with less serious non-compliance or unresolved non-material issues.

- **LOW Risk:** Transactions typically involve clients with business activities with minimal or no adverse E&S impacts. "Low" ESRR also means that all issues appeared to be sufficiently managed and that there were no compliance issues identified.

### 7.3.5 Decision Making - Corrective Action Plan and Covenants

For the transactions rated as “**LOW**” no further action is required.

For **MEDIUM and HIGH Risk transactions**, there may be identified risks which will have to be mitigated. A corrective action plan can be developed identifying the risk, mitigation measure, timeline for implementation and who should be responsible for implementation. Transaction specific corrective action plan and covenants can be part of the loan documents. A template of a **corrective action plan** is provided in Annex 8 and sample E&S covenants are outlined in Annex 9.

### 7.3.6 Escalation

All transactions rated as MEDIUM or HIGH (ESRR) will be escalated to the one-level higher related credit approval authority.

### 7.3.7 Risk Monitoring

B/FI staff should conduct periodic monitoring and review of the all transactions throughout all phases of the project life cycle to ensure that (i) any required actions to mitigate potential environmental and social issues associated with the project are implemented according to schedule, (ii) and the E&S risk profile of the transaction hasn't increased. Annex 10 provides a Monitoring and supervision Checklist template to assist B/FI staff in monitoring E&S risks during the term of the loan. In case of the transaction rated (ESRR) as Medium or High, monitoring of E&S issue should primarily focus of the compliance with the requirements of the Action Plan or E&S covenants (if any).

If B/FI staff identifies E&S issues, such as a client’s non-compliance with the E&S clauses stipulated in the legal agreement, they should follow up with the client to resolve these in a reasonable timeframe. Depending upon the complexity of the E&S issues, B/FI staff should require a new corrective action plan and/or periodic reports on E&S performance throughout the duration of the transaction. The reporting frequency should be tailored to each individual transaction and should be based on self-monitoring by the client or monitoring by independent third parties and/or regulatory authorities.

### 7.3.8 Internal Reporting and B/FIs Reporting to NRB

The B/FIs will be required to report on their sustainability performance both internally to senior management, and externally to NRB on an annual basis (see Annex 11 for a template for reporting to NRB), and annually to shareholders and stakeholders. A B/FI's ESMS should include periodic reporting on the E&S performance of transactions and measures taken to reduce its overall exposure to E&S risk. B/FIs should aggregate and continuously monitor and manage its E&S risk profile at the portfolio level.

## 8. Implementing ESMS

Once the ESMS has been developed and formally approved by senior management it must be institutionalized, integrated into the overall risk management process, and rolled out across the organization.

To implement the ESMS, the B/FI should develop an implementation plan, including a strategy for fully integrating E&S risk management into the B/FI’s existing credit risk management framework (e.g., Credit

Manual), and an ESMS testing phase, with a time schedule for completing each task and the designated staff responsible for doing so. Tasks should include a review of the E&S regulations of Nepal, communications and training plan for staff, assigning responsibilities to applicable staff, and review of the ESMS on a periodic basis for continuous improvement.

Senior management should be kept informed of challenges, successes and other important issues associated with the implementation of the B/FI's ESMS.

## **9. NRB Monitoring and Control**

The purpose of these Guidelines is to ensure B/FIs better understand E&S risks and incorporate appropriate risk mitigation measures to be able to expand their lending portfolio while avoiding financing transactions which could result in unacceptable environmental and/or social impacts and encouraging those which directly contribute to sustainable development.

NRB will require B/FIs to report annually on the:

- (a) Progress and performance integrating E&S risk management into the credit risk management process for credit activities subject to these Guidelines;
- (b) ESRM institutional capacity building activities conducted during the year;
- (c) Procedures for monitoring, evaluating and reporting their compliance with these Guidelines; and
- (d) E&S risk profile of the portion of the B/FI's loan portfolio subject to these Guidelines.

See Annex 11 for a sample template for Annual Statement of Environment and Social Risk Management to be submitted to NRB annually.

B/FIs should aggregate and continuously monitor and manage their E&S risk profile at the portfolio level, and report annually, (by standard industry sectors), the E&S risk categorization of both new credits issued during the period and total loan book for credits subject to these Guidelines.

## 10. Annexes

### Annex 1: Typical E&S Risks for B/FI Clients

<p>Air Emissions and Air Quality</p>	<p>Air emissions are typically associated with processes such as raw material mining and transportation such as limestone mining for cement industries, brick kiln industries, combustion of fuel for energy production, storage of raw materials or final products (e.g., cement, crusher industries etc.) or other industry-sector specific processes. The generation and release of air emissions can be managed through a combination of energy efficiency, process modification, selection of fuels or other materials and application of emissions control techniques at source and after disposal into the environment.</p> <p>Ministry of Forests and Environment (Previously named as Ministry of Population and Environment) and/or Department of Environment decides on what, when and how pollution abatement measures/equipment shall the plant implement (Rule 15, Sub Rule 5, EPR, 1997). Detailed case specific requirements are prescribed along with the pollution control certificate. Emission standards for in-use and new diesel generators (DG) sets, industrial boilers, cement industries, crusher industries, brick kilns and diesel generators were introduced by the government. Similarly, Nepal Vehicle Mass Emission Standard was introduced in 2012 which limits the imports of vehicles (except for heavy equipment vehicles) that do not comply with Euro III</p>
<p>Water Use and Conservation</p>	<p>Typically, water use at the facility level is associated with processes such as production, manufacturing, cleaning, dyeing, cooling water, and heating systems. Beer and alcohol industries, packaged water bottle factories and soft drink production industries are some of the noticeable examples of highly water consuming industries in Nepal. Where possible, a client's operations should reduce overall water use at the facility level by managing the water consumption associated with specific production processes to avoid excess costs.</p>
<p>Wastewater and Water Quality</p>	<p>A client's operations may generate wastewater, which can be treated on site and/or discharged to the municipal sewage system for treatment, or directly to the surface water bodies without prior treatment. Where possible, a client's operations should avoid, minimize and control adverse impacts to human health, safety and the environment from wastewater through wastewater treatment.</p> <p>Government of Nepal has generic and specific standards for specific industries. The specific standards are as tolerance limit for industrial effluents to be discharged into inland surface waters for tanning industries, wool processing industries, fermentation industries, vegetable ghee and oil industries, paper and pulp industries, dairy industries, sugar industries, cotton textile industries, soap industries, galvanizing and electroplating industries, paint industries, non-alcoholic beverage industries and pharmaceutical industries. Generic standards are also in place for industrial effluents to be discharged into inland surface waters, into public sewers, and into inland surface waters from combined wastewater treatment plant.</p>
<p>Solid Wastes</p>	<p>A client's operations may generate, store, or handle hazardous or non-hazardous solid wastes which can be discarded by disposal, open burning or incineration. Inappropriate waste disposal practices can lead to contamination of ground water or local air pollution through its burning or contamination of agricultural lands,</p>

	<p>transmission of diseases and infections or potential fines and/or penalties as stipulated in national regulations.</p> <p>Solid (non-hazardous) waste generally includes domestic trash (Paper, plastic, dust, kitchen waste), inert construction/demolition materials, empty containers (except those previously used to contain hazardous materials), and residual waste. Requirements on safe handling, collection and disposal of waste are specified in the Solid Waste Management Act 2011. Similarly, the Local Self-Governance Act 1999 has empowered the local body to fine anyone for haphazard dumping of solid waste.</p> <p>Hazardous waste shares the properties of a hazardous material (such as ignitability, corrosiveness, reactivity, or toxicity), that may pose a potential risk to human health or the environment if improperly managed. Some of the example industries are health care institutions, laboratories, pathology labs and batteries refining and manufacturing. Health Care Waste Management Guideline, 2014 is the specific guideline for safe and efficient waste management for health care institution in Nepal.</p> <p>Responsible approaches to waste management include waste management planning, waste prevention, recycling and reuse, and treatment and disposal.</p>
Labour & Working Conditions	<p>Failure to provide a healthy and safe working environment and establish sound worker-management relationship can undermine worker commitment, productivity, and retention, result in labour strikes, and can jeopardize a client's operations.</p> <p>A client should document and communicate to all employees (including contract workers) their working conditions and terms of employment. These include their entitlement to wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation, or holiday, that at a minimum comply with national law.</p> <p>A client cannot employ children in a manner that is economically exploitative, or is likely to be harmful to the child or to interfere with the child's education. A client cannot employ forced labour, which consists of any work or service not voluntarily performed by an individual but executed under threat of force or penalty.</p> <p>The new Labor Act 2074 and its regulation provides details on such measures as adequate supply of clean and fresh air and light, provision of separate modern toilets for male and female workers and employees; supply of adequate safe drinking water; provision of appropriate volume of ventilation, condition of light, temperature and sound; protection from dust; smoke, fumes and other impurities; avoidance of overcrowding in any room of the establishment, health checkup facilities and provision of extinguishing fire.</p>
Community Health, Safety and Security	<p>A client's operations can increase the potential for community exposure to risks and impacts arising from accidents, industrial fire, emission of polluting gases, and discharge of untreated effluents, haphazard waste disposal, high decibel noise, structural failures, and releases of hazardous materials. Some of the example industries are gas factory, petrol pumps, hydropower etc. Communities may also be affected by impacts on their natural resources and, exposure to diseases. While acknowledging the public authorities' role in promoting the health, safety and</p>

	<p>security of the public, it is also the client’s responsibility to avoid or minimize these risks and impacts that may arise from operations.</p> <p>The client needs to prevent or minimize the potential for community exposure to hazardous materials, emission of toxic gaseous, discharge of effluents or clearing of forest they are dependent for their livelihood that may be released during pre-construction, construction and operations. If there is a potential for life-threatening hazards, the client needs to modify operations or substitute or eliminate substances causing the hazard. The client needs to inform surrounding communities of potential hazards associated with operations and collaborate with the community and local government agencies in preparing to respond effectively to emergencies.</p>
<p>Biodiversity and Ecosystem Services</p>	<p>These risks are particularly relevant for projects (i) located in modified, natural, and critical habitats (e.g., protected areas, wetlands, national or community forests); (ii) that potentially impact on or are dependent on ecosystem services (e.g. tourism related activities, hospitality, extraction and processing of non-timber forest products, transmission lines) or (iii) that include the production of living natural resources (e.g., agriculture, animal husbandry, fisheries, forestry).</p> <p>The client needs to prevent or minimize the potential for his activities to impact biodiversity and ecosystem services.</p> <p>The principle rules of biodiversity and nature protection are specified in Nepal in the <i>Environment Protection Act (Official Gazette, June 24/1997)</i> and <i>Environment Protection Rules (Official Gazette, June 26/1997)</i>. Environmental protection considerations are incorporated into Initial Environmental Examination (IEE) / Environmental Impact Assessment (EIA). Similarly, Plant Protection Act (2007) prohibits the import of any plant or plant part or related materials from any country without prior approval of the government.</p>
<p>Land Acquisition and Resettlement</p>	<p>Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (access to resources for income generation or means of livelihood) due to land acquisition associated with a client's operations. Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse displacement (e.g., lawful expropriation or restrictions on land use based on eminent domain; negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail).</p> <p>Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons and communities, as well as environmental damage and social stress in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided or at least minimized.</p> <p>However, where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities should be carefully planned and implemented with appropriate disclosure of information, consultation, and the informed participation of affected persons.</p> <p>The Land Acquisition Act, 1977 is the main governing legal document to guide the process related to land acquisition and relocation in Nepal.</p>

<p>Indigenous Peoples (IPs) and Vulnerable Populations (VPs)</p>	<p>Indigenous Peoples (IPs) (Adivasi Janajati) are recognized as social groups with identities that are distinct from dominant groups in national societies and are often among vulnerable segments of the population.</p> <p>Indigenous Peoples and Vulnerable Populations are often closely tied to their traditional or customary lands and the natural resources on these lands. While these lands may not be under their legal ownership as defined under national law, the use of these lands by communities for their livelihoods or for cultural purposes is often recognized under customary law. However, their economic, social and legal status often limits their capacity to defend their interests and rights to lands and natural and cultural resources.</p> <p>IPs and VPs are particularly vulnerable if their lands and resources are transformed, encroached upon by outsiders, or significantly degraded. A client should ensure that during operations, the identity, culture and natural resource-based livelihoods of such populations are respected and exposure to impoverishment and disease is prevented.</p>
<p>Cultural and Natural Heritage</p>	<p>If a client's operations are initiated and operated without consideration for cultural and natural heritage, there are significant legal and reputational risks.</p> <p>Cultural and natural heritage encompasses properties and sites of archaeological, historical, cultural, and religious significance as well as unique natural features and cultural knowledge, and innovations and practices of communities embodying traditional lifestyles, which are protected for current and future generations. Consistent with the requirements of the Convention Concerning the Protection of the World Cultural and Natural Heritage, a client is required to avoid significant damage to cultural and natural heritage due to their business activities (e.g. businesses/industries near the UNESCO sites such as Basantapur Durbar Square, Patan Durbar Square, Bhaktapur Durbar Square, Pashupatinath, Chitwan National Park, Lumbini, etc.)</p>

## Annex 2: E&S Risk Management Considerations in Hydropower Projects.

Documentation Requirements for Project Sponsors		
Capacity	Assessment	Suggested Documents for Financing
>50 MW	EIA	<ul style="list-style-type: none"> <li>➤ Company registration document (VAT, PAN, registration certificate, AOA and MOA)</li> <li>➤ Survey license (Electricity generation, transmission and distribution or combined)</li> <li>➤ Letter of approval for EIA from Ministry of Forests and Environment (Previously named as Ministry of Population and Environment) Development license (Generation, Transmission and Distribution of Electricity or combined)</li> <li>➤ Power Purchase Agreement (PPA)</li> </ul>
1-50 MW	IEE	<ul style="list-style-type: none"> <li>➤ Company registration document (VAT, PAN, registration certificate, AOA and MOA)</li> <li>➤ Survey license (Electricity generation, transmission and distribution or combined)</li> <li>➤ Letter of approval for IEE from Ministry of Energy, Water Resources and Irrigation (Previously named as Ministry of Water Resource (MOWR)) through Department of Electricity Development (DEOD)</li> <li>➤ Development license (Generation, Transmission and Distribution of Electricity or combined)</li> <li>➤ Power Purchase Agreement (PPA)</li> </ul>
<1 MW	None	<ul style="list-style-type: none"> <li>➤ For project between 100kW to 1000KW, no license is required but DEOD requires prescribed information.</li> </ul>

### Typical environmental and social aspects for hydropower projects

Aspects	E&S Parameters
<b>Construction-related issues</b>	<ul style="list-style-type: none"> <li>• Wastewater discharges – Effluents from worker camp sanitary wastewater</li> <li>• Storm water runoff – Total suspended solids (TSS)</li> <li>• Rock extraction /tunneling discharges</li> <li>• Solid waste – rock waste and topsoil storage</li> <li>• Biodiversity – aquatic and terrestrial ecology surveys, vegetation reinstatement. As relevant, aquatic ecology should be assessed upstream and downstream of effluent discharges during construction.</li> <li>• Air quality / emissions – PM at project boundary; black smoke from construction equipment, visible dust at construction sites</li> <li>• Noise and vibrations at nearest receptor (include pre-blasting surveys of community infrastructure)</li> </ul>
<b>Hydrology/Morphology</b>	<ul style="list-style-type: none"> <li>• Streamflow upstream and downstream (key selected points)</li> <li>• Water consumption (downstream)</li> <li>• Stored water volume (reservoirs)</li> <li>• Flow, velocity, depth</li> </ul>
<b>Water quality</b>	<ul style="list-style-type: none"> <li>• Temperature upstream / downstream (all types of hydropower)</li> <li>• Dissolved oxygen; TSS; water clarity; phosphates / nitrates, in reservoir and downstream</li> </ul>
<b>Sediment transport</b>	<ul style="list-style-type: none"> <li>• TSS (upstream and downstream); sediment transport and deposition (RoR and storage); stream morphology; structural risk to in-stream structures.</li> </ul>
<b>Emissions</b>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub>, Hydrogen sulfide and methane in reservoir and downstream of dam (storage reservoirs)</li> </ul>

Aspects	E&S Parameters
<b>Aquatic ecology</b>	<ul style="list-style-type: none"> <li>• Fish and invertebrate species / population size (upstream, downstream; and in reservoirs)</li> <li>• Habitat preference by indicator species, considering different life-cycle stages and natural history</li> </ul>
<b>Terrestrial ecology</b>	<ul style="list-style-type: none"> <li>• Forestation of upstream / reservoir riparian areas</li> <li>• Wildlife (species, distribution, numbers)</li> </ul>
<b>Land use</b>	<ul style="list-style-type: none"> <li>• Vegetation cover / land use change in watershed</li> </ul>
<b>Community health</b>	<ul style="list-style-type: none"> <li>• Water based vectors</li> </ul>
<b>Community safety</b>	<ul style="list-style-type: none"> <li>• Dam structural safety - Construction and post-construction surveys</li> <li>• Downstream population use of riparian resources</li> </ul>

To assist in the sustainable development of hydropower projects IFC maintains a Hydro Advisory website (including assistance to financial institutions by providing diagnostic tools and environmental and social guidelines to help lower risk when lending to hydropower companies and support banks in making sustainable investments that yield benefits for the local people, the environment, and investors. ([http://www.ifc.org/wps/wcm/connect/Industry\\_EXT\\_Content/IFC\\_External\\_Corporate\\_Site/Hydro+Advisory](http://www.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Hydro+Advisory)))

### Annex 3: E&S Risks for Various Types of Credits

**SME** – Lending to small and medium enterprises focus on a particular set of clients, usually defined by annual sales but also by loan amount. Small and medium enterprises have specific funding needs in terms of their business growth. The monetary cut-off for classifying a company as a small and medium enterprise may varies by B/FI.

Although less complex than for large Business Working Capital / Term Finance and project investments, the E&S issues associated with small and medium enterprises can be quite significant and are primarily related to worker health and safety and pollution. These E&S issues may not be closely monitored and the risks will vary depending on company size, the management's awareness of E&S issues and its capacity to manage E&S risks, as well as by industry sector, and location.

B/FIs that lend or invest in small and medium enterprises generally try to develop long-term relationships, which may further expose lenders/investors to E&S issues associated with the enterprise, posing financial and liability risks. Due to the visibility of small and medium enterprises in a community, reputational risk is also a factor.

**Commercial Leasing** - The E&S risks associated with leasing transactions vary depending upon the nature of the transaction with the customer. The value of the asset will determine the lessor's overall exposure, while the term will determine the length of time the lessor is exposed to the lessee's environmental risk factors. The type of lease, principally whether a finance lease or an operating lease, will also determine whether the risk is primarily with the lessee (finance lease) or lessor (operating lease). For a Finance Lease, risk associated with any environmental obsolescence and use and maintenance of the asset is likely to remain with the lessee. For an Operating Lease, the lessor is exposed to environment related depreciation of the asset, and, depending on the nature of the agreement, may be considered responsible for certain aspects of the safe operation of the asset, such as maintenance and insurance.

Under certain circumstances it may be possible for leased assets to cause damage to human health and the environment, and for the leasing company to be liable for this damage. This could occur, for example, if an asset were repossessed, and is most likely where the asset has the potential to cause environmental damage, such as chemical process equipment or storage tanks. As owners, the leasing company could be liable for removal of the equipment and clean-up of any land or water contaminated, by default.

Direct liability for the inappropriate use or operation of leased assets is also possible. For example, if the lessor were responsible for maintenance of a fuel tanker truck which caused a spillage due to poor maintenance, the lessor could potentially be liable for the resulting environmental damage. However, where possible the terms of the lease agreement should place any such responsibility and liability with the lessee.

An asset that is leased may lose value due to environmental factors. For example, cars, trucks or heavy construction equipment which no longer meet emissions, noise or health and safety standards, or the use of a certain type of equipment may be banned or become obsolete for environmental reasons (e.g. manufacturing plant for hazardous chemicals), and property which is contaminated by past or current activities may lose value.

**Term Finance** - a loan that has the purpose of financing the everyday operations of a company. Working capital loans are not used to buy long-term assets or investments and are instead used to finance a company's short-term operational needs (accounts payable, wages, etc.). Term finance (debt) can be used by the commercial operation to finance a specific aspect of the operation, such as the purchase of equipment, or for renovation/expansion of the operation. Equity investments in a commercial operation provide operating capital for an operation in exchange for shares (equity) in the company/project.

The E&S risks associated with a Term Finance transaction will vary greatly and can be significant as a function of the operation's industry sector, size, location, and company commitment and capacity to managing E&S risks. E&S risks will be more significant for industry sectors and large-scale operations with increased risk such as mining, oil and gas, and heavy manufacturing, power generation which may result in loss of life, health impacts, and water contamination, community disturbance, among others, if not managed properly. For low-risk industry sectors such as retail operations and other services, the E&S risks will usually be low and mainly related to labour standards and life and fire safety, which can readily be addressed. Regardless of the industry sector, there may also be E&S risks, especially related to labour and working conditions, in the supply chain of raw materials and goods.

E&S issues may threaten the financial and operational viability of a commercial operation. For a commercial operation, the source of repayment of a loan or payment of dividends on an investment is from the operation itself, backed by its entire balance sheet, rather than a specific asset. A Term Finance transaction exposes a B/FI to the entire commercial operation of the client's company, which presents a liability, reputational, and credit risk. When a loan is backed by a specific asset as collateral, the liability risk for the B/FI may be increased if there are associated E&S issues.

**Project Finance** - financing of long-term infrastructure, industrial projects and public services based on a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project. The financing is usually secured by the project assets such that the B/FI providing the funds will assume control of the project if the sponsor has difficulties complying with the terms of the transaction.

Project finance is generally used for large, complex and sizable operations, such as roads, oil and gas explorations, dams, and power plants. Due to their complexity, size, and location, these projects often have challenging E&S issues, which may include involuntary resettlement, loss of biodiversity, impacts on indigenous and/or local communities, and worker safety, pollution, contamination, and others. Because these projects generally face high scrutiny from regulators, civil society, and financiers, the project's sponsoring companies allocate more resources to managing E&S risks.

If not managed properly, the E&S risks can result in disrupting or halting project operations and lead to legal complications and reputational impacts that threaten the overall success of the project. Because anticipated project cash flows typically generate the necessary resources to repay the loan, any disruption to the project itself, regardless of the financial standing of the sponsoring companies involved, poses a direct financial risk to the B/FI.

## Annex 4: Exclusion List

Sl. No.	Sector / Activities
1	<p>Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES).</p> <p>Links: United Nations (UN) list of banned chemicals and products:  <a href="http://www.un.org/esa/coordination/Consolidated.list-13FinalFinal.pdf">http://www.un.org/esa/coordination/Consolidated.list-13FinalFinal.pdf</a>            CITES list of endangered species: <a href="http://www.cites.org/eng/app/E-Apr27.pdf">http://www.cites.org/eng/app/E-Apr27.pdf</a>.</p>
2	Fishing with the use of explosives or cyanide
3	Operations impacting UNESCO World Heritage Site or other cultural heritage in Nepal
4	Illegal logging, and logging operations or conversion of land for plantation use in primary tropical moist forests
5	Production or activities involving forced labour/ child labour or resulting in violation of human rights or human trafficking
6	Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
7	Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
8	<p>Production or trade in, without due approval<sup>2</sup>:</p> <ol style="list-style-type: none"> <li>1. Explosives and gunpowder, chemical weapons</li> <li>2. Products from marijuana plants</li> <li>3. Lotteries</li> <li>4. Nuclear power plants</li> <li>5. Coal-fired power plants</li> <li>6. Mining of gold, silver, diamond and other precious stones</li> <li>7. Hunted animals</li> </ol> <p>License from the Industrial and Investment Promotion Board (“Board”) shall be obtained in order to establish the following industries:</p> <ol style="list-style-type: none"> <li>1. Industries mentioned in Schedule-I of the IEA:               <ol style="list-style-type: none"> <li>i. Arms and ammunitions manufacture</li> <li>ii. Explosive materials manufacture</li> <li>iii. Security Printing, Currency Printing</li> <li>iv. Tobacco products manufacture</li> <li>v. Liquor manufacture</li> <li>vi. Mining (medium and large industries)</li> <li>vii. Radio and telecommunication equipment manufacture</li> <li>viii. Mining of precious materials and petroleum</li> <li>ix. Others as prescribed by prevailing law</li> </ol> </li> </ol> <p>Industries requiring license from the Board as per prevailing law on foreign investment and technology transfer.</p>

<sup>1</sup> According to the Industrial Enterprises Act 2073 (2016) (“IEA”) enacted on November 22, 2016

## Annex 5: E&S Due Diligence Checklist<sup>1</sup>

(<sup>1</sup>This ESDD checklist is also available as a separate interactive MS-Excel Tool)

Basic Information	
Date	
Name of Client/Account	
Transaction ID	
Location	
Industry / Sector	
Product Manufactured / Traded	
Name of Relationship Official	
Business line (Sub-sector)	

GENERAL RISK		
#	Mark the answer X	
<b>1.1</b>		<b>Are there any legal issues associated with the client's E&amp;S performance?</b> (for detailed guidance check the Guidance Notes at the end of the Checklist)
		a) Client has all valid permits AND has not faced any legal claims or any serious environmental/social incident in last three years
		b) Client does not have all valid permits but has taken definite steps to acquire them in next six months AND/OR client has faced legal claims but has addressed or has definite plan to address all of them
		c) Client does not have all valid permits and has not taken any definite step to acquire them AND/OR client has faced legal claims and has no definite plan to address them
		d) Not applicable
	Remarks:	
<b>1.2</b>		<b>Have operations ever been affected by local stakeholder grievances, media or non-governmental organization (NGO) campaigns over E&amp;S issues?</b> (for detailed guidance check the Guidance Notes at the end of the Checklist)
		a) There is no evidence of stakeholder grievances, negative media or NGO protest
		b) There is evidence of stakeholder grievances, negative media or NGO protest for a particular operation AND client has taken adequate steps to address the issue
		c) There is evidence of stakeholder grievances, negative media or NGO protest and client has not taken any step to address the issue
		d) Not applicable
	Remarks:	
<b>1.3</b>		<b>Is project site and/or its routing likely to have negative impacts on sensitive areas (residential or protected sites) near the project site?</b> (for detailed guidance check the Guidance Notes at the end of the Checklist)

		<i>a) No sensitive areas observed</i>
		<i>b) There are a few sensitive areas and the client has taken adequate measures to mitigate the impact of their operation on the sensitive areas as per regulations</i>
		<i>c) There are sensitive areas observed and mitigation measures are not adequate as per regulations and the client may face legal challenge in future</i>
		<i>d) Not applicable</i>
	Remarks:	

<b>ENVIRONMENTAL HEALTH AND SAFETY RISKS</b>		
<b>2.1</b>	<b><i>Is there any evidence of air and noise pollution from the client's operation violating the Environment Protection Rules (Official Gazette, June 26/1997) or the conditions specified in the client's Pollution Control Certificate?</i></b> <i>(for detailed guidance check the Guidance Notes at the end of the Checklist)</i>	
		<i>a) There is no evidence of air /noise pollution and non-compliance and/or all mitigation measures and monitoring systems are in place</i>
		<i>b) There is evidence of air/ noise emission and non-compliance AND partial mitigation measure, monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</i>
		<i>c) There is evidence of air emission/noise and non-compliance AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</i>
		<i>d) Not applicable</i>
	Remarks:	
<b>2.2</b>	<b><i>Is there any evidence of water pollution due to client's operation, violating the Environment Protection Rules (Official Gazette, June 26/1997) or the conditions specified in the client's Pollution Control Certificate ?</i></b> <i>(for detailed guidance check the Guidance Notes at the end of the Checklist)</i>	
		<i>a) There is no evidence of water pollution and non-compliance and /or all mitigation measures and monitoring systems are in place</i>
		<i>b) There is evidence of water pollution and non-compliance AND partial mitigation measure monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</i>
		<i>c) There is evidence of water pollution and non-compliance AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</i>
		<i>d) Not applicable</i>
	Remarks:	
<b>2.3</b>	<b><i>Is there any evidence of land pollution and lack of waste handling mechanism in the project operation violating the Environment Protection Rules (Official Gazette, June 26/1997) or the conditions specified in the client's Pollution Control Certificate? (for detailed guidance check the Guidance Notes at the end of the Checklist)</i></b>	
		<i>a) There is no evidence of land contamination or lack of waste handling mechanism or non-compliance OR all mitigation measures and monitoring systems are in place</i>
		<i>b) There is evidence of land contamination or lack of waste handling mechanism or non-compliance AND partial mitigation measure, monitoring system is in place AND client is addressing or has a definite plan to address the remaining issues</i>

		<i>c) There is evidence of land contamination or lack of waste handling mechanism or non-compliance AND there is no mitigation measure/monitoring system in place AND client has no definite plan to address the issues</i>
		<i>d) Not applicable</i>
	Remarks:	
<b>2.4</b>	<b><i>Has the client made any investments in technologies or measures in its operation leading to cost savings by reducing energy consumption (increasing energy efficiency) or using renewable energy (solar, wind, mini-hydropower, organic fuel)?</i></b> <i>(for detailed guidance check the Guidance Notes at the end of the Checklist)</i>	
		<i>a) The client made investment in energy efficiency technologies / measures OR in renewable energy generation (electricity or heat) OR analyzed its operation from the energy efficiency standpoint (e.g. energy audit) and is actively pursuing opportunities for energy related cost savings.</i>
		<i>b) The client is considering identifying opportunities for cost savings from improved energy efficiency or renewable energy use but has not made any particular steps in this direction yet</i>
		<i>c) The client has never made any investment in technologies or measures for energy related cost savings and appears to be unaware of the opportunities in these areas</i>
		<i>d) Not applicable</i>
	Remarks:	

<b>SOCIAL RISKS</b>		
<b>3.1</b>	<b><i>Is there any evidence of increased fire risk or occupational health &amp; safety (OHS) risk, i.e. risk of injuries at work?</i></b> <i>(for detailed guidance check the Guidance Notes at the end of the Checklist)</i>	
		<i>a) The client does not have any OHS concern or have mitigated them adequately</i>
		<i>b) The client has some OHS concern but has taken definite steps to correct them</i>
		<i>c) The client has OHS concern in its operation and have no plans of correcting them</i>
		<i>d) Not Applicable</i>
	Remarks:	
<b>3.2</b>	<b><i>Are the labor and working conditions poor and breaching local regulations / standards?</i></b> <i>(for detailed guidance check the Guidance Notes at the end of the Checklist)</i>	
		<i>a) There is proper working condition and labor practice AND there is no evidence of poor working condition or labor practice for which client may face legal challenge or labor unrest or negative media coverage or protest from activist</i>
		<i>b) There are a few evidences of poor working conditions BUT no significantly poor labor practice such as child/forced labor is present AND the client has a definite plan to improve the working condition to ensure there is no legal challenge or labor unrest or negative media coverage or protest from activist in future</i>
		<i>c) Working condition is very poor AND/OR there is presence of significantly poor labor practice such as child labor/forced labor AND client is not addressing/has no definite plan to address the issues</i>
		<i>d) Not applicable</i>
	Remarks:	
<b>3.3</b>	<b><i>Does the project pose a threat to Community Health, Safety and Security?</i></b> <i>(for detailed guidance check the Guidance Notes at the end of the Checklist)</i>	

		<i>a) there is no evidence of issues that may create nuisance/accidents/injuries to local community in future or the company has a robust plan for community health &amp; safety which was developed in consultation with the local community</i>
		<i>b) There are a few evidences of issues that may create nuisance/ accidents/ injuries to local community AND the client intends to address the gaps AND/OR the client has a plan for community health &amp; safety but it is not robust or it is not developed in consultation with the community</i>
		<i>c) there is evidence of significant issues that can create nuisance/ accidents/ injuries to local community AND client has no definite plan to address the gaps AND/OR does not intend to manage its impact on community health &amp; safety</i>
		<i>d) Not applicable</i>
	Remarks:	
<b>3.4</b>	<b>Is there any evidence of community consultation with key stakeholders including indigenous people? (for detailed guidance check the Guidance Notes at the end of the Checklist)</b>	
		<i>a) There is evidence that the client consults /engages with the stakeholders including local community, indigenous people on (such as rehabilitation, compensation, their expectations as the case may be)</i>
		<i>b) There is limited /inadequate consultations with the stakeholders</i>
		<i>c) No consultations with the stakeholders</i>
		<i>d) Not applicable</i>
	Remarks:	

## Guidance notes:

### 1.1 Are there any legal issues associated with the client's E&S performance?

- Check for all the relevant environmental, health & safety licenses and permits and their validity. See the list of permitting requirements in most common sectors in Nepal in Annex 6 of the ESRM Guideline. The licenses and permits may include for example land layout permit, the approval of the Initial Environmental Examination or Environmental Impact Assessment, the provisional/permanent pollution control certificate, Certificate of completion of Sewage, Sanitary and Drinking water supply system, Certificate of Fire Safety. If the permits and certificates are not up to date and it doesn't impact the immediate operations then up to six months' time can be given for their renewal. If even after six months the required permits and certificates are not renewed then the transaction can be escalated further.
- Check if there are any notices/fines/penalties received for breaching environmental, labour safety or community health and safety regulations and pollution limits in past three years. These notices/ fines / penalties are issued by Ministry inspectors or by local communities impacted by the client's business activities.
- In the Remarks section please provide details of the past fines - mainly amount, reason and current status.

### 1.2 Have operations ever been affected by local stakeholder grievances, media or non-governmental organization (NGO) campaigns over E&S issues?

Media or activist campaigns targeting the company/asset can be indicative of poor E&S performance. Check media or NGO reports for any serious environmental incidents (like major fire, explosion, release of poisonous fumes, discharge of large quantity of wastewater into the open environment etc.) in the last three years. If there was any incident in the past, then the client should have implemented mitigation measures to avoid any similar incident in future. Some of the common reasons which trigger NGO/Media activities are:

- The local community is adversely affected by pollution or loss of livelihood.

- Worker unrest resulting into riots/road blocks
- The operations of the business is harmful for the environment for example discharge of untreated toxic effluent from a manufacturing unit into the only source of water in the local area, business operations continuously generating large amounts of dust or noise effecting the local community.
- If the project is resulting in land acquisition and involuntary resettlement without proper compensation and benefits. For e.g. land based compensation not being provided in case of displacement of community whose livelihood is dependent on land.
- If the project is causing restriction on land use and use of other natural resources like freshwater, forest products etc.
- If the project involves activities like converting rice fields into industrial land, filling out water bodies (river, ponds) for business purpose, encroaching into forest lands, use of old buildings or buildings without permit for industrial activities etc.
- If the business operations adversely impact UNESCO World Heritage site (e.g., the cultural heritage of the Kathmandu Valley, Chitwan National Park) or critical natural habitat.
- Please specify in the Remarks section what sort of media report has been published or the extent and details of NGO/ Stakeholder grievances.

**1.3 Is project site and/or its routing likely to have negative impacts on sensitive areas (residential or protected sites) near the project site?**

- The project operations may impact the ecological balance of the local environment. It is critical that the site is not situated in the vicinity of eco-sensitive zone. The area may be eco-sensitive because of presence of national park, wildlife sanctuary, reserve forest, water bodies (river, pond etc), wet lands, special area for protecting biodiversity etc. Such information is available from the Department of National Parks and Wildlife Conservation, Ministry of Forests and Environment, and Department of Archaeology, Ministry of Culture, Tourism and Civil Aviation,
- Please specify in the Remarks section what kind of sensitive area is present and at what distance and how they have verified the presence or absence of a sensitive area (e.g. observed from google map, interviewing client and local community, visual observation during site visit). Also mention what sort of mitigation action the client has undertaken in case there is any sensitive area in the vicinity.

**2.1 Is there any evidence of air and noise pollution due to client's operation, violating the Environment Protection Rules (Official Gazette, June 26/1997) or the conditions specified in the client's Pollution Control Certificate?**

- The sources of air pollution can be boilers, chimneys, burning of waste in open air, diesel generator sets, vehicular emission etc.
- There can be physical evidence of dust emission (e.g. thick layer of dust on plant machinery, walkways, office areas etc.) due to improper material handling, storage and transport.
- The sources of noise pollution can be heavy machinery, fabrication line, industrial blowers, construction activities etc. High noise level (e.g. greater than 70 dB) is an occupational hazard and needs to be minimized or mitigated. Noise can also cause nuisance to neighboring community, particularly in night hours.
- At the minimum, the project should have, where needed, sufficient ventilation, i.e. provisions for cross ventilation (e.g., windows at regular intervals, exhaust fans, dust controller etc.) and noise mitigation measures (enclosed equipment, acoustic barriers, reduced operation at nights etc.).
- If air or noise pollution is evident in the client's operation, please provide details in the Remarks section and discuss with the client adopting mitigation measures.

**2.2 Is there any evidence of water pollution due to client's operation, violating the Environment Protection Rules (Official Gazette, June 26/1997) or the conditions specified in the client's Pollution**

### **Control Certificate?**

- The project may result in water pollution if it is generating hazardous effluent which is discharged into the open environment (within or outside the premises) without any or sufficient treatment.
- Check if the company's permission requires an Effluent Treatment Plant (ETP) to be installed. If so check for proper monitoring records of treatment of water (such as quantity of water treated, quality of wastewater before and after treatment, running hours of ETP etc.) and measures to keep wastewater discharge (quality and quantity) within the prescribed limit
- Check for any evidence of wastewater being discharged outside without treatment (e.g., coloured /turbid water /odor of chemicals in effluents) or effluent discharged to a location which is not according to the certificate, e.g. an agricultural field, a residential area, an enclosed water body which is a source of drinking water or used for domestic purpose etc.
- If water pollution is evident in the client's operation, please provide details in the Remarks section and discuss with the client adopting mitigation measures.

### **2.3 Is there any evidence of land pollution and lack of waste handling mechanism in the project operation, violating the Environment Protection Rules (Official Gazette, June 26/1997) or the conditions specified in the client's Pollution Control Certificate?**

- The project operation may cause land contamination because of activities such as leakages, spills, improper storage of waste, toxic effluent discharge etc leading to soil degradation.
- Check for any evidence of leaks and spills. Some of the common areas to look out for include – chemical storage and transfer area, diesel generator sets & transformers (diesel and waste oil), toxic waste storage area, around the process equipment using chemicals, left over raw materials dumped indiscriminately etc.
- Hazardous waste (i.e., waste of toxic nature e.g., automobile batteries, solvents, dry cleaning chemicals, metal cutting oil, waste oil and pesticides, paint sludge) if not properly handled and disposed can lead to occupational hazards, impact community health & safety, degrade local environment (flora & fauna), etc.
- Any media or third party reports on historical land contamination
- If the project is generating hazardous waste then, at the minimum, the project should have
  - Waste disposal system in accordance with the permission
  - Dedicated and marked place for storage of waste. Hazardous and non-hazardous waste should be stored separately. The hazardous waste should not be stored on site for a long time.
- If land pollution or poor waste management is evident in the client's operation, please provide details in the Remarks section and discuss with the client adopting mitigation measures.

### **2.4 Has the client made any investments in technologies or measures in its operation leading to cost savings by reducing energy consumption (increasing energy efficiency) or using renewable energy (solar, wind, mini-hydropower, organic fuel)?**

- An energy efficiency project aims at 1) reducing energy consumption for the same level of production or services; or 2) increasing productivity and creating more products/services output with the same level of energy consumption.
- Examples of energy efficiency measures from the manufacturing sector include process upgrades such as improvements in heating and cooling equipment, heat exchangers, heat insulation, installing solar water heaters and examples from the housing sector include building envelope improvements such as upgrades to windows and insulation.
- Best potential for energy efficiency improvements are in sectors operating in high energy-consuming industries. (e.g. steel, cement, textile & dyeing, paper, rubber, plastic, beverage, sugar...).
- Renewable energy is heat or electricity generated from sources that are natural, rapidly replenished and essentially inexhaustible such as sun, water, wind, organic materials or the earth's inner energy. This includes:

- Small Hydropower - small scale Run of river generation projects (up to 10 MW)
- Solar - Photovoltaic power and solar thermal systems or water heaters
- Wind - Wind farms; stand-alone power system or individual turbines for small-scale use
- Biomass & biogas - Organic matter used to generate electricity (e.g. wood and agricultural residues, animal waste, landfill gas)

### **3.1 Is there any evidence of increased fire risk or occupational health & safety (OHS) risk, i.e. risk of injuries at work?**

- Check if the client has a system in place to identify and evaluate occupational hazards and risks on a regular basis
- Check if there are any media or third party reports on accidents and incidents on the site, their causes and actions taken. Look for trends (increasing or decreasing no. of incidents). If there have been regular major accidents in the past, see if the client has taken any measure to improve.
- The following practices are indicators of good health and safety condition. Absence or lack of any of the following may lead to health & safety incidences such as fire hazard, accident, health outbreak, absenteeism of workers
  - Notice boards in Nepali with information on Personal Protective Equipment (PPE)s, workplace safety, occupational hazards and fire safety
  - Workers using PPE at workplace as instructed
  - Regular trainings of employees on occupational health & safety
  - Onsite occupational health & safety treatment center
  - Firefighting equipment is available, accessible, identifiable from a distance, properly maintained and kept unlocked, has valid license
  - Appropriate number of independent emergency exit is available per working area and all emergency exits and access routes are free from obstruction
  - Independent and functioning evacuation alarm is present with continuous sound to notify all workers about an emergency situation and to ensure a fast and safe evacuation.
  - Fire safety plan and onsite emergency & disaster management plan is in place and if the employees are aware of such plans
- Please list in the Remarks section any OHS issues identified and client's response in mitigating them.

### **3.2 Are the labor and working conditions poor and breaching local regulations / standards?**

- Good working conditions, facilities, timely payment of wages, non-discrimination, etc. can mitigate the risk of labor unrest, legal challenge, negative media coverage or protests from the activists. Issues like labor unrest otherwise can significantly affect continuous operation and may also lead to complete shutdown. Frequent accidents, absenteeism of workers are indicators of poor housekeeping.
- Absence or lack of any the following indicates poor working conditions and labor practices:
  - acceptable level of noise, temperature, light, air ventilation in the shop floor. Facilities such as clean drinking water, adequately equipped washing and toilet provided to all workers free of charge. Policies and safeguards are in place for child labor (minimum working age in Nepal is 14), forced labor, minimum wage, non-discrimination
- Poor labor practices include:
  - Remuneration and wages- minimum wages not paid
  - Working hours- excessive overtime, no weekends
  - Health and safety- dusty, unsafe workplace, exposure to hazardous vapours
  - Disciplinary procedures- verbal and physical abuse, fines

- Discrimination- on gender or religious basis
- Well maintained age of workforce, wages, payment and attendance records
- For permanent work staff, presence of a written employment contract signed with each worker before they start work, which specifies terms of employment in a way understood by the worker. Whether the contract includes the name of employer, name of worker, birth date, position, salary, working hours, overtime compensation, benefits and notice period or if there is a Workers Handbook or equivalent with information about working hours, overtime compensation, benefits and notice period.
- in case of larger businesses, provision for labor unions, representation, collective bargaining and grievance mechanism
- Check for any labor inspector's report/ factory license to identify labor issues. Speaking to workers and managers can lead to risk identification also. Some companies may have international certification like SA 8000.
- Please list in the Remarks section various labor issues identified and if client has taken any measures to mitigate.
- Transactions should be terminated if instances of child labor or forced labor are found in client's activities, unless immediate remedial actions are taken. Minimum working age in Nepal is 14.

### **3.3 Does the project pose a threat to Community Health, Safety and Security?**

- The project operations can have a significant impact on the health & safety of the surrounding community members especially if it's a densely populated area.
- Among the usual community impact issues are:
  - Nuisance - check for any physical evidence of foul smell, noise, air pollution etc. due to project operations that may impact the local community
  - Life and Fire Safety: The client should have made adequate provisions for detection, prevention, control and management of fire incidents. Adequate equipment need to be in place, including an emergency response, and safe evacuation plan. This is more critical in case of public access buildings such as hospitals, hotels, administration and commercial buildings etc.
  - Structural Safety and project infrastructure: In some large infrastructure projects such as hydro power with dam/reservoir, a chemical plant etc. has the potential to impact a large number of general public in case of an accident, equipment failure or damage to project assets such as dam breakage, chemical leakage etc.
  - Water quality and availability – a water intensive industry situated in a water stressed region can create imbalances and lead to social unrest which may impact the operations. This becomes a significant risk in case of a water intensive industry such as power, textile, beverage, cement, ceramic etc. Industries which are using wood as the raw material and are situated in an area where wood is used as the fuel can also lead to conflicts.
  - Hazardous materials: if using hazardous materials, the client should ensure sufficient safeguards in place, e.g. safe and guarded storage of pesticides, explosives, inflammable materials, to minimize or avoid community exposure to potential harmful impacts
- Some examples where business activities can adversely impact community health and safety include: tannery and other chemical toxic wastes dumped in water bodies, high noise and sound from power plants or generators, foul smell from poultry farms, structural faults in industrial buildings impact adjacent houses, hot water discharge from steel rerolling mills killing fishes in the nearby water bodies, unsafe chemical handling resulting in explosion and loss of life in the community etc.
- Please list in the Remarks section what sort of risks might arise from the client's operation which can impact the community health and safety.

### **3,4 Is there any evidence of community consultation with key stakeholders including indigenous people?**

- Companies need to understand or respond to local concerns (which are often the flash point of tensions) where business operation is likely to have an impact on the community. Different key stakeholders (indigenous people, local leaders, law enforcing agencies, local NGOs, civil society organizations etc.) need to be identified at the very onset. Business operations may displace indigenous or local community, impact their livelihoods, and pollute neighborhoods.
- In case of displacement of local community, indigenous people, it is important to engage with them to discuss the resettlement and compensation plan.
- Seek verbal or documented confirmation from clients that there is consultation. Indicators that there is effective consultation include evidence of regular meetings with stakeholders, the presence of a grievance mechanism and partnerships with civil society organizations and/ or local communities to address E&S issues.
- The project should have a grievance redressal system which gives the affected community and other stakeholders a platform to express their concerns. This will help the project in knowing the stakeholders' concern and taking actions in a timely manner.
- The project activities may also have adverse impacts on the local cultural heritage (if any). The client should look to mitigate or minimize the impacts and in fact should work towards its preservation.
- If the client is in consultancy or service business then elaborate community consultation is not required. However, for many businesses especially in the manufacturing sector, stakeholder and community consultation is necessary for obtaining social license to operate. If community consultation is not required, RM will need to justify in comments section explaining why community consultation is not applicable.

## Annex 6: Overview of Environmental, Health and Safety Regulation in Nepal

### A1. Introduction

Initially, environmental component was incorporated in development plan of country. Natural resources utilization and agriculture production were included in 1<sup>st</sup> Five-Year Plan (1956–1961). After time, 10<sup>th</sup> Five-Year Plan (2002–2007) put the long-term goals of environmental management with better governance, pollution control, and sustainable use of natural resources. Only after 8<sup>th</sup> Plan period (1992–97), the concept of sustainable development was integrated in Nepal's development planning process, initiated and developed clear environmental policies and action plans. Also introduced mandatory provision of environmental assessment in infrastructure projects.

With the establishment of the Ministry of Forests and Environment (Previously named as Ministry of Population and Environment), a number of acts, regulations, legislations and standards have been drafted and endorsed to be implemented in the context of environmental conservation and safeguard, and pollution control. The Department of Environment, under Ministry of Forests and Environment (Previously named as Ministry of Population and Environment) was established in 2012 with the aim to improve the environmental quality, enforcement of environment related act, regulation, legislation and standards.

### A2. Environmental Liability in Nepal

The environmental rights of Nepalese citizen are governed by the Constitution of Nepal, 2015. According to Constitution of Nepal, 2015, as of article 30 states all citizens shall have the right to live in clean and healthy environment. Similarly, every citizen shall have the right to free basic health service in accordance with the provision made by the government in the law.

Nepal Environmental Policy and Action Plan (NEPAP) was formulated in 1993 as continuous effort to incorporate environment concerns into the Nepal's development processes. NEPAP was prepared in response to the growing global awareness about the importance of maintaining a balance between economic development and environmental conservation. NEPAP aims to manage natural and physical resources efficiently and sustainably, balance development efforts and environmental conservation, to safeguard national heritage, mitigate the adverse environmental impacts of development projects and human actions and integrate concerns for the environment with development plans through appropriate institutions. The NEPAP includes sustainable management and natural resources to ensure the proper management of Nepal's land, forest and water resources. NEPAP emphasized the need for mitigating adverse environmental impacts to address urban and industrial development, air and water pollution and infrastructures development.

Environmental liability of polluters for any environmental damage is regulated by the *Environment Protection Act (Official Gazette, June 24/1997)* and by the *Environment Protection Rules (Official Gazette, June 26/1997)*. *Clause 3 of the Environment Protection Act* regulates liabilities for carrying out Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA) before execution of any project. This act of Environment has been complemented by *Article 3 of the Environmental Protection Regulations* to carry out the Initial Environmental Examination of the projects mentioned in Schedule (1) and Environmental Impact Assessment of the projects mentioned in Schedule (2).

*Clause 7 of the Environment Protection Act*, regulates liabilities for prevention and control of pollution and according to *Clause 17 of the Environment Protection Act*, polluter shall be liable for the any damage made to the environment and shall cover expenditures for the evaluation of damage and elimination thereof, and in particular. To complement this, *Article 15 of the Environment Protection Rules* that is described as prohibition to emit waste in contravention of the prescribed standards. Similarly, *Article 16 of the Environment Protection Rules* made the provision to obtain provisional or permanent pollution control certificate from concerned body. *Article 11 and Article 45, 46, 47 & 48 of the Environment Protection Rules*

made the provision on compensation and punishment in case of pollution or not following environmental compliance as below,

1. The amount of compensation shall be determined by Chief District officer and will incorporate the suggestion in case of any need from concerned body.
2. The concerned individual, institution or proponent shall to pay the amount of compensation to the concerned individual or institution.
3. In case of failure to pay compensation, the amount of compensation be realized, identifying the property belonging to such individual, institution or proponent.
4. The concerned authority or ministry has the right to take any action on projects without having an Initial Environmental Examination and Environmental Impact Assessment or upon any pollution made by project.
5. Charge costs which are to be paid to persons directly threatened by environmental damage.

### **A3. Environmental Permitting - Project Approval Process in Nepal**

**Land Layout Permit**, granted by Town Development Committee/Authority or Municipality is required before any development and construction can take place. Land Layout planning must be obtained prior to submitting an application for the **building construction permit** according to the Building Code Standard, 2014, granted either by Town Development Committee/Authority or Municipality. Approval is needed for construction of new building, re-construction of old buildings, construction of additional portion on the building or any changes in already approved design.

For projects / business activities with potential **significant environmental impact** the *Environment Protection Rules* (EPR - *Official Gazette, June 26/1997*) require to carry out **the initial environmental examination – IEE** (for projects listed in Schedule 1 of EPR) or **environmental impact assessment – EIA** (for projects listed in Schedule 2 of EPR). This assessment study is required as part of the technical document on socio and economic, cultural and physical, chemical and biological impacts to **obtain approval for construction and/or operation issues** by concerned ministry or Ministry of Forests and Environment (Previously named as Ministry of Population and Environment). *Environment Protection Rules (1997)* regulates conditions, methods and procedure for the assessment of impact on the environment and the approval process.

### **A4. Approval of Initial Environmental Examination (IEE) or Environmental Impact Assessment (EIA)**

The IEE or EIA assessments can be prepared by licensed team of experts and must be **approved by concerned ministry**. Environmental impact assessment must be approved by Ministry of Forests and Environment (Previously named as Ministry of Population and Environment). **The Approval of IEE or EIA is mandatory to obtain prior to construction and/or operation approval is granted by the relevant authorities** and hence the Approval serves as the principal environmental permit in Nepal.

EPR regulates the contents of the IEE or EIA study, the participation of local authorities, approval needed at the project site, public hearing and public notice, monitoring and evaluation of environmental mitigation action and other issues related to impact assessment.

The EPR, 1997, elaborates provisions to prepare and submit the scoping document, terms of reference, and IEE/EIA report for approval and includes public consultation processes. Public consultation has been a required in all the prescribed process. In case of IEE, the project needs to prepare the draft report as prescribed in EPR, 1997. The project must affix the notice in the project implementation areas (Village Development Committee or Municipality), schools, hospitals and health posts concerned requesting the concerned individuals or institutions to offer their opinions and suggestions; and also must publish a 15-days' notice in the national daily newspaper.

The project is required to publish a 15-days public notice in the national newspaper before the submission

of the scoping document for approval for EIA in order to ensure that concerns and issues of the stakeholders and affected people are adequately addressed by the EIA. After the preparation of the draft EIA report, the project must conduct a public hearing at the project site. Furthermore, Ministry of Forests and Environment (Previously named as Ministry of Population and Environment)– must publish a 30-days public notice before the approval of EIA report of any sector to provide stakeholders additional opportunities for comments and suggestions on the final EIA report. Upon approval of IEE or EIA, project get the letter of approval of IEE and EIA report from concerned agency. The summary of public participation in IEE and EIA process is as below,

Particular	IEE	EIA
Screening	Schedule 1 of EPR, 1997	Schedule 2 of EPR 1997
Scoping	Not required	Required
Terms of Reference	Required	Required
Public Hearing	Not Required	Required
Recommendation of concerned VDCs and Municipalities	Required	Required
Public review of IEE/EIA report	Not required but publication of a 15 day public notice in a national daily newspaper is mandatory	Required
Approval agency	Concerned ministry or department	Ministry of Forests and Environment (Previously named as Ministry of Population and Environment)
Environmental Management Plan	Not required but environmental impacts mitigation measures are needed	Required

Table 1. The overview of the public participation in the IEE and EIA processes

This Initial Environmental Examination presents the environmental assessment of location, construction and operation of the project. IEE is prepared by the project its self or or by engaged environmental expert. IEE includes environmental impacts mitigation measure which species the environmental mitigation actions to be implemented by the project.

**Environmental Impact Assessment Report (EIA)** is required when submitting an application for the development license (Generation, Transmission and Distribution of Electricity or combined) for hydropower projects. The EIA approval also allows for loan procedure. EIA is a study prepared by a certified expert evaluating and summarizing all potential environmental impacts of the project. It includes an EMP that contains a list of environmental measures the investor must make during the construction and implementation of the proposed investment project. IEE or EIA is required for industry renewal.

See Annex 12 for all projects requiring Initial Environmental Examination (Schedule 1) and projects requiring Environmental Impact Assessment (Schedule 2).

## A5. List of Permitting and Statutory Requirements For Most Common Sectors in Nepal

Sector	License/Clearance	Legal Basis
<b>Agricultural and Forest Related</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Fishery Related</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business.	-
<b>Mining Related</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	Building Code Standard, 2014
	Fire safety certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Agriculture, Forestry &amp; Beverage Production Related</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	Building Code Standard, 2014
	Fire safety certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business.	-
<b>Non-food Production Related</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Fire safety certificate	Building Code Standard, 2014
	Nepal Standards (NS) certification (Cement- OPC, PPC, PSC, LPG Cylinder, composite gas cylinder and tubes, LPG bottling operation)	Nepal Standards (Certification-mark) Rules, 2040
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Construction</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	The Building Act, 2055
	Design and approval of design/map of building	
	Approval of design, building construction and construction of old buildings	Building Code Standard, 2014
	Fire safety certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Power, Gas and Water</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	-
	Necessary approvals from the relevant	

	ministries/departments/bodies for permit/license to conduct business	
<b>Metal Products, Machinery &amp; Electronic Equipment &amp; Assemblage</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Fire safety certificate	Building Code Standard, 2014
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
	Nepal Standards (NS) certification (Dry cell and battery, Iron bar, GI wire, PVC cable, LPG regulator and valves fitting for LPG cylinder)	Nepal Standards (Certification-mark) Rules, 2040
<b>Transport, Communication and Public Utilities</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Green Stickers (Private and commercial vehicle)	Nepal Vehicle Mass Emission Standards 2069 (2012)
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Wholesaler &amp; Retailer</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Certificate given by exporting country ( e.g.:- quality certificate, health certificate, Phytosanitary certificate, fumigation certificate, etc.) for import of food products	-
	Certificate of analysis of the product (Quality, chemical, microbiology, heavy metals and other) for import of food products	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Finance, Insurance and Real Estate</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Design and Approval of design/map of building	The Building Act, 2055
	Approval of design, building construction and construction of old buildings	Building Code Standard, 2014
	Fire safety certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Hotel or Restaurant</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Design and Approval of design/map of building	The Building Act, 2055
	Approval of design, building construction and construction of old buildings	Building Code Standard, 2014
	Fire safety certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-

<b>Other Services</b>	Initial Environmental Examination (IEE) /Environmental Impact Assessment (EIA) (as applicable)	Environmental Protection Rules, 1997
	Provisional or permanent pollution control certificate	
	Certificate of completion of Sewage, Sanitary and drinking water supply system	Guideline for Health Institutions Established Upgrade standard, 2014
	Approval of design, building construction and construction of old buildings	Building Code Standard, 2014
	Fire safety certificate	
	Necessary approvals from the relevant ministries/departments/bodies for permit/license to conduct business	-
<b>Consumption Loans</b>	-	-
<b>Local Government</b>	-	-

## A6. Noise Pollution Regulations in Nepal

Nepal does not have a specific law to address noise pollution. *Environment Protection Act (Official Gazette, June 24/1997)* and *Environment Protection Rules (Official Gazette, June 26/1997)* are umbrella legislation. Sound Quality National Standard, 2012 are put in place for noise. According to *Environment Protection Rules (Official Gazette, June 26/1997)*, Ministry of Forests and Environment (Previously named as Ministry of Population and Environment) is the in charge of implementing the proper measures for noise reduction.

According to Sound Quality National Standard, 2012 noise limits differs based on the type of location. There are two types of noise limit- day and night limits. The noise limit for night are stricter than day.

Zone	Noise limit in Decibel	
	Day time	Night time
Industrial	75	70
Commercial	65	55
Rural Residential	45	40
Urban Residential	55	50
Mixed Residential	63	55
Silent	50	40

## A7. Air Pollution Abatement Requirements in Nepal

Nepal does not have any specific law on air pollution control. *Environment Protection Act (Official Gazette, June 24/1997)* and *Environment Protection Rules (Official Gazette, June 26/1997)* are umbrella legislation.

Emission standards for in-use and new diesel generators (DG) sets, industrial boilers, cement industries, crusher industries and diesel generators were introduced in 2012. The government has also introduced brick kiln stack emission standard in 2008.

According to EPR, 1997, all industries as referred to in Schedule-7 has to obtain the **provisional pollution control certificate**. This certificate is issued by concerned body for one year of operation of such industry shall cause no Substantial adverse impact on environment or there is possibility of reducing or controlling such effect. Whereas if industry specific standards are available, the industry has to obtain the **permanent pollution control certificate** valid for three years to those industries after having their examination from the designated laboratory or as mentioned. Ministry of Forests and Environment (Previously named as Ministry of Population and Environment) and/or Department of Environment decides on what, when and how pollution abatement measures/equipment shall the plant implement (Rule 15, Sub Rule 5, EPR, 1997).

## **A8. Waste Water Management in Nepal**

EPR 1997 requires for industrial unit which generate effluents to meet the pollution standards specified in Schedule 7 of EPR. According to EPR 1997, no one shall emit or cause to emit the noise, heat and waste from any mechanical means, industrial establishment or any other place in contravention of the standards prescribed.

Government of Nepal has generic and specific standards for specific industries. The specific standards are as tolerance level for industrial effluents to be discharged into inland surface waters for tanning industries, wool processing industries, fermentation industries, vegetable ghee and oil industries, paper and pulp industries, dairy industries, sugar industries, cotton textile industries, shop industries, galvanizing and electroplating industries, paint industries, non-alcoholic beverage industries and pharmaceutical industries. Similarly, generic standards are also in place for industrial effluents to be discharged into inland surface waters, into public sewers, and into inland surface waters from combined wastewater treatment plant. There are also sampling and analyzing methods for same.

According EPR, 1997, all industries as referred to in Schedule-7 has to obtain the **provisional pollution control certificate**. This certificate is issued by concerned body for one year of operation of such industry shall cause no Substantial adverse impact on environment or there is possibility of reducing or controlling such effect. Whereas if industry specific standards are available, the industry has to obtain the **permanent pollution control certificate** valid for three years to those industries after having their examination from the designated laboratory or as mentioned. While issuing provisional or permanent pollution control certificate, the concerned body may, as required, prescribe terms and conditions to be complied by industry (Rule 15, Sub Rule 5, EPR, 1997).

## **A9. Waste Management in Nepal**

EPR 1997 requires for industrial unit which generate waste to meet the pollution standards specified in Schedule 7 of EPR. According to EPR 1997, no one shall emit or cause to emit the noise, heat and waste from any mechanical means, industrial establishment or any other place in contravention of the standards prescribed.

According EPR, 1997, all industries as referred to in Schedule-7 has to obtain the **provisional pollution control certificate**. This certificate is issued by concerned body for one year of operation of such industry shall cause no Substantial adverse impact on environment or there is possibility of reducing or controlling such effect. Whereas if industry specific standards are available, the industry has to obtain the **permanent pollution control certificate** valid for three years to those industries after having their examination from the designated laboratory or as mentioned. While issuing provisional or permanent pollution control certificate, the concerned body may, as required, prescribe terms and conditions to be complied by industry (Rule 15, Sub Rule 5, EPR, 1997). The EPA 1997 also made provision for appointing Environment Inspector in order to effectively carry out a control measures to be made by businesses to mitigate, avoid or control the pollution they generate or activities required to be carried out in accordance with the IEE or EIA.

The first policy on waste management “National Policy on Solid Waste Management” was formulated in 1996 to tackle the growing problem of solid waste management problems due to urbanization and industrialization. The policy emphasized on waste management in municipal and urban areas. The key objectives of this policy are to make management work of the solid wastes simple and effective and minimize environmental pollution caused by the solid wastes and adverse effect thereof to the public health.

According to Local Self Governance Act, 1999, the local government authorities are responsible for solid waste management activities within its jurisdiction.

Solid Waste Management Act 2011 came into existence with the objective of management of the solid waste in a systematic and effective way by reducing at its source, re-use, processing or discharge and for maintaining a clean and healthy environment through the reduction of adverse effects that may be caused to the public health and environment. This act made local body shall be responsible for the management of solid waste by construction and operation of infrastructure like transfer station, landfill site, processing plant, compost plant, biogas-plant and also collection of waste, final disposal and processing. As of this act, Chapter 5, littering everywhere, placing, discharging or causing to discharge harmful waste by industrial enterprise or health institutions, emanating from industry or health institution shall be considered to have committed an offense.

#### **A10. Occupational health and safety in Nepal**

Labor Act 2074 and its regulation is only the legal document that covers provisions for the rights, interests, facilities, safety and health provisions of workers and employees working in enterprises of various sectors. Chapter 12, section 68-78 of the Labor Act 2017 explains the health and safety of workers in the establishment. The Act made the special arrangement for waste management; adequate supply of clean and fresh air and light, provision of separate modern toilets for male and female workers and employees; supply of adequate safe drinking water; provision of appropriate volume of ventilation, condition of light, temperature and sound; protection from dust; smoke, fumes and other impurities; avoidance of overcrowding in any room of the establishment, health checkup facilities and provision of extinguishing fire.

The Act also includes the provision of medical check-up for the workers at least once a year in the establishment where the nature of works is likely to affect the health adversely. The Act also suggest a preventive measure for protection of eyes, protection against chemical substance and fire guarding against dangerous machinery, prohibition on lifting heavy load and safety measures for pressure plants.

The act made the provision for compulsory notice of any kind of accident or disease to the concerned labor office. The Act also made a provision for appointment of occupational safety and health inspectors (OHS inspectors) and labour inspectors within Labour Offices in districts. The key responsibilities of inspectors are to examine health and safety conditions and labour rights issues in factories.

Building Act, 1998 made the necessary provisions for the regulation of building construction works in order to protect building against earthquake, fire and other natural calamities. Similarly, Building Code Standard, 2014 stipulate requirements for fire safety for hotel, commercial building, industrial areas, educational institutions etc.

#### **A11. Environmental Authorities in Nepal**

**Parliamentary Committee on Natural Resources and Environmental Protection (PCNREP)** oversees government action in initiating natural resources conservation and environmental protection measures. The Committee also gives advice to the executive branch of the government regarding appropriate measures for improving national overall environmental health. Being a legislative subunit, PCNREP can give directives to, and seek information and clarification from, the executive branch of the government.

**The Environment Protection Council (EPC)** is a high-level body that was created in 1992 to provide guidance on the formulation of policies, the preparation of working procedures and the implementation of policies.

**The Ministry of Forests and Environment** (Previously named as Ministry of Population and Environment), is a supreme body environment sector functions focusing on environmental conservation, pollution prevention and control, and conservation of national heritage as well as the effective implementation of commitments expressed in regional and international levels.

**Department of Environment** has been assigned responsibility of improving the environmental quality; enforce, monitor and auditing the environment related act, regulation, legislations and standards, create awareness among people and localize the climate change adaptation and mitigation practices at local level.

## **A. 12 Social Issues**

### **Employment related issues**

A new Labour Act 2074 has been adopted in Nepal in 2017 (27 Shrawan, 2074). Sets the regulations for employment and labour related issues. It applies to all companies, private firms, partnership firms, cooperatives, association or other organization. Civil Service, army, police and entities incorporated under other prevailing laws are exempted from the applicability of this new Labour Act

#### Workers representation

- There are few arrangements in the Law related to headcount threshold. Where 10 or more employees are engaged, Employer shall form a Labour Relation Committee and shall arrange for establish a Collective
- Bargaining Committee.
- Where 20 or more employees are engaged employer shall constitute a Safety and Health Committee comprising of representatives of the workers in the manner as prescribed in the Law.

#### Outsourced employees

- In case when outsourced employees are engaged Main Employer shall arrange for adequate occupational health and safety measures. Main employer must obtain the employees from licensed labor supplier. If outsourced employees are not from the licensed labor supplier, they are deemed to be employees of the main employer. The Labour Offices is authorized to issue licenses for Labour Suppliers.
- Main employer should ensure the employees provided by the labour supplier are provided minimum remuneration and facilities as required by the law. Labour Supplier pays remuneration and other facilities to outsourced employees ensuring that such is not below the minimum remuneration and other facilities prescribed,

#### Hiring and working conditions

- Minimum remuneration is prescribed by the Government of Nepal
- Maximum Working Hours: 8 hours a day and 48 hours a week.
- Maximum Overtime: 4 hours a day and 24 hours a week (Previously it was 20 hours a week)
- Overtime Pay: 1.5 times the regular remuneration
- a 30 minute break shall be arranged after working 5 hours where the work can be interrupted, or where work can not be interrupted, break is arranged in shifts.
- Probation period of new employees is 6 months
- Public Holidays are 13 days including May Day, working week has 6 days. Annual Leave can be arranged for 1 day for every 20 worked days.
- Sick Leave is fully paid for 12 days (previously half paid up to 15 days) and mourning leave 13 days

- Maternity leave is 98 days with fully paid 60 days.
- Going for leave without approval is considered as misconduct.
- Compulsory retirement is applicable at the age of 58 years.

#### Job termination

- In case of job termination severance compensation, those who were in service for at least 1 year are eligible for compensation that includes 1 month salary for every year of service. Employees are not entitled to severance compensation if he/she is entitled to unemployment allowance from the Social Security system.

#### Insurance obligations of employer

- Every employer must make a provision for annual medical insurance of at least Rs 100,000 for every worker.
- Every employer must make a provision for accidental insurance of at least Rs 700,000 covering all kinds of accidents for every worker.
- In case of Retrenchment employer must give at minimum 30 days prior notice specifying the reasons for retrenchment, possible date of retrenchment and number of employees to be retrenched should be provided to Authorized trade union or Labor Relation Committee. Retrenchment provisions don't apply to entities with <10 employees.

#### Sanctions

- supplying labour without license can be penalized up to Rs 200,000. Engaging a worker without appointment letter or employment agreement can be fined up to Rs 500,000. For engaging a bonded labour can be sanctioned with imprisonment up to 2 years.

If the entity does not make health and safety arrangements knowingly and as a result the worker dies or suffers physical or mental injury: Imprisonment up to 2 years, except otherwise provided. Such person suffering the injury should be compensated.

#### **Minimum Wage**

The Ministry of Labour, Employment and Social Security, at the recommendation of Minimum Wage Fixation Committee, fixes the minimum wage for workers every two years.

The tea estate minimum monthly salary from July 16, 2016, through July 15, 2017, the minimum monthly tea-work-related salary is NPR7,075 (about US\$67) and the daily wage is NPR253 (about US\$2.40); the daily allowance of NPR 30 (about US\$0.28).

The new minimum monthly salary for employees working in other enterprises is NPR6,205 (about US\$59), plus a "dearness allowance" (essentially a cost of living adjustment) of NPR3,495 (about US\$33), for a total of NPR9,700 (about US\$92). The new daily wage rate for these workers is NPR395 (about US\$3.74).

#### **Child Labour**

The Child Labor (Prohibition and Regulation) Act of 2000 establishes the minimum age for work at 14 and the minimum age for hazardous work at 16. The Act also establishes a list of occupations prohibited for children including tourism-related occupations such as working in hotels, restaurants, and bars.

The Act does not cover nontraditional establishments in which many child laborers are found, including home-based enterprises and unregistered establishments in the informal and agricultural sectors. Nepali law also prohibits forced or compulsory labor.

The Kamaiya Labor (Prohibition) Act of 2002 forbids keeping or employing any person as a bonded laborer and cancels any unpaid loans or bonds between creditors and Kamaiya laborers. The Child Labor Prohibition Act of 2000 and the Children's Act of 1991 also prohibit forced labor and practices similar to slavery. The voluntary military recruitment age in Nepal is 18.

Education is free for children between the ages of 6 and 12, but it is not compulsory.

MoLE's National Master Plan on Child Labor identified bonded child labor, rag-picking, portering, child domestic service, mining, carpet weaving, and child trafficking as the worst forms of child labor to be addressed.

### **Forced Labour**

Debt bondage is a traditional form of labour exploitation in Nepal, whereby a person provides labour in repayment of a debt acquired by them or their family, or inherited from their ascendants. Debt bondage is commonly linked to agrarian relations in Nepal, and poverty, lack of assets and unequal power relations lie at the root of this practice.

Landless vulnerable individuals are forced by their circumstances to borrow from land holders, and enter a cycle of loan repayment through work in exploitative conditions. Excessive interests and wage deductions keep bonded labourers in a perpetual cycle of debt. Bonded labour in Nepal is widely regarded as the product of a feudal system wherein people are deprived of their freedom, safety, security and human dignity.

Bonded labour was only formally abolished in Nepal in 2002. The 2002 Bonded Labour Prohibition Act in Nepal outlawed the practice bonded labour, and promised financial support for the resettlement and rehabilitation of 'liberated' bonded labourers. However, despite the legal prohibition, the practice of the Kamaiya and other systems of bonded labour—including the Haliya, Haruwa and Charuwa systems—persists in a number of regions in the country. Moreover, the nominal 'liberation' of these bonded labourers is not sufficient to address the issue, and further efforts towards the rehabilitation of victims and provision of alternative livelihoods are needed in order to prevent further exploitation.

## Annex 7: E&S Risk Summary Template

### 1. Nature of the Loan

[Nature of enterprise, project cost, physical size, existence of any property transfer or ongoing operations, any plans for new construction]

### 2. Environmental and Social Information Reviewed:

[e.g., IEE, EIA, pollution control certificates, state environmental review conclusion, inspection reports from labour, environmental, or sanitary authorities; warranty or representation from borrower]

### 3. Key Environmental and Social Issues

[What are the key environmental and social impacts, risks, liabilities and benefits associated with the transaction]

### 4. Environmental Regulatory Compliance

[Does/will the existing/proposed enterprise comply with applicable standards (e.g., national environmental regulations and standards?)]

### 5. Social Standards Compliance

[Does the borrower comply with national

- public safety/sanitary regulation and standards?
- labour regulations and standards, in particular those related to occupational health and safety, the employment of children, the prohibition of forced labour, the non-discriminatory treatment of employees in the workplace, and freedom of association and the right to collective bargaining?]

### 6. E&S Performance Risk Rating [Low, Medium, High]:

### 7 . Suggested Environmental and Social Covenants, Supervision and Monitoring Requirements

[List any appropriate items which should be covenanted into the loan agreement, including provision of monitoring information]

### 8. Further Actions Required

[List actions for the Credit Officer, co-investors, investment enterprise, any third part expert]

#### 10.1.1.1

#### 10.1.1.2 CREDIT OFFICER

10.1.1.3 NAME: \_\_\_\_\_

10.1.1.3.1 SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

## **Annex 8: Sample Corrective Action Plan**

B/FI staff may request the client to develop a corrective action plan with a timeframe to implement appropriate mitigation measures to comply with the B/FI's E&S requirements. The purpose of a corrective action plan is to mitigate potential E&S risks in the context of a transaction to an acceptable level for the B/FI. The client should tailor the scope of a corrective action plan according to the specific risks identified during the E&S due diligence process or during subsequent transaction monitoring. Corrective action plans range from simple mitigation measures to detailed management plans with actions that can be measured quantitatively or qualitatively. The corrective action plan should include a description of the specific mitigation actions to be taken by the client, a timeframe for implementation and a reporting requirement to inform the B/FI on the status of completion. B/FI staff will need to discuss the corrective action plan with the client and agree on its scope and timeframe for completion. If the corrective action plan is developed as part of the transaction appraisal process, it should be included in the legal agreement. The timeframe for implementation of specific mitigation measures will vary according to the E&S risk and may range from being a condition of transaction approval to a reasonable timeframe from disbursement or when E&S issues were identified during transaction monitoring.

The following template can be used for documenting the corrective action plan agreed with the client. The template also contains few examples for guidance.

Guidelines on Environmental & Social Risk Management (ESRM)

Area of E&S concern as identified through ESDD	Corrective Actions required	Date for Completion	Action completion indicator	Responsibility (Client staff, management or board)	Cost involved
Evidence of land pollution due to discharge of untreated effluent	Action plan may include: <ul style="list-style-type: none"> <li>• Removal and treatment of contaminated ground soil</li> <li>• Construction of sewage system for industrial wastewater</li> <li>• Construction of wastewater treatment facility and discharge system for treated water</li> </ul>	DD/MM/YY	<ul style="list-style-type: none"> <li>• Installation of Effluent Treatment Plant (ETP). The ETP should be operational and the qualitative parameters of treated effluent should be within limits</li> <li>• The discharge of treated effluent should be through the constructed discharge system and no other modes of discharge and leakages</li> <li>• Qualitative parameters of treated contaminated ground soil should be within limits</li> </ul>	Board	
Absence of grievance redressal mechanism	Establish a grievance redressal mechanism	DD/MM/YY	Well established grievance redressal mechanism which is appropriately communicated to the external stakeholders	Board	
Displacement of community structure	Restoration of community structure for common benefits			Management	
Loss of trees, crops, perennials	Compensating for standing crops and trees		Plantation of trees	Management	

## Annex 9: Examples of E&S Risk Covenants

### E&S covenants – guidance and examples

#### Guidance

E&S clauses can be incorporated into legal agreements with clients. This helps reduce a Bank's exposure to potential E&S risks associated with a client's operations.

Bank staff can incorporate E&S clauses into legal agreements with clients to require clients to comply with the Bank's E&S requirements. Doing so helps a Bank reduce its exposure to the E&S risks associated with a client's operations throughout the lifetime of a transaction and gives the Bank legal recourse in the case of non-compliance.

A Bank's E&S Management System should state the circumstances under which specific E&S conditions such as the need for a corrective action plan should be inserted into the legal agreement for a proposed transaction.

The Legal Department should be involved in developing and inserting the necessary clauses on E&S matters into legal agreements. The specific language will depend on the type of transaction and potential E&S risks identified during the due diligence process but generally addresses the following areas:

- **Positive Covenants:** Measures or actions to be taken by the client. These may include the requirement for compliance with national E&S regulations and international standards, and periodic reporting on E&S performance. In the event of significant accidents and incidents, with potentially adverse E&S effects such as spills or workplace accidents resulting in death, serious or multiple injuries or major pollution, the client is required to notify the Bank in a timely manner, such as within 3 days.
- **Negative Covenants:** Actions that the client should refrain from undertaking. These include the Bank's E&S requirements.
- **Conditions Precedent:** Conditions and requirements that the client has to fulfil prior to disbursement of funds by the Bank. These may include proof of valid permits and licenses, preparation of government-requested reports and delivery of completion of mitigation actions stipulated in the corrective action plan.
- **Event of Default:** An event that entitles the Bank to cancel a transaction and declare all amounts owed by the client to become immediately due and payable. For transactions that involve complex E&S issues, this may include specifying a time period such as 30 days during which the client can resolve the issue after notification by the Bank.
- **Corrective Action Plan:** The Plan is typically included as an annex to the legal agreement, outlining the specific mitigation actions to be taken by the client according to an agreed timeframe for implementation.

To assess compliance with the E&S clauses stipulated in the legal agreement, Bank staff should periodically monitor clients and, as necessary, require the preparation of a periodic E&S performance report for review by the Bank. The Bank should consider material non-compliances with the E&S clauses as a breach of contract, which constitutes an Event of Default under the terms of the legal agreement.

In case of such an event, Bank staff needs to work with clients to resolve non-compliance issues in order to ensure that any potential exposure of the Bank to the client's E&S risks is mitigated. Where resolving the non-compliance issue is not possible, the Bank may be required to take legal action against the client to reduce its exposure to the E&S risks associated with the transaction.

## Annex-10: E&S Monitoring Checklist

Sl. No.	Question /Issues to check	Response
<i>Project Summary Information</i>		
1	Reporting period covered by this supervision report	
2	Specification of project stage (design, construction, operation or closure stage)	
3	Key developments and any major changes in project location and design, if any from the time of loan disbursement or from the last supervision period.	
<i>General Information</i>		
4	Status of implementation of covenants/corrective action plan. Is it in line with the agreed timeframe? (i.e.,if all covenants are implemented or partially implemented or not implemented or delayed implementation). If partially implemented or not implemented or delayed implementation, RM to please mention the reason in the response column along with a timeline for completion of implementation as committed by the client during supervision.	
<i>EHS Management</i>		
5	If there was any incidence of accidents, spills, leakages, explosion etc. during the reporting period. If yes, what was the scale of damage (e.g. if there was any fatality, monetary loss etc.)? What was the action taken in response to the incident?	
6	If there were any recent fines or penalties issued by the regulatory body. If yes, RM to please mention the nature of violation, amount of fine/penalty paid, action taken by the client to address the issue to avoid any such fine/penalty in future.	
7	If there was any health & safety incident. If yes, what was the extent of injury – minor, major or fatal? What was the action taken in response to the incident?	
8	If there are any new E&S risks or adverse impacts observed due to client's operation.  RM to please mention the types of new E&S risks, the reason for such new E&S risks, mitigation measures undertaken by the client to address the E&S risks.	
<i>Permits and Compliance Certificates</i>		
9	All the required permits, licenses and clearances in place.  RM to please mention the issuance dates and duration of validity of	
Sl. No.	Question /Issues to check	Response

	all such permits, licenses and clearances.	
10	Other international management systems (for e.g. ISO 14000, OHSAS 18001, SA8000) followed by the client and if they have valid certifications for those management systems?	
<i>Grievance Redressal</i>		
11	If there have been any recent complaints, grievance or protest received from local communities.  If yes, RM to please specify the nature of grievances; actions taken by the client to resolve grievances and if there any outstanding issues and measures proposed by the client to resolve them.	
12	If there were concerns raised during the stakeholder consultations carried out by the client during the reporting period.  If yes, what was the approach undertaken by the client to address those concerns?	
<i>Other Information</i>		
13	Any other information pertaining to environmental matters, management approach, community, media or NGO coverage that need to be mentioned.  If there are any environment friendly initiatives, energy saving equipment etc. that might be relevant for the Bank/FI.	

## Annex 11: Templates for reporting of B/FIs to NRB

### Annual Statement on Environmental and Social Risk Management for [YEAR]

(an annual report of the bank / FI to NRB)

<b>Name of the bank / financial institution:</b>	
--	--

Prepared by:		Position/Department:	
Contact (email, phone):			

1	Policy Formulation and Governance	Yes/No	Date	Remarks
1.1	Formulation and Board approval of an ESRM Policy (or similar policy document)			
1.2	Formulation and Board approval of an ESRM Procedure (Manual)			
1.3	Nomination of an E&S Officer			

2	Employee trainings and capacity building	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
2.1	Allocation of Fund in the budget for ESRM Training Programs/Seminars/Workshops (in NPR):	0	0	0	0	0	
2.2	No. of ESRM Training Programs/Seminars/Workshops conducted in the given quarter:	0	0	0	0	0	
2.3	No. of attendees of the ESRM Training Programs/Seminars/Workshops conducted in the given quarter:	0	0	0	0	0	

3	Incorporation of Environmental & Social Risk in Core Risks Management	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
3.1	No. of loan requests rejected due to the Exclusion List	0	0	0	0	0	

*Guidelines on Environmental & Social Risk Management (ESRM)*

3.2	No. of transactions subject to Environmental & Social Due Diligence (ESDD)	0	0	0	0	0	
3.3	Share (% total loan value) of the transactions subject to ESDD in the total disbursed commercial (business purpose) loan portfolio	0,0%	0,0%	0,0%	0,0%	-	
3.4	Total No. of disbursed transactions by E&S Risk Rating:						
	Low	0	0	0	0	0	
	Medium	0	0	0	0	0	
	High	0	0	0	0	0	
3.5	Total amount in disbursed transactions by E&S Risk Rating:						
	Low	0	0	0	0	0	
	Medium	0	0	0	0	0	
	High	0	0	0	0	0	
3.6	No. transactions with specific E&S Action Plan:	0	0	0	0	0	
3.7	No. of transactions rejected on the E&S risk management grounds:	0	0	0	0	0	
3.8	No. of transactions beneficial to E&S improvements:						
	renewable energy projects (e.g. hydro power plants, solar panels, biogas plants, wind power)	0	0	0	0	0	
	Energy efficiency projects (e.g. efficient lighting, heating/cooling, ventilation, boiler retrofitting, facility upgrades)	0	0	0	0	0	
	effluents (wastewater) treatment plants	0	0	0	0	0	
	waste recycling and reuse	0	0	0	0	0	
	water consumption reduction	0	0	0	0	0	

## Annex 12: Schedule 1 and 2 of Environment Protection Rules, 2054 (1997) (Fifth amendment)

### Projects requiring Initial Environmental Examination (Schedule 1) and Projects requiring Environmental Impact Assessment (Schedule 2)

अनुसूची-१  
(नियम ३ सँग सम्बन्धित)

प्रारम्भिक वातावरणीय परीक्षण गर्नु पर्ने प्रस्तावहरू

(अ) वन क्षेत्र

१. तराईमा ५० देखि ५०० हेक्टरसम्म र पहाडमा २५ देखि १०० हेक्टरसम्मको क्षेत्रफलमा एकल प्रजातिका स्वदेशी विरुवा एउटै ब्लकमा वृक्षारोपण गर्ने ।
२. सम्बन्धित ठाउँमा परीक्षण भई वृक्षारोपणको लागि उपयुक्त भएका आयातित प्रजातिका विरुवाहरू तराईमा १० देखि १०० हेक्टरसम्म र पहाडमा ५ देखि ५० हेक्टर सम्मको क्षेत्रफलमा एउटै ब्लकमा वृक्षारोपण गर्ने ।
३. तराईमा ५० देखि २०० हेक्टरसम्म र पहाडमा १० देखि ५० हेक्टरसम्म क्षेत्रफलको वन कवुलियती वनको रूपमा दिने ।
४. सरकारद्वारा वन अनुसन्धानको प्रयोजनार्थ वार्षिक १५ देखि ३० हेक्टर क्षेत्रफल सम्मको राष्ट्रिय वन सरपट कटान गर्ने ।
५. राष्ट्रिय निकुञ्ज, वन्यजन्तु आरक्ष तथा संरक्षण क्षेत्र र वातावरण संरक्षण क्षेत्र स्थापना गर्ने वा विस्तार गर्ने ।
६. वन तथा संरक्षित क्षेत्र व्यवस्थापन योजनामा वन पैदावारको परिमाण उल्लेख नभएको अवस्थामा एक जिल्लाबाट एउटै वन क्षेत्र वा धेरै वन क्षेत्रबाट एकपटक वा पटक पटक गरी प्रति प्रजाति वार्षिक ५ देखि ५० मे. टनसम्म जरा फिक्ने प्रजातिका वन पैदावार सङ्कलन गर्ने ।
७. संरक्षित जलाधार क्षेत्रको व्यवस्थापन योजना तर्जुमा गर्ने ।
८. १० हेक्टरभन्दा बढीको क्षेत्रफलमा नयाँ वनस्पति उद्यान, वन विउ वगैँचा र चिडियाखाना निर्माण गर्ने ।
९. विभिन्न प्रजातिका आयातित जङ्गली जनावरहरू प्रतिस्थापना गर्ने ।
१०. राष्ट्रिय निकुञ्ज, वन्यजन्तु आरक्ष तथा संरक्षण क्षेत्र र तिनको मध्यवर्ति क्षेत्र एवं सिमसार क्षेत्र समेतमा व्यवस्थापन योजना तयार गर्ने र सरकारद्वारा व्यवस्थित सबै प्रकारका जिल्लास्तरीय वन व्यवस्थापन योजनाहरू तयार गर्ने ।
११. सार्वजनिक बुट्यान क्षेत्रमा जडीबुटी र सुगन्धित वनस्पतिको व्यावसायिक उत्पादनको लागि जडीबुटी केन्द्र स्थापना गर्ने ।
१२. प्रचलित कानून अनुसार प्रशोधन गरी सारतत्व निकाली निकासी गर्न पाइने प्रजातिहरूको हकमा एउटै वन क्षेत्र वा धेरै वन क्षेत्र वा एक वा धेरै सिजनमा एक पटक वा पटक पटक गरी एक जिल्लाबाट प्रति प्रजाति ५ देखि ५० टनसम्म वन पैदावार सङ्कलन गर्ने ।
१३. १० कि.मि. भन्दा बढी वन पथ र १० कि.मि. भन्दा लामो अग्नी रेखा निर्माण गर्ने ।
१४. वन क्षेत्र वा वन क्षेत्र भएर वहने नदी, खोलाहरूबाट दैनिक १०० घनमिटर भन्दा बढी बालुवा, ढुङ्गा, ग्राभेल र माटो सङ्कलन गर्ने ।
१५. वन क्षेत्रबाट कोइला र अन्य खनिजजन्य पदार्थ निकाल्ने ।
१६. निरपेक्ष गरिबीको रेखामुनिका समूह मार्फत सञ्चालित ५० हेक्टरभन्दा बढी वन कवुलियती वनको रूपमा दिने ।
१७. वनसँग सम्बन्धित सरकारी निकाय बाहेक अन्य निकायहरूबाट कार्यान्वयन हुने प्रस्तावको लागि ५ हेक्टरसम्मको वन क्षेत्र भित्रको वनस्पति हटाउने कार्य गर्ने ।
- १८. ५०० देखि ७५० हेक्टरसम्मको वन क्षेत्र एउटै समुदायलाई व्यवस्थापन गर्न हस्तान्तरण गर्ने ।
१९. वन तथा संरक्षित क्षेत्र व्यवस्थापन योजनामा वन पैदावारको परिमाण उल्लेख नभएको अवस्थामा एक जिल्लाबाट एउटै वन क्षेत्र वा धेरै वन क्षेत्रबाट एक पटक वा पटक पटक गरी प्रति प्रजाति वार्षिक १०-१०० मे. टनसम्म बोक्रा फिक्ने प्रजातिका वन पैदावार सङ्कलन गर्ने ।
२०. प्रचलित कानून अनुसार सङ्कलन गर्न प्रतिबन्ध नलगाइएका एउटै वन क्षेत्र वा धेरै वन क्षेत्र वा एक वा धेरै सिजनमा माथि क्र.सं. ६ र १९ का सालसिड, रिछा र अमला, तेन्दुपात, भोर्लापात, तेजपात लगायत काठ बाहेकका वन पैदावार एक जिल्लाबाट एक पटक वा पटक पटक गरी प्रति प्रजाति वार्षिक ५-१०० मे. टनसम्म सङ्कलन गर्ने ।
२१. वन क्षेत्र, राष्ट्रिय निकुञ्ज, आरक्ष तथा संरक्षण क्षेत्र, मध्यवर्ति क्षेत्र, सिमसार क्षेत्र र वातावरण संरक्षण क्षेत्रमा १० देखि ५० शैयासम्मका रिसोर्ट, होटल र सफारी तथा साना खालका शिक्षण संस्था, अस्पताल वा नेपाल सरकारको वनसँग सम्बन्धित निकाय बाहेक अन्य निकायबाट हुन सक्ने निर्माण कार्य गर्ने ।
२२. स्वीकृत वन कार्ययोजना बमोजिम ५ हेक्टरभन्दा बढी क्षेत्रबाट कटान भएका रुखको जरा, ठुटा निकाल्ने ।
२३. एलियन (Alien) तथा इन्भेसिभ (Invasive) जङ्गली प्राणी तथा वनस्पतिको स्थापना (Introduced) लगायत जि.एम.ओ. (Genetically Modified Organism) र एल.एम.ओ. (Living Modified Organism) प्रभावित प्रजाति एवं प्रविधिको स्थापना, प्रसारण तथा अनुसन्धान सम्बन्धी कार्य गर्ने ।

२४. एक जिल्लाबाट वार्षिक ५ मे. टनभन्दा बढी खोटो सङ्कलन गर्ने ।

(आ) उद्योग क्षेत्र  
(क)

१. ब्लेण्डिङ्ग प्रक्रियाबाट मदिरा उत्पादन गर्ने तथा दैनिक ५ लाख लिटरसम्म क्षमता भएको उमाल्ने र फर्मेन्टेशन सुविधायुक्त डिस्टिलरी स्थापना गर्ने ।
२. दैनिक १०० मे. टनसम्म उत्पादन क्षमता भएको एसिड, अल्काली र प्राथमिक रसायन उद्योगहरू स्थापना गर्ने ।
३. दैनिक १०,००० वर्ग फिटसम्म छाला प्रशोधन गर्ने ।
४. कृकडिङ्ग, नेचुरल ग्यास रिफिलिङ्ग, फिलिङ्ग, उत्पादन-वितरण गर्ने उद्योग स्थापना गर्ने ।
५. दुङ्गा क्रसिङ्ग उद्योग स्थापना गर्ने ।
६. श्रृङ्गार सामान बाहेकका रङ्ग रोगन उद्योग स्थापना गर्ने ।
७. दैनिक १०,००० लिटर भन्दा बढी क्षमता भएको दुग्ध प्रशोधन उद्योग स्थापना गर्ने ।
८. ब्लेण्डिङ्ग, रिप्रोसेसिङ्ग वा रिक्लामेशन प्रक्रियाबाट लुब्रिकेन्टस् उत्पादन गर्ने उद्योग स्थापना गर्ने ।
९. फोम उत्पादन उद्योग स्थापना गर्ने ।
१०. ड्राइ वा वेट सेल (व्याट्री) उत्पादन गर्ने उद्योग स्थापना गर्ने ।
११. दैनिक ३००० मे. टन सम्म खाँडसारी वा चिनी उत्पादन गर्ने उद्योग स्थापना गर्ने ।
१२. परम्परागत घरेलु, उद्योग बाहेकका धागो कपडा रङ्गाई, छपाई वा धुलाई उद्योग (गलैँचा समेत) स्थापना गर्ने ।
१३. परम्परागत घरेलु उद्योग बाहेकका दैनिक १०० मे. टनसम्म उत्पादन क्षमता भएको पल्प वा कागज उद्योग स्थापना गर्ने ।
१४. वार्षिक २ करोड गोटासम्म उत्पादन क्षमता भएको इटा, टायल आदि उद्योग स्थापना गर्ने ।
१५. चुन दुङ्गा वा क्लिङ्करमा आधारित प्रतिघण्टा ५० मे. टनसम्म उत्पादन क्षमता भएको सिमेन्ट उद्योग स्थापना गर्ने ।
१६. दैनिक ५०० मे. टनसम्म चुन उत्पादन उद्योग स्थापना गर्ने ।
१७. औषधी उद्योग स्थापना गर्ने र दैनिक ५० मे. टन सम्म औषधीको लागि प्रारम्भिक कम्पाउण्ड (Bulk Drugs) संश्लेषण (Formulation) गर्ने ।
१८. दैनिक ५ मे. टन भन्दा बढी प्लाष्टिक उत्पादन गर्ने उद्योग (खेर गएको प्लाष्टिकको कच्चा पदार्थमा आधारित) स्थापना गर्ने ।
१९. पाईप लाइन बाहेक व्यापारिक प्रयोजनका लागि प्रति सेकेण्ड १० लिटरभन्दा बढी दरले पानी प्रशोधन गर्ने उद्योग स्थापना गर्ने ।

(ख) मेसिन, औजार र उपकरणमा रु. १० लाख भन्दा बढी (कम्पनीको मूल्यमा) लगानी हुने देहायका उद्योगहरू स्थापना गर्ने :-

१. टायर, ट्यूब्स र रबर प्रशोधन तथा उत्पादन ।
२. फाउण्ड्री ।
३. बिटुमिन तथा बिटुमिन इमल्सन ।
४. दैनिक ५० मे. टनसम्म हाड, सिड र खुरको रासायनिक प्रशोधन गर्ने ।
५. आयुर्वेदिक औषधी ।
६. ५० करोडसम्म स्थिर पूँजी लगानी हुने (सिभिल कार्य र मेशीनरी) खानीमा आधारित उद्योग स्थापना गर्ने ।
७. दैनिक ५० मे. टनसम्म फेरस तथा नन् फेरस (रिरोलिङ्ग, रिमोल्डिङ्ग र फेब्रिकेशन बाहेक) प्रारम्भिक स्मेल्टिङ्ग गरी धातु उत्पादन गर्ने ।
८. वार्षिक ५ हजारदेखि ५० हजार क्यूबिक फिटसम्म काठ प्रयोग गर्ने स:मिल स्थापना गर्ने ।

(ङ) खानी क्षेत्र :

१. २५ देखि १०० जनासम्म स्थायी बसोबास स्थानान्तरण वा पुनर्वास गरी खानी उत्खनन् गर्ने ।
२. रेडियोधर्मी धातुहरू बाहेक अन्य धातुहरू उत्पादन गर्न गरिने भूमिगत उत्खनन् भए दैनिक २०० टनसम्म र सतही उत्खनन् भए दैनिक ४०० टनसम्म उत्खनन्को कार्य गर्ने ।
३. एस्वेस्टस बाहेक अधातु खनिज उत्पादन गर्न गरिने भूमिगत उत्खनन् भए दैनिक २०० टनसम्म र सतही उत्खनन् भए दैनिक १,२०० टनसम्म उत्खनन्को कार्य गर्ने ।
४. डेकोरेटिभ दुङ्गा (जस्तै - Marble, Granite, Amphibolite/ Polished Stone) सङ्कलन तथा उत्पादन गर्ने ।
५. साधारण निर्माणमुखी दुङ्गा, बालुवा, ग्राभेल, औद्योगिक माटो र साधारण माटोको उत्खनन्का लागि दैनिक ३०० क्यू.मि. सम्म उत्खनन्को कार्य गर्ने ।

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६. कोईला तथा मट्टिकोईला उत्पादन गर्न गरिने भूमिगत उत्खनन् भए दैनिक २०० टन र सतही उत्खनन् भए दैनिक ४०० टनसम्म उत्खनन्को कार्य गर्ने ।

७. दैनिक १ लाख घनमिटरसम्म प्राकृतिक ग्याँस (Biogenic Natural Gas) उत्पादन कार्य गर्ने ।

(ई) सडक क्षेत्र

१. देहायका नयाँ सडकहरू निर्माण गर्ने :-

(क) जिल्ला सडकहरू

(ख) शहरी सडकहरू

२. ५ देखि ५० कि.मि. सम्मको रज्जुमार्ग निर्माण गर्ने ।

३. १ देखि ५ कि.मि. सम्मको केबुल कार मार्ग निर्माण गर्ने ।

४. प्रमुख पुलहरू निर्माण गर्ने ।

५. सडक प्रयोजनको लागि सुरङहरू बनाउने ।

६. राष्ट्रिय राजमार्ग तथा सहायक सडकहरूको स्तरवृद्धि, पुनर्स्थापना तथा पुनः निर्माण गर्ने ।

(उ) आवास, भवन तथा शहरी विकास क्षेत्र

१. ५,००० वर्गमिटर क्षेत्रफल भन्दा माथि १०,००० वर्गमिटर क्षेत्रफलसम्मको Built Up Area वा Floor Area भएको Residential, Commercial and Their Combination को भवन निर्माण गर्ने ।

२. १,००० देखि २,००० जनासम्म एकैपटक आगमन तथा निगमन हुने सिनेमा हल, थिएटर, Community Hall, Stadium, Concert Hall, Spot Complex निर्माण गर्ने ।

३. १ हेक्टरदेखि ४ हेक्टरसम्मको क्षेत्रमा आवास विकास गर्ने ।

४. १० हेक्टरदेखि १०० हेक्टरसम्मको जग्गा विकास आयोजना सञ्चालन गर्ने ।

५. १० हेक्टर भन्दा माथि Hard Surface Pavement (जस्तै- Dry Port, Bus Park, Parking Lot आदि) निर्माण गर्ने ।

६. २०,००० क्यू. मिटरभन्दा माथि माटो पुर्ने तथा माटो काटी Site Develop गर्ने ।

७. १० तल्ला वा २५ मिटरभन्दा माथि १६ तल्ला वा ५० मिटरसम्मका भवनहरू निर्माण गर्ने ।

(ऊ) जलस्रोत र उर्जा क्षेत्र

१. विद्युत लाईन निर्माण अन्तर्गत :

(क) >.....

(ख) >.....

(ग) १३२ के.भी. वा सोभन्दा बढी क्षमताको विद्युत प्रसारण लाइन निर्माण गर्ने ।

(घ) विद्यमान २२० के.भी. वा सो भन्दा बढी क्षमताको विद्युत प्रसारण लाइनबाट ट्याप गरी नयाँ आउटडोर सबस्टेशन निर्माण गर्ने ।

◆ १क. यस नियमावलीमा अन्यत्र जुनसुकै कुरा लेखिएको भए तापनि विद्युत प्रसारण लाइन निर्माण गर्दा जतिसुकै वन क्षेत्र उपयोग गर्नु पर्ने भए तापनि प्रारम्भिक वातावरणीय परीक्षण मात्र पर्याप्त हुनेछ ।

तर यसरी विद्युत प्रसारण लाइन निर्माण गर्दा रुख कटान गर्नु परेमा एक रुख कटान भएकोमा त्यसको न्यूनतम पच्चीसको अनुपातमा रुख रोपेर हुर्काएको हुनु पर्नेछ ।

२. विद्युत उत्पादन अन्तर्गत :

(क) १ मेगावाटदेखि ५० मेगावाट क्षमतासम्मको जलविद्युत उत्पादन आयोजना निर्माण गर्ने ।

(ख) १ मेगावाटदेखि ५ मेगावाट क्षमतासम्मको खनिज तेल वा ग्याँसबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने ।

३. सिँचाईको नयाँ प्रणाली अन्तर्गत :

(क) तराई र भित्री मधेशमा २०० हेक्टरदेखि २,००० हेक्टरसम्मको क्षेत्र सिँचाई गर्ने ।

(ख) पहाडी उपत्यका र टारमा २५ देखि ५०० हेक्टरसम्मको क्षेत्र सिँचाई गर्ने ।

(ग) पहाडी भिरालो पाखा र पर्वतीय क्षेत्रमा २५ देखि २०० हेक्टरसम्मको क्षेत्र सिँचाई गर्ने ।

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४. सिँचाईको पुनरुत्थान प्रणाली अन्तर्गत :

(क) विद्यमान प्रणाली अन्तर्गतका सिँचाई आयोजनाहरूमा नयाँ हेडवर्क्स निर्माण वा मूल नहर परिवर्तन हुने कुनै पनि पुनरुत्थान आयोजना सञ्चालन गर्ने ।

५. २५ जनादेखि १०० जनासम्म स्थायी बसोबास भएका जनसंख्या विस्थापित गर्ने कुनै पनि जलस्रोत विकास कार्य गर्ने ।

६. १० कि.मि. भन्दा बढी लम्बाईको नदी नियन्त्रणको कार्य गर्ने ।

II (ऊ१) नवीकरणीय ऊर्जा क्षेत्र

(क) १ मेगावाटदेखि १० मेगावाट क्षमतासम्मको सौर्य उर्जाबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने,

(ख) १ मेगावाटदेखि १० मेगावाट क्षमतासम्मको वायु उर्जाबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने,

(ग) ०.५ मेगावाटदेखि २ मेगावाट क्षमतासम्मको जैविक उर्जाबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने,

(ए) पर्यटन क्षेत्र

१. ५० शैयादेखि १०० शैयासम्मको होटल स्थापना र सञ्चालन गर्ने ।

२. विद्यमान विमानस्थलको क्षेत्रफल थप्ने ।

३. माछा वा अन्य जलचर भएको कुनै नदी वा तालमा इन्जिन जडित उपकरण र इन्धन ज्वलन गरी न्याफ्टिङ्ग कार्य सञ्चालन गर्ने ।

४. तालमा स्थापना हुने हाउस बोट (तैरने घर) सञ्चालन गर्ने ।

(ऐ) खानेपानी क्षेत्र

१. २०० हेक्टरसम्मको क्षेत्रमा फैलिएको वर्षादको पानी सङ्कलन गर्ने तथा सोही क्षेत्रफलमा भएका पानीका स्रोतहरूको प्रयोग गर्ने ।

२. सेफ ड्रिङ्ग १ क्यूसेकसम्मको सतही पानीको स्रोत र पानीको ५० प्रतिशतसम्म सुख्खा समयमा आपूर्ति गर्ने ।

३. प्रति सेकेण्ड २५ लिटर भन्दा बढीको दरले पानी प्रशोधन गर्ने ।

४. भूमिगत पानीको स्रोत विकासका लागि कूल एक्यूफरको ५० प्रतिशतसम्म रिचार्ज गर्ने ।

५. सुरङ्ग निर्माण गरी खानेपानी आयोजना सञ्चालन गर्ने ।

६. खानेपानी आयोजना सञ्चालन गर्नको लागि २५ देखि १०० जनासम्म जनसंख्या विस्थापन गर्ने ।

७. पानीको स्रोतको माथिल्लो भागमा ५०० जनसंख्यासम्मको बसोबास गराउने ।

८. पाँच हजारदेखि पचास हजारसम्मको जनसंख्यालाई खानेपानी आपूर्ति गर्ने ।

९. दश हजारदेखि एक लाखसम्म मानिसहरूलाई खानेपानी आपूर्ति गरी नयाँ स्रोत जोड्ने ।

१०. १ कि.मि. भन्दा बढीको रिभर ट्रेनिङ्ग एण्ड डाइभर्सन् सम्बन्धी काम गर्ने ।

११. ट्रेटमेन्ट सहितको ढल निकास सिस्टम समावेश भएका खानेपानी आयोजना सञ्चालन गर्ने ।

(ओ) फोहोर मैला व्यवस्थापन क्षेत्र

१. घर एवं आवास क्षेत्रहरूबाट निस्कने फोहोरमैलाको सम्बन्धमा देहायको काम गर्ने :

(क) वार्षिक १,००० देखि ५,००० टनसम्म फोहोरमैला जमिनमा भर्ने ।

(ख) ५ देखि १० हेक्टरसम्मको क्षेत्रमा फैलिएको ट्रान्सफर स्टेशन र रिसोर्स रिक्वारी एरिया सम्बन्धी काम गर्ने ।

(ग) ५ देखि १० हेक्टरसम्मको क्षेत्रमा फैलिएको रसायन, यान्त्रिक वा जैविक तरिकाबाट फोहोरमैला छनौट, केलाउने, तह लगाउने र पुनः प्रयोग गर्ने ।

(घ) ५ देखि १० हेक्टरसम्मको क्षेत्रमा फैलिएको कम्पोष्ट प्लाण्ट सम्बन्धी काम गर्ने ।

(ङ) ५० लाखभन्दा बढी लागतको ढल निकास आयोजना सञ्चालन गर्ने ।

(औ) कृषि क्षेत्र

१. पहाडमा १ हेक्टरसम्म र तराईमा ५ हेक्टरसम्म राष्ट्रिय वन फडानी गरी कृषिको लागि प्रयोग गर्ने ।

२. निर्माण सम्बन्धी देहायको काम गर्ने :-

(क) ३०,००० वटाभन्दा बढी पंक्षी जाति पाल्नको लागि निर्माण कार्य गर्ने ।

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- (ख) १,००० वटाभन्दा बढी ठूला चौपायहरु पाल्नको लागि निर्माण कार्य गर्ने ।  
(ग) ५,००० वटाभन्दा बढी साना चौपायहरु (भेडा, बाख्रा) पाल्नको लागि निर्माण कार्य गर्ने ।  
(घ) महानगरपालिका र उपमहानगरपालिका क्षेत्र अन्तर्गत तराईमा १ हेक्टरभन्दा बढी तथा अन्य ठाउँमा ०.५ हेक्टरभन्दा बढी क्षेत्रमा कृषि थोक बजार स्थापना गर्ने ।  
(ङ) इजाजत प्राप्त बधशाला निर्माण गर्ने । ।

३. म्याद नाघेका विषादीको (सूचित विषादीहरुको हकमा मात्र) भण्डारण तथा विसर्जन गर्ने ।  
४. रासायनिक मल (इनअर्गानिक फर्टिलाईजर) र रासायनिक विषादि (इनअर्गानिक पेस्टिसाईड) उत्पादन, संश्लेषण (फर्मूलेशन), रिप्याकेजिङ, भण्डारण तथा डिस्पोजल गर्ने ।  
५. केमिकल फर्टिलाईजर (ब्लेण्डिङ्ग) तथा किटनाशक पदार्थ (ब्लेण्डिङ्ग) उत्पादन गर्ने उद्योग स्थापना गर्ने ।

(अं) स्वास्थ्य क्षेत्र

१. २५ देखि १०० शैयासम्मको अस्पताल वा नर्सिङ्ग होम वा चिकित्सा व्यवसाय (अध्ययन अध्यापन समेत) सञ्चालन गर्ने ।

(अ:) खण्ड (अ) देखि खण्ड (अं) सम्म उल्लेखित र सो भन्दा कमस्तरका प्रस्तावहरु तथा अनुसूची-२ मा उल्लिखित प्रस्तावहरुभन्दा कमस्तरका प्रस्तावहरु बाहेक पाँच करोड रुपैयाँदेखि पच्चीस करोड रुपैयाँसम्म लागत लाग्ने कुनै विकास कार्य, भौतिक क्रियाकलाप वा भू-उपयोग परिवर्तन गर्ने कुनै योजना, आयोजना वा कार्यक्रम सञ्चालन गर्ने ।

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- ✍ मिति २०६४।५।३ को नेपाल राजपत्रमा प्रकाशित सूचनाद्वारा अनुसूची हेरफेर गरिएको ।  
☐ मिति २०६९।११।१४ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी हेरफेर गरिएको ।  
☞ मिति २०६७।६।१८ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी संशोधन गरिएको ।  
☛ मिति २०६५।३।१६ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी संशोधन गरिएको ।  
➤ मिति २०६५।११।२६ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी फिक्किएको ।  
🔄 मिति २०६५।११।२६ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी हेरफेर गरिएको ।  
◆ मिति २०६६।१०।१३ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी थपिएको ।  
☞ मिति २०६५।१०।२० मा नेपाल राजपत्रमा सूचना प्रकाशन गरी हेरफेर गरिएको ।  
⌋ मिति २०६५।३।१६ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी हेरफेर गरिएको ।  
|| मिति २०६७।६।१८ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी थपिएको । ☑

अनुसूची-२  
(नियम ३ सँग सम्बन्धित)

वातावरणीय प्रभाव मूल्याङ्कन गर्नु पर्ने प्रस्तावहरू

(अ) वन क्षेत्र

१. तराईमा ५०० हेक्टरभन्दा बढी र पहाडमा १०० हेक्टरभन्दा बढीको क्षेत्रफलमा एकल प्रजातिका स्वदेशी विरुवा एउटै ब्लकमा वृक्षारोपण गर्ने ।
२. सम्बन्धित ठाउँमा परीक्षण भई वृक्षारोपणको लागि उपयुक्त भएका आयातित प्रजातिका विरुवाहरू तराईमा १०० हेक्टरभन्दा बढी र पहाडमा ५० हेक्टरभन्दा बढी क्षेत्रफलमा वृक्षारोपण गर्ने ।
३. तराईमा २०० हेक्टरभन्दा बढी र पहाडमा ५० हेक्टरभन्दा बढी क्षेत्रफलको वन कवुलियती वनको रूपमा दिने ।
४. सरकारद्वारा वन अनुसन्धानको प्रयोजनार्थ वार्षिक ३० हेक्टरभन्दा बढीका राष्ट्रिय वन सरपट कटान गर्ने ।
५. कच्चा पदार्थका लागि वनमा आधारित र प्रशोधन विधि प्रयोग हुने वन क्षेत्रको १ कि.मि. भित्र स्थापना हुने रोजिन एण्ड टर्पेण्टाइन, रबर, प्लाइवुड र भेनिर, इटा तथा टायल, सूति कत्था र काठमा आधारित सलाई पल्प र कागज उद्योग, दाउरा वढी खपत गर्ने अलैची लगायत मध्यम र ठूला चिया उद्योग तथा लौठसल्ला र धूप उद्योग स्थापना गर्ने ।
६. फोहर तथा प्रदुषण फाल्ने, जडीबुटी र सुगन्धित वनस्पतिको व्यावसायिक तथा औद्योगिक प्रशोधन गर्ने ।
७. वन क्षेत्र, राष्ट्रिय निकुञ्ज, आरक्ष तथा संरक्षित क्षेत्र, मध्यवर्ती क्षेत्र, सिमसार क्षेत्र र वातावरण संरक्षण क्षेत्रमा ५० शैयाभन्दा बढीका रिसोर्ट, होटेल र सफारी तथा मध्यम र ठूला खालका शिक्षण संस्था, अस्पताल र उद्योग स्थापना वा अन्य निर्माण कार्य गर्ने ।
८. वन तथा संरक्षण क्षेत्र व्यवस्थापन योजनामा वन पैदावारको परिमाण उल्लेख नभएको अवस्थामा एक जिल्लाबाट एउटै वन क्षेत्र वा धेरै वन क्षेत्रबाट एक पटक वा पटक पटक गरी प्रति प्रजाति वार्षिक ५० मे. टनभन्दा बढीका जरा भिक्ने प्रजातिका वन पैदावार सङ्कलन गर्ने ।
९. वन तथा संरक्षण क्षेत्र व्यवस्थापन योजनामा वन पैदावारको परिमाण उल्लेख नभएको अवस्थामा एक जिल्लाबाट एउटै वन क्षेत्र वा धेरै वन क्षेत्रबाट एक पटक वा पटक पटक गरी प्रति प्रजाति वार्षिक १०० मे.टनभन्दा बढीका बोक्रा भिक्ने प्रजातिका वन पैदावार सङ्कलन गर्ने ।
१०. प्रचलित कानून अनुसार सङ्कलन गर्न प्रतिबन्ध नलगाइएका एउटै वन क्षेत्र वा धेरै क्षेत्र वा एक वा धेरै सिजनमा जरा र बोक्रा प्रजाति, सालसिड, रिद्धा र अमला, तेन्दुपात, भोलापात, तेजपात लगायत काठ बाहेकका वन पैदावार एक पटक वा पटक पटक गरी प्रति प्रजाति वार्षिक १०० टनभन्दा बढी एक जिल्लाबाट सङ्कलन गर्ने ।
११. प्रचलित कानून अनुसार प्रशोधन गरी सारतत्व निकाली निकाली गर्न पाइने प्रजातिहरूको हकमा एउटै वन क्षेत्र वा धेरै वन क्षेत्र वा एक वा धेरै सिजनमा एक जिल्लाबाट प्रति प्रजाति ५० टन भन्दा बढी वन पैदावार सङ्कलन गर्ने ।
१२. वनसँग सम्बन्धित सरकारी निकाय बाहेक अन्य निकायहरूबाट कार्यान्वयन हुने प्रस्तावको लागि ५ हेक्टर भन्दा बढीको वन क्षेत्र कटान गर्ने ।
- १३. ७५० हेक्टरभन्दा बढीको वन क्षेत्र एउटै समुदायलाई व्यवस्थापन गर्न हस्तान्तरण गर्ने ।

(आ) उद्योग क्षेत्र

१. दैनिक ५ लाख लिटरभन्दा बढी क्षमता भएको उमाल्ने र फर्मेन्टेसन सुविधायुक्त ब्रुअरी तथा वाइनरी स्थापना गर्ने ।
२. दैनिक १०० मे. टनभन्दा बढी उत्पादन क्षमता भएको कोरोसिभ, एसिड, अल्काली जस्ता प्रारम्भिक रसायन उत्पादन (साइट्रिक, टारटरिक, एसिटिक, एसिड जस्ता बाहेक) गर्ने ।
३. दैनिक १०,००० वर्ग फिटभन्दा बढी छाला प्रशोधन गर्ने ।
४. ५० करोडभन्दा बढी स्थिर पूँजी लगानी हुने (सिभिल कार्य र मेशिनरी) खानीमा आधारित उद्योग स्थापना गर्ने ।
५. पेट्रो रासायनिक उत्पादन तथा प्रशोधन (डिजेल, मट्रितेल, लुब्रिकेन्ट्स, प्लास्टिक, सिन्थेटिक रबर आदि) गर्ने ।
६. दैनिक ५० टनभन्दा माथि फेरस तथा नन्फेरस (रिरोलिङ्ग रिमेलिटिङ्ग र फेब्रिकेशन बाहेक) प्रारम्भिक स्मेलिटिङ्ग गरी धातु उत्पादन गर्ने ।
७. दैनिक ३,००० मे. टन भन्दा बढी खाँडसारी वा चिनी उत्पादन गर्ने उद्योग स्थापना गर्ने ।
८. चुनढुङ्गा वा क्लिङ्करमा आधारित प्रतिघण्टा ५० मे. टनभन्दा बढी उत्पादन क्षमता भएको सिमेन्ट उद्योग स्थापना गर्ने ।
९. दैनिक ५०० मे. टनभन्दा बढी उत्पादन क्षमता भएको चून उद्योग स्थापना गर्ने ।
१०. एस्वेस्टस उत्पादन गर्ने ।
११. रेडियो विकिरण निष्काशन हुने (न्युक्लियर/एटोमिक प्रशोधन) उद्योग स्थापना गर्ने ।
१२. दैनिक ५० मे. टनभन्दा बढी औषधीको लागि प्रारम्भिक कम्पाउण्ड (Bulk Drugs) संश्लेषण (Formulation) गर्ने ।
१३. अति घातक (Extremely Hazardous) पदार्थ जस्तै :- आइसोनाइट, मर्करी कम्पाउण्ड आदि उत्पादन गर्ने ।
१४. नेपाली सेना वा नेपाल प्रहरीले स्थापना वा उत्पादन गर्ने बाहेकका गोली गट्टा, बारुद लगायतका विस्फोटक पदार्थ उत्पादन गर्ने ।
१५. दैनिक १०० मे. टनभन्दा बढी उत्पादन क्षमता भएको पल्प वा कागज उद्योग स्थापना गर्ने ।

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१६. वार्षिक २ करोड गोटाभन्दा बढी उत्पादन क्षमता भएको इटा टायल उद्योग स्थापना गर्ने ।
१७. दैनिक ५० मे. टन भन्दा माथि हाड, सिङ र खुरको रासायनिक प्रशोधन गर्ने ।
१८. वार्षिक ५० हजार क्यूविक फिटभन्दा बढी काठ प्रयोग गर्ने स:मिल स्थापना गर्ने ।

(इ) खानी क्षेत्र :

१. खानी उत्खनन् गर्नको लागि १०० जनाभन्दा बढी जनसंख्याको स्थायी बसोबास, स्थानान्तरण वा पुनर्वास गर्ने ।
२. खानी उत्खनन् कार्यको लागि :
  - (क) सबै रेडियोधर्मी धातुहरूको उत्पादन गर्न उत्खनन् कार्य गर्ने ।
  - (ख) अन्य धातुहरू उत्पादन गर्न भूमिगत उत्खनन् भए दैनिक २०० टनभन्दा बढी र सतही उत्खनन् भए दैनिक १,२०० टनभन्दा बढी उत्खनन् कार्य गर्ने ।
  - (ग) अधातु खनिजको उत्पादन गर्न भूमिगत उत्खनन् भए दैनिक २०० टनभन्दा बढी र सतही उत्खनन् भए दैनिक ४०० टनभन्दा बढी उत्खनन् कार्य गर्ने ।
  - (घ) साधारण निर्माणमुखी ढुङ्गा, डेकोरेटिभ ढुङ्गा, बालुवा, ग्राभेल र औद्योगिक माटोको उत्खनन्का लागि दैनिक ३०० क्यू.मि. भन्दा बढी उत्खनन् कार्य गर्ने ।
  - (ङ) कोईला तथा मट्टिकोईला उत्पादन गर्न गरिने भूमिगत उत्खनन् भए दैनिक २०० टनभन्दा बढी र सतही उत्खनन् भए दैनिक ४०० टनभन्दा बढी उत्खनन् कार्य गर्ने ।
  - (च) दैनिक १ लाख घनमिटरभन्दा बढी प्राकृतिक ग्याँस (Biogenic Natural Gas) उत्पादन कार्य गर्ने ।
  - (छ) पेट्रोलियम पदार्थको उत्खनन् र प्रशोधन सम्बन्धी कार्य गर्ने ।
  - (ज) नदी नाला सतहबाट दैनिक २५० घनमिटर भन्दा बढी बालुवा, ग्राभेल (गिर्खा) माटो निकाल्ने ।

(ई) सडक क्षेत्र

१. देहायका सडकहरू निर्माण गर्ने :
  - (क) राष्ट्रिय राजमार्ग ।
  - (ख) प्रमुख सहायक सडकहरू ।
२. ५० कि.मि. भन्दा लामो रज्जुमार्ग निर्माण गर्ने ।
३. ५ कि.मि. भन्दा लामा केबुल कार मार्ग निर्माण गर्ने ।

(उ) आवास, भवन तथा शहरी विकास क्षेत्र

१. १०,००० वर्गमिटर क्षेत्रफलभन्दा माथिको Built Up Area वा Floor Area भएको Residential, Commercial and Their Combination को भवन निर्माण गर्ने ।
२. २,००० जनाभन्दा बढी एकै पटक आगमन तथा निगमन हुने सिनेमा हल, थिएटर, Community Hall, Stadium, Concert Hall, Spot Complex निर्माण गर्ने ।
३. ४ हेक्टरभन्दा बढी क्षेत्रमा आवास विकास गर्ने ।
४. १०० हेक्टरभन्दा माथिको जग्गा विकास आयोजना सञ्चालन गर्ने ।
५. १६ तल्ला वा ५० मिटर भन्दा माथिका भवनहरू निर्माण गर्ने ।

(ऊ) जलस्रोत र उर्जा क्षेत्र

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२. ५० मेगावाटभन्दा बढी क्षमताको जलविद्युत उत्पादन आयोजना निर्माण गर्ने ।
३. विद्युत उत्पादन अन्तर्गत :
  - (क) १ मेगावाटभन्दा बढीको कोईला वा आणविक विद्युत उत्पादन आयोजना सञ्चालन गर्ने,
  - (ख) ५ मेगावाटभन्दा बढीको खनिज तेल वा ग्याँसबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने ।
४. सिँचाईको नयाँ प्रणाली अन्तर्गत :
  - (क) तराई र भित्री मधेशमा २,००० हेक्टरभन्दा बढीको क्षेत्र सिँचाई गर्ने ।
  - (ख) पहाडी उपत्यका र टारमा ५०० हेक्टरभन्दा बढीको क्षेत्र सिँचाई गर्ने ।
  - (ग) पहाडी भिरालो पाखा र पर्वतीय क्षेत्रमा २०० हेक्टर भन्दा बढी क्षेत्रमा सिँचाई गर्ने ।

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५. १०० जनाभन्दा बढी स्थायी बसोबास भएका जनसंख्या विस्थापित गर्ने कुनै पनि जलस्रोत विकास कार्य गर्ने ।
६. बहुउद्देश्यीय जलाशयको निर्माण गर्ने ।
७. एउटा जलाधार क्षेत्रबाट अर्को जलाधार क्षेत्रमा पानी फर्काई (इन्टर बेसिन वाटर ट्रान्सफर) उपयोग गर्ने ।

### II (ऊ१) नवीकरणीय ऊर्जा क्षेत्र

- (क) १० मेगावाटभन्दा बढी क्षमताको सौर्य उर्जाबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने ।
- (ख) १० मेगावाटभन्दा बढी क्षमताको वायु उर्जाबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने ।
- (ग) २ मेगावाटभन्दा बढी क्षमताको जैविक ऊर्जाबाट विद्युत उत्पादन आयोजना सञ्चालन गर्ने ।

### (ए) पर्यटन क्षेत्र

१. १०० शैयाभन्दा बढीको होटल निर्माण, स्थापना र सञ्चालन गर्ने ।
२. नयाँ विमानस्थल निर्माण गर्ने ।

### (ऐ) खानेपानी क्षेत्र

१. २०० हेक्टरभन्दा बढी क्षेत्रमा फैलिएको वर्षादको पानी सङ्कलन गर्ने तथा सोही क्षेत्रफलमा भएका पानीका स्रोतहरूको प्रयोग गर्ने ।
२. सेफ ड्रिड १ ब्यूसेकभन्दा बढी सतही पानीको स्रोत र सो पानीको स्रोतको सम्पूर्ण भाग सुख्खा समयमा आपूर्ति गर्ने ।
३. भूमिगत पानीको स्रोत विकासका लागि कूल एक्यूफरको ५० प्रतिशतभन्दा बढी रिचार्ज गर्ने ।
४. खानेपानी आयोजना सञ्चालन गर्नको लागि १०० जनाभन्दा बढी जनसंख्या विस्थापित गर्ने ।
५. पानीको स्रोतको माथिल्लो भागमा ५०० जनाभन्दा बढीको जनसंख्या बसोबास गराउने ।
६. पचास हजार भन्दा बढी जनसंख्यालाई खानेपानी आपूर्ति गर्ने ।
७. एक लाख भन्दा बढी मानिसहरूलाई खानेपानी आपूर्ति गरी नयाँ स्रोत जोड्ने ।
८. जैविक एवं रासायनिक प्रदुषणहरू हुने पोयन्ट तथा नन् पोयन्ट स्रोतहरू वा तिनबाट प्रभावित हुन सक्ने भूमिगत जलस्रोतको ओभर माइनिङ्ग गर्ने,
९. प्रति सेकेण्ड २५ लिटरभन्दा बढी पानीको स्रोत उपयोग गर्ने खानेपानी स्रोत सम्बन्धी बहुउद्देश्यीय आयोजना सञ्चालन गर्ने ।

### (ओ) फोहोर मैला व्यवस्थापन क्षेत्र

१. १०,००० भन्दा बढी जनसंख्यालाई टेवा पुऱ्याउने उद्देश्यले सञ्चालन हुने फोहोरमैला व्यवस्थापन कार्य गर्ने ।
२. घर एवं आवास क्षेत्रहरूबाट निस्कने फोहोरमैलाको सम्बन्धमा देहायको काम गर्ने :
  - (क) वार्षिक ५,००० टनभन्दा बढी फोहोरमैला जमिनमा भर्ने ।
  - (ख) १० हेक्टरभन्दा बढी क्षेत्रमा फैलिएको ट्रान्सफर स्टेशन र रिसोर्स रिफोभरी एरिया सम्बन्धी काम गर्ने ।
  - (ग) १० हेक्टरभन्दा बढी क्षेत्रमा फैलिएको रसायन, यान्त्रिक वा जैविक तरिकाबाट फोहोरमैला छनौट, केलाउने, तह लगाउने र पुनः प्रयोग गर्ने ।
  - (घ) १० हेक्टरभन्दा बढी क्षेत्रमा फैलिएको कम्पोष्ट प्लाण्ट सम्बन्धी काम गर्ने ।
  - (ङ) कम्तीमा १०,००० जनसंख्या भएको शहरी क्षेत्रबाट निस्कने फोहोरमैला गाड्ने काम गर्ने ।
३. देहायको प्रकृति र जुनसुकै स्तरका खतरापूर्ण फोहोरमैला सम्बन्धी देहायका निर्माण सम्बन्धी काम गर्ने : -
  - (क) फोहोरमैला संयन्त्र निर्माण ।
  - (ख) फोहोरमैला रिफोभरी प्लाण्ट निर्माण ।
  - (ग) फोहोरमैला भर्ने, थुपार्ने वा गाड्ने ठाउँको निर्माण ।
  - (घ) फोहोरमैला भण्डारण गर्ने ठाउँको निर्माण ।
  - (ङ) फोहोरमैला ट्रिटमेण्ट सुविधाको निर्माण ।
४. घातक फोहोर पदार्थ सम्बन्धी देहायका काम गर्ने :
  - (क) २५ वर्षभन्दा बढी आघा आयु भएको कुनै पनि रेडियोधर्मी वस्तुहरूको निस्काशन र व्यवस्थापन गर्ने ।
  - (ख) पचास लेथल डोज भएको कुनै पनि रेडियोधर्मी वस्तुहरूको निस्काशन र व्यवस्थापन गर्ने ।
  - (ग) कम्तीमा २५ शैया भएको स्वास्थ्य केन्द्र वा अस्पताल वा नर्सिङ्ग होमबाट निस्कने जैविक घातक पदार्थहरूको अन्तिम निस्काशन व्यवस्थापन गर्ने ।
  - (घ) कुनै पनि घातक पदार्थलाई भष्म वा पुनः प्रयोग गर्नको लागि १ हेक्टर वा सोभन्दा बढी क्षेत्रफल जमीन र उर्जा सम्बन्धी कुनै काम गर्ने ।

(औ) कृषि क्षेत्र

१. पहाडमा १ हेक्टरभन्दा बढी र तराईमा ५ हेक्टरभन्दा बढी सरकारी वन फडाती गरी कृषिको लागि प्रयोग गर्ने ।
२. कृषियोग्य भूमिमा शहरीकरण योजना गर्ने ।
३. जीवनाशक विषादी (सूचित विषादीहरुको मात्र) प्लाण्ट स्थापना गर्ने ।

(अं) स्वास्थ्य क्षेत्र

१. १०० शैयाभन्दा बढीको अस्पताल वा नर्सिङ्ग होम वा चिकित्सा व्यवसाय (अध्ययन/अध्यापन समेत) सञ्चालन गर्ने ।

(अः) देहायको क्षेत्रमा कुनै प्रस्ताव कार्यान्वयन गर्ने भएमा

१. ऐतिहासिक, साँस्कृतिक तथा पुरातात्विक क्षेत्र ।
३. राष्ट्रिय निकुञ्ज, वन्यजन्तु आरक्ष, सीमसार र संरक्षण क्षेत्र ।
७. सार्वजनिक खानेपानी आपूर्तिको मुख्य स्रोतहरु रहेको क्षेत्र ।

(अ:१) खण्ड (अ) देखि खण्ड (अं) सम्म उल्लिखित र सोभन्दा कमस्तरका प्रस्तावहरु तथा अनुसूची-१ मा उल्लिखित र सोभन्दा कमस्तरका प्रस्तावहरु बाहेक पच्चीस करोड रुपैयाँभन्दा बढी लागत लाग्ने कुनै विकास कार्य, भौतिक क्रियाकलाप वा भू-उपयोगको परिवर्तन गर्ने कुनै योजना, आयोजना वा कार्यक्रम सञ्चालन गर्ने ।

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- ✎ मिति २०६४।५।३ को नेपाल राजपत्रमा प्रकाशित सूचनाद्वारा अनुसूची हेरफेर गरिएको ।
  - ☐ मिति २०६९।१।१४ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी हेरफेर गरिएको ।
  - ☞ मिति २०६७।६।१८ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी संशोधन गरिएको ।
  - ☛ मिति २०६५।३।१६ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी संशोधन गरिएको ।
  - मिति २०६५।१।२६ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी भिकिएको ।
  - ☞ मिति २०६५।१।०।२० मा नेपाल राजपत्रमा सूचना प्रकाशन गरी हेरफेर गरिएको ।
  - || मिति २०६७।६।१८ मा नेपाल राजपत्रमा सूचना प्रकाशन गरी थपिएको ।