



COMPLEMENTARY PROCEDURE MANUAL

ASSESSMENT OF THE ENVIRONMENTAL EFFECTS OF A PROJECT

A joint initiative of:
Credit Risk Management
Legal Services

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1.0 PURPOSE

This manual complements BDC's Environmental Risk Management (ERM) Procedure Manual. It describes how to perform an internal assessment of the likely environmental effects of a project which includes the screening of such project based on the provisions of the Canadian Environmental Assessment Act (the "Act") and a regulation developed specifically for BDC to facilitate compliance with the Act.

1.1 Scope

An internal assessment of environmental effects includes:

- Determination of whether or not the Act applies to a loan
- Determination of the project's environmental effects, including:
 - a) Determination of the potential effects of accidents and malfunctions
 - b) Consideration of potential cumulative environmental effects
- Consideration of appropriate mitigation measures for the environmental effects
- Determination of the significance of the environmental effects
- Environmental assessment decision of whether or not to proceed with the loan approval and disbursement

2.0 LOAN NOT REQUIRING AN ENVIRONMENTAL ASSESSMENT

2.1 Listing

The following loan purposes have no effect on the environment and do not require an environmental assessment under the Act:

- Working capital
- Refinancing
- Change of ownership
- Purchase of land and/or building (with no plans for expansion or major improvement)
- Purchase of vehicles or other movable equipment
- Purchase of stationary equipment covering an area less than 25 sq. m. or 270 sq. ft.
- Purchase of loan portfolio from another institution.
- Loan syndication agreements in which BDC is a participant not the leader (excludes pari-passu agreements)

2.2 Environmental Due Diligence Required

The General Internal Assessment (GIA) defined in paragraph 2.0 of the ERM Procedure Manual must still be performed to determine the environmental status of the assets pledged as security and the compliance of existing operations to environmental regulations.

3.0 PROJECTS REQUIRING AN ENVIRONMENTAL ASSESSMENT

3.1 Project Listing

The following are projects less likely to cause adverse environmental effects or raise minor public concerns if certain conditions are met:

- Land improvements (land serviced or not by the municipality)
- Building improvements
- Building expansion or construction (on land serviced or not by the municipality)
- Purchase of land and building (including improvements and/or expansion)
- Purchase of stationary production equipment (with or without changes in the production process) that cover an area greater than 25 sq. m. or 270 sq. ft.
- Land decontamination projects
- Projects undertaken within 30 metres of a body of water
- Projects undertaken near national parks and protected areas (park reserve, historic canal or site, wildlife area, bird sanctuary).

The projects listed above are less likely to cause significant adverse environmental effects including any that could result from malfunctions or accidents when the following two conditions are met:

- 1) Those projects can only be undertaken if the applicant has obtained all necessary permits and licenses from various governmental authorities.
- 2) The borrower has set in place effective mitigation measures, when required by the appropriate government authorities, to eliminate, reduce, or control the risk of possible adverse environmental effects during the construction phase of the project and thereafter during operation, modification, decommissioning and abandonment of the facility.

Should the above conditions not be met before the loan is approved, a contingent condition to be satisfied prior to disbursement must be added to the loan submission. Said contingent condition can be deleted or amended only following approval by Credit Risk Management (CRM) in Head Office (HO).

3.2 Environmental Due Diligence Required

The GIA outlined in paragraph 2.0 of the ERM Procedure Manual must be performed for the projects listed under paragraph 3.1.

If the applicant does not hold all the necessary permits and licenses to undertake his project prior to loan approval, BDC must insert a contingent condition to be satisfied prior to disbursement of the loan.

An External Screening Report (ESR) should be required **on an exceptional basis** to obtain additional assurances on the potential environmental effects of the projects listed under paragraph 3.1. CRM, HO, must approve the decision to request an ESR. The ESR can be used to assist BDC in meeting the screening requirements under CEAA; however, BDC must always render the decision related to the effects of the project. Refer to paragraph 3.3 for more details on this report.

The GIA and the ESR (if required) must provide confirmation to BDC that the projects listed in paragraph 3.1 are not likely to cause significant adverse environmental effects or raise public concerns (i.e. health and safety, air quality or groundwater). BDC can arrive at a positive conclusion only after taking into consideration the mitigation measures required to eliminate, reduce or control the environmental effects resulting from a project, including any from malfunctions or accidents, during the construction phase of the project and thereafter during operation, modification, decommissioning and abandonment of the facility. **The loan application cannot be approved if the information supporting a negative conclusion is obtained prior to approval; if the said information is obtained post approval (i.e. by a contingent condition), then the loan cannot be disbursed.**

3.3 External Screening Report

3.3.1 Contents

This report, performed by an external environmental consultant, provides a screening level assessment of the project activities and their potential impacts on the existing environment. It considers the effects on valued ecosystem components that are particular to the site where the project will be undertaken (i.e. air quality, surface water and groundwater, soils, waterfowl, trees, fish and their habitat, traffic/road patterns, public health and safety, services and utilities). This type of assessment also describes the proposed mitigation strategies to eliminate, reduce or control potential adverse impacts of a project, estimates the likely residual effects of those impacts once mitigation measures are implemented and considers the cumulative effects of such projects on the environment.

The ESR could be a stand-alone report or an addendum to a Phase I report prepared by an external consultant. A stand-alone report is preferable.

3.3.2 When to Request an External Screening Report?

The ESR would be requested **on an exceptional basis** by CRM in the following situations:

- There are no other federal, provincial, territorial or municipal licensing or permit issuing authorities involved in the project; and
- The reports/studies submitted by the applicant and the applicant's disclosures are inadequate to the extent that BDC is unable to perform its GIA to confirm that the project is unlikely to have significant environmental effects.

In cases where the said ESR submitted to BDC was prepared for another federal or provincial institution involved in the funding, permitting or licensing for the proposed project, BDC would not request a new external report..

3.4 Applicant's Mitigation Measures/ BDC Administration Plan

For certain projects, during all stages of the undertaking, including the construction, once they are completed and during their operations, the borrower will have to implement and maintain mitigation measures to protect the environment from any adverse environmental effects, including any that could result from malfunctions or accidents. When such a plan (e.g.. Emergency Recovery Plan for chemical or oil spills) is required by government authorities, BDC must check up on its continued existence after the loan has been disbursed. The loan administration plan has to include this follow-up.

3.5 Lending Policy

BDC can consider financing a project listed in paragraph 3.1 only when its GIA confirms that the project is unlikely to cause significant adverse environmental effects; otherwise, the loan will be declined.

4.0 PROJECTS LIKELY TO CAUSE SIGNIFICANT ADVERSE ENVIRONMENTAL EFFECTS

BDC anticipates very few requests for projects that will require comprehensive studies along with public consultations. All applications must be referred to CRM, HO.

4.1 Project Listing

The following projects, although not all-inclusive, are likely to have significant adverse environmental effects and raise concerns among the general public:

- Projects to be undertaken in or on national parks and protected areas (park reserve, historic canal or site, wildlife area, bird sanctuary)
- Projects involving power stations (fossil fuels and hydroelectric) and transmission lines
- Water projects (dams, dykes, reservoirs, water diversion, extraction of groundwater)
- Oil and gas projects (refining, pipeline, storage, offshore drilling)
- Projects involving minerals processing (includes metal mill, quarries, gravel pits)
- Projects involving large industrial facilities (pulp and paper mills, primary steel, production of non-ferrous metals by pyrometallurgy or electrometallurgy smelter, manufacturing of chemicals and pharmaceutical products, of pressure treated wood products, plywood or particle board plants, tanneries, primary textiles, natural mineral fibres, chemical explosives, and lead-acid batteries)
- Transportation projects (canals, locks, railway lines, airports and runways)
- Projects involving treatment, incineration, disposal or recycling of hazardous waste
- Projects releasing polluting substances as confirmed by external reports
- Projects that involve trans-boundary activities (inter-provincial or international) such as shipping and transportation of hazardous materials or the emission of industrial pollutants

4.2 Environmental Due Diligence Required

BDC's internal assessment procedures (its own screening assessment) cannot justify a favourable loan decision and disbursement of the loan for the projects listed under paragraph 4.1.

Given the size, scope and potential environmental risks of the projects listed in paragraph 4.1, the appropriate due diligence that must be completed before these projects can be authorized is generally exhaustive and includes the conduct of a comprehensive study along with mandatory public consultations by BDC and the involvement of the Federal Minister of the Environment. BDC will not initiate the above-mentioned exhaustive assessment procedures for a project unless the applicant accepts in writing to follow such procedures.

4.3 Lending Policy

As a matter of principle, BDC does not extend financial assistance to prospective borrowers or, additional assistance to existing borrowers for projects likely to cause significant adverse environmental effects or to raise public concerns (i.e. health and safety, air quality or groundwater).

BDC may consider a loan, on an exceptional basis, to fund in part projects listed under paragraph 4.1 if all the following conditions are met:

- Other federal, provincial, territorial and municipal authorities involved in the project have completed their environmental assessments and approved all necessary funding approvals, permits and licences;
- BDC has obtained copies of the funding authorizations, permits and licences granted by the governmental authorities along with the environmental assessment reports that support their positive decisions. (N.B. The use of a contingent condition postponing the required due diligence is not acceptable for projects listed in paragraph 4.1.);
- The threats to the environment have been eliminated, reduced or controlled by the borrower's mitigation measures duly approved by the responsible government authorities;
- Prior eligibility ruling has been obtained in writing from CRM, HO, following the completion of its GIA.

If all the above conditions are not met, BDC must withdraw the application. Should the applicant insist that BDC's decision remain pending until all necessary permits and licenses have been received from government authorities, BDC may reconsider its position.

5.0 Doubtful Cases

Refer to CRM, HO, for guidance on the application of this policy as required.

Appendix A – Definitions

The following definitions relate to the terms used in the assessment of the potential environmental effects of a project by BDC in accordance with the Act.

“Environment” means land, water, air, all layers of the atmosphere, organic and inorganic matter, living organisms and interacting natural systems.

“Environmental effects” means any change that the project may cause in the environment, including any change it may cause to a listed wildlife species, its critical habitat or the residence of individuals of that species, as those terms are defined in the Species at Risk Act. An environmental effect can also be any effect of any change previously mentioned on: health and socio-economic conditions; physical and cultural heritage; the current use of lands and resources for traditional purposes by aboriginal persons; or any structure, site or thing that is of historical, archaeological, paleontological or architectural significance. Finally an environmental effect can also be a change to the project that may be caused by the environment. Any of these effects or changes can occur either within or outside Canada.

“Follow-up program” means a program for a) verifying the accuracy of the prior environmental assessment of a project, and b) determining the effectiveness of any measure taken to mitigate the adverse environmental effects of the project.

“Mitigation” means the elimination, reduction or control of the adverse environmental effects of the project, and includes restitution for any damage to the environment caused by such effects through replacement, restoration, compensation.

Examples of some mitigation measures:

- Emergency Response Plan (ERP) to counter chemical or hydrocarbon spills which will be in effect during operations
- Erosion and Sediment Control Plan to prevent water runoff from soil piles or exposed soils that would discharge into sewers or ditches during the construction phase
- Fencing to limit access to the site by the public during the construction phase
- Fencing to protect adjacent woodlots or other vegetation against the use of heavy equipment for excavation and soil piling activities
- Seeding of grass after construction in areas affected by construction work
- Sedimentation fencing for sediments entering waterways during construction

“Polluting substance” means a substance that is likely to degrade or alter the environment to an extent that is detrimental to its use by human beings, animals, fish or plants.

“Project” means a) any proposed construction, operation, modification, decommissioning, abandonment or other undertaking in relation to a physical work, and b) any proposed activity not relating to a physical work that may have an effect on the environment.

“Screening ” means an internal environmental assessment performed by a responsible authority (BDC) in accordance with sections 16(1) and 18 of the Act. It assesses the potential effects of a project on the environment. The screening may conclude that more exhaustive studies are needed to eliminate or reduce the potential environmental effects of the project.

“Screening report” means a report that summarizes the result of a screening and which is found either in the General Internal Assessment (GIA) or the External Screening Report (ESR).

“Significant adverse environmental effects” are effects that exhibit one or more of the following characteristics which cannot be controlled, reduced or eliminated by mitigation measures:

- The effects are widespread
- They cause important human health effects
- They contravene existing legislation, standards or environmental guidelines or objectives
- They are responsible for the permanent loss of or reduction in species diversity or population of species
- They are responsible for the permanent loss of critical/productive habitat, permanent alteration to community characteristics or services, land use or established patterns

- They are responsible for the permanent loss of historical, archaeological, paleontological or heritage resources.

Appendix B

Tools to Assess the Possible Adverse Environmental Effects of the Project

A. Checklist of Possible Relationships Between the Project and Environmental Components

The checklist below (Table 1) is used as a due diligence reference during the review of the loan submissions to determine if a project is likely to cause important adverse effects on the environment.

This non all-inclusive checklist itemizes valued ecosystem components which could be impacted by the project. Please note that all listed components will not apply to every site nor to every project. On a case-by-case basis, a longer or a shorter list could apply; the following list is provided as an example only.

Table I : Interaction Between a Project and the Environment

	Project Phases ⁽¹⁾				
	Construction	Operation	Maintenance	Accident /incidents	Decommissioning
Valued Ecosystem Components (VECs)					
Groundwater					
Surface water					
Air quality					
Soils					
Water fowl					
Vegetation					
Fish and fish habitat					
Traffic/roads					
Public and workers health and safety					
Services and utilities					
Aesthetics					
Aquatic Life Resources					
Cultural Resources					
Noise					
Recreation					

Note (1): Each item could be broken down in different phases (Ex. Under construction, this activity can be divided into the following: excavation, building construction, fencing, etc...).

B. Solutions to Mitigate the Adverse Environmental Effects of a Project

Table II presents an example of the standard presentation of the residual environmental effects for each Valued Ecosystem Components (VECs). This table presents for each VECs, environmental effect, applicable phases of the project, mitigation measures proposed by the client and residual effects. In all cases, the mitigation measures proposed should result in a negligible or nil residual effect. The VECs mentioned in Table II and the project phases must be the same as in Table I.

Appendix B (continued)

Table II. Mitigation Measures and Significance of Residual Environmental Effects

Valued Ecosystem Components (VECs)	Environmental Effect	Project Phases	Mitigation Measures	Significance of Residual Effect (Desired outcome)
Groundwater and surface water	Contamination Habitat alteration	Construction Operation Maintenance	Emergency Response Plan that ensures safe storage of chemicals	Negligible or nil
Air quality	Disturbance of air quality	Operation Maintenance	Ensures development and implementation of a contingency plan	Negligible or nil
Soils	Contamination	Construction Accident/incident	Emergency Response Plan	Negligible or nil
Adjacent woodlots	Loss of vegetation	Construction (pesticides used)	Limited used of these chemicals	Negligible or nil
Fish and their habitat	Habitat alteration		Erosion and Sediment Control Plan	Negligible or nil
Public health and safety			Fencing restricting access by the public	Negligible or nil
Wildlife and wildlife habitat				
Cultural resources				

The above non all-inclusive list of possible mitigation measures that can be adopted by the borrower to eliminate, reduce or control the environmental threat related to a project during the construction phase and thereafter during the operation of the facility will not apply to every site nor to every project.

In determining the "Significance of Residual Effect", one should take into account the proposed mitigation measures and the following items for each of the VECs:

- **The magnitude of the effect:** Low magnitude means that the effect is inside the range of natural variation; a moderate magnitude indicates that the effects are temporarily outside the range of natural variation; and a high magnitude, that the effects are outside the range of natural variation. "The range of natural variation" means elements that are already present in the environment even if there is no project involved (i.e. dust stirred up by the winds, soil erosion created by rainfall, minerals in the soil) as confirmed by external reports or are clearly visible to the public.
- **The geographic extent (of the effect):** Directly on the site, in the vicinity or outside;
- **The duration of the effect:** days, weeks, months or years.
- **The frequency of the effect:** only once or twice a year, many times, continuously;
- **The reversibility of the effect:** reversible or irreversible;
- **The ecological context:** Will the fish and wildlife habitat be affected?

If the mitigation measures proposed will likely result in significant or irreversible residual effects, the loan submission cannot proceed further and has to be withdrawn.

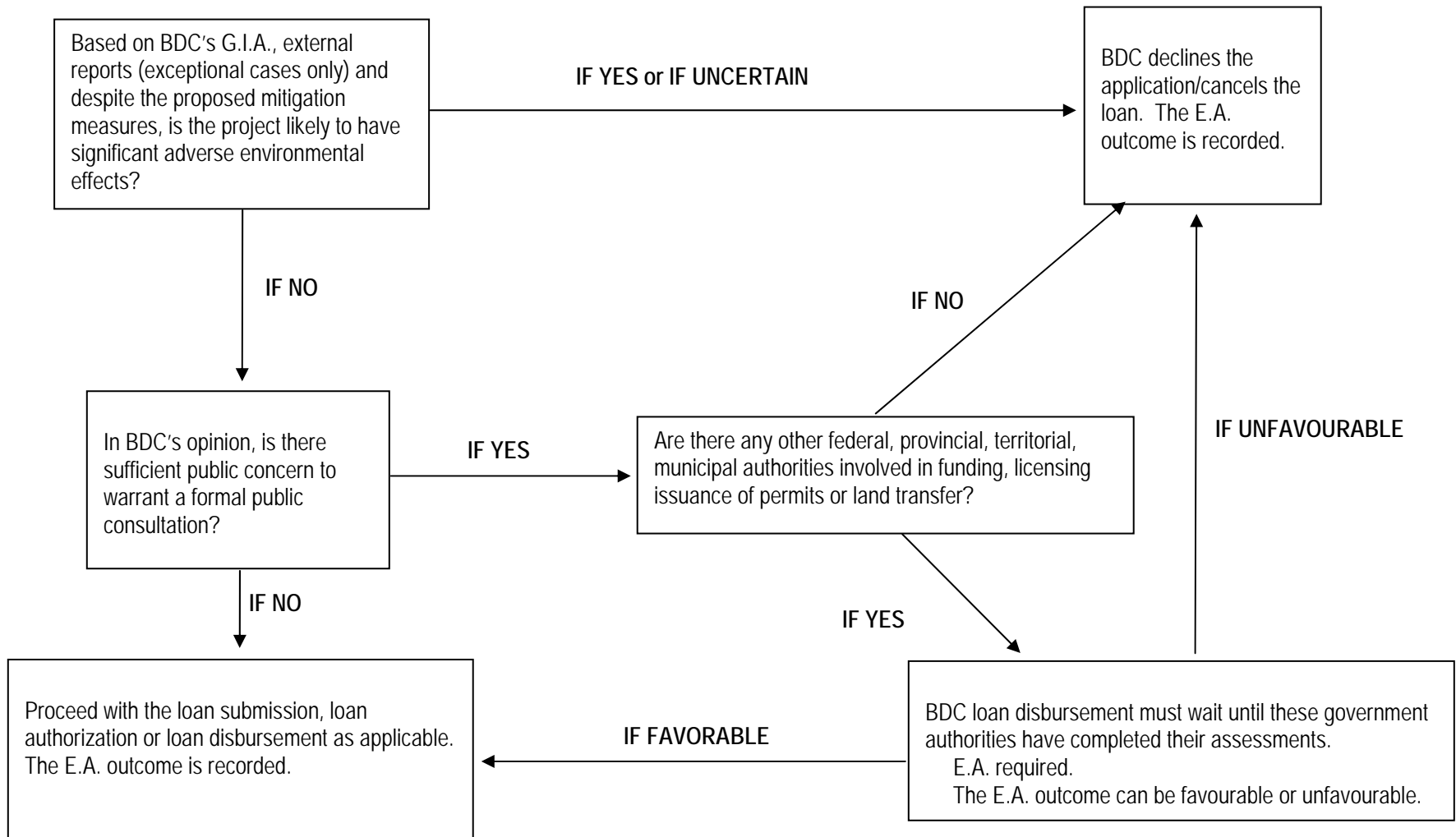
Appendix C – BDC Action Plan – F4089 – Applicant’s Declarations on the Environment

PART III: PROJECT ENVIRONMENTAL ASSESSMENT	Applicant's Responses				ACTION PLAN
	Yes	Do not know	No	Not applicable	
1. Will the project require the approval of licences, permits, funding or land transfer by federal, provincial, territorial or municipal governments?	x		x		1. If the answer is “Yes”, obtain the approvals and the supporting completed environmental assessment reports and studies already in hand from another government authority. 2. If the answer is “No”, perform the GIA. A decision as to whether the project is [is not] likely to cause significant adverse environmental effects or public concern must be made.
2. Will the project take place within 30 metres of a water body?	x		x		1. If the answer is “Yes”, obtain the details of project and the plan to mitigate risk. Perform the GIA. 2. If the answer is “No”, perform the GIA. Decide if the project is likely to cause serious adverse environmental effects or public concern.
3. Will the project take place in or next to a national park, park reserve, national historic site, historic canal or aboriginal lands?	x		x		1. If the answer is “Yes”, obtain the details of project, its conformity with the management and long-range development plans and the plan to mitigate risk. Perform the GIA. 2. If the answer is “No”, perform the GIA. Decide if the project is likely to cause serious adverse environmental effects or public concern.
4. Will the project impact the habitat of wildlife species (defined as animal, plant or other organisms) that are at risk or migratory species?	x		x		1. If the answer is “Yes”, obtain the details of the project and the plan to mitigate risk. Consult the List of Species at Risk on the Environment Canada Website. Perform the GIA. 2. If the answer is “No”, perform the GIA. Decide if the project is likely to cause serious adverse environmental effects or public concern. File a report with the Ministry of the Environment if a project is harmful to wildlife species.

Appendix C – BDC Action Plan – F4089 – Applicant’s Declarations on the Environment (continued)

PART III: PROJECT ENVIRONMENTAL ASSESSMENT	Applicant's Responses				ACTION PLAN
	Yes	Do not know	No	Not applicable	
5. Will the project involve the remediation of contaminated land?	X		X		1. If the answer is "Yes", obtain the details of the project, the solutions to decontaminate the property prepared by external consultants and evidence that they meet MOE guidelines. Perform the GIA. 2. If the answer is "No", perform the GIA. Decide if the project is likely to cause serious adverse environmental effects or public concern.
6. Will the project likely release polluting substances?	X		X		1. If the answer is "Yes", obtain the details of the project and the plan to mitigate risk. Perform the GIA. 2. If the answer is "No", perform the GIA. Decide if the project is likely to cause serious adverse environmental effects or public concern.
7. Will the project be undertaken on land that is fully serviced by a municipality?			X		1. If the answer is "No", obtain the details of the project and the plan to mitigate risk. Perform the GIA. 2. If the answer is "Yes", perform the GIA. Decide if the project is likely to cause serious adverse environmental effects or public concern.
8. Will the project result in trans-boundary (inter-provincial, outside Canada) transportation and shipping of hazardous materials or the emission of industrial pollutants?	X		X		1. If the answer is "Yes", obtain the details of the project and the plan to mitigate risk. Perform the GIA. 2. If the answer is "No", perform the GIA. Decide if the project is likely to cause serious adverse environmental effects or public concern.

Appendix D
DECISION TREE FOR BDC'S ENVIRONMENTAL ASSESSMENT



Definitions:
G.I.A. = General Internal Assessment
E.A. = Environmental Assessment

Appendix E

Recording the Internal Screening Assessment and Decision

BDC captures the following internal environmental assessment data project in its central databases and displays the outcome on its loan approval document, if an application is approved, in order to document its due diligence and ultimate decision on the adverse environmental effects of projects. **N.B.** If the application is withdrawn prior to authorization or reduced or cancelled for environmental reasons prior to disbursement, this data is also captured in BDC's central databases.

1. Site address and date of site inspection.
2. Questions and answers related to BDC's internal assessment of the project:

a) Project Type – Environment:
Purchase land (with construction)
Purchase land and building (with construction)
Purchase land and building (with improvements)
Building construction
Land improvements
Building improvements
Purchase stationary equipment
Land decontamination
Decommissioning
Abandonment
Other

b) Did an external consultant assist in the screening of the project's environmental effects?	Yes	No	N/A
c) Did the client set up mitigation measures to eliminate, reduce or control the future potential environmental effects related to the project including any that could result from malfunctions or accidents?	Yes	No	N/A
d) Will the project likely cause significant adverse environmental effects after mitigation?	Yes	No	N/A
e) Does BDC have an administration plan to follow up on the client's mitigation measures?	Yes	No	N/A

3. Rationale for BDC's Decision on the Effects of the Project on the Environment

The following paragraph will be signed by the personnel involved in performing the due diligence and rendering the final decision on the effects of the project on the environment.

"Based on the Applicant's Declarations on the Environment (F4089), his Application for Financing (F4025), existing reports on the property (Phase I and II Environmental Assessments, appraisal reports, survey plans), detailed project plans and studies if available, the Site Inspection Report and the General Internal Assessment procedures, the recommending and authorizing officer(s) confirm that: a) the project is unlikely to cause significant adverse environmental effects including any that could result from future malfunctions or accidents, and b) the borrower has set up effective mitigation measures, when required by the appropriate government authorities, to eliminate, reduce or control the risk of possible adverse environmental effects during the construction stage of the project and thereafter for the operation, modification, decommissioning and abandonment of the facility."

Prepared by: _____

Reviewed by: _____

Appendix F

Letter of Engagement – External Screening Report

Date

[Name and address of environmental consulting firm]

[Dear Madam or Sir],

Subject: *[Environmental Screening Assessment – Letter of Engagement]*

The Business Development Bank of Canada ("BDC") invites you to conduct an Environmental Screening Assessment (the Screening Assessment) of the project based on the provisions of the Canadian Environmental Assessment Act.

The Screening Assessment is required for the project [describe the project in 2-3 lines] to be undertaken on the property(ties) located at _____ owned by _____.

The objectives of the Screening Assessment are as follows:

- 1) Assess the environmental effects of the project on the environment and its valued ecosystem components.
- 2) Assess the proposed mitigation measures to eliminate, reduce or control the adverse effects on the environment.
- 3) Confirm whether the project will or will not likely cause significant adverse residual environmental effects during the construction phase and thereafter during operation, modification, decommissioning and abandonment of the facility.
- 4) Comment on the cumulative effects of the projects.
- 5) Confirm whether follow-up measures need to be taken by the owner of the facilities.

Report

After completing the Screening Assessment, you shall submit a written report presenting all your findings, together with any recommendations for additional studies and proposed remedial measures.

Deadline

The assessments shall be completed and the report submitted to BDC no later than *[insert date]*.

Cost and payment

We confirm that the cost to carry out this work will be approximately \$_____ plus applicable taxes, as per your proposal of *[insert date]*. Any costs over and above this amount must be pre-approved by BDC.

[The following sentence must be added when BDC has not collected upfront the cost of the assessment from the applicant]

Notwithstanding the issuance of the present mandate by BDC, all the charges related to this assessment are the responsibility of our borrower, namely

Consultant's guarantee

In the execution of the work, you shall display the competence, efficiency and judgment normally expected of consulting companies providing these types of services. The general conditions for your services and professional liability insurance coverage must be pre-approved by BDC.

Use of the report(s)

BDC will use the report(s) to determine the environmental risks and impact in relation to the project.

BDC, in the exercise of its activities, may show the report or provide copies thereof for information purposes to a court, a potential buyer or other persons.

Appendix F (continued)

One of the conditions hereof is that no Member of Parliament or Senator, or member of their immediate families, benefit directly or indirectly from the fees which may be payable hereunder.

Kindly countersign the enclosed copy of this letter and return it to us at your earliest convenience.

Yours truly,

[Name and title]

We accept the aforementioned conditions.

Consultant

Name of firm

Date

Copy: Insert name of borrower