

## Guidance Note 1

### Assessment and Management of Environmental and Social Risks and Impacts

January 1, 2012

Guidance Note 1 corresponds to the application of Performance Standard 1. Please refer to IFC's *Interpretation Note on Financial Intermediaries* for application of Performance Standard 1 to various types of financial intermediaries, funds, and other facilities. Please also refer to Performance Standards 2–8, as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

#### Introduction

**1. Performance Standard 1 underscores the importance of managing environmental and social performance throughout the life of a project. An effective Environmental and Social Management System (ESMS) is a dynamic and continuous process initiated and supported by management, and involves engagement between the client, its workers, local communities directly affected by the project (the Affected Communities) and, where appropriate, other stakeholders.<sup>1</sup> Drawing on the elements of the established business management process of “plan, do, check, and act,” the ESMS entails a methodological approach to managing environmental and social risks<sup>2</sup> and impacts<sup>3</sup> in a structured way on an ongoing basis. A good ESMS appropriate to the nature and scale of the project promotes sound and sustainable environmental and social performance, and can lead to improved financial, social, and environmental outcomes.**

**2. At times, the assessment and management of certain environmental and social risks and impacts may be the responsibility of the government or other third parties over which the client does not have control or influence.<sup>4</sup> Examples of where this may happen include: (i) when early planning decisions are made by the government or third parties which affect the project site selection and/or design; and/or (ii) when specific actions directly related to the project are carried out by the government or third parties such as providing land for a project which may have previously involved the resettlement of communities or individuals and/or leading to loss of biodiversity. While the client cannot control these government or third party actions, an effective ESMS should identify the different entities involved and the roles they play, the corresponding risks they present to the client, and opportunities to collaborate with these third parties in order to help achieve environmental and social outcomes that are consistent with the Performance Standards. In addition, this Performance Standard supports the use of an effective grievance mechanism that can facilitate early indication of, and prompt remediation for those who believe that they have been harmed by a client's actions.**

**3. Business should respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to. Each of the Performance Standards has elements related to human rights dimensions that a project may face in the course of its operations. Due diligence against these Performance Standards will enable the client to address many relevant human rights issues in its project.**

<sup>1</sup> Other stakeholders are those not directly affected by the project but that have an interest in it. These could include national and local authorities, neighboring projects, and/or nongovernmental organizations.

<sup>2</sup> Environmental and social risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.

<sup>3</sup> Environmental and social impacts refer to any change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the business activity to be supported.

<sup>4</sup> Contractors retained by, or acting on behalf of the client(s), are considered to be under direct control of the client and not considered third parties for the purposes of this Performance Standard.

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#### Objectives

- **To identify and evaluate environmental and social risks and impacts of the project.**
- **To adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize,<sup>5</sup> and, where residual impacts remain, compensate/offset for risks and impacts to workers, Affected Communities, and the environment.**
- **To promote improved environmental and social performance of clients through the effective use of management systems.**
- **To ensure that grievances from Affected Communities and external communications from other stakeholders are responded to and managed appropriately.**
- **To promote and provide means for adequate engagement with Affected Communities throughout the project cycle on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated.**

<sup>5</sup> Acceptable options to minimize will vary and include: abate, rectify, repair, and/or restore impacts, as appropriate. The risk and impact mitigation hierarchy is further discussed and specified in the context of Performance Standards 2 through 8, where relevant.

GN1. The assessment and management of environmental and social risks and impacts are part of the larger overall set of processes that a client uses to manage its projects. They are essential for successful and sustainable performance of these projects. Performance Standard 1 underscores the importance of managing environmental and social (including labor, health, safety, and security) performance throughout the life of the investment. A good assessment and management system enables continuous improvement of environmental and social performance, and can lead to better economic, financial, social, and environmental outcomes.

GN2. At times, the client's ability to achieve environmental or social outcomes consistent with the Performance Standards will depend on third party activities. A third party may be a government agency as a regulator or contract party, a contractor or supplier with whom the project has a substantial involvement, or an operator of an associated facility. A sound Environmental and Social Management System (ESMS) should recognize roles and responsibilities of third parties, identify risks related to their involvement through appropriate due diligence, taking into account the local context, the client's influence and control over the third party, and measures to mitigate those risks (e.g., maintaining third party relationships). Ultimately, the ESMS should identify and address, where possible, potential limitations in achieving desired outcomes. These outcomes will depend on the nature of the third party and the relationship that governs interactions between it and the client. For instance, a government agency that arbitrates land use (e.g., through a regional planning approach or zoning code) plays a pivotal role in how the project can be designed or realized, but in such case, the client has little ability to control or influence the outcome and hence, possible associated impacts. A contractual arrangement with a supplier, on the other hand, is an example of a situation where the client may have contractual, financial, and, therefore, operational leverage enabling a level of control to be exerted that should directly influence how the supplier performs with respect to related impacts and their avoidance, prevention, minimization, mitigation, or compensation. The appropriate assessment and management of environmental and social risks and impacts should recognize the differences in these relationships and should make provisions accordingly to best affect outcomes given inherent limitations and constraints or opportunities. In addition, the client should consider the risk of being complicit in third parties' actions or omissions by knowingly supporting, endorsing, or benefiting from them.

GN3. Performance Standard 1 supports the responsibility of the private sector to respect human rights, which exists independently of state duties to respect, protect, and fulfill human rights. By carrying out due diligence against the Performance Standards, as required by Performance Standard 1, clients

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address many relevant business human rights issues. In addition, Performance Standard 1 requires the development and implementation of an effective grievance mechanism. Refer to paragraphs GN108 and GN109 for additional guidance.

#### *Scope of Application*

**4. This Performance Standard applies to business activities with environmental and/or social risks and/or impacts. For the purposes of this Performance Standard, the term “project” refers to a defined set of business activities, including those where specific physical elements, aspects, and facilities likely to generate risks and impacts, have yet to be identified.<sup>6</sup> Where applicable, this could include aspects from the early developmental stages through the entire life cycle (design, construction, commissioning, operation, decommissioning, closure or, where applicable, post-closure) of a physical asset.<sup>7</sup> The requirements of this Performance Standard apply to all business activities unless otherwise noted in the specific limitations described in each of the paragraphs below.**

<sup>6</sup> For example, corporate entities which have portfolios of existing physical assets, and/or intend to develop or acquire new facilities, and investment funds or financial intermediaries with existing portfolios of assets and/or which intend to invest in new facilities.

<sup>7</sup> Recognizing that this Performance Standard is used by a variety of financial institutions, investors, insurers, and owner/operators, each user should separately specify the business activities to which this Performance Standard should apply.

GN4. Recognizing the fact that the Performance Standards are used by financiers, insurers, and investors in connection with financing and guarantees of specific or general business activities, and by companies generally for compliance assessment and ongoing guidance, the term “project” as used in the Performance Standards does not necessarily imply project finance or specific physical boundaries of business activities under consideration. Instead, each user of the Performance Standards should define the business activity to which the Performance Standards should apply, and build its approach to assessment and management of environmental and social risks and impacts consistent with this Performance Standard and in accordance with the level of environmental and social risk that is expected to require management.

#### *Requirements*

##### *Environmental and Social Assessment and Management System*

**5. The client, in coordination with other responsible government agencies and third parties as appropriate,<sup>8</sup> will conduct a process of environmental and social assessment, and establish and maintain an ESMS appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts. The ESMS will incorporate the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement; and (vii) monitoring and review.**

<sup>8</sup> That is, those parties legally obligated and responsible for assessing and managing specific risks and impacts (e.g., government-led resettlement).

GN5. The ESMS required by this Performance Standard comprises the seven elements deemed to be necessary to effectively “plan, do, check, act” with regard to the environmental and social outcomes addressed by Performance Standards 2 through 8. In this way it can be seen to be similar to accepted international frameworks for quality and environmental management systems, such as ISO 9001 and 14001. The principal differences, however, concern the broad scope—environment, labor, social—of the

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performance outcomes addressed by the Performance Standard 1 system, as well as the significantly more robust external stakeholder engagement features. Regardless, in the same manner as any management system approach, it shall be tailored to fit the needs of the organization. The Performance Standard 1 management system governs a process that applies to all types of business activities. This process starts with defining a set of policies—i.e., statement of commitment with values, principles, objectives and goals that govern the environmental and social performance of the activity. This is followed by a planning element, that is the identification of what is important (i.e., the risks and impacts) and the development of corresponding management programs. Next, an organizational structure is established to implement the management program, with explicit focus on the unexpected (emergency preparedness and response) and engaging those who need to know while also learning from them (stakeholder engagement). Finally, the organization must also check on its own performance and act when that performance is not appropriate or needs enhancing, so as to ensure progress stays on track (monitoring and review).

GN6. The management system required by Performance Standard 1 requires a more robust and extensive stakeholder engagement process than other management system standards, such as ISO 14001. The purpose of stakeholder engagement is to establish and maintain a constructive relationship with a variety of external stakeholders over the life of the project and is an integral part of an efficient and adaptive ESMS. An effective engagement process allows the views, interests and concerns of different stakeholders, particularly of the local communities directly affected by the project (Affected Communities), to be heard, understood, and taken into account in project decisions and creation of development benefits.

GN7. The level of detail and complexity of the social and environment management system and the resources devoted to it should depend on the level of impacts and risks of the project to be financed, and the size and nature of the client's organization. A satisfactory management system appropriate to the nature and scale of the project and commensurate with the level of environmental and social risks and impacts is required. This system can therefore take a variety of forms and contain varying levels of complexities. It can be stand alone or fully integrated with all business processes, externally certified or self-declared to be sufficient in its scope, content and operation. The design and implementation of such a system should, however, be singular in its intent. It should provide an organization with a structure, within which a sufficient level of understanding of the environmental and social risks and impacts associated with project activities can be gained, and a means to ensure these risks and impacts are identified and subsequently managed.

GN8. A management system that meets the requirements of Performance Standard 1 should be in place at the level of the client's organization where the funds from IFC's investment will be utilized (i.e., at the corporate or at the activity-specific level). In the case of financing of specific operating units or activities, whether greenfield or existing, the system structure should address the environmental and social issues arising from the project being financed. In the case of corporate investments without identified specific facilities (i.e., site-based assets) at the time of investment, this should usually mean establishing, building on, or maintaining a corporate- or institution-level management framework.

GN9. The effort needed to establish a management system depends on the client's existing policies and practices. Production- and quality-based management systems operating within the client's organization can be used as a foundation on which to build the elements of a system consistent with Performance Standard 1 in the absence of an existing environmental, health, and safety, human resource or social management system. Where a client has an existing management system, its elements may meet or can be appropriately modified or expanded to meet the requirements of Performance Standard 1. Where a client has developed and implemented a formal environmental, labor, health and safety, and/or social management system consistent with an internationally-accepted standard, the alignment of the

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legal and other standards elements with the applicable Performance Standards (and implementation of an appropriate management program) may be sufficient to meet the requirements of Performance Standard 1. Formal management systems certified under international standards are not required by Performance Standard 1. While some certified systems may meet most of the requirements of this Performance Standard, the legal and other requirements may still need to be revised to incorporate all the objectives of the applicable Performance Standards for the particular project.

GN10. Even though many formal management systems address external communication processes, paragraphs 25–36 of Performance Standard 1 define requirements for stakeholder engagement, depending on project risks, adverse impacts, and phase of development. Where the project involves specifically identified physical elements, aspects, and facilities that are likely to generate ongoing risks to or adverse impacts on Affected Communities, Performance Standard 1 includes requirements to expand external communications to include specific grievance mechanisms. These mechanisms serve to prevent and address community concerns, reduce risk, and assist larger processes that create positive social change.

#### *Policy*

**6. The client will establish an overarching policy defining the environmental and social objectives and principles that guide the project to achieve sound environmental and social performance.<sup>9</sup> The policy provides a framework for the environmental and social assessment and management process, and specifies that the project (or business activities, as appropriate) will comply with the applicable laws and regulations of the jurisdictions in which it is being undertaken, including those laws implementing host country obligations under international law. The policy should be consistent with the principles of the Performance Standards. Under some circumstances, clients may also subscribe to other internationally recognized standards, certification schemes, or codes of practice and these too should be included in the policy. The policy will indicate who, within the client's organization, will ensure conformance with the policy and be responsible for its execution (with reference to an appropriate responsible government agency or third party, as necessary). The client will communicate the policy to all levels of its organization.**

<sup>9</sup> This requirement is a stand-alone, project-specific policy and is not intended to affect (or require alteration of) existing policies the client may have defined for non-related projects, business activities, or higher-level corporate activities.

GN11. Clients, companies, projects or organizations can have a need for many different types of policies. For example, policies may address matters such as human resources, ethics, corporate governance or any number of other business-related objectives that must be defined, understood and communicated to those whose actions need to be governed or guided by their content. The policy as required by Performance Standard 1 pertains to projects with (i) defined scope and assets (e.g., project finance) and is applicable expressly to the project to be financed; and (ii) undefined scope of assets (e.g., some corporate financing) and is applicable to all activities of the corporate entity being financed. For instance, a successful policy for a green field investment contains language that makes it clear it was written specifically for the project to be financed. This will allow employees, contractors, suppliers, and others directly involved in the project to relate to the policy.

GN12. Whether it applies to a specific project asset or a broader corporate entity, the policy should reflect the client's philosophy regarding management of environmental and social risks and impacts, and include specific objectives and aspirations the client has set in regard to its environmental and social performance, consistent with applicable Performance Standards. It is an overarching declaration of the environmental and social objectives and principals guiding the client's business activities.



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GN13. In addition to the commitment to comply with all applicable environmental and social laws and regulations of the host country(ies) in which the project is undertaken, the policy may include other major environmental and social commitments of the client such as compliance with international protocols or industry-specific codes of practice and standards to which the client has committed.<sup>GN1</sup>

GN14. An effective policy is one that is actively endorsed by the client's senior management team and actively communicated to employees at all levels and all functions of the client organization. Good practice also includes externally communicating the policy by public disclosure, presenting it in client statements and reports, publishing it on the client's website, and communicating it to Affected Communities and, where appropriate, other stakeholders in meetings and through other communication tools. Particularly where the project involves specifically identified physical elements, aspects, and facilities that are likely to generate ongoing risks to or adverse impacts on Affected Communities, those communities who are aware of the content of the policy can make informed statements regarding environmental and social risks and impacts. This type of communication can be valuable in assisting a project in improving environmental and social performance.

#### *Identification of Risks and Impacts*

**7. The client will establish and maintain a process for identifying the environmental and social risks and impacts of the project (see paragraph 18 for competency requirements). The type, scale, and location of the project guide the scope and level of effort devoted to the risks and impacts identification process. The scope of the risks and impacts identification process will be consistent with good international industry practice,<sup>10</sup> and will determine the appropriate and relevant methods and assessment tools. The process may comprise a full-scale environmental and social impact assessment, a limited or focused environmental and social assessment, or straightforward application of environmental siting, pollution standards, design criteria, or construction standards.<sup>11</sup> When the project involves existing assets, environmental and/or social audits or risk/hazard assessments can be appropriate and sufficient to identify risks and impacts. If assets to be developed, acquired or financed have yet to be defined, the establishment of an environmental and social due diligence process will identify risks and impacts at a point in the future when the physical elements, assets, and facilities are reasonably understood. The risks and impacts identification process will be based on recent environmental and social baseline data at an appropriate level of detail. The process will consider all relevant environmental and social risks and impacts of the project, including the issues identified in Performance Standards 2 through 8, and those who are likely to be affected by such risks and impacts.<sup>12</sup> The risks and impacts identification process will consider the emissions of greenhouse gases, the**

<sup>10</sup> Defined as the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally.

<sup>11</sup> For greenfield developments or large expansions with specifically identified physical elements, aspects, and facilities that are likely to generate potential significant environmental or social impacts, the client will conduct a comprehensive Environmental and Social Impact Assessment, including an examination of alternatives, where appropriate.

<sup>12</sup> In limited high risk circumstances, it may be appropriate for the client to complement its environmental and social risks and impacts identification process with specific human rights due diligence as relevant to the particular business.

<sup>GN1</sup> For example, those developed by the American Conference of Industrial Hygienists, the American Society for Testing and Materials, the Food and Agriculture Organization, the International Maritime Organization, the U.S. National Fire Protection Association, the World Health Organization, etc.

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*relevant risks associated with a changing climate and the adaptation opportunities, and potential transboundary effects, such as pollution of air, or use or pollution of international waterways.*

**8. Where the project involves specifically identified physical elements, aspects, and facilities that are likely to generate impacts, environmental and social risks and impacts will be identified in the context of the project's area of influence. This area of influence encompasses, as appropriate:**

- **The area likely to be affected by: (i) the project<sup>13</sup> and the client's activities and facilities that are directly owned, operated or managed (including by contractors) and that are a component of the project;<sup>14</sup> (ii) impacts from unplanned but predictable developments caused by the project that may occur later or at a different location; or (iii) indirect project impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent.**
- **Associated facilities, which are facilities that are not funded as part of the project and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable.<sup>15</sup>**
- **Cumulative impacts<sup>16</sup> that result from the incremental impact, on areas or resources used or directly impacted by the project, from other existing, planned or reasonably defined developments at the time the risks and impacts identification process is conducted.**

**9. In the event of risks and impacts in the project's area of influence resulting from a third party's actions, the client will address those risks and impacts in a manner commensurate with the client's control and influence over the third parties, and with due regard to conflict of interest.**

**10. Where the client can reasonably exercise control, the risks and impacts identification process will also consider those risks and impacts associated with primary supply chains, as defined in Performance Standard 2 (paragraphs 27–29) and Performance Standard 6 (paragraph 30).**

**11. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate environmental and social impacts, the identification of risks and impacts will take into account the findings and conclusions of related and applicable plans, studies, or assessments prepared by relevant government authorities or other parties that are directly related to the project and its area of influence.<sup>17</sup> These include master economic development plans, country or regional plans, feasibility studies, alternatives analyses, and cumulative, regional, sectoral, or strategic environmental**

<sup>13</sup> Examples include the project's sites, the immediate airshed and watershed, or transport corridors.

<sup>14</sup> Examples include power transmission corridors, pipelines, canals, tunnels, relocation and access roads, borrow and disposal areas, construction camps, and contaminated land (e.g., soil, groundwater, surface water, and sediments).

<sup>15</sup> Associated facilities may include railways, roads, captive power plants or transmission lines, pipelines, utilities, warehouses, and logistics terminals.

<sup>16</sup> Cumulative impacts are limited to those impacts generally recognized as important on the basis of scientific concerns and/or concerns from Affected Communities. Examples of cumulative impacts include: incremental contribution of gaseous emissions to an airshed; reduction of water flows in a watershed due to multiple withdrawals; increases in sediment loads to a watershed; interference with migratory routes or wildlife movement; or more traffic congestion and accidents due to increases in vehicular traffic on community roadways.

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**assessments where relevant. The risks and impacts identification will take account of the outcome of the engagement process with Affected Communities as appropriate.**

**12. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, and as part of the process of identifying risks and impacts, the client will identify individuals and groups that may be directly and differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status.<sup>17</sup> Where individuals or groups are identified as disadvantaged or vulnerable, the client will propose and implement differentiated measures so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities.**

<sup>17</sup> The client can take these into account by focusing on the project's incremental contribution to selected impacts generally recognized as important on the basis of scientific concern or concerns from the Affected Communities within the area addressed by these larger scope regional studies or cumulative assessments.

<sup>18</sup> This disadvantaged or vulnerable status may stem from an individual's or group's race, color, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status. The client should also consider factors such as gender, age, ethnicity, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

GN15. For projects to be financed, whether greenfield or existing, and where their scope and assets are known, the client should identify and document potential adverse impacts and risks for each stage of the project life-cycle to which financing applies, including planning and design, construction, commissioning, operations, and decommissioning or closure, including post-closure, as appropriate. The risks and impacts identification process for projects where the use of proceeds is unknown should focus on the steps associated with identifying the inherent risks related to the particular sector and geographies in which the corporate entity intends to develop or acquire projects. Methods and assessment tools for risks and impacts identification are discussed in paragraphs GN22–GN30 below.

GN16. The process of identifying environmental and social risks and impacts addresses, in an integrated manner, the full scope of risks and impacts (including environmental, social, labor, health, safety, and security) associated with the project to be financed. The risks and impacts identification process is an important early step in managing and improving environmental and social performance, as it helps the client to screen and assess all relevant potential impacts and risks associated with the project to be financed (whether addressed through the Performance Standards or not), and identify any mitigation or corrective measures that should enable the project to meet the applicable requirements in Performance Standards 2 through 8, any applicable local laws and regulations, as well as any additional priorities and objectives for social or environmental performance identified by the client.

GN17. In some circumstances and as part of their approach to risk management described in Performance Standard 1, clients may need to identify certain, unique impacts and risks not covered by Performance Standards 2 through 8. For example, a unique adverse impact that might be identified under Performance Standard 1 (which is not covered by the other Performance Standards) for an extractive industry development is loss of access to state-owned sub-surface mineral rights by artisanal miners. Integrating environmental and social considerations into an overall identification of risks and impacts for the project should enable clients to articulate the overall risks and benefits and inform their decisions.

GN18. The initial screening of the project against the applicable local laws and regulations and the Performance Standards should indicate whether the project may pose social or environmental risks that need to be further analyzed through additional steps of the identification process (see also paragraphs GN22–GN30 below). If the initial screening indicates potential risks and adverse impacts, the scope of the identification process should be determined and further identification and analysis (based on relevant



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baseline data, if any, and considering identified relevant stakeholders) of risks and impacts will be necessary to ascertain their nature and scale, Affected Communities, and possible mitigation measures. Where the initial screening process concludes that a project will have no or minimal potential risks and adverse impacts, the client should document this screening process and its conclusions.

GN19. The risks and impacts identification process should be based on recent, up-to-date information, including detailed description of the project in its geographic, ecological, social, health and temporal context (the environmental and social baseline). For example, in the case of project finance (greenfield or existing), relevant information should include any related facilities that may be required (e.g., dedicated pipelines, access roads, captive power plants, water supply, housing, and raw material and product storage facilities). The description should encompass facilities and activities by third parties that are essential for the successful operation of the project. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the collection and analysis of environmental and social baseline information and data, at an appropriate level of detail for the project, are essential to define the projects' area of influence, and describe relevant physical, biological, ecological, socioeconomic, health and labor conditions, including any changes anticipated to occur in the foreseeable future (including projected variability in climatic and environmental conditions due to potentially significant climate change or that would require adaptation measures that could occur over the life of the project), along with current and proposed development activities within the general project area but not directly connected to the project to be financed. The baseline information gathering phase is an important and often a necessary step to enable the determination of the potential impacts and risks of a project.

GN20. Identification of project- and site-specific risks and impacts should be based on current and verifiable primary information. Reference to secondary information on the project's area of influence is acceptable, but it may still be necessary to gather primary information from field surveys to establish baselines appropriate to the proposed project's potential impacts and risks. Relevant data may be available from various host governmental agencies, nongovernmental organizations and academic studies. However, clients should carefully evaluate data sources and potential data gaps. Accurate and up-to-date baseline information is essential, as rapidly changing situations, such as in-migration of people in anticipation of a project or development, or lack of data on disadvantaged or vulnerable individuals and groups within an Affected Community, can seriously affect the efficacy of social mitigation measures. Limitations on data, such as the extent and quality of available data, assumptions and key data gaps, and uncertainties associated with predictions, should be clearly identified.

GN21. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, it should identify the extent and complexity of potential adverse impacts and risks in the context of the project's entire area of influence, which is the total area likely to be affected by both on-site and off-site impacts from project activities, assets and facilities, including associated facilities. The size of a project's area of influence, as well as the environmental and social risks and impacts within the area, can vary considerably depending on the nature of the project to be financed. Some of these impacts and risks, including those described in the Performance Standards, may be attributable to third parties within the area of influence. The larger the area of influence, the more likely that third party action or non-performance could pose risks to the project. Cumulative impacts from other existing or planned projects in the area of influence may also need to be identified during this process (see paragraphs GN37 through GN43 below). Where relevant, the identification of risks and impacts should also consider the role and capacity of third parties (such as local and national governments, and contractors and suppliers), to the extent that they pose a risk to the project, recognizing that the client should address these risks and impacts in a manner that is commensurate with the client's control and influence over the third party actions.

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#### Risks and Impacts Identification Methods and Assessment Tools

GN22. The risks and impacts identification process should include all the necessary steps and methods that are required to screen, identify, analyze, measure, or assess, in quantitative terms to the extent possible, the potential risks and adverse impacts (including environmental, social, health, safety, labor and security) associated with the projects to be financed. It is expected that the client will apply methods and assessment tools, consistent with current good international industry practice, which are appropriate and relevant to the type of project to be financed. Those methods include, but are not limited to (i) full-scale Environmental and Social Impact Assessments (ESIAs); (ii) limited or focused environmental and/or social assessments; (iii) straightforward application of environmental siting, pollution standards, design criteria, or construction standards; (iv) where relevant, targeted environmental and social studies such as health impact assessments, or risk/hazard operation studies for certain activities; and (v) environmental and social due diligence and audits.

#### Environmental and Social Impact Assessments

GN23. For certain projects, and particularly for greenfield investments and projects (including, but not limited to, major expansion or transformation-conversion activities) involving specifically identified physical elements, aspects and facilities that are likely to generate potentially significant adverse environmental and social risks and impacts, the client should conduct a comprehensive full-scale ESIA. The key process elements of an ESIA generally consist of (i) initial screening of the project and scoping of the assessment process; (ii) examination of alternatives; (iii) stakeholder identification (focusing on those directly affected) and gathering of environmental and social baseline data; (iv) impact identification, prediction, and analysis; (v) generation of mitigation or management measures and actions; (vi) significance of impacts and evaluation of residual impacts; and (vii) documentation of the assessment process (i.e., ESIA report). The breadth, depth and type of analysis should be proportionate to the nature and scale of the proposed project's potential impacts as identified during the course of the assessment process. The ESIA must conform to the requirements of the host country's environmental assessment laws and regulations, including the relevant disclosure of information and public consultation requirements, and should be developed following principles of good international industry practice (see Bibliography for further guidance).

GN24. The ESIA process predicts and assesses the project's potential adverse impacts and risks, in quantitative terms to the extent possible. It evaluates environmental and social risks and impacts from associated facilities and other third party activities. The ESIA identifies and defines a set of environmental and social mitigation and management measures to be taken during the implementation of the project to avoid, minimize, or compensate/offset for risks and adverse environmental and social impacts, in the order of priority, and their timelines; it also identifies any residual negative impacts that cannot be mitigated (see also paragraphs GN60–GN61 on the application of the mitigation hierarchy). The desired outcomes of the mitigation and management measures should be set as measurable events to the extent possible, such as performance indicators, targets or acceptance criteria that can be tracked over defined time periods. The process indicates the responsibilities required for implementation of the mitigation and management program. The ESIA also identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention. For those projects with potential significant adverse impacts predominantly in the social area (e.g., involuntary resettlement), the impacts and risks identification process should largely focus on generating appropriate social baseline data, impacts analysis, and mitigation measures (e.g., Resettlement Action Plan).

GN25. For greenfield developments, the ESIA includes an examination of technically and financially feasible alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed. The purpose of the alternatives analysis is to improve decisions on project design, construction, and operation based on feasible alternatives to the proposed project. This

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analysis may facilitate the consideration of environmental and social criteria at the early stages of development and decision-making based on the differences between real choices. The alternatives analysis should be conducted as early as possible in the process and examine feasible alternatives; alternative project locations, designs, or operational processes; or alternative ways of dealing with environmental and social impacts.

GN26. The client should ensure that appropriate programs are implemented to verify that the terms and conditions for approvals from relevant government authorities are met and to conduct monitoring activities to measure and evaluate the effectiveness of mitigation measures.

#### Limited or Focused Environmental and Social Assessments

GN27. The projects to be financed may consist of specific activities with potential limited adverse environmental and social risks and/or impacts, for which the development of a full-scale ESIA is not required by the host country's environmental assessment laws and regulations. These projects may include, for example, modernization and upgrade of existing production facilities, not involving major expansions or transformations; real estate projects in urban areas and/or developed areas with the needed infrastructure; development of social infrastructure such as health and education facilities, etc. For these projects, the clients should conduct limited or focused environmental and social assessments that are narrower in scope than a full-scale ESIA, and that are specific to potential environmental and social (including labor, health, safety, and security) risks and/or impacts identified as associated with the project. For certain of these projects, confirmation and documentation of the application of environmental siting, pollution standards, design criteria, or construction standards should be appropriate.

GN28. The scope of the limited or focused analyses and assessments needed should be defined through the process of initial screening (see paragraph GN18). During the screening process, the client should review in a systematic and documented manner the potential environmental and social risks and impacts of the project to be financed, and determine the need to (i) eliminate or minimize (mitigate) the identified risks and impacts; (ii) modify the project plan; or (iii) conduct further focused assessment. Examples of focused assessments include air pollutant emissions and air quality impact studies, noise and vibration studies, water resources impact studies, contamination investigations and assessments, traffic studies along transport corridors, social baselines, resettlement evaluations and labor audits.

#### Risk/Hazard Assessments

GN29. As discussed under Performance Standard 3: Resource Efficiency and Pollution Prevention, where a project (either greenfield or existing assets) has the potential to release toxic, hazardous, flammable or explosive material, or where project operations could result in injury to plant personnel or the public as identified by the risks and impacts identification process, the client should conduct a hazard analysis and risk assessment. Hazard analysis is often conducted in conjunction with Hazard Identification (HAZID) studies, Hazard and Operability (HAZOP) studies, and quantitative risk assessments (QRAs). Examples of other risk/hazard assessments include life and fire safety assessments (as required under Performance Standard 4: Community Health and Safety), and human health and environmental risk assessments (e.g., industrial facilities with significant emissions to the environment, brownfield development projects with potential existing contamination and involving conversion from industrial to commercial or residential uses). Further guidance on risk/hazard assessments is provided in the Bibliography.

#### Environmental and Social Audits

GN30. Environmental and social audits (or due diligence) can be appropriate in the case of projects that involve existing assets, as well as property and asset acquisitions. If assets to be developed, acquired or financed have yet to be defined, the establishment of an environmental and social due diligence process can be sufficient to ensure that risks and impacts will be adequately identified at some

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point in the future when the physical elements, assets, and facilities are reasonably understood. Audits should be used to identify risks and impacts, and to evaluate the effectiveness of the management system in place, conformity with the Performance Standards, and regulatory compliance. Environmental and social audits should provide identification and quantification of environmental and social risks and impacts, including liability, in a systematic, documented and objective process. The audit should document the main environmental and social aspects associated with the asset (e.g., air emissions, wastewater effluents, hazardous waste generated, historical pollution and contaminated sites, land acquisition issues, occupational health and safety, public/community safety, labor management and standards, impacts on cultural resources, internal and external grievances, disputes), and identify the key environmental and social risks and impacts associated with the asset, including areas of past, current or potential future non-compliance with national requirements and the Performance Standards. The audit should also assess management and mitigation measures, and identify additional corrective actions required to ensure compliance. Improvement opportunities should be considered and identified, including, but not limited to, energy efficiency, cleaner technologies, water use reduction, emission reduction, safer working conditions, and community development programs. Audits should be aimed at establishing the baseline for the implementation of corrective actions and development of an effective ESMS for the project to be financed. For further guidance regarding labor audits (refer to Performance Standard 2 and its accompanying Guidance Note).

#### Global Impacts

GN31. While individual project impacts on climate change, ozone layer, biodiversity or similar environmental issues may not be significant, when taken together with impacts created by other human activities, they can become nationally, regionally or globally significant. When a project has the potential for large-scale impacts that can contribute toward adverse global environmental impacts, the identification process should consider these impacts. Specific requirements and guidance on biodiversity and ecosystem services can be found in Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources and its accompanying Guidance Note, while climate change considerations can be found below, as well as in Performance Standard 3 and its accompanying Guidance Note, where project-related risks and impacts associated with greenhouse gases and ozone-depleting substances are discussed.

#### Climate Change

GN32. Changing weather patterns due to climate change, including climate variability and extremes, may affect projects in a variety of ways, including physical risks arising from damage associated with significant climatologic events, such as storms or floods, but also including impacts associated with availability of natural resources such as water or other ecosystem services, and potential effects on the supply chain (e.g., increasing costs of raw materials), as well as on operations or working practices of the projects. Other potential effects associated with change in climatic conditions are related to possible changing patterns in demand for goods and services provided by the projects to be financed.

GN33. A project's vulnerability to climate change and its potential to increase the vulnerability of ecosystems and communities to climate change should dictate the extent of climate change considerations in the risks and impacts identification process. Project vulnerability is a function of the type of infrastructure involved, the activities supported by the project, and the geographical location of the project. As defined by the Intergovernmental Panel on Climate Change (IPCC), vulnerability is the degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate change and variation to which a system is exposed, its sensitivity, and its adaptive capacity.

GN34. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts and is located in an area of recognized climate risk, the client should

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consider incorporating certain aspects related to climate into its baseline analyses, using climatologic data and accounting for projected variability in climatic and environmental conditions that could occur over the life of the project. The client should use the most current climatologic data in the design of project's infrastructure, and for other relevant studies, such as, for example, pollutant fate and transport models, and water resources impact studies.

GN35. Specific identification of risks associated with climate change should be conducted for projects located in recognized climate sensitive areas (i.e., those potentially affected by impacts of climate-related stimuli, including extreme weather events, such as floods and droughts, extended periods of warm temperatures, variability in precipitation, windstorms, cold spells and freeze-thaw cycles, coastal erosion, and coastal flooding due to sea-level rise). The identification process should (i) identify potential direct and indirect climate-related adverse effects that may affect the project during its life-cycle, (ii) identify potential direct and indirect climate-related adverse effects that may be exacerbated by the project, and (iii) define monitoring program and mitigation and adaptation measures, as appropriate.

#### Transboundary Impacts

GN36. Transboundary impacts are impacts that extend to multiple countries, beyond the host country of the project, but are not global in nature. Examples include air pollution extending to multiple countries, use or pollution of international waterways,<sup>GN2</sup> and transboundary epidemic disease transmission.<sup>GN3</sup> If the risks and impacts identification process determines that (i) the project entails activities that may cause adverse effects through air pollution or abstraction of water from or pollution of international waterways; (ii) the affected countries and the host country have entered into any agreements or arrangements or have established any institutional framework regarding the potentially affected airshed, waterway, subsurface water, or other resources; or (iii) there are unresolved differences between the affected countries and host country regarding the potentially affected resource, and the likelihood of a resolution is not imminent, the client should determine the need to meet any obligations to relevant government authorities.

#### Cumulative Impacts

GN37. Government concessions and/or business developments often concentrate around available natural resources (e.g., watersheds with hydro-electric potential, wind resources, coastal port zones, oil reserves, mining resources, forests), potentially leading to multiple projects in the same geographical area. Multiple environmental and social impacts from existing projects, combined with the potential incremental impacts resulting from proposed and/or anticipated future projects may result in significant cumulative impacts that would not be expected in the case of a stand-alone project or business activity.

GN38. As outlined in paragraph 8 of Performance Standard 1, where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the risks and impacts identification process should include an assessment of the combined effects of the multiple components associated with the project (e.g., quarries, roads, associated facilities) in the context of the

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<sup>GN2</sup> IFC defines an international waterway as: (i) any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more states, whether IFC members or not; (ii) any tributary or other body of surface water that is a component of any waterway described in (i) above; and (iii) any bay, gulf, strait, or channel bounded by two or more states or, if within one state, recognized as a necessary channel of communication between the open sea and other states—and any river flowing into such waters.

<sup>GN3</sup> Transboundary epidemic disease transmission is well known and has been observed in many settings. Many infectious diseases, such as cholera, influenza and meningitis, can be rapidly and easily spread across national borders, particularly when a project attracts a large influx of potential job seekers during a construction phase. Similarly, a project may bring in large numbers of overseas workers for short-term specialty construction work. In some situations, the disease spectrum of the imported workers may be quite different than the host country and/or the project's affected communities, e.g., multi-drug resistant tuberculosis, *vivax* versus *falciparum* forms of malaria. In some cases, it may be appropriate to consider the potential for global or regional level disease epidemic transmission, e.g., avian influenza, H1N1, and SARS.



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project's area of influence. The determination of the project's area of influence should take into consideration the findings and results of any related cumulative, regional, sectoral, or strategic environmental assessments that may have been undertaken by a government authority. In situations where multiple projects occur in, or are planned for, the same geographic area, as described above, it may also be appropriate for the client to conduct a Cumulative Impact Assessment (CIA) as part of the risks and impacts identification process. In certain instances, however, it may not be practical or appropriate for the CIA to be performed by the client or individual project developers: for example (i) impacts from multiple existing and future third party projects or developments over a large area that may cross jurisdictional boundaries (e.g., watershed, airshed, forest), (ii) effects that may have occurred or will occur over a longer period of time, (iii) impacts on specific ecosystem components or characteristics that will increase significance and/or irreversibility when evaluated in the context of a series of existing or future third party projects or developments, and not just in the context of effects associated with the project under review. In those situations, where cumulative impacts are likely to occur from activities by third parties in the region and the impacts from the client's own operations are expected to be a relatively small amount of the cumulative total, a regional or sectoral assessment may be more appropriate than a CIA. For further guidance on such assessments see paragraph GN54 below.

GN39. Cumulative impacts are those that result from the incremental impact of the project when added to other existing, planned and reasonably predictable future projects and developments. Examples of cumulative impacts include effects on ambient conditions such as incremental contribution of pollutant emissions in an airshed, increase in pollutant concentrations in a water body, in soil or sediments or bioaccumulation, reduction of water flow in a watershed due to multiple withdrawals, increases in sediment loads to a watershed or increased erosion, interference with migratory routes or wildlife movement, increased pressure on the carrying capacity or the survival of indicator species in a given ecosystem, wildlife population reduction due to increased hunting, road kills and forestry operation, depletion of a forest as a result of multiple logging concessions, secondary or induced social impacts, such as in-migration, or more traffic congestion and accidents along community roadways due to increases in transport activity in a project area of influence.

GN40. Even though cumulative impacts may not necessarily be different in quality from impacts analyzed in an ESIA focused on the specific area and timeframe related to the project's direct footprint and execution timetable, a CIA enlarges the scale and timeframe of the assessment. At a practical level, the critical element of such an assessment is to determine how large an area around the project should be assessed, what an appropriate period of time is, and how to practically assess the complex interactions among different projects occurring at different times. Because a CIA transcends a single project development, the resulting potential management or mitigation measures typically require participation from a larger and more diverse number of stakeholders in order to be coordinated and implemented. Furthermore, the active participation of government authorities is typically required to assess the incremental contribution of each project to the cumulative impacts, monitor and enforce the implementation of the mitigation measures corresponding to each project, identify the additional mitigation measures required, and coordinate, ensure and document their implementation. In all other ways a CIA is fundamentally similar to an ESIA and, therefore often relies on established ESIA practices, including scoping, analysis of effects, evaluation of significance, identification of mitigation measures, and follow-up.<sup>GN4</sup>

GN41. Paragraph 8 of Performance Standard 1 requires that, where the project to be financed involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the risks and impacts identification process by the client identifies and assesses cumulative impacts from

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<sup>GN4</sup> A good CIA reference for practitioners can be found in <http://www.ceaa-acee.gc.ca/default.asp?lang=En&n=43952694-1&toc=show>

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further planned development of the project and other project-related developments, any existing project or condition whose impacts may be exacerbated by the project, and other developments of the same type that are realistically defined at the time of the risks and impacts identification process. Impacts from unplanned but predictable developments caused by the project that may occur later or at a different location should also be identified and assessed. The assessment should be commensurate with the incremental contribution, source, extent, and severity of the cumulative impacts anticipated, and be limited to only those impacts generally recognized as important on the basis of scientific concerns and/or concerns from Affected Communities. Potential impacts that would occur without the project or independently of the project should not be considered. The geographic and temporal boundaries of the assessment should depend on the screening and identification of potential cumulative impacts that correspond to the criteria indicated above. The assessment should determine if the project is incrementally responsible for adversely affecting an ecosystem component or specific characteristic beyond an acceptable predetermined threshold (carrying capacity) by the relevant government entity, in consultation with other relevant stakeholders. Therefore, although the total cumulative impacts due to multiple projects are typically identified in government sponsored assessments, the client should ensure that its assessment determines the degree to which the project under review is contributing to the cumulative effects.

GN42. The client's baseline study should identify any relevant condition associated with existing projects that could be exacerbated by the project to be financed and could lead to cumulative impacts. In terms of anticipated future projects, priority should be given to assessing cumulative impacts stemming from the project being considered for financing, such as further planned developments associated with the project and other future developments of the same type in the project's area of influence that are realistically defined at the time of the assessment (this may include any combination of developments which are either proposed, licensed or for which permits exist).

GN43. Where appropriate, the client should use commercially reasonable efforts to engage relevant government authorities, other developers, Affected Communities, and, where appropriate, other relevant stakeholders, in the assessment, design, and implementation of coordinated mitigation measure to manage the potential cumulative impacts resulting from multiple projects in the same project's area of influence.

#### Business and Human Rights

GN44. The key human rights concepts can be found in the International Bill of Rights, consisting of the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR), and the International Covenant on Economic, Social and Cultural Rights (ICESCR).<sup>GN5</sup> While states have the primary duty to implement the obligations contained in these instruments, private sector companies have a responsibility to respect these human rights in their operations. Several important business and human rights analyses recently examined the relevance of rights in the International Bill of Rights to projects, and concluded that, while the possibility that businesses can impact all human rights expressed in the International Bill of Rights cannot be ruled out, there are certain rights that are of particular relevance to the conduct of business.<sup>GN6</sup>

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<sup>GN5</sup> Other core international human rights treaties focus on women's rights, torture, children's rights, migrants, enforced disappearance, and persons with disabilities. For additional information, and the text of each treaty, see <http://www2.ohchr.org/english/law/index.htm>. Based on their circumstances, clients may need to consider these and other instruments of international human rights and humanitarian law.

<sup>GN6</sup> UN Human Rights Council, *Protect, Respect and Remedy: a Framework for Business and Human Rights: Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie*, April 2008, A/HRC/8/5; *Human Rights Translated: A Business Reference Guide*, Castan Centre for Human Rights Law, International Business Leaders Forum, Office of the United Nations High Commissioner for Human Rights, and

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GN45. Business responsibility to respect human rights has been elaborated by the Special Representative of the Secretary-General (SRSG) on Business and Human Rights, who established a “Protect, Respect and Remedy” framework resting on three pillars: the state duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and greater access by victims to effective remedy, both judicial and non-judicial. The *Guiding Principles* for the implementation of this framework elaborate on the operationalization of the “Protect, Respect and Remedy” framework. The *Guiding Principles* emphasize that corporate responsibility to respect human rights applies to all human rights and to all business enterprises, including through their relationships with other parties. Performance Standard 1 reflects the “respect” and “remedy” aspects of the SRSG Framework.

GN46. While not directly addressed in the Performance Standards, companies should also be mindful that agreements they negotiate with host governments, concessions, and similar entities not be drafted in a way that could interfere with the human rights of parties potentially affected by the project, and the state’s bona fide efforts to meet its human rights obligations. States fulfill their human rights obligations in part by passing and enforcing laws. When negotiating stabilization clauses in these contracts, companies should not propose to impose economic or other penalties on the State in the event that the State introduces laws that are of general application and reflect international good practice in areas such as health, safety, labor, the environment, security, non-discrimination, and other areas that concern business and human rights.<sup>GN7</sup>

GN47. If the client decides to undertake business human rights due diligence, as noted in footnote 12 of Performance Standard 1, the client may find it helpful to refer to the human rights aspects of the risks and impacts identification and management processes as well as several scenarios of human rights risks presented in the *Guide to Human Rights Impacts Assessment and Management*, a joint publication of the International Business Leaders Forum and IFC (see Bibliography).

#### Disadvantaged or Vulnerable Groups

GN48. There may be individuals or groups within the project’s area of influence who are particularly vulnerable or disadvantaged and who could experience adverse impacts from the proposed project more severely than others. Large-scale projects with a large area of influence and multiple Affected Communities are more likely to expose these individuals and groups to adverse impacts than smaller-scale projects with site-specific issues. Where it is anticipated that the project to be financed will impact one or more Affected Communities, the risks and impacts identification process should use accepted sociological and health methods to identify and locate vulnerable individuals or groups within the Affected Community population, collecting data on a disaggregated basis. Using this disaggregated information, the client should assess potential impacts, including differentiated impacts, on these individuals and groups and propose specific (and if necessary separate) measures in consultation with them to ensure that potential impacts and risks are appropriately avoided, minimized, mitigated or compensated. Vulnerable or disadvantaged individuals and groups should be able to benefit from project opportunities equally with the rest of the Affected Communities; this may require that differentiated benefit-sharing processes and levels (such as ensuring that compensation for a house taken during resettlement is provided equally to the woman and man of the household, providing training for individuals or groups who might lack the necessary skills to find a job with the project, ensuring access to medical treatments for medical conditions resulting from the projects, etc.) are available. Project monitoring should track these

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United Nations Global Compact Office, 2008; and the Human Rights Compliance Assessment tool of the Danish Institute for Human Rights (v1 and v2).

<sup>GN7</sup> See also Addendum: Principles for responsible contracts: integrating the management of human rights risks into State-investor contract negotiations: guidance for negotiators, A/HRC/17/31/Add.3. Many of the concepts contained in the Principles for responsible contracts are also found in the Performance Standards.

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individuals or groups on a disaggregated basis. Specific considerations and measures for Indigenous Peoples are described in Performance Standard 7 and the accompanying Guidance Note.

#### Disability

GN49. There are country laws, regulations, and other guidance pertaining specifically to people with disabilities, who may be highly vulnerable to disproportionate impact from the projects to be financed. Where no adequate legal framework exists, the client should identify appropriate alternatives to avoid, minimize, mitigate or compensate for potential adverse impacts and risks on people with disabilities. The alternatives should be focused on creating access to the resources and services for the community (e.g., accessibility to education, medical assistance, training, employment, tourism, and consumer goods; and physical accessibility to transportation, schools, hospitals/clinics, work facilities, hotels, restaurants, stores, and other commercial areas). See the Bibliography for *A Design Manual for a Barrier Free Environment*, and *The U.S. Access Board*. Clients should also consider incorporating the principles of universal design (defined as the design of products, environments, programs and services to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design<sup>GN8</sup>) into design, construction, and operation (including emergency and evacuation plans), whether new construction or restructuring, expansion, or modernization of facilities, to maximize use by all potential users, including people with disabilities. Also see Performance Standard 4 and the accompanying Guidance Note.

#### Gender

GN50. Projects may have different impacts on women and men, due to their differentiated socioeconomic roles and their varying degrees of control over and access to assets, productive resources, and employment opportunities. There may be norms, societal practices, or legal barriers that impede the full participation of persons of one gender (usually women, but potentially men) in consultation, decision-making, or sharing of benefits. These legal and societal norms and practices may lead to gender discrimination or inequality. Gender-differentiated impacts should be assessed and the risks and impacts identification process should propose measures designed to ensure that one gender is not disadvantaged relative to the other in the context of the project. This may include providing opportunities to enhance full participation and influence in decision-making through separate mechanisms for consultation and grievances, and developing measures that allow both women and men equal access to benefits (such as land titles, compensation, and employment).

#### Third Party Impacts

GN51. The client may have limited or no leverage on third parties, such as a government agency in charge of controlling in-migration in the area, or an illegal logging operation taking advantage of access roads through forests. Nonetheless, the project's area of influence should encompass facilities and activities by third parties that are essential for the successful operation of the project, and the risks and impacts identification process for a project with a large area of influence should identify the roles of third parties and the potential impacts and risks from their actions or non-performance. Clients should collaborate with third parties and take action to the extent of their influence or control over them.

GN52. Among these third parties are operators of associated facilities (see paragraph 8 of Performance Standard 1) that have a particularly close relationship with the project. Because of this relationship, the client should normally have some commercial leverage on the operators of such facilities. Where such leverage allows, undertakings can be secured from these operators to operate their facilities consistent with the applicable Performance Standards. In addition, the client should identify its

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<sup>GN8</sup> "Universal design" shall not exclude assistive devices for particular groups of persons with disabilities where this is needed (Article 2 of the United Nation Convention on the Rights of Persons with Disabilities adopted December 13, 2006).

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own actions, if any, that could support or supplement the actions of the operators of the associated facilities.

#### Supply Chain Consideration

GN53. As with the third party impacts and risks described above, projects' relationships with primary supply chains could pose a particular challenge in certain sectors. The client should identify the roles, impacts and risks associated with its supply chain in relation to labor issues (child and forced labor and significant occupational health and safety risks) and biodiversity, as defined in Performance Standard 2 and Performance Standard 6. Generally, where the client can reasonably exercise control, the client should collaborate with its primary suppliers to propose mitigation measures proportionate to identified risks on a case-by-case basis, while recognizing that assessing and addressing supply chain implications beyond the first or the second tier suppliers may not be practical or meaningful to the client or the supplier. Additional information on addressing labor issues of the client's supply chain, particularly those related to child labor, forced labor and occupational health and safety risks, can be found in Performance Standard 2 (paragraphs 27 through 29) and the accompanying Guidance Note 2. For issues associated with biodiversity in the supply chain, see Performance Standard 6 (paragraph 30) and the accompanying Guidance Note 6.

#### Regional, Sectoral, or Strategic Assessments

GN54. Performance Standard 1 requires that, where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the identification of risks and impacts should take into account the findings and conclusions of related and applicable plans, studies, or assessments prepared by relevant government authorities that are directly related to the project and its area of influence. These include master economic development plans, regional plans, feasibility studies, alternatives analyses, and cumulative environmental assessments where relevant. In exceptional circumstances, however, regional, sectoral, or strategic environmental and social assessment may be required in addition to the ESIA. These assessments, however, are typically carried out by the public sector.

GN55. Regional assessment may be required when a project to be financed or a series of project-related developments are expected to have a significant regional impact or influence regional development (e.g., an urban area, a watershed, or a coastal zone), and may also be appropriate where the project's area of influence spans two or more countries, or where project-related impacts are likely to occur beyond the host country. Sectoral assessment may be required when several projects are proposed in the same or related sector (e.g., power, transport, or agriculture) in the same country, either by the client alone or by the client and others (where the client has a major role). Strategic assessment examines impacts and risks associated with a particular strategy, policy, plan, or program, often involving both the public and private sectors, and may be required when the client is a major player in the development of the strategy, policy, plan, or program. Regional, sectoral, or strategic assessment may also be necessary to evaluate and compare the impact of alternative development options, assess legal and institutional aspects relevant to the risks and impacts, and recommend broad measures for future environmental and social management.

#### Documentation of Risks and Impacts Identification Process

GN56. The outcome of the risks and impacts identification process should be documented. The process may result in one or more documents with separate analysis, particularly when the client engages various experts to address multiple Performance Standards. In certain cases, documentation of application of environmental siting, pollution standards, design criteria, or construction standards may suffice.



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GN57. Projects involving specifically identified physical elements, aspects and facilities that are likely to generate limited adverse impacts and risks need documentation on the risks and impacts screening process, risks and impacts analysis, proposed mitigation measures, and the process of disclosure of information, and stakeholder engagement (if there are Affected Communities). At a minimum, clients should document the following:

- The project and its environmental and social aspects, including maps and drawings
- A delineation or description of the project's area of influence, including maps
- Environmental and health and safety performance levels established for the project, compliance with the legal and regulatory framework, consistent with the applicable Performance Standards
- Potential adverse impacts and risks identified, including the identification of the Affected Communities
- Planned mitigation and any areas of concern that need to be further addressed
- The process of stakeholder engagement

GN58. For projects involving specifically identified physical elements, aspects and facilities that are likely to generate significant adverse impacts and risks, a formal ESIA report should be prepared in compliance with applicable and relevant legal requirements, as required, and in accordance with good international industry practice (for additional guidance, see the Bibliography). For these projects, summaries of analyses should explain findings clearly and objectively, and be understandable to laypersons.

GN59. When projects involve auditing (or otherwise targeted analyses) of existing facilities, environmental and social audit reports and hazard/risk assessment reports should be prepared in accordance with accepted international practice. See Annex A for a discussion of the process used to conduct such audits and some examples of accepted practice.

GN60. If assets to be developed, acquired or financed have yet to be defined, the client should document the establishment of an environmental and social due diligence process ensuring that risks and impacts will be adequately identified at some point in the future when the physical elements, assets, and facilities are reasonably understood.

#### *Management Programs*

**13. Consistent with the client's policy and the objectives and principles described therein, the client will establish management programs that, in sum, will describe mitigation and performance improvement measures and actions that address the identified environmental and social risks and impacts of the project.**

**14. Depending on the nature and scale of the project, these programs may consist of some documented combination of operational procedures, practices, plans, and related supporting documents (including legal agreements) that are managed in a systematic way.<sup>19</sup>**

**The programs may apply broadly across the client's organization, including contractors and primary suppliers over which the organization has control or influence, or to specific sites, facilities, or activities. The mitigation hierarchy to address identified risks and impacts will**

<sup>19</sup> Existing legal agreements between the client and third parties that address mitigation actions with regard to specific impacts constitute part of a program. Examples are government-managed resettlement responsibilities specified in an agreement.

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***favor the avoidance of impacts over minimization, and, where residual impacts remain, compensation/offset, wherever technically<sup>20</sup> and financially feasible.<sup>21</sup>***

***15. Where the identified risks and impacts cannot be avoided, the client will identify mitigation and performance measures and establish corresponding actions to ensure the project will operate in compliance with applicable laws and regulations, and meet the requirements of Performance Standards 1 through 8. The level of detail and complexity of this collective management program and the priority of the identified measures and actions will be commensurate with the project's risks and impacts, and will take account of the outcome of the engagement process with Affected Communities as appropriate.***

***16. The management programs will establish environmental and social Action Plans,<sup>22</sup> which will define desired outcomes and actions to address the issues raised in the risks and impacts identification process, as measurable events to the extent possible, with elements such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, and with estimates of the resources and responsibilities for implementation. As appropriate, the management program will recognize and incorporate the role of relevant actions and events controlled by third parties to address identified risks and impacts. Recognizing the dynamic nature of the project, the management program will be responsive to changes in circumstances, unforeseen events, and the results of monitoring and review.***

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<sup>20</sup> Technical feasibility is based on whether the proposed measures and actions can be implemented with commercially available skills, equipment, and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity, and operational reliability.

<sup>21</sup> Financial feasibility is based on commercial considerations, including relative magnitude of the incremental cost of adopting such measures and actions compared to the project's investment, operating, and maintenance costs, and on whether this incremental cost could make the project nonviable to the client.

<sup>22</sup> Action plans may include an overall Environmental and Social Action Plan necessary for carrying out a suite of mitigation measures or thematic action plans, such as Resettlement Action Plans or Biodiversity Action Plans. Action plans may be plans designed to fill in the gaps of existing management programs to ensure consistency with the Performance Standards, or they may be stand alone plans that specify the project's mitigation strategy. The "Action plan" terminology is understood by some communities of practice to mean Management plans, or Development plans. In this case, examples are numerous and include various types of environmental and social management plans.

GN61. If the risks and impacts identification process confirms potential impacts and risks associated with the project, clients should develop a program of measures and actions to avoid, minimize, compensate for or offset potential adverse impacts, or to enhance positive or beneficial impacts. As a general principle, for adverse environmental and social impacts, the risks and impacts identification process should apply a mitigation hierarchy, focusing on measures to prevent these from occurring in the first place, as opposed to minimization, mitigation, or compensation. This is not always possible and mitigation measures should be drawn from options that are technically and financially feasible (as defined in footnotes 21 and 22 of Performance Standard 1). The adoption of a mitigation hierarchy should be documented and, where trade-offs between avoidance and mitigation/compensation are considered, these should also be documented. The client should consider economic, financial, environmental and social costs and benefits and identify to which parties these accrue. Where these impacts are within the client's capacity to control or influence, the client should capture the mitigation or corrective measures in a management program, and implement these through the ESMS.

GN62. Adoption of a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize, or compensate/offset for risks and impacts to workers, Affected Communities, and the environment is widely regarded as a good international industry practice approach to managing

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environmental and social risks and impacts. As such, it is a general principle of the Performance Standards that clients adopt (and demonstrate to have adopted) an approach consistent with this practice, as follows:

- Avoidance requires the client to identify and, where available and technically and financially feasible, make changes to the project's design (or potential location) to avoid adverse risks and impacts on social and/or environmental features. Avoidance is considered to be the most acceptable form of mitigation.
- Minimization: where avoidance is not possible, adverse impacts and risks can be minimized through environmental and social measures/treatments/design. Acceptable options to minimize will vary and include: abate, rectify, repair, and/or restore impacts, as appropriate.
- Compensation/Offset: where avoidance or minimization measures are not available, it may be appropriate to design and implement measures that compensate/offset for residual risks and impacts. It should be noted that these measures do not eliminate the identified adverse risks and impacts, but they seek to offset it with an (at least) comparable positive one.

The risks and impacts mitigation hierarchy is further discussed and specified in the context of Performance Standards 2 through 8, where relevant.

GN63. The level of detail and complexity of the management program should be commensurate with the anticipated impacts and risks of the project. For projects with significant potential adverse impacts and risks where a full-scale ESIA is required, the management program should address all the environmental and social risks and impacts identified by the assessment process and documented in the appropriate assessment report and should include any management or action plans, procedures, practices, and legal agreements so that all mitigation measures are managed in a systematic way.

GN64. For projects with limited potential adverse impacts and risks, the management program should address those limited impacts and/or risks, and is likely to be less elaborate. In the case of existing facilities, the management program is likely to include corrective measures and plans to address areas of improvement identified in the environmental and social audits as described above. Similarly, the management program should reflect the findings of, and include specific recommended actions devolving from specialized assessments and studies such as those described above in this Guidance Note.

GN65. Certain types of projects may result in, or contribute to, cumulative, transboundary and global impacts. Where the incremental contribution of the projects under evaluation is believed to be significant, the management program should include specific actions and mitigation measures that contribute to and support efforts to be carried out by relevant authorities to manage and monitor these larger-scale impacts.

GN66. The management program should apply broadly across the client's organization, including its contractors and primary suppliers over which the client has control or influence, and to specific sites, facilities, or activities. The program will include provisions and agreements relevant to associated facilities, as appropriate. For some projects, the risks and impacts associated with supply chains may be significant. In such cases, these impacts should be assessed, and clients should collaborate with third parties (as appropriate) to take actions related to supply chain risks and impacts, to the extent of their influence or control over such parties. All such actions should be incorporated into the client's management program.

GN67. As part of the management program, the client may wish to establish its own internal performance measures so as to enhance positive impacts and the desired outcomes as measurable events to the extent possible. These include measures such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, to ensure continuous improvement of performance in these areas.

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GN68. The client should determine and document adequate allocation of financial resources and designate responsible personnel within the client's organization to implement the management program.

GN69. Taking into account the result of the risks and impacts identification process, including the result of consultation during this process, the management programs should include Environmental and Social Action Plans (understood by some communities of practice as Management Plans, or Development Plans), which should focus on the measures and actions necessary for the client to address the issues raised in the risks and impacts identification process, to comply with applicable national laws and regulations, and to meet the requirements of the applicable Performance Standards. Action plans may include an overall Environmental and Social Action (or Management) Plan necessary for carrying out a suite of mitigation measures or thematic plans, resulting from the risks and impacts identification process, including various types of environmental, health, and social management plans (e.g., Resettlement Action Plans, Biodiversity Action Plans, Water Resources Management Plans, Ecosystem Restoration Plans, Community Safety Plans, Community Development Plans or Indigenous People Plans). Action plans may be plans designed to fill in the gaps of existing management programs to ensure consistency with the Performance Standards, or they may be stand alone plans that specify the project's mitigation strategy. The Action plans can exclude information that is of an internal nature, such as proprietary information, cost data, information that would compromise project site security and safety, and detailed procedures, business processes, and instructions for workers (which should be included in the management program).

GN70. Effective management programs have an adaptive approach. Monitoring of environmental and social conditions and review of the program, following implementation of actions and mitigations, are fundamental elements of an adequate management system. The client should develop and implement procedures to adjust policies and operations, and adapt actions and mitigations as appropriate based on the environmental and social monitoring data. This iterative process promotes flexible decision making that takes into consideration uncertainties, recognizes the importance of variability of the social and natural systems, and can be adjusted as outcomes from management actions, mitigations and other events become better understood.

GN71. Independent due diligence of projects, conducted by financiers, may result in finding that the client needs to carry out additional measures and actions to ensure compliance with the Performance Standards, host country law, or other obligations beyond actions identified by the client in its management programs. Where such findings are made, those additional measures and actions should be incorporated into the client's management program, and should typically include a description of additional measures and actions identified to ensure compliance with Performance Standards, responsible entity for implementation of the actions and measures, relevant completion indicators and agreed timeline.

#### *Organizational Capacity and Competency*

**17. The client, in collaboration with appropriate and relevant third parties, will establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. Specific personnel, including management representative(s), with clear lines of responsibility and authority should be designated. Key environmental and social responsibilities should be well defined and communicated to the relevant personnel and to the rest of the client's organization. Sufficient management sponsorship and human and financial resources will be provided on an ongoing basis to achieve effective and continuous environmental and social performance.**

**18. Personnel within the client's organization with direct responsibility for the project's environmental and social performance will have the knowledge, skills, and experience**

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*necessary to perform their work, including current knowledge of the host country's regulatory requirements and the applicable requirements of Performance Standards 1 through 8. Personnel will also possess the knowledge, skills, and experience to implement the specific measures and actions required under the ESMS and the methods required to perform the actions in a competent and efficient manner.*

**19. The process of identification of risks and impacts will consist of an adequate, accurate, and objective evaluation and presentation, prepared by competent professionals. For projects posing potentially significant adverse impacts or where technically complex issues are involved, clients may be required to involve external experts to assist in the risks and impacts identification process.**

GN72. Successful implementation of the management program calls for the commitment of management and employees of the client's organization. Accordingly, the client should designate specific in-house personnel, including management representative(s), with clear lines of responsibility and authority for environmental and social issues. The management representative(s) is a key function within the organization. The management representative(s) should act as a link between senior decision makers and those working in functions/departments within the organization that need to implement, and maintain environmental and social management and mitigation measures. The management representative(s) should be a part of the senior management team.

GN73. As management systems have evolved, so has the recognition that their success depends on efforts of those within departments that have perhaps traditionally been seen to be beyond the reach of environmental and social issues. Departments or entities such as human resources, production areas, procurement, maintenance or other specialist functions are to be considered important contributors to management system success. Whereas it is expected that the management of environmental and social issues will continue to be led by environmental and social professionals, how an organization integrates this into the business as a whole can greatly affect the success of dealing with environmental and social risks and impacts. The role of individuals within the above departments should be relative to the identified environmental and social risks and impacts. For example, managing training needs (human resources), contracts and contractor performance (procurement), up-keep of equipment to boost pollution control and energy efficiency and avoid spills, leaks or other emergency situations (maintenance) and material storage and handling and waste minimization (production areas) are but a few examples where those not considered environmental and social professionals can be found to play a role. Leveraging the focused contributions from many people throughout an organization, under the guidance of environmental and social professionals, is seen to be a cost-effective and intelligent way to manage an organization's environmental and social risks. Organizations should carefully consider then how they will work to integrate requirements associated with risks and impacts throughout all elements of the organization so as to best manage them according to their policy. If functions are outsourced to contractors or third parties, the client's agreement with these parties should include actions and measures necessary for the parties to perform the agreement consistent with the management system and programs. In large or complex organizations multiple personnel or operational units may be designated. In small- or medium-sized enterprises, these responsibilities may be undertaken by one individual. Key environmental and social responsibilities should be well defined and communicated to relevant personnel, as well as to the rest of the organization. Appropriate human and financial resources should be allocated to those designated as responsible for the implementation of the management system and programs and any additional performance measures. Some questions that may be useful for clients to assess adequacy of their capacity and process are as follows:

- How does the client's organization identify and allocate the human, technical, and financial resources, including external experts, necessary to manage environmental and social performance?



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- How has environmental and social management been integrated into the overall business management process?
- What is the process for balancing and resolving conflicts between social, environmental and other business objectives and priorities?
- What are the responsibilities and accountability of personnel who manage, perform, and verify work affecting environmental and social issues, and are these well defined and documented?
- How has top management established, reinforced and communicated organizational commitment?
- Is there a process for periodic review of the management system in the event of changed project circumstances?

GN74. Clients can use in-house staff and/or external consultants (referred to in the Performance Standards and Guidance Notes as “competent professionals”) or external experts (referred to in the Performance Standards and Guidance Notes as “external experts”) to carry out the risks and impacts identification process, provided that the applicable requirements of the Performance Standards are met. The competent professional(s) conducting the risks and impacts identification process must be in a position to do so adequately, accurately and objectively, as well as have the requisite competency and experience. For projects with issues that may pose significant adverse impacts and risks, clients should (and may be required to) retain qualified external experts to assist in the conduct of all or part of the environmental and social assessment. To be considered qualified, these external experts should be required to have substantive and extensive experience in similar projects. They should be involved or engaged early in the project’s development phase and, as necessary, in the various stages of design, construction, and commissioning of the project. In addition, the services of qualified external experts are typically required in certain defined circumstances, on issues concerning resettlement (as provided in Performance Standard 5), biodiversity (as provided in Performance Standard 6), Indigenous Peoples (as provided in Performance Standard 7) and cultural heritage (as provided in Performance Standard 8).

GN75. The client’s organization should identify the knowledge and skills necessary for implementation of the management system and programs, including any requirements of the Action Plans. Prior background, time in the job, training, skills development, ongoing education, and past experience can all play a role in determining whether a person has sufficient knowledge and skills to carry out their part of the management system and programs. The client’s organization should consider all of the above contributions to the background of their personnel to determine whether they can be deemed competent to do what is required of them, and, if necessary, it should consider new recruitment to ensure it engages appropriate individuals for the tasks.

GN76. Training is one common method of supplying individuals with additional skills and knowledge. In order to be successful, training programs need to be thought out carefully and systematically. The list below provides the key elements that should be considered as part of a training program:

- Identification of training needs for the organization’s personnel. This can be triggered by past events (accidents, emergency situations, internal or external grievances), shortcomings in performance as identified by audits, benchmarking with other companies or organizations or direct suggestions or requests from employees themselves. Training needs should also be considered and identified, as needed, for others that conduct work for the organization, either directly or indirectly such as contractors and suppliers.
- Development of a training plan to address defined needs. What is lacking in skills, comprehension, experience that can be addressed by training; in short what does someone need to be judged competent in how they do their job? The plan should include definition of training sessions, duration, frequencies, syllabus, etc.

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- Verification of training programs to ensure consistency with organizational policy, and other applicable requirements such as regulatory considerations.
- Training of target personnel. This can be formal, informal (on-the-job), one-time, periodic, etc.
- Documentation of training received, to show to regulators or government agencies, financial institutions, etc., and to provide a record for the trainees as part of job or career development.
- Evaluation of training received to determine its effectiveness. Ascertaining whether the individual is now competent to carry out the task at hand confirms the success or failure of the training. If it is determined that the training program(s) is not effective, then the organization should review all aspects of the training, as applicable (curriculum, delivery, competence of the trainer, etc.) to determine what should be changed, if anything, so as to obtain a successful outcome. The evaluation of personnel competence should be periodically repeated, and specific measures, such as refresher training, included in the training program.

GN77. Some questions a client may pose to help with planning and organizing training programs:

- How does the client's organization identify environmental and social training needs?
- How are training needs of specific job functions analyzed?
- Is training needed for contractors and/or suppliers?
- Is training developed, reviewed, and modified or updated as needed?
- How is the training documented and tracked?

GN78. The client should ensure that employees and third parties with direct responsibility for activities relevant to the environmental and social performance of the project to be financed are competent, and have the knowledge and skills necessary to perform their work, including current knowledge of the host country's regulatory requirements and the applicable requirements of Performance Standards 1 through 8. Methods to ensure this should address the specific requirements and commitments under the management system and programs and the actions required to perform the management and mitigation measures in a competent and efficient manner.

GN79. When the projects are likely to impact vulnerable or disadvantaged individuals or groups within Affected Communities, employees who will interact with such individuals or groups should be competent in their understanding of the specific issues related to such individuals or groups. Specific training may be warranted.

GN80. When specific aspects of the project or the implementation of the management system and programs are outsourced to contractors, the client should also ensure that these contractors have the requisite knowledge, skills, and training to perform the work in a competent manner in accordance with the management system and programs and the requirements of the Performance Standards.

#### *Emergency Preparedness and Response*

***20. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the ESMS will establish and maintain an emergency preparedness and response system so that the client, in collaboration with appropriate and relevant third parties, will be prepared to respond to accidental and emergency situations associated with the project in a manner appropriate to prevent and mitigate any harm to people and/or the environment. This preparation will include the identification of areas where accidents and emergency situations may occur, communities and individuals that may be impacted, response procedures, provision of equipment and resources, designation of responsibilities, communication, including that with potentially***

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***Affected Communities and periodic training to ensure effective response. The emergency preparedness and response activities will be periodically reviewed and revised, as necessary, to reflect changing conditions.***

***21. Where applicable, the client will also assist and collaborate with the potentially Affected Communities (see Performance Standard 4) and the local government agencies in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to ensure effective response. If local government agencies have little or no capacity to respond effectively, the client will play an active role in preparing for and responding to emergencies associated with the project. The client will document its emergency preparedness and response activities, resources, and responsibilities, and will provide appropriate information to potentially Affected Community and relevant government agencies.***

GN81. The emergency preparedness and response requirements of Performance Standard 1 refer to (i) the contingencies that could affect personnel and facilities of the project to be financed, (ii) the need to protect the health and safety of project workers (as noted in Performance Standard 2) and (iii) the need to protect the health and safety of the Affected Communities (as noted in Performance Standard 4). The client should address emergency preparedness and response in an integrated way. Where the project (greenfield or existing) involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the client should address contingencies associated with potential process upset and accidental circumstances through the use of emergency preparedness and response plans or other similar tools appropriate to the specific industry sector, as part of its management system. Where the consequences of emergency events are likely to extend beyond the project property boundary or originate outside of the project property boundary (e.g., hazardous material spill during transportation on public roadways), the client is required to design emergency preparedness and response plans based on the risks to community health and safety identified during the risks and impacts identification process (see also Performance Standard 4 and the accompanying Guidance Note). Additional guidance on emergency preparedness and response is provided in the World Bank Group Environmental Health and Safety (EHS) Guidelines, whether in the General EHS Guidelines or in the Industry Sector EHS Guidelines, as appropriate.

GN82. Effective emergency preparedness and response plans help clients prepare for the best outcomes while assuming the worst possible scenarios. They should define clearly assigned responsibilities for the assessment of the degree of risk to life, property and environment, with procedures on who and with whom to communicate regarding different types of emergencies. The level of planning and communication should be commensurate with the potential impacts. These plans should define specific procedures designed based on the emergency level classification (emergency tiers). Procedures for shutting down equipment and production processes and for evacuations, including a designated meeting place (i.e., muster point) outside the project site, should be part of the emergency preparedness and response plans. Additionally, effective emergency plans should include specific training and practice (i.e., simulations and drills) schedules and equipment requirements for employees who are responsible for rescue operations, medical duties, threat and incident responses (e.g., hazardous material spill response), fire fighting and other responses specific to the project sites, facilities and activities. In summary, emergency plans should address the following aspects of emergency preparedness and response:

- Identification of the emergency scenarios
- Specific emergency response procedures
- Trained emergency response teams

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- Emergency contacts and communication systems/protocols (including communication with Affected Communities when necessary)
- Procedures for interaction with government authorities (emergency, health, environmental authorities)
- Permanently stationed emergency equipment and facilities (e.g., first aid stations, firefighting equipment, spill response equipment, personal protection equipment for the emergency response teams)
- Protocols for the use of the emergency equipment and facilities
- Clear identification of evacuation routes and muster points
- Emergency drills and their periodicity based on assigned emergency levels or tiers
- Decontamination procedures and means to proceed with urgent remedial measures to contain, limit and reduce pollution within the physical boundaries of the project property and assets to the extent possible.

#### *Monitoring and Review*

**22. The client will establish procedures to monitor and measure the effectiveness of the management program, as well as compliance with any related legal and/or contractual obligations and regulatory requirements. Where the government or other third party has responsibility for managing specific risks and impacts and associated mitigation measures, the client will collaborate in establishing and monitoring such mitigation measures. Where appropriate, clients will consider involving representatives from Affected Communities to participate in monitoring activities.<sup>23</sup> The client's monitoring program should be overseen by the appropriate level in the organization. For projects with significant impacts, the client will retain external experts to verify its monitoring information. The extent of monitoring should be commensurate with the project's environmental and social risks and impacts and with compliance requirements.**

**23. In addition to recording information to track performance and establishing relevant operational controls, the client should use dynamic mechanisms, such as internal inspections and audits, where relevant, to verify compliance and progress toward the desired outcomes. Monitoring will normally include recording information to track performance and comparing this against the previously established benchmarks or requirements in the management program. Monitoring should be adjusted according to performance experience and actions requested by relevant regulatory authorities. The client will document monitoring results and identify and reflect the necessary corrective and preventive actions in the amended management program and plans. The client, in collaboration with appropriate and relevant third parties, will implement these corrective and preventive actions, and follow up on these actions in upcoming monitoring cycles to ensure their effectiveness.**

**24. Senior management in the client organization will receive periodic performance reviews of the effectiveness of the ESMS, based on systematic data collection and analysis. The scope and frequency of such reporting will depend upon the nature and scope of the activities identified and undertaken in accordance with the client's ESMS and other applicable project requirements. Based on results within these performance reviews, senior management will take the necessary and appropriate steps to ensure the intent of the client's policy is met, that procedures, practices, and plans are being implemented, and are seen to be effective.**

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<sup>23</sup> For example, participatory water monitoring.

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GN83. Monitoring is the client's primary means for tracking and evaluating progress towards the implementation of the management system and programs, including all action items specified in the Action Plans. Clients should establish a system for measuring and monitoring consisting of (i) the key risks and impacts of the project on employees, communities and the natural environment as identified; (ii) compliance with laws and regulations; and (iii) progress in implementation of the management programs. The type, extent and frequency of monitoring should be commensurate with the potential impacts and risks of the project as identified by the risks and impacts identification process, and as specified in the management system. In addition, depending on the nature of the project, it may be appropriate for the client to establish, track and measure key indicators and other performance measures over time to illustrate the improvement in a project's performance or highlight areas where more effort is required.

GN84. As part of the monitoring programs established in the management system, it would be appropriate for the client to establish key social development measurements and indicators, quantitative and qualitative measures of success, and include stakeholder engagement practices in the action plans in order to improve performance on the social issues identified or highlight areas where more effort is required.

GN85. The factors to be considered in establishing an environmental monitoring program typically include (but are not limited to) engineering estimates, environmental modeling, pollutant source (e.g., emissions to atmosphere, wastewater effluents, solid and hazardous waste), noise, ambient water quality and quantity (both surface and groundwater), air quality, and workplace contaminant measurements. For certain projects, biodiversity monitoring can be an important element of the overall monitoring program (refer to Performance Standard 6 and the accompanying Guidance Note for further guidance). The focus and extent of the monitoring should be commensurate with the risk of the pollutant releases as related to the sensitivity of the surrounding areas, taking into account the Affected Community's perception of risks to their health and environment resulting from the project. Appropriate processes should also be in place to ensure the reliability of data, such as calibration of instruments, testing of equipment, and software and hardware sampling. Specific environmental monitoring measures comprise the parameters to be measured, sampling and analytical methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and the definition of thresholds that signal the need for corrective actions. Where external laboratories or other analytical services are required to analyze samples, these should be certified at least under nationally recognized schemes to ensure measurements and data provided are accurate, defensible and reliable.

GN86. Monitoring results should be documented, and the necessary corrective and preventive actions identified. Clients should also ensure that these corrective and preventive actions have been implemented and that there is a systematic follow-up to ensure their effectiveness. The client should normally carry out the monitoring using competent professionals or other external experts, as part of its management system and programs. In certain cases (such as projects with potential significant adverse risks and impacts), due diligence conducted by financiers may result in the imposition of additional monitoring and/or verification of client monitoring (for example, as part of the supplemental action plan agreed with the client), including the appointment of qualified and experienced external experts to independently verify monitoring results. Findings of these external monitoring activities should be included in corrective or preventive actions, as appropriate. Participatory monitoring (i.e., involvement of Affected Communities) should be considered where appropriate (projects with potential significant adverse risks and impacts). In these cases, the client should evaluate the capacity of those participating in the monitoring and provide periodic training and guidance as appropriate.

GN87. The outcome of monitoring may indicate that the mitigation measures in the management programs should be adjusted or upgraded. As part of on-going maintenance of its Management System, the client should adjust and update the management programs from time to time, so that they can



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adequately address the change in the social or environmental risks and impacts arising from any change in the client's business or circumstances and from any other uncertainty, recognizing the variability of social and natural systems. Where the government or other third party has responsibility for the implementation of the mitigation measures and for risks and impacts management, it is expected that the client should monitor the implementation of such measures. Appropriate monitoring should identify and measure completeness, effectiveness, and potential gaps of the mitigation measures and impacts management implemented by the other parties and provide information and data to make provisions accordingly in the client's environment and social management system to best affect outcomes given inherent limitations and constraints or opportunities.

GN88. The results of environmental and social monitoring should be evaluated and documented. Periodic reporting of progress and monitoring results should be made to the senior management of the client's organization, as a function of the client's management system. Reports should furnish the information and data needed to determine compliance with relevant host country legal requirements and progress on implementing the management programs. The format of these reports can vary according to the nature of the organization, but should include a summary of findings and recommendations. This information should also be made available broadly within the client's organization and to workers as appropriate.

GN89. Some questions that may be useful to pose as the type, extent, scope, frequency and management of a monitoring program are considered:

- How is environmental and social performance regularly monitored?
- Have specific quantitative and/or qualitative performance indicators been established that relate to the client's compliance requirements and management system and programs, and what are they?
- What control processes are in place to regularly calibrate and sample environmental measuring and monitoring equipment and systems?
- What social monitoring methods are in place to track social impacts and assess progress toward mitigation and development outcomes?
- What is the process to periodically evaluate compliance with laws and regulations, and to meet the applicable Performance Standards?

GN90. For reporting on the management system in general and consideration of who might wish to see such information:

- *What environmental and social information is reported to client's senior management, the financiers, and Affected Communities?*
- *How is this information managed?*
- *Is information made available to those who need it when they need it?*

#### *Stakeholder Engagement*

**25. Stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of a project's environmental and social impacts.<sup>24</sup> Stakeholder engagement is an ongoing process that may involve, in varying degrees, the following elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and**

<sup>24</sup> Requirements regarding engagement of workers and related grievance redress procedures are found in Performance Standard 2.

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***ongoing reporting to Affected Communities. The nature, frequency, and level of effort of stakeholder engagement may vary considerably and will be commensurate with the project's risks and adverse impacts, and the project's phase of development.***

GN91. The purpose of stakeholder engagement is to establish and maintain a constructive relationship with a variety of external stakeholders over the life of the project and is an integral part of an effective and adaptive ESMS. Depending on the nature, risks and impacts of a project and the presence, or not, of Affected Communities the level of required stakeholder engagement can range from the implementation of a basic channel to receive external communications from the public to a comprehensive consultation process involving the active and Informed Consultation and Participation (ICP) of Affected Communities. See also [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#).

GN92. Performance Standard 1 requirements are focused on engagement with Affected Communities, who are defined as any people or communities located in the project's near geographical proximity, particularly those contiguous to the existing or proposed project facilities who are subject to actual or potential direct project-related risks and/or adverse impacts on their physical environment, health or livelihoods. There is no exact definition of community and it could vary from project to project, but in general terms it refers to a group of people or families who live in a particular locality, sometimes share a common interest (water users associations, fishers, herders, grazers, and the like), often have common cultural and historical heritage and have different degrees of cohesiveness.

GN93. If the process to identify risks and impacts indicates that there may be potential impacts and risks to the Affected Community, companies should seek early engagement with them. Engagement should be based on the timely and effective dissemination of relevant project information, including the results of the process of identification of environmental and social risks and impacts and corresponding mitigation measures, in languages and methods preferred by the Affected Communities and that allow for meaningful communication. In cases where the assessment has been completed prior to the application of this Performance Standard, the stakeholders engagement process carried out by the client should be reviewed, and if necessary a supplemental stakeholders engagement plan should be implemented in order to correct any gaps and ensure adequate stakeholder engagement going forward.

GN94. When applicable, and throughout the life of the project, clients should build upon the channels of communication and engagement with Affected Communities established during the risks and impacts identification process. In particular, clients should use the appropriate stakeholders engagement practices described in this Performance Standard to disclose information and receive feedback on the effectiveness of the implementation of the mitigation measures in the clients management system as well as the Affected Communities' on-going interests and concerns about the project. Guidance regarding different engagement strategies and project scenarios can be found in Appendix 2 of *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*.

#### **Stakeholder Analysis and Engagement Planning**

***26. Clients should identify the range of stakeholders that may be interested in their actions and consider how external communications might facilitate a dialog with all stakeholders (paragraph 34 below). Where projects involve specifically identified physical elements, aspects and/or facilities that are likely to generate adverse environmental and social impacts to Affected Communities the client will identify the Affected Communities and will meet the relevant requirements described below.***

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**27. The client will develop and implement a Stakeholder Engagement Plan that is scaled to the project risks and impacts and development stage, and be tailored to the characteristics and interests of the Affected Communities. Where applicable, the Stakeholder Engagement Plan will include differentiated measures to allow the effective participation of those identified as disadvantaged or vulnerable. When the stakeholder engagement process depends substantially on community representatives,<sup>25</sup> the client will make every reasonable effort to verify that such persons do in fact represent the views of Affected Communities and that they can be relied upon to faithfully communicate the results of consultations to their constituents.**

**28. In cases where the exact location of the project is not known, but it is reasonably expected to have significant impacts on local communities, the client will prepare a Stakeholder Engagement Framework, as part of its management program, outlining general principles and a strategy to identify Affected Communities and other relevant stakeholders and plan for an engagement process compatible with this Performance Standard that will be implemented once the physical location of the project is known.**

<sup>25</sup> For example, community and religious leaders, local government representatives, civil society representatives, politicians, school teachers, and/or others representing one or more affected stakeholder groups.

GN95. For the purposes of Performance Standard 1, stakeholders are defined as persons, groups or communities external to the core operations of a project who may be affected by the project or have interest in it. This may include individuals, businesses, communities, local government authorities, local nongovernmental and other institutions, and other interested or affected parties. Stakeholder identification broadly involves the determination of the various individuals, groups or communities who may have an interest in the project or who may affect or be affected by the project. The process of stakeholder identification includes distinct steps, including (i) identifying individuals, groups, local communities and other stakeholders that may be affected by the project, positively or negatively, and directly or indirectly, particularly those directly and adversely affected by project activities, including those who are disadvantaged or vulnerable (see GN48 above); (ii) identifying broader stakeholders who may be able to influence the outcome of the project because of their knowledge about the Affected Communities or political influence over them; (iii) identifying legitimate stakeholder representatives, including elected officials, non-elected community leaders, leaders of informal or traditional community institutions, and elders within the Affected Community; and (iv) mapping the impact zones by placing the Affected Communities within a geographic area, which should help the client define or refine the project's area of influence (see paragraph 8 of Performance Standard 1).

GN96. There may be norms, societal practices, or legal barriers that impede the full participation of persons of one gender (usually women, but potentially men) in consultation, decision-making, or sharing of project benefits. These legal and societal norms and practices may lead to gender discrimination or inequality. In projects with such issues the client may provide opportunities to enhance full participation and influence in decision-making through separate mechanisms for consultation and grievances, and developing measures that allow both women and men equal access to project benefits (such as land titles, compensation, and employment). Where deemed useful, it may include a separate women's consultative process. Gender considerations of engagement processes can be found in the [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#).

GN97. Clients with high-risk projects may need to identify and engage with other stakeholders, beyond those who will be directly affected by the project, such as local government officials, community leaders and civil society organizations, particularly those who work in or with the Affected Communities. While

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these groups may not be directly affected by the project, they may have the ability to influence or alter the relationship of the client with Affected Communities, and in addition may play a role in identifying risks, potential impacts and opportunities for the client to consider and address in the assessment process.

GN98. If it is known that the project will directly and adversely impact a local community (i.e., Affected Community), a Stakeholder Engagement Plan is required. The level of complexity and detail of this Plan should be commensurate with the project risks to and impacts on the Affected Community and, in some cases, it could include engagement with a broader set of stakeholders. The Stakeholder Engagement Plan may include the following elements: project description (including maps); engagement principles, objectives and criteria; requisites and regulations (e.g., local requirements, international standards or requirements by financiers); description of risks and impacts; summary of any previous engagement activities including any documented evidence (i.e., agreements, minutes of meetings, etc); identification, characterization and priority of stakeholders, focusing on those directly affected and identifying any vulnerable individuals or groups; engagement program including indication of how interactions should be formalized (i.e., agreements, acknowledgment of receipt of information, etc); description of grievance redress mechanisms; list of time-bound activities (timetable/periodicity); and resources and responsibilities. In some cases the Stakeholder Engagement Plan may include a description of any local community development initiative being, or to be, supported by the client as well as cross references to other relevant project management plans. If, on the contrary, a Stakeholder Engagement Framework is required because the exact location of the project is not known at the time of the investment, but it is reasonably expected to have significant impacts on local communities, this Framework may include the following elements: description of the potential project and its likely location, risks and impacts; requisites and regulations (e.g. local requirements, international standards or requirements by financiers); potential area of influence; possible stakeholders, focusing on potential Affected Communities; engagement principles, objectives and criteria; strategy for the engagement process and grievance mechanism (particularly if it will be linked with an assessment process) and step by step process and responsibilities to prepare an Engagement Plan once exact location is known. See Appendix 3 of *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*.

#### Disclosure of Information

**29. Disclosure of relevant project information helps Affected Communities and other stakeholders understand the risks, impacts and opportunities of the project. The client will provide Affected Communities with access to relevant information<sup>26</sup> on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism.**

<sup>26</sup> Depending on the scale of the project and significance of the risks and impacts, relevant document(s) could range from full Environmental and Social Assessments and Action Plans (i.e., Stakeholder Engagement Plan, Resettlement Action Plans, Biodiversity Action Plans, Hazardous Materials Management Plans, Emergency Preparedness and Response Plans, Community Health and Safety Plans, Ecosystem Restoration Plans, and Indigenous Peoples Development Plans, etc.) to easy-to-understand summaries of key issues and commitments. These documents could also include the client's environmental and social policy and any supplemental measures and actions defined as a result of independent due diligence conducted by financiers.

GN99. Information disclosure involves delivering information about the project to the Affected Communities and ensuring access to such information by other stakeholders. The information should be in appropriate language(s), and accessible and understandable to the various segments of the Affected Communities. For example, information can be made available house-by-house, in city halls, public libraries, in the local print media, over the radio, or in public meetings. Disclosure and dissemination of information should be the basis of the client's consultation process. The timing and the method of disclosure may vary depending on national law requirements, the characteristics and needs of the

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Affected Communities, the type of assessment involved, and the stage of the project's development or operation but should be as early as possible. After the initial screening, timely disclosure of information should include as a minimum the information described in paragraph 29 of Performance Standard 1. Clients are encouraged to also disclose information to Affected Communities about the project's potential benefits and developmental impacts, if it is expected that it would not unnecessarily create unrealistic expectations. Examples of different techniques to share information can be found at [IAP2 Public Participation Toolbox—Techniques to Share Information](#) (see Bibliography).

GN100. Disclosure of information is normally expected as part of the process of identification of impacts and risks, but if the project is expected to create ongoing impacts and risks to the Affected Communities, the client should continue to provide information during the life of the project. The client's reporting requirements to the Affected Community are addressed in paragraph 36 of Performance Standard 1 and GN111–GN112. The client may disclose information on non-financial issues or opportunities for enhancing environmental and social impacts through sustainability reports.

GN101. Clients should balance the need for transparency with the need to protect confidential information. They should exercise discretion in gathering personal data and information and should treat such data or information as confidential (except where disclosure is required by law). Where Performance Standard 1 requires disclosure of plans based on personal information or data collected (such as Resettlement Action Plans), the client should ensure that no personal data or information can be associated with particular individuals. For example, sensitive information about Affected Communities, such as income and health information, collected as part of the socioeconomic baseline information, should not be disclosed in a way that can be attributed to individuals and households.

GN102. In the extractive industries and infrastructure sectors in particular, where a project can have potentially broader implications for the public at large, disclosure of information is an important means to manage governance risks. Further guidance on the Extractive Industries Transparency Initiative, which includes reference to contract and revenue transparency, and how the private sector can support this initiative, can be found in the Bibliography.

#### Consultation

**30. When Affected Communities are subject to identified risks and adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the Affected Communities with opportunities to express their views on project risks, impacts and mitigation measures, and allows the client to consider and respond to them. The extent and degree of engagement required by the consultation process should be commensurate with the project's risks and adverse impacts and with the concerns raised by the Affected Communities. Effective consultation is a two-way process that should: (i) begin early in the process of identification of environmental and social risks and impacts and continue on an ongoing basis as risks and impacts arise; (ii) be based on the prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information which is in a culturally appropriate local language(s) and format and is understandable to Affected Communities; (iii) focus inclusive<sup>27</sup> engagement on those directly affected as opposed to those not directly affected; (iv) be free of external manipulation, interference, coercion, or intimidation; (v) enable meaningful participation, where applicable; and (vi) be documented. The client will tailor its consultation process to the language preferences of the Affected Communities, their decision-making process, and**

<sup>27</sup> Such as men, women, the elderly, youth, displaced persons, and vulnerable and disadvantaged persons or groups.



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*the needs of disadvantaged or vulnerable groups. If clients have already engaged in such a process, they will provide adequate documented evidence of such engagement.*

#### Informed Consultation and Participation

**31. For projects with potentially significant adverse impacts on Affected Communities, the client will conduct an Informed Consultation and Participation (ICP) process that will build upon the steps outlined above in Consultation and will result in the Affected Communities' informed participation. ICP involves a more in-depth exchange of views and information, and an organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the Affected Communities on matters that affect them directly, such as the proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The consultation process should (i) capture both men's and women's views, if necessary through separate forums or engagements, and (ii) reflect men's and women's different concerns and priorities about impacts, mitigation mechanisms, and benefits, where appropriate. The client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the Affected Communities, and will inform those affected about how their concerns have been considered.**

#### Indigenous Peoples

**32. For projects with adverse impacts to Indigenous Peoples, the client is required to engage them in a process of ICP and in certain circumstances the client is required to obtain their Free, Prior, and Informed Consent (FPIC). The requirements related to Indigenous Peoples and the definition of the special circumstances requiring FPIC are described in Performance Standard 7.**

GN103. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate adverse environmental and social impacts on Affected Communities a consultation process should be conducted. The consultation process should be commensurate with the project's risks and impacts, and with the concerns raised by the Affected Communities. Consultation involves two-way communication between the client and the Affected Communities. Effective consultation provides opportunities for the client to learn from the experience, knowledge, and concerns of the Affected Communities, as well as to manage their expectations by clarifying the extent of its responsibilities and resources so that misunderstandings and unrealistic demands can be avoided. For the consultation process to be effective, project information needs to be disclosed and explained to the stakeholders, and sufficient time should be allocated for them to consider the issues. Consultation should be inclusive of various segments of the Affected Communities, including both women and men, and accessible to the disadvantaged and vulnerable groups within the community. Based on the preliminary stakeholder analysis (see GN95), the client's representatives should meet with the Affected Communities and explain the project information, answer questions and listen to comments and suggestions. In addition to meetings with affected individuals, the client should identify community leaders and members of any formal or informal existing decision-making mechanisms so that their input can be sought. The client should inform in a timely manner the Affected Communities about the result of the consultation process and how their suggestions and concerns have been considered.

GN104. Consultation should be undertaken in most situations where the project presents a specific but limited number of potential adverse impacts on Affected Communities. In these cases, the client should consult with the Affected Communities during the process of assessment after the risks and impacts have been identified and analyzed. In the case of projects with significant adverse impacts on Affected Communities an ICP process is required. In addition to the requirements in Performance Standard 1, requirements on consultation can be found in Performance Standards 4–8.

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GN105. The ICP process must be free of intimidation or coercion, and not be influenced by outside pressure or monetary inducements (unless monetary payments are part of an agreed settlement). The client should allow critics to express their views, and enable various groups to speak out freely with equal opportunity, so as to facilitate a full debate involving all viewpoints. An informed consultation means that relevant, understandable and accessible information, with translations if needed, is available in sufficient time in advance of the consultation. Informed participation entails organized and iterative consultation on issues concerning potential impacts to the Affected Communities, so that the client can incorporate into its decision-making process their views on these issues. Consultation with Affected Communities should begin in the early scoping process that establishes the terms of reference for the assessment process, which includes an inventory of risks and impacts to be assessed, and should continue through the entire project life-cycle. The client should document specific actions, measures or other instances of decision-making that have been influenced by or resulted directly from the input of those who participated in the consultation. Annex C describes in more detail what would constitute an ICP process. Free, Prior, and Informed Consent (FPIC) is required for projects with special circumstances involving Indigenous Peoples (see Performance Standard 7 and for definition of FPIC see Guidance Note 7).

#### **Private Sector Responsibilities Under Government-Led Stakeholder Engagement**

***33. Where stakeholder engagement is the responsibility of the host government, the client will collaborate with the responsible government agency, to the extent permitted by the agency, to achieve outcomes that are consistent with the objectives of this Performance Standard. In addition, where government capacity is limited, the client will play an active role during the stakeholder engagement planning, implementation, and monitoring. If the process conducted by the government does not meet the relevant requirements of this Performance Standard, the client will conduct a complementary process and, where appropriate, identify supplemental actions.***

GN106. Host governments may reserve the right to manage the stakeholder engagement process directly associated with a project, particularly when it involves consultation. Nevertheless, the outcome of this process should be consistent with the requirements of Performance Standard 1. In such cases, clients should take an active role during the preparation, implementation and monitoring of the process and should coordinate with the relevant government authorities those aspects of the process that can be facilitated more efficiently by the client or other agents such as consultants or civil society organizations. Whether the client will be permitted to play an active role will depend in part on the applicable national law and the judicial and administrative processes and practices of the responsible government agency. The client should collaborate with the responsible government agency on the key achievable outcomes that need to be achieved to ensure consistency with Performance Standard 1. In all cases, regardless of government involvement, the client must have in place its own communications and grievance redress procedure. It must be clear that the stakeholder engagement process covered under this provision refers to any engagement process with stakeholders who are directly affected by the project regarding issues directly linked to the development of the specific project, and not in reference to broader policy decisions or other matters external to the project.

GN107. Under certain circumstances, a government agency or other authority may have already conducted the consultation process directly linked to the project; in this case, the client should make a determination as to whether the process conducted and its outcomes are consistent with the requirements of Performance Standard 1 and, if not, determine if any corrective actions are feasible to address the situation. If corrective actions are feasible, the client should implement them as soon as possible. Such corrective actions could range from conducting additional engagement activities to facilitating access to and ensuring cultural appropriateness of relevant environmental and social information.

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#### *External Communications and Grievance Mechanisms*

##### External Communications

**34. Clients will implement and maintain a procedure for external communications that includes methods to (i) receive and register external communications from the public; (ii) screen and assess the issues raised and determine how to address them; (iii) provide, track, and document responses, if any; and (iv) adjust the management program, as appropriate. In addition, clients are encouraged to make publicly available periodic reports on their environmental and social sustainability.**

GN108. It is widely accepted that engaging with external parties is good business practice for organizations. External stakeholders can provide valuable information to an organization. Such information can be in the form of suggestions on product improvement, feedback on customer interaction with an organization's employees, or a myriad of other opinions, comments or contributions from regulators, nongovernmental organizations, communities or individuals regarding an organization's environmental and social performance, real or perceived. The external communications requirement is partially based on the communications element of ISO 14000, which requires procedures for receiving, documenting and responding to relevant information and requests from external interested parties, and must be an integral part of the client's ESMS. This requirement applies to all type of projects, even if they do not involve physical elements, aspects and facilities that are likely to generate adverse environmental and social impacts on Affected Communities, though the complexity could vary and for some projects, this may be a very simple system. Corporate entities should have in place publicly available and easily accessible channels (e.g., phone number, website, email address, etc.) to receive external communications and requests for information regarding their environmental and social performance.

GN109. This procedure should provide for an accessible channel to receive communications from the public and, depending on the project, its level of complexity could range from a basic one-page procedure to a multi-page document describing the following elements: (i) objectives, (ii) principles, (iii) steps and flow of communications, (iv) documentation and monitoring of responses, and (v) allocation of resources and responsibilities. The relevance of the external communication received and the level of response required, if any, should be determined by the client.

##### Grievance Mechanism for Affected Communities

**35. Where there are Affected Communities, the client will establish a grievance mechanism to receive and facilitate resolution of Affected Communities' concerns and grievances about the client's environmental and social performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project and have Affected Communities as its primary user. It should seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate and readily accessible, and at no cost and without retribution to the party that originated the issue or concern. The mechanism should not impede access to judicial or administrative remedies. The client will inform the Affected Communities about the mechanism in the course of the stakeholder engagement process.**

GN110. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate adverse environmental and social impacts on Affected Communities, the client must establish, in addition to the requirements under paragraph 35 of Performance Standard 1 above on External Communications, a procedure at the project level that is readily accessible to the Affected Communities, and that allows for receiving, addressing, and recording/documenting complaints and communications from external stakeholders. Confidentiality of the persons raising the complaint must be

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protected. The client shall ensure that the procedure is easily accessible, understandable and its availability communicated to Affected Communities. The client may wish to seek solutions to complaints in a collaborative manner with the involvement of the Affected Communities. If the project is unable to solve a complaint, it may be appropriate to enable complainants to have recourse to external experts or neutral parties. Clients should be aware of judicial and administrative mechanisms available in the country for resolution of disputes, and should not impede access to these mechanisms. Communications and grievances received and responses provided should be documented (such as the name of the individual or organization; the date and nature of the complaint; any follow up actions taken; the final decision on the complaint; how and when a relevant project decision was communicated to the complainant; and whether management action has been taken to avoid recurrence of stakeholder concerns in the future), and reported back to the Affected Communities periodically. In addition to the requirements in this Performance Standard, specific requirements for grievance mechanisms can be found in Performance Standards 2, 4, 5, and 7. For additional guidance on grievance mechanisms, see IFC's publications: *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets* (IFC, 2007) and *Addressing Grievances From Project-Affected Communities* (IFC, 2009). Also see *A Guide to Designing and Implementing Grievance Mechanisms for Development Projects* (CAO, 2008).

GN111. In the case of large projects with potentially complex issues, a robust grievance mechanism should be established and maintained from the beginning of the assessment process onwards. This mechanism should be communicated to Affected Communities and designed in a way that is appropriate for them, easy to understand and adapted to the communications challenge they may face (e.g., language, literacy levels, level of access to technology). Complaints should be investigated to determine appropriate response and course of action. The responsibility for receiving and responding to grievances should be handled by experienced and qualified personnel within the client organization, separate from the personnel in charge of management of the business activities. In addition, suggestion boxes and periodic community meetings and other communication methods to receive feedback may be helpful. The grievance mechanism should be an integral part of the project's ESMS. In some cases, due to project-specific circumstances, the client may need to involve an independent third party as part of its grievance redress process.

#### *Ongoing Reporting to Affected Communities*

**36. The client will provide periodic reports to the Affected Communities that describe progress with implementation of the project Action Plans on issues that involve ongoing risk to or impacts on Affected Communities and on issues that the consultation process or grievance mechanism have identified as a concern to those Communities. If the management program results in material changes in or additions to the mitigation measures or actions described in the Action Plans on issues of concern to the Affected Communities, the updated relevant mitigation measures or actions will be communicated to them. The frequency of these reports will be proportionate to the concerns of Affected Communities but not less than annually.**

GN112. The client should provide periodic updates to the Affected Communities at least annually on the implementation of and progress on the specific items in the management programs, including the Action Plans, that involve ongoing risks to or impacts on Affected Communities. As appropriate, where amendments and updates to the management programs materially change risks and impacts to Affected Communities, the client should also disclose these to communities. In addition, information should be made available to Affected Communities in response to community feedback or grievances and as a means to further involve the Affected Communities in the environmental and social performance of the project.



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GN113. Clients may wish to consider using sustainability reports to report on the financial, environmental and social aspects of their operations, including areas of success of performance measures and positive project impacts that are being enhanced, as well as any unsuccessful outcomes and lessons learned. Reporting initiatives, guidelines, including sector-specific guidelines, and good practices are rapidly emerging in this area. The most notable is the Global Reporting Initiative (see Bibliography).



#### Annex A

#### Background on Accepted International Practice in Conducting and Compiling Environmental Audit Reports, References and Links to Examples

An environmental audit is a tool to be used to determine the degree to which an activity, process, operation, product or service is meeting stipulated requirements. Stipulated requirements are considered audit criteria. They are the requirements to be audited against—and can vary depending on the need/outcome for the audit. They can be focused on media (e.g., water or air), the requirements of a specific piece of regulation, permit requirements or element of a management system, only look at a limited geographic coverage (e.g., specific plant or area of operation that may be a target of acquisition) or they can be used to assess ongoing performance or other attributes or activities of a business as needed. Criteria and the organization or entity to be audited form the scope of the audit. The scope defines what is to be audited and (by definition) what is not. Scope must be carefully considered to ensure that all that is material to the audit is reviewed during the conduct of the audit.

Regardless of the scope of an audit, the audit must strictly follow an audit procedure to ensure it is planned, staffed, and conducted in a manner that ultimately allows the results to be used with confidence. Confidence means that when the audit presents the difference between what is supposed to occur (the requirements) and what is actually occurring or has occurred (based on observations, records reviewed or interviews with people to generate objective evidence) such findings can be relied upon as truthful and accurate. Findings are detailed in an audit report and summarized as audit conclusions. Often it is only the conclusions that are reviewed by those who originally commissioned the audit and that are used to inform decisions. It is therefore very important to have conducted the audit in a manner that allows the recipients of the conclusions to trust them implicitly.

A good specification on the conduct of all audits is contained within ISO 19011, available from the International Organization for Standardization (ISO) at <http://www.iso.org/iso/home.htm>.

As mentioned above, the report, and often only the audit conclusions, is the key output of an environmental audit. The content of the report should necessarily vary depending on the scope of the audit. None-the-less, the following outline is a good example of what can be included in an environmental audit report.

- *Executive Summary:* A concise discussion of all environmental and occupational health and safety areas of concern. Possible additional summary information may include recommended mitigation measures and their priority, the cost of mitigation, and a schedule for compliance. These are sometimes made by auditors but are also sometimes left to the organization that “owns” the issues as it may be better placed to provide more accurate data. The inclusion of such information depends on the terms of reference that guide the conduct of the audit and must be agreed upon prior to conducting the audit.
- *Scope of the Audit:* A description of what the audit focused upon (where the audit was conducted), what was audited (processes, organization, operations, etc.), when the period of performance began and ended (did the audit cover a month, a year, or all operations since inception?).
- *Regulatory Setting:* Tabular summary of host country, local and any other applicable environmental and occupational health and safety laws, regulations, guidelines, and policies as they may directly pertain to the scope of the audit.

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- *Audit and Site Investigation Procedure*: Brief overview of the approach used to conduct the audit. A discussion of the records review, site reconnaissance, and interview activities; a description of the site sampling plan and chemical testing plan, field investigations, environmental sampling and chemical analyses and methods, if applicable.
- *Findings and Areas of Concern*: Detailed discussion of all environmental and occupational health and safety areas of concern. The areas of concern should be discussed in terms of both existing facilities and operations and contamination or damages due to past activities, including the affected media and its quality and recommendations for further investigation and remediation, if applicable. The report may wish to consider prioritizing findings into categories: immediate action; mid-term action; and long-term action.
- *Corrective Action Plan, Costs and Schedule (CAP)*: For each area of concern, the audit report may include specifics on the appropriate corrective actions to mitigate them and why they are necessary. If so, the report should indicate priorities for action, provide estimates of the cost of implementing the corrective actions and a schedule for their implementation if this has been agreed to between the auditor and auditee. Schedules should be recommended within the context of any planned capital expenditure for the facility.
- *Annexes*: These should include references, copies of interview forms, any details regarding the audit protocol not already included, and data obtained during the audit but not included directly above.

## Annex B

### Stakeholder Engagement Plan (Sample Contents)

A good Stakeholder Engagement Plan should:

- Describe regulatory, lender, company, and/or other requirements for consultation and disclosure.
- Identify and prioritize key stakeholder groups, focusing on Affected Communities.
- Provide a strategy and timetable for sharing information and consulting with each of these groups.
- Describe resources and responsibilities for implementing stakeholder engagement activities.
- Describe how stakeholder engagement activities will be incorporated into a company's management system.

The scope and level of detail of the plan should be scaled to fit the needs of the project (or company operations).

#### 1. Introduction

Briefly describe the project (or the company's operations) including design elements and potential environmental and social issues. Where possible, include maps of the project site and surrounding area.

#### 2. Regulations and Requirements

Summarize any legal, regulatory, lender, or company requirements pertaining to stakeholder engagement applicable to the project or company operations. This may involve public consultation and disclosure requirements related to the environmental and social assessment process.

#### 3. Summary of any previous stakeholder engagement activities

If the company has undertaken any activities to date, including information disclosure and/or consultation, provide the following details:

- Type of information disclosed, in what forms (e.g., oral, brochure, reports, posters, radio, etc.), and how it was disseminated.
- The locations and dates of any meetings undertaken to date.
- Individuals, groups, and/or organizations that have been consulted.
- Key issues discussed and key concerns raised.
- Company response to issues raised, including any commitments or follow-up actions.
- Process undertaken for documenting these activities and reporting back to stakeholders.

#### 4. Project Stakeholders

List the key stakeholder groups who will be informed and consulted about the project (or the company's operations). These should include persons or groups who:

- Are directly and/or indirectly affected by the project (or the company's operations).
- Have "interests" in the project or parent company that determine them as stakeholders.
- Have the potential to influence project outcomes or company operations (examples of potential stakeholders are Affected Communities, local organizations, NGOs, and government authorities; stakeholders can also include politicians, other companies, labor unions, academics, religious groups, national environmental and social public sector agencies, and the media).

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#### 5. Stakeholder Engagement Program

- Summarize the purpose and goals of the program (either project-specific or corporate).
- Briefly describe what information will be disclosed, in what formats, and the types of methods that will be used to communicate this information to each of the stakeholder groups identified in section 4 above. Methods used may vary according to target audience, for example:
  - ✓ Newspapers, posters, radio, television
  - ✓ Information centers and exhibitions or other visual displays
  - ✓ Brochures, leaflets, posters, non-technical summary documents and reports
- Briefly describe the methods that will be used to consult with each of the stakeholder groups identified in section 4. Methods used may vary according to target audience, for example:
  - ✓ Interviews with stakeholder representatives and key informants
  - ✓ Surveys, polls, and questionnaires
  - ✓ Public meetings, workshops, and/or focus groups with specific groups
  - ✓ Participatory methods
  - ✓ Other traditional mechanisms for consultation and decision-making
- Describe how the views of women and other relevant sub-groups (e.g., minorities, elderly, youth etc.) will be taken into account during the process.
- Describe any other engagement activities that will be undertaken, including participatory processes, joint decision-making, and/or partnerships undertaken with local communities, NGOs, or other project stakeholders. Examples include benefit-sharing programs, stakeholders development initiatives, resettlement and development programs, and/or training and micro-finance programs.

#### 6. Timetable

Provide a schedule outlining dates/periodicity and locations where various stakeholder engagement activities, including consultation, disclosure, and partnerships will take place and the date by which such activities will be incorporated into the company's management system (at either the project or corporate level).

#### 7. Resources and Responsibilities

- Indicate what staff and resources will be devoted to managing and implementing the company's Stakeholder Engagement Program.
- Who within the company will be responsible for carrying out these activities? What budget has been allocated toward these activities?
- For projects (or multiple company operations) with significant or diverse impacts and multiple stakeholder groups, it is good practice for a company to hire a qualified Stakeholders Liaison Officer(s) to arrange and facilitate these activities at the project and/or corporate level. Integration of the stakeholders liaison function with other core business functions is also important, as is management involvement and oversight.

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#### 8. Grievance Mechanism

Describe the process by which people affected by the project (or company's operations) can bring their grievances to the company for consideration and redress. Who will receive grievances, how and by whom will they be resolved, and how will the response be communicated back to the complainant?

#### 9. Monitoring and Reporting

- Describe any plans to involve project stakeholders (including Affected Communities) or third-party monitors in the monitoring of project impacts and mitigation programs.
- Describe how and when the results of stakeholder engagement activities will be reported back to Affected Communities as well as broader stakeholder groups.
- Examples include environmental and social assessment reports; company newsletters; annual monitoring reports submitted to lenders; company annual report; company or corporate sustainability report.

#### 10. Management Functions

How will stakeholder engagement activities be integrated into the company's ESMS and with other core business functions?

- Who will have management oversight for the program?
- What are the plans for hiring, training, and deploying staff to undertake stakeholder engagement work?
- What will be the reporting lines between stakeholders liaison staff and senior management?
- How will the company's stakeholder engagement strategy be communicated internally?
- What management tools will be used to document, track, and manage the process (e.g., stakeholder database, commitments register, etc.)?
- For projects or company operations involving contractors, how will the interaction between contractors and local stakeholders be managed to ensure good relations?



#### Annex C

#### An Example of Indicators and Validation Methods for Informed Consultation and Participation Process

Material Consideration	Examples of Validation Methods
<p><b>1. Company Strategy, Policy, or Principles of Engagement</b></p> <p>Strategy, policy, or principles for on-going stakeholder engagement with explicit mention of Affected Communities and relevant standards.</p>	<p>Client's strategy, policy or principles or other supporting documents.</p>
<p><b>2. Stakeholder Identification and Analysis</b></p> <p>As part of the environmental and social assessment process, identification of all Affected Communities, their disaggregation (numbers, locations) in terms of different levels of vulnerability to adverse project impacts and risks, and an analysis of the effect of adverse project impacts and risks on each group. As part of the environmental and social assessment process, this analysis should also look at communities and individuals that will benefit from the project.</p>	<p>Stakeholder analysis document as part of SEIA or SEA.</p> <p>Client's planning documentation for stakeholders engagement, e.g., communications strategy, consultation plan, Public Consultation and Disclosure Plans, and stakeholder engagement plan.</p>
<p><b>3. Stakeholders Engagement</b></p> <p>A process of consultation that is ongoing during the project planning process (including the process of environmental and social assessment), such that: (i) Affected Communities have been engaged in: (a) identifying potential impacts and risks; (b) assessing the consequences of these impacts and risks for their lives; and (c) providing input into the proposed mitigation measures, the sharing of development benefits and opportunities and implementation issues; and that (ii) new impacts and risks that have come to light during the planning and assessment process have also been consulted upon.</p>	<p>Client's schedule and record of stakeholder engagement.</p> <p>Client's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of sub-groups (e.g., women, minorities).</p>
<p><b>4. Information Disclosure</b></p> <p>Timely disclosure by the client of project information by the client to Affected Communities about (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism. Disclosure should be in a form that is understandable and meaningful.</p>	<p>Client's materials prepared for disclosure and consultation.</p> <p>Client's record of discussions with recognized stakeholders representatives; respected key informants; and legitimate representatives of sub-groups.</p>

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<p><b>5. Consultation</b></p> <p><b>a) Free</b> Evidence from the Affected Communities that the client or its representatives have not coerced, intimidated or unduly incentivized the affected population to be supportive of the project.</p> <p><b>b) Prior</b> Consultation with Affected Communities must be sufficiently early in the project planning process (i) to allow time for project information to be interpreted and comments and recommendations formulated and discussed; (ii) for the consultation to have a meaningful influence on the broad project design options (e.g., siting, location, routing, sequencing, and scheduling); (iii) for the consultation to have a meaningful influence on the choice and design of mitigation measures, the sharing of development benefits and opportunities, and project implementation.</p> <p><b>c) Informed</b> Consultation with Affected Communities on project operations and potential adverse impacts and risks, based on adequate and relevant disclosure of project information, and using methods of communication that are inclusive (i.e., accommodating various levels of vulnerability), culturally appropriate, and adapted to the communities' language needs and decision-making, such that members of these communities fully understand how the project will affect their lives.</p>	<p>Client's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of sub-groups.</p>
<p><b>6. Informed Participation</b></p> <p>Evidence of the client's organized and iterative consultation, leading to the client's specific decisions to incorporate the views of the Affected Communities on matters that affect them directly, such as the avoidance or minimization of project impacts, proposed mitigation measures, the sharing of project benefits and opportunities, and implementation issues.</p>	<p>Client's schedule and record of stakeholder engagement.</p> <p>The client's documentation of measures taken to avoid or minimize risks to and adverse impacts on Affected Communities in response to stakeholders' feedback received during consultation.</p> <p>Drafts of relevant Action Plans.</p>

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<p><b>7. Vulnerable Groups – Consultation and Mitigation</b></p> <p>Evidence that individuals or groups particularly vulnerable to adverse project impacts and risks have been party to effective free, prior, and informed consultation as well as informed participation, and evidence that the potential impacts and specific or exacerbated risks to them will be mitigated to the satisfaction of these parties.</p>	<p>Stakeholder analysis as part of SEIA or SEA or socioeconomic baseline data.</p> <p>Client's record of stakeholder engagement, including record of discussions with legitimate representatives of vulnerable groups.</p> <p>Client's documentation of measures taken to avoid or minimize risks to and adverse impacts on vulnerable groups in response to feedback received during consultation.</p> <p>Drafts of relevant Action Plans.</p>
<p><b>8. Grievance Mechanism – Structure, Procedure, and Application</b></p> <p>An effective grievance mechanism procedure that is fully functioning (i) throughout the process of environmental and social assessment; and (ii) that is suitable for the operational phase of the project to receive and address the Affected Communities' concerns about the client's environmental and social performance. The mechanism should be culturally appropriate, readily accessible to all segments of the Affected Communities, and available to Affected Communities at no cost and without retribution.</p>	<p>Client's organizational structure and responsibilities, and procedures for managing grievances.</p> <p>Client's record of grievances received about the project and addressed, including expressions in support or dissent.</p> <p>Client's record of discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p>
<p><b>9. Feedback to Affected Communities</b></p> <p>Documentation that the client provided the results of consultation to the Affected Communities, and either (i) demonstrated how the comments and recommendations made by the Affected Communities have been accommodated in the project design, mitigation measures, and/or sharing of development benefits and opportunities; or (ii) provided a rationale why these comments and recommendations have not been accommodated.</p>	<p>Client's record of stakeholder engagement.</p> <p>Client's documentation of measures taken to avoid or minimize risks to and adverse impacts on Affected Communities.</p> <p>Discussions with recognized stakeholder representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's ongoing reporting on implementation of relevant Action Plans.</p> <p>Revised management program or Action Plans.</p>

**The client may also use perception surveys to pose questions to Affected Communities and solicit their responses.**

#### Annotated Bibliography

##### International Agreements and International Human Rights

Several of the requirements set out in Performance Standard 1 are based on principles expressed in international agreements and in related guidelines. In addition to the international human rights conventions referenced in Guidance Note 2, the UN Convention on the Rights of Persons with Disabilities elaborates in detail the rights of persons with disabilities and sets out a code of implementation. Additional international agreements are referred to at the end of other Guidance Notes.

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