European Bank
for Reconstruction and Development

Environmental and Social Requirement 1:
Assessment and management of
environmental and social risks and impacts

Guidance note

March 2026

Contents

Guidance note
Environmental and Social Requirement 1

1. Introduction and objectives

1. Introduction and objectives

1.1. Purpose of this guidance note

The European Bank for Reconstruction and Development (EBRD) is committed to promoting environmentally sound and sustainable development in the full range of its activities, pursuant to the Agreement Establishing the Bank.[1] The Environmental and Social Policy (ESP) is one of the Bank's three good governance policies and a key document that guides this commitment to promoting "environmentally sound and sustainable development" in the full range of its investment and technical cooperation activities.[2] The EBRD's Board of Directors approved the 2024 ESP and its 10 related Environmental and Social Requirements (ESRs) in October 2024. They apply to projects started after 1 January 2025.

EBRD Environmental and Social Requirement 1 (ESR 1) is grounded in the understanding that effective identification, assessment and management of environmental and social risks and impacts – including those related to human rights, gender, climate and nature – are essential to the long-term success and sustainability of any project.[3]

This guidance note is intended to provide clients and their advisers with clarity on the requirements of ESR 1, and to expand on the key principles that underpin it, including:

- selected key definitions and concepts, including how they should be applied in various cases (for example, according to project risk level, stage of project and type of financing structure)
- the complementary and discrete roles and responsibilities of the client and the EBRD throughout the Bank's environmental and social appraisal and monitoring process
- selecting a suitable approach to environmental and social assessment and management that meets the EBRD's requirements and reflects the nature and scale of the project.

In doing so, the guidance note elaborates on the Bank's expectations for clients to carry out a comprehensive assessment of environmental and social risks and impacts, and to establish and maintain an environmental and social management system (esia) that is commensurate with the project's nature and scale and the client's operations. A robust and adaptive ESMS, supported by senior management and informed by meaningful stakeholder engagement, is central to achieving sound environmental and social performance throughout the life of a project.

1 See EBRD (1990), Article 2.1(vii).
2 See EBRD (2024).
3 Human rights risks and impacts refer to potential adverse impacts on the rights inherent to all human beings, as provided under the International Bill of Human Rights; gender risks and impacts include barriers, burdens and vulnerabilities experienced by women and sexual and gender minorities, including gender-based violence and harassment (GBVH); climate risks and impacts encompass both the causes and consequences of climate change, including greenhouse gas emissions, climate resilience and adaptation. Contextual risks refer to external factors that may amplify project-related impacts or undermine mitigation measures, for example governance challenges, political instability, conflict, climate vulnerability, systemic discrimination and other socio-economic or digital risks.

This guidance note is not intended to be a detailed guide on how to prepare and implement all the required elements outlined in ESR 1. The remaining ESRs provide more detail on specific types of risks and impacts, and further information may be found in various reference documents prepared by the EBRD and others. While this guidance note cross-references some of these documents, clients should not use this guidance note as a definitive reference list, as guidance is constantly evolving and varies in applicability depending on project type.

The EBRD welcomes early engagement from potential or existing clients on topics such as the applicability of other ESRs, and is able to provide further guidance on a particular project.

1.2. Key changes since 2019

The updated version of ESR 1 took effect on 1 January 2025. It builds on the 2019 version of PR1, with some key changes. It:

- reinforces the scope of risk and impact assessment to include human rights, gender, climate and nature-related risks, impacts and opportunities
- introduces contextual risks, including conflict, governance and discrimination, as part of the assessment process
- includes a requirement to assess digital risks where projects involve digitalisation, including cybersecurity, data protection and privacy
- includes an explicit requirement to screen for human rights risks and conduct a full human rights impact assessment where warranted, in line with the UN Guiding Principles on Business and Human Rights (UNGPs)
- strengthens requirements on gender, clarifying obligations on non-discrimination and equal opportunities, and addresses gender-based violence and harassment (GBVH), with the explicit inclusion of sexual orientation and gender identity (SOGI)
- adds a requirement to identify risks of retaliation against stakeholders and implement non-retaliation policies and response measures
- enhances the focus on vulnerable people, with requirements to ensure they are not disproportionately affected and can access project benefits
- introduces a retrospective review of alternatives where decisions were made before EBRD involvement
- updates requirements to identify and manage significant environmental and social risks in core supply chains, through a risk-based approach, including assessment of leverage and linkage
- enhances monitoring and reporting requirements, including traceability of ESMS implementation and alignment with good international practice (GIP)
- clarifies requirements for environmental and social (E&S) incident investigation in line with GIP, including involvement of regulatory authorities where appropriate, and implementation of corrective and remedial measures.

1.3. Key objectives of ESR 1

ESR 1, paragraph 3 sets out its key objectives, which are to:

- identify and assess environmental and social risks and impacts of and to the project
- adopt a mitigation hierarchy approach to address environmental and social risks and impacts from project activities on workers, affected communities and the environment
- integrate human rights risks and impacts into the assessment and management process
- implement an ESMS commensurate with the environmental and social risks and impacts of the project in a manner consistent with the relevant ESRs, including monitoring and reporting provisions
- require continuous improvement of the client's environmental and social performance.

EBRD clients are expected to take a systematic and integrated approach when identifying, assessing and managing environmental and social risks and impacts associated with their projects. This process is central to the ESP and is delivered through ESR 1. Clients must clearly define the project and demonstrate that all relevant risks and impacts – both environmental and social – are identified and are being, or will be, effectively managed throughout the project's duration. Risks refer to potential or unplanned events, while impacts are those that are known or expected to occur. Both must be addressed through a mitigation hierarchy of the impacts from project activities on workers, affected communities and the environment, that prioritises avoidance, minimisation, mitigation and, where necessary, offsetting.

The mitigation hierarchy is further outlined below (Figure 1).

Figure 1. Mitigation hierarchy

Avoid	The best response is to avoid the impact in the first place (for example, through site selection or project design).
Minimise	Failing that, the response should be to minimise or reduce impacts/effects. Abating at source is preferable to abating at the receptor.*
Restore	This is the repair or restoration of adverse effects after they occur.
Compensate/offset	Compensation is often the final mitigation option for social impacts. Alternatives to cash compensation are always preferred. Offsetting is often the final mitigation option for biodiversity impacts.

*The term "receptor" is used to describe features of the biophysical and social environment that may be affected by, or interact with, the project.

By applying ESR 1, clients will ensure that their projects are developed and operated in a way that is environmentally and socially sustainable, aligned with the EBRD's commitment to responsible investment, and capable of continuously improving and adapting to changing circumstances and stakeholder concerns over time.

Guidance note
Environmental and Social Requirement 1

2. Scope of application

2. Scope of application

ESR 1 applies to all projects financed by the EBRD as established in the ESP. The client will, as part of its environmental and social assessment process, identify the relevant requirements of this ESR and how they will be addressed and managed through the project assessment, design, construction, operation and decommissioning or closure and reinstatement.

The relevant requirements of ESR 1 depend on the nature and scale of the project and the form of the EBRD's engagement with the client, such as direct project financing, corporate loans, equity investments or capital market transactions. This scope should be established during the environmental and social assessment process and must cover all relevant risks and impacts, including project activities, associated facilities and core supply chains. For guidance on how ESR 1 applies across different financing structures, see Table 5. In some cases, ESR 1 may also apply to a client's broader business activities beyond the specific project, as outlined in the ESP.

The ESRs should be read together. ESR 1 and the other ESRs form an integrated framework for environmental and social risk management. ESR 1 provides the overarching structure through which the requirements of the other ESRs are assessed, implemented and monitored.

Where EBRD financing involves corporate loans, equity investments or capital market transactions, ESR 1 may apply to a client's business activities beyond the specific project. In such cases, the scope and design of the client's ESMS should reflect the broader nature of the engagement. Further guidance from the EBRD may be required to determine what this looks like in practice.

If a project does not meet the ESRs and/or it involves the modernisation or upgrade of a client's existing facilities or business activities that do not meet the ESRs at the time of EBRD approval, the client will be required to adopt an environmental and social action plan (ESAP), which will include a series of technically and financially feasible measures. These measures are necessary to ensure that the project, facility or activity complies with the ESRs within a timeframe acceptable to the EBRD. Adoption of an ESAP implies a formal commitment by the client to allocate the necessary resources and agree on implementation timeframes.

The ESAP is developed by the EBRD or its consultants, and typically involves:

- environmental and social due diligence (ESDD) to identify material environmental and social risks and impacts
- assessment of the project's capacity to apply the mitigation hierarchy and reduce the likelihood of material impacts
- development of actions to address residual risks – this may include further studies, improved technologies or enhanced management measures
- agreement between the EBRD and the client on specific actions, timelines and any additional funding that might be required.

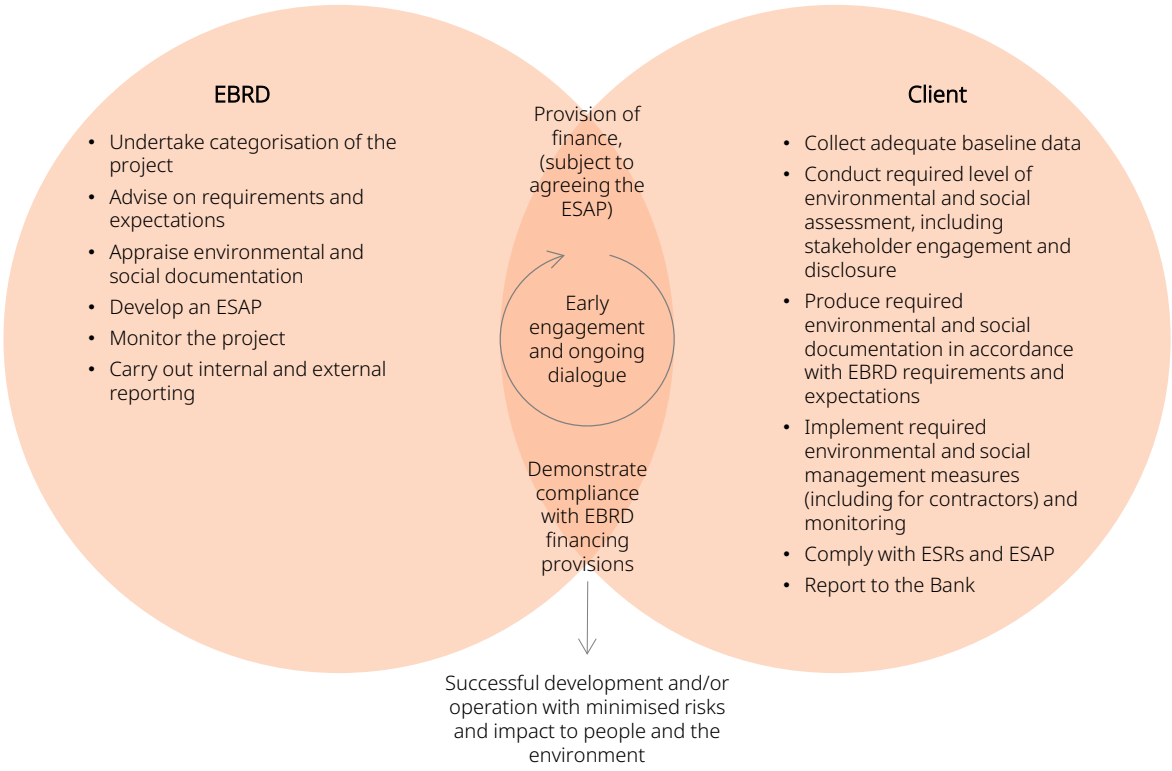
Guidance note
Environmental and Social Requirement 1

3. Roles of the EBRD and the client

3. Roles of the EBRD and the client

The EBRD and the client play complementary, yet discrete, roles, which together enable the EBRD to understand and be satisfied that environmental and social risks and impacts will be managed to an acceptable level throughout the project lifecycle (the role of the EBRD is explained in the ESP). A summary of these roles is provided in Figure 2.

Figure 2. EBRD roles and client responsibilities



The EBRD defines the category of the project; reviews the results of the environmental and social assessment; conducts its appraisal; and makes its financing decision. The EBRD advises the client on how to implement its ESRs and what is required to be produced and disclosed. Where appropriate, the EBRD will also encourage and assist the client to identify opportunities for additional environmental or social benefits.

The client is expected to:

- conduct an environmental and social assessment (ESA) of the proposed project and any associated facilities, primary supply chains and/or other relevant facilities and activities (see the Environmental and social assessment section for further details)
- develop mitigation and management measures and potential opportunities for environmental or social benefits
- initiate and demonstrate the process of implementing an effective environmental and social management plan (ESMP) and ESMS.

The client must address relevant third party and contractor activities and associated risks and impacts, including how it will implement mitigation and management measures, and conduct necessary monitoring.

Guidance note
Environmental and Social Requirement 1

4. The EBRD financing timeline

4. The EBRD financing timeline

This section provides an overview of how ESRs are considered across the EBRD's financing timeline, and how these align with key project milestones. It is intended to support clients and consultants in understanding when specific actions and deliverables are expected, and how these relate to broader decision-making processes.

The four main stages of the EBRD financing timeline are:

- concept
- appraisal
- approval
- monitoring.

Table 1 illustrates the four main stages of the EBRD financing timeline.

Table 1. Key milestones in the EBRD's consideration of ESRs and decision-making

Financing timeline			
Concept	**Appraisal**	**Approval**	**Monitoring**
EBRD responsibility: • Categorisation of projects • Initial environmental and social examination (IESE)/site visit (if required) • Risk ranking	**EBRD responsibility:** • Bank's appraisal, for example, review of the ESA, environmental and social audit/review • EBRD or consultant review and site visit (for Category A and Category B projects) • Develop an ESAP • Develop a project summary document	**EBRD responsibility**: Finalise: • Environmental and social content for the approval documents • ESAP • Environmental and social covenants • Monitoring and reporting requirements	**EBRD responsibility:** • EBRD or consultant monitoring of the project, commensurate with the risk profile
Client responsibility: • Identification of relevant requirements • Identification of potential environmental and social risks and impacts • Scoping of environmental and social assessment	**Client responsibility:** • Client's assessment, for example, environmental and social impact assessment (ESIA) for Category A projects, ESA for other projects • Disclosure of ESIA or ESA	**Client responsibility**: • Active engagement in and cooperation with those EBRD responsibilities listed above	**Client responsibility**: • Implementation of project in line with ESRs and ESAP • Reporting to the EBRD on ESRs and ESAP implementation • Incident reporting to the EBRD

The financing timeline provides a useful framework for understanding when key environmental and social actions are expected. These actions are structured around the implementation of ESR 1.

The EBRD applies a risk-based approach to each stage, proportionate to the nature and scale of the project and commensurate with its environmental and social risks and impacts. Key factors include impact risk, country context, client capacity and stakeholder views. Residual reputational risks are also to be considered. A determination of key risks by taking the risk-based approach guides the applicability of ESRs and monitoring needs, which may evolve during the project lifecycle.

The sections below outline how environmental and social assessment activities progress through the financing cycle, beginning with screening and scoping at the concept stage. This provides an overview of what happens when, before the detailed requirements are set out in "Requirements".

4.1. Concept stage: screening and scoping

At the concept stage, the EBRD conducts screening to determine the appropriate categorisation of a project (A, B, C or "FI" – financing through financial intermediaries) [4] and identify initial environmental and social risks, relevant ESRs, associated facilities and contextual risks, such as human rights, gender, climate and nature-related issues. High risks may trigger enhanced studies, independent expert input or expanded stakeholder engagement.

During this stage, the client begins scoping, typically working with the EBRD to define the boundaries and focus of the assessment. The purpose of scoping is to ensure that the assessment is proportionate to the nature and scale of the project and commensurate with its environmental and social risks and impacts. Previous EIA activities undertaken as part of national permitting processes may be sufficiently robust to be considered as project scoping. However, this will be determined case by case in consultation with the EBRD. All detailed requirements for screening, scoping and project definition are provided in the section 6.3.

4.2. Appraisal stage: environmental and social assessment

During the appraisal stage, the client undertakes an environmental and social assessment (ESA) proportionate to the project's nature, scale and risks, building on scoping. The assessment evaluates direct, indirect, cumulative and contextual risks and impacts, using credible baseline data consistent with good international practice; it is also informed by meaningful stakeholder engagement in line with ESR 10, with attention paid to vulnerable groups and potential retaliation risks.

For Category A projects, a full ESIA, which includes stakeholder engagement, alternatives analysis and public disclosure, is required. For Category B projects, the assessment is proportionate to the nature and scale of risks, addressing these elements where necessary but not requiring the full ESIA scope. [5] Category C projects require minimal assessment, focused on confirming limited impacts and basic compliance. The EBRD may accept alternative risk assessment approaches from clients if they meet ESR objectives and the client can implement them effectively.

The EBRD reviews the assessment, conducts due diligence (including site visits where required) and identifies any gaps to be addressed through management planning, such as an ESAP or supplementary work. Detailed ESA requirements, including contextual risk analysis, alternatives, vulnerability considerations and data standards, are set out in the section 6.3.

4 Please see ESR 9 and its guidance note for further details on financial intermediaries.

5 For example, a greenfield Category B project would require an ESA but the exact format can be agreed with the EBRD.

4.3. Approval stage: management planning

Management planning is when the findings of the ESA are translated into actionable commitments. Before approval, ESRs are consolidated into the ESMS, ESMP(s) and – where existing gaps exist – an ESAP. These documents translate assessment findings into binding commitments and become part of the financing agreements. The EBRD finalises project covenants and monitoring requirements. The client agrees with the EBRD any corrective actions required for compliance. Full ESMS/ESMP/ESAP requirements are described in the section 6.4.

4.4. Monitoring stage: implementation and reporting

Implementation is when the client implements ESMS and associated plans – particularly the ESMP(s) and, where applicable, the ESAP. This stage marks the transition from planning to action and is critical for ensuring that environmental and social commitments are fully delivered on and integrated into project execution. This includes contractor management, stakeholder engagement, reporting and incident notification. The EBRD (or its consultants) conducts monitoring proportionate to project risk and may request independent expert input for complex or high-risk projects. Detailed monitoring and reporting expectations are provided in section 6.7.

Guidance note
Environmental and Social Requirement 1

5. Categorisation

5. Categorisation

The EBRD categorises all direct investment projects as either A, B or C depending on the nature of any potentially significant environmental and/or social risks and impacts associated with project activities. If the EBRD is unable to categorise a project at the concept stage (the first formal stage of the EBRD's financing timeline) based on the information available, it may apply an initial environmental and social examination (IESE). The EBRD carries out an IESE in consultation with the client to gather enough information for categorisation. This process includes a site visit or, at a minimum, a detailed review of spatial data such as KMZ files or maps. All projects must be categorised as A or B before the final review memorandum (FRM), and categorisation may change during appraisal as more information becomes available.

Table 2. Project categories, their assessment and disclosure requirements

Category	Description
A	A project is categorised "A" when it could result in significant environmental and/or social impacts, including direct and cumulative environmental and social impacts, which are new and additional and cannot be readily identified, assessed or mitigated. Projects categorised as A require a formalised and participatory ESIA process. An indicative list of Category A projects is available in Annex B of the ESP 2024.
B	A project is categorised "B" when its potential environmental and/or social impacts are typically site-specific and/or readily identified and addressed through mitigation measures. The scope of the ESA will be determined by the EBRD on a case-by-case basis. Category B projects cover a broad range of EBRD projects, and approaches to Category B projects will vary on the basis of environmental and social impacts.
C	A project is categorised "C" when it is likely to have limited environmental and/or social impacts that can be readily identified and mitigated.
IESE	Initial environmental and social examinations will be carried out where insufficient information is available at the time of categorisation to determine the appropriate category and scope of appraisal.
FI	A project will be categorised as a "financial intermediary" if the financing structure involves the provision of funds through financial intermediaries (FI projects). FI clients are required to comply with ESR 2, ESR 4 and ESR 9. If sub-projects financed by FIs through EBRD funding meet the criteria of Category A projects as listed in Annex B of the ESP 2024, these will be required to meet ESRs 1 to 8 and 10. For further detail on FIs, please see ESR 9 and its guidance note.

The table is an illustrative list only; the client should agree precise project requirements with the EBRD on a case-by-case basis. Although the nature of the assessment may vary in scope according to categorisation and the risks of the project, certain steps must be taken for all projects, irrespective of initial categorisation. In other words, for every project there needs to be an assessment of the project risks and impacts, with measures and/or resources put in place to manage any such risks and impacts appropriately, in line with the mitigation hierarchy and GIP. For all projects, certain outputs, such as an ESMP or ESMS, are required, irrespective of the project category assigned.

Guidance note
Environmental and Social Requirement 1

6. Requirements

6. Requirements

6.1. General

ESR 1 is guided by the principles of integrated environmental and social risk management and applies to all projects financed by the EBRD, regardless of sector, location or financing structure. It requires clients to identify, assess and manage environmental and social risks and impacts throughout the project lifecycle, in a manner consistent with applicable law, GIP and the objectives of the ESRs.

Before initiating consultations or environmental and social assessments, clients must clearly define the project scope, including works, goods, services and business activities covered by the financing agreement, and this should be agreed with the EBRD at the start of the appraisal process. A clear project definition is critical for categorisation, scoping, stakeholder engagement and applying the mitigation hierarchy. Where project boundaries are unclear, the assessment process must include steps to confirm and document what is – and what is not – within the project scope.

The definition of a "project" used by the EBRD is set out in Section II of the ESP:

"... the set of works, goods, services and/or business activities defined in the financing agreements and for which EBRD financing is sought by a client, and approved by [the] EBRD."

6.1.1. Associated facilities

As well as defining the project, clients must identify any associated facilities. Per Section II of the ESP, these are "facilities or activities that are not financed by the EBRD as part of the project but which, in the view of the EBRD, are significant in determining the success of the project or in producing agreed project outcomes. These are new facilities or activities:

i. without which the project would not be viable, and

ii. which would not be planned, constructed, expanded or carried out if the project did not exist."

The inclusion of associated facilities in the assessment of environmental and social risks and impacts of the project is not a requirement of most national impact assessments, but is aligned with GIP, so clients should consider how this difference in scope will be managed at the outset of the assessment process. For instance, separate, local EIAs for the associated facilities may be required.

Based on the key principles of the definition in the EBRD's ESP, the following explanations are given on what, in practice, an associated facility could include:

- An associated facility is any facility or activity not financed by the EBRD as part of the project, but which is essential to realising the project and/or its outcomes.
- An associated facility is more than likely to be developed by, or on behalf of, a third party.
- Associated facilities and/or activities can only be new facilities (which include expansions or substantial modifications of existing facilities) and activities.

- Associated facilities and/or activities would not have been built or carried out if the project was not going to be developed.
- A project or activity that relies on or has been prompted by an already existing facility or activity for its success, then such a facility or activity is not an associated facility.

Some examples of what may comprise an associated facility are provided in Table 3. However, this is not an exhaustive list of any particular scenario, and the definition of project and associated facility for any given project should be agreed with the EBRD on a case-by-case basis.

Table 3. Associated facilities

Example scenario	Project/associated facility
Factory and access road	
The client is developing a new factory but the local municipality will design, build and maintain a new access road for the factory, which is essential for the viability of the factory to import raw materials and export its products.	Here, the factory is the project; the road is an associated facility.
The client is developing a new factory. An access road already exists, which is essential for the viability of the factory to import raw materials and export its products.	Here, the factory is the project; the road is not an associated facility. However, the potential risks of the client's activities while using the road would still be considered as a risk and should be considered under project appraisal, for example increased truck movements during the construction phase for raw materials, waste and worker transport.
The factory is being built in an area designated for new industrial enterprises and the municipality is building a new motorway to provide access to the area.	Here, the factory is the project, and the motorway is not an associated facility because it will provide access to many industrial developments in the area and is not being developed in response to the project only.
The factory is being built in an area designated for new industrial enterprises and the municipality is building a new motorway to provide access to the area. There will be a new spur road off the motorway to access the factory only.	Here, the factory is the project, and the motorway is not an associated facility. However, the spur road is an associated facility, unless it is for multiple users.
Truck company	
The EBRD is considering financing a truck company to help it expand its fleet to service a new mine, or similarly, a tanker company servicing a gas field.	The mine or gas field are not associated facilities. This is because, while the Bank's project relies on the mine or oil and gas field, the mine or gas field has not been developed as a result of the project.
Transmission line	
The client is developing a power plant. The state energy company will be installing a transmission line to evacuate power from the power plant.	The power plant is the project, and the transmission line will be an associated facility throughout its lifecycle.

Note: Even when another activity is not deemed to be an associated facility, the project developer still needs to consider the risks and impacts such facilities present to the project as per paragraph 6.6 of Section IV in the ESP.

6.1.2. Meeting the ESRs

Clients must meet the requirements of ESR 1 even where national law is silent or establishes standards that are less stringent. Where host-country regulations differ from ESR 1 or other ESRs, the more stringent standard must be applied. Clients must also ensure compliance with any environmental and social obligations set out in financing agreements, including those related to monitoring, reporting and stakeholder engagement. In line with the ESP, projects must also be structured to meet European Union (EU) substantive environmental standards, where these can be applied at project level, regardless of geographical location. When host-country regulations differ from EU substantive standards, the more stringent standard applies. EU substantive standards refer to clear quantitative or qualitative requirements set out in EU secondary legislation, such as directives and regulations, applicable at project level.

Clients are required to provide the EBRD with timely information and evidence relating to:

- environmental and social performance, including the performance of their own teams and contractors
- measures planned and implemented for risks and impacts in associated facilities, and core supply chains
- performance of third parties responsible for implementing measures.

This information must be provided throughout the life of the project and must demonstrate that risks and impacts are being effectively managed in accordance with ESR 1. Where material changes to project scope or design occur, clients must undertake additional ESIAs and proportionate stakeholder consultations to address new or altered risks and impacts.

Where significant environmental and social risks are identified, the client may be required to commission an independent assessment or enhanced study, if requested by the EBRD. This should be undertaken by qualified experts, following a credible and participatory approach. The results must be communicated to the EBRD and used to inform project design, mitigation measures and management plans.

If the assessment identifies instances or risks of non-compliance with ESR 1, a time-bound ESAP must be developed, including appropriate mitigation and remediation measures and clear monitoring requirements. The ESAP must be agreed in advance with the EBRD, and the client must report on its timely and effective implementation. Where national law is silent on an issue or establishes standards that are less stringent than those of ESR 1, clients must meet the requirements of ESR 1. Clients must also ensure compliance with any collective agreements to which they are a party.

The following tables provide illustrative guidance on how ESR requirements apply across different project types and financing structures. These are indicative only and should be clarified with the EBRD on a case-by-case basis.

Table 4. Meeting the ESRs

Project	EBRD requirements
New facilities or business activities	• The project must be designed from the outset to meet the requirements of all applicable ESRs and, by extension, good international practice and EU substantive environmental standards, where applicable, through the entire lifecycle, including decommissioning and closure. • The client will be required to adopt an ESAP confirming its commitment to meet the ESRs following project approval. ESAPs are a fundamental part of financing agreements and become binding between the client and the EBRD. Clients must also

Project	EBRD requirements
	cascade ESAP requirements to all contractors involved in project implementation, ensuring that contractors understand and implement the agreed environmental and social measures.
Modernisation or upgrading of existing facilities or business activities	• Where the EBRD is financing the addition of new equipment within an existing facility, the new equipment must comply with all applicable ESRs and EU substantive environmental standards from the outset. • The rest of the existing facility must be assessed against all ESRs and an ESAP is required. The ESAP will be developed by the EBRD and agreed and implemented by the client to bring the facility into compliance with the ESRs within an appropriate period.

Table 5. Meeting the ESRs

Type of direct finance*	EBRD requirements
Project finance	• An ESA of the project, depending on categorisation and risks and impacts of the project. • The project needs to meet the ESRs from the outset. • If the project involves existing facilities, these facilities need to meet the ESRs within a timeframe acceptable to the EBRD. • An ESAP for the project and existing/associated facilities, where relevant.
Equity participation	• An ESA of the use of equity proceeds, depending on categorisation and the risks and impacts of the project and client operations. • The use of equity proceeds, as well as future projects, needs to meet ESRs from the outset. • All existing operations need to meet ESRs within a reasonable period. • An ESAP at a corporate level, for use of proceeds and existing operations.
Corporate finance	• An ESA of the client's current ESMS and past and current performance against the applicable ESRs. • An ESAP at a corporate level. • Site-specific actions may be considered depending on the risk profile of the business activities.
Capital market transactions, such as bonds	• Defined by the EBRD and will depend on the use of proceeds by the client and capital-market transaction restrictions and host jurisdiction. • Specific actions will be agreed by the EBRD and the client, as necessary, and within the structure of capital markets rules as they apply to the project. • For Category A projects financed using such instruments, the Bank will require that clients develop and disclose, before project approval, an ESIA that meets the requirements of the relevant provisions of the EBRD's ESP and Access to Information Policy.

Note: Indirect financing is covered by ESR 9.

6.2. Environmental and social management system (ESMS)

Clients are expected to establish and maintain a structured framework of policies, procedures, responsibilities and continuous improvement processes – an ESMS – that is tailored to the nature and scale of their project and operations, and commensurate to the level of environmental and social risks and impacts. This determination draws on the findings of the ESA and other relevant sources. The goal is to ensure that the level of effort, resources and system complexity matches the significance of the risks. The ESMS must also be dynamic and adaptive, operating on a continuous basis and embedded within the client's

core operational activities. It must evolve in response to changing project circumstances, monitoring results and stakeholder feedback.

The ESMS should be:

- tailored to the project's risk profile
- integrated across departments and project phases
- maintained throughout the lifetime of the project and adaptable to scope or design changes, unplanned events and evolving risks
- supported by adequate staffing, governance and resourcing, including contingency for additional studies, corrective actions and inflationary adjustments
- responsive to stakeholder concerns and feedback.

Key factors to consider when tailoring the ESMS include:

- magnitude and likelihood of potential impacts (for example, pollution, displacement, biodiversity loss)
- duration and reversibility of impacts (temporary versus permanent)
- vulnerability of affected people or environments (for example, Indigenous Peoples, critical habitats)
- contextual risks, such as conflict, weak governance or climate vulnerability
- complexity of project structure, including associated facilities and supply chains.

For corporate-level ESMS components, where clients are using a reporting standard, such as the Global Reporting Initiative or Corporate Sustainability Reporting Directive, this may be acceptable to meet the EBRD's requirements.

For higher-risk projects, enhanced studies, independent expert input and robust monitoring systems are typically required. For lower-risk projects, simpler systems may suffice, provided they still meet the EBRD's requirements and GIP. Ultimately, proportionality should ensure that resources and safeguards are aligned with risk, rather than applying a one-size-fits-all approach. Clients must be able to demonstrate how material risks and impacts have been identified and prioritised, and how the ESMS has been designed to respond accordingly. Where relevant, the ESMS must also incorporate measures for managing significant environmental and social risks in core supply chains. These measures should be commensurate with the severity and likelihood of risks and the complexity of the supply chain and aligned with ESR 2 and ESR 6 requirements.

The client can draw on the following data sources in determining the level of risk and impact management to be included in an ESMS:

- Project design and technical documents, such as engineering plans, site layouts and operational models, help assess the scale and complexity of potential impacts.
- Legal and regulatory reviews of national laws, international conventions and lender requirements (for example, the EBRD ESRs) help define compliance thresholds.
- Contextual risk analysis, including conflict assessments, governance indicators, climate vulnerability indices and social inclusion data.

- Scoping reports and terms of reference, providing an understanding of the rationale behind the scope of assessment and identifying key areas of concern.
- ESA reports, illustrating the core analysis of risks and impacts, including baseline conditions, stakeholder input and proposed mitigation measures.
- Stakeholder engagement records, including minutes, feedback summaries and grievance logs help identify perceived risks and the adequacy of proposed responses, including differentiated measures for vulnerable individuals or groups who may be disproportionately impacted by the project.
- Independent expert reviews, where available, as these provide third-party validation of risk significance and management adequacy.
- Sectoral and geographic benchmarks, for example, comparative data from similar projects or regions can help calibrate expectations for proportionality.

An integrated ESMS refers to a coordinated framework that systematically manages both environmental and social risks through aligned policies, procedures and responsibilities across the organisation. Integration of the ESRs into a streamlined and coordinated process means embedding environmental and social risk management into the client's business operations. This includes:

- assigning clear roles and responsibilities across departments
- establishing key performance indicators (KPIs) to track environmental and social performance
- setting up systems for monitoring, reporting and continuous improvement
- ensuring adequate resourcing and budgeting to support implementation
- embedding environmental and social considerations into governance, procurement and decision-making processes.

For projects delivered through engineering, procurement and construction (EPC) or turnkey arrangements, the ESMS must extend to contractor activities. EPC contracts should embed ESRs and environmental and social obligations, define roles and responsibilities for E&S performance, and include monitoring mechanisms such as audits, inspections and reporting.

Subcontractors must adopt equivalent standards, with capacity-building provided where gaps exist. Clients should also ensure that EPC and project personnel receive training on ESR requirements and ESMS procedures before mobilisation and project kick-off, with refresher sessions during construction and major changes. Training should cover key commitments, risk management processes and stakeholder engagement, and its effectiveness should be monitored as part of the ESMS. The ESMS must include an overarching policy statement that defines the client's environmental and social commitments and objectives. This policy must reflect the project's specific risk profile and approach to risk management, be formally endorsed by senior management, and be communicated throughout the organisation. The tone of the policy must convey firm commitments – using language such as "will" or "shall" – rather than aspirational terms such as "endeavour to" or "aim to".

In addition, the ESMS must include mechanisms for stakeholder engagement and grievance management, and systems for tracking performance against defined indicators and targets. It should allow for the appropriate monitoring, gathering and recording of information to enable reporting to the EBRD and to project stakeholders in accordance with ESR 10 and GIP. The ESMS must also consider third-party risks and impacts, including those arising from contractors, suppliers and associated facilities. Examples of such risks

include environmental or social impacts from contractor activities, supply chain labour violations, emissions or discharges from associated facilities, or reputational risks linked to poor stakeholder engagement by subcontractors.

For clients engaged in corporate finance, equity investments or capital market transactions, the ESMS must extend beyond the boundaries of a single project. In these cases, the system should cover relevant business activities and any use of proceeds, in a manner consistent with ESR 1 and other applicable ESRs. Clients should be prepared to demonstrate how their ESMS applies across operations, including non-project-specific activities.

To support implementation, clients may benefit from a visual summary or checklist of ESMS components. This can help ensure that all required elements are in place and understood, particularly for clients unfamiliar with management systems.

6.3. Environmental and social assessment (ESA)

Clients must undertake an environmental and social assessment process early in the project lifecycle – ideally before finalising project design or securing financing – and continue it throughout implementation. The form of documentation varies by category: a full ESIA for Category A; a proportionate assessment (and for greenfield Category B, typically an ESIA-like assessment) for Category B; and a limited assessment for Category C.

The process must be proportionate to the nature, scale and potential risks and impacts of the project, and iterative so that new information, design changes and stakeholder inputs can be incorporated over time. The ESA should also be integrated, and consider all relevant direct, indirect, cumulative and contextual risks and impacts across the project lifecycle. Any material changes to project scope or design require an updated ESA and additional stakeholder consultations proportionate to the change and its impacts. The ESA should also provide the analytical foundation for later management planning (ESMS/ESMP) and, where needed, an ESAP.

As noted in the financing timeline section above, the assessment follows screening and scoping steps. Screening for environmental and social risks is conducted by the EBRD at the concept stage and influences the project categorisation and the need for enhanced studies during scoping and assessment. Early screening is critical as it informs scope, resource planning and risk management. Scoping is conducted by the client, with input from the EBRD, such as reviewing draft scoping documents, advising on the inclusion of specific ESRs, recommending stakeholder engagement approaches, and ensuring alignment with GIP. The extent of EBRD involvement varies depending on the project's nature and scale, risk profile and the client's capacity. Clients should integrate contextual risk analysis into initial scoping and update it throughout the project lifecycle. Contextual risks refer to external factors – such as conflict, governance, climate vulnerability or discrimination – that may exacerbate project-related impacts or affect stakeholder engagement and risk management. They differ from project-induced risks, which arise directly from project activities. Practical considerations for contextual risk analysis include:

- reviewing country and sector risk indices (for example, governance, corruption, conflict)
- evaluating nature-related risks, impacts and opportunities associated with the project location
- assessing climate vulnerability using national adaptation plans or data from the Intergovernmental Panel on Climate change (IPCC)
- identifying social exclusion patterns and systemic discrimination risks

- evaluating digitalisation exposure, including cybersecurity and data privacy.

The assessment must identify applicable legal and regulatory requirements, including those arising from international obligations. It should be based on current and/or recent baseline data and credible external sources – defined as independent, verifiable and relevant data providers, including academic institutions, recognised consultancies and authoritative databases.

6.3.1. Defining the project footprint

The boundaries and focus of the assessment are defined by the project's physical footprint, operational scope and potential areas of influence. This must include associated facilities, and where the client has control or influence over these facilities, they must be assessed and managed in line with ESR requirements. Where control is limited, clients should demonstrate reasonable efforts to assess risks and mitigate potential impacts through leverage and collaboration. The assessment scope is also defined by direct project activities and any third-party risks that may affect or be affected by the project. It covers temporal aspects (for example, construction versus operation phases) and thematic areas (for example, biodiversity, labour, human rights and climate). The assessment focus is determined by identifying key risks, such as displacement, pollution, GBVH, biodiversity loss and supply-chain labour violations, which can have an impact on health or lead to ecosystem degradation or social unrest. Key risks are likely to be significant, irreversible, controversial, or affect vulnerable groups or sensitive environments. These are prioritised over minor or routine risks to ensure that resources are directed towards the most material issues.

6.3.2. Stakeholder engagement

Stakeholder engagement is a core part of the assessment, and clients must identify stakeholders early, paying particular attention to vulnerable groups and risks of retaliation. Stakeholders include individuals, groups or organisations who may be affected by or have an interest in the project – particular attention must be paid to vulnerable or marginalised populations. Identifying vulnerable, project-affected people or groups requires context-specific tools such as participatory mapping, social baseline surveys and engagement with local organisations. Mitigation and monitoring measures must be tailored to ensure these groups are not disproportionately affected and can access project benefits equitably. Gender considerations must be integrated, using a sex-disaggregated baseline, monitoring data and consultation with attention to the different burdens, barriers and impacts women and sexual and gender minorities might experience. Stakeholder mapping, media reviews and grievance trend analysis are all examples of tools that can help identify retaliation risks. Where retaliation risks are foreseeable, clients must implement clear non-retaliation policies, reporting mechanisms and protective measures, alongside effective response protocols. Stakeholder feedback informs the ESA and is carried through into the stakeholder engagement plan (SEP), grievance mechanisms, monitoring and ESMP.

6.3.3. Alternatives assessment

The assessment must also consider technically and financially feasible alternatives to the project's location, design, technology and mitigation options, prioritising avoidance of impacts. Where alternatives have already been selected, clients must retrospectively review the decision-making process to ensure risks were adequately considered and mitigated. Types of alternatives assessment may include, for instance: project concept alternatives; routing and site location alternatives; or technical and design alternatives.

In some instances, the EBRD may be presented with a project at concept stage where the alternatives assessment has already been completed as part of the national EIA process and that the full ESIA is proceeding on the selected project configuration or solution. In such instances, the EBRD will review the existing alternatives analysis to assess whether the ESRs have been met and confirm whether the project can proceed on suitably robust grounds. Should deficiencies be noted, the client should be prepared to revisit the alternatives assessment in line with ESR 1 and GIP. The extent and nature of alternatives assessment should be discussed and agreed with the EBRD, particularly in situations where projects are at an advanced stage.

6.3.4. Core supply chains

Clients must also identify significant environmental and social risks in core supply chains. Methods such as supplier vetting, media reviews and stakeholder questionnaires can support this process. Where risks are identified, clients should implement mitigation measures proportionate to their leverage over suppliers, the severity of risks and the likelihood of adverse impacts. Measures may include contractual requirements, capacity-building or, where necessary, disengagement strategies that avoid exacerbating risks. More specific supply chain requirements are detailed in ESRs 2, 4 and 6.

The above reflects the fact that clients have differing degrees of influence, control and leverage over environmental and social risks and impacts, depending on the type of contractual relationship or financing structure linked to associated facilities and core supply chains. Risks may be greater where clients do not have direct control, but clients are still expected to use their leverage to align environmental and social performance across their operations and value chains with ESR 1 requirements.

6.3.5. Thematic focus areas in an ESA

- Human rights risks are to be embedded across the ESA. Where complexity or uncertainty is high, the client may complement the ESA with enhanced studies, including a human rights assessment in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) where warranted; findings are integrated into management plans.
- An analysis of risks and impacts differentiated by gender, including GBVH, which also informs targeted mitigation and monitoring.
- ESA to address the causes and consequences of climate change (greenhouse gas emissions, resilience/adaptation) and nature-related dependencies and impacts (biodiversity, ecosystems, natural resources). For biodiversity, apply a proportionate, spatially explicit assessment of direct, indirect and cumulative impacts and cross-reference guidance under ESR 6 (including critical habitat assessments and biodiversity management plans, where applicable).
- Where digital technologies or services are central to the project, the ESA screens for digital risks, including cybersecurity, data protection/privacy, algorithmic bias, risks to civic space, exclusion/digital divide and material environmental footprints of digital infrastructure. Detailed methods and controls should follow the EBRD's upcoming Digital Risk Briefing Note (and relevant data-protection law).
- Where risks are significant, complex or uncertain, the ESA may need enhanced studies (such as cumulative impacts modelling, conflict analysis, a GBVH risk assessment, a human rights impact assessment (HRIA) where appropriate). For complex/high-risk projects, clients may be required to engage independent experts or advisory panels to support objectivity, rigour and credibility.

The ESA should document:

- scope and methods
- baseline and legal/standards framework
- assessment of risks and impacts (direct, indirect, cumulative, contextual)
- alternatives analysis (including any retrospective review)
- stakeholder engagement findings and how they informed the ESA
- recommendations that feed directly into the ESMS/ESMP and, where required, an ESAP. For Category A projects, the ESA takes the form of a formalised and participatory ESIA with public disclosure; for Category B projects, a proportionate assessment (for greenfield, this would include an ES(I)A); Category C projects require minimal assessment to confirm limited impacts and basic compliance.

The ESA must demonstrate traceability from identified impacts to mitigation and monitoring, show how significance determinations were made, and explain proportionality of effort. It should draw on independent, verifiable sources and, where appropriate, third-party review. The level of detail and the frequency of updates are to be commensurate with risk, and methods are benchmarked to GIP.

6.4. Environmental and social management plan (ESMP)

Based on the findings of the ESA and the outcomes of stakeholder engagement, clients must develop and implement an ESMP. The ESMP forms a core component of the ESMS and outlines the timeline of specific actions and performance indicators that are necessary to meet the requirements of ESR 1 and other applicable ESRs.

The ESMP must be proportionate to the nature and scale of the project and its associated risks and impacts. It may consist of a combination of documented procedures, plans, practices and capital investments. These components should reflect the mitigation hierarchy – prioritising avoidance, followed by minimisation, mitigation and, where necessary, offsetting – and be designed to ensure that environmental and social risks and impacts are effectively managed throughout the project lifecycle.

The ESMP must include:

- clear objectives and commitments aligned with ESR 1 and other applicable ESRs
- defined roles and responsibilities for implementation
- measurable outcomes, performance indicators and timelines
- provisions for updating the ESMP in response to monitoring results, unforeseen events or changes in project design.

Where existing facilities or business activities do not meet the ESRs, clients must adopt an ESAP. The ESAP is developed by the EBRD or its consultants and agreed with the client and must include a formal commitment of resources and timeframes to achieve compliance. This ESAP forms part of the financing agreement with the EBRD.

Clients must ensure that the ESMP includes differentiated measures for vulnerable, marginalised or discriminated groups, where relevant. These measures should be informed by the ESA and stakeholder

engagement process and maintained throughout the project lifecycle. Inclusion of such groups must be embedded in:

- the SEP, with tailored engagement methods, culturally appropriate communication and safeguards against retaliation
- the impact assessment, with disaggregated data and analysis of disproportionate effects
- the monitoring framework, with indicators that track outcomes for these groups and assess the effectiveness of mitigation and benefit-sharing measures.

Ongoing engagement with vulnerable groups must be maintained to ensure that mitigation measures remain effective and responsive. Where vulnerable or marginalised groups, or individuals experiencing discrimination, are identified during the appraisal process, the ESMP will include differentiated measures to ensure that risks and impacts do not fall disproportionately on them, and that they are able to take advantage of opportunities to benefit from the project. This includes regular feedback, accessible grievance mechanisms and periodic review of outcomes with affected stakeholders. Clients should also ensure that monitoring and reporting systems can capture and respond to the experiences of these groups, including through participatory monitoring approaches where appropriate.

To ensure that the ESMP is aligned with GIP, clients should reference recognised standards and frameworks, such as ISO standards, and sector-specific guidance from international organisations (such as the World Health Organization, the International Labour Organization and the International Union for Conservation of Nature) and thematic briefing notes and technical guidance documents published by development finance institutions. A range of technical guidelines have been developed by international institutions, standard-setting bodies and industry groups, as well as national and regional authorities. These sources provide practical tools, methodologies and performance benchmarks for implementing GIP across sectors. Key examples include:

- the International Finance Corporation's Environmental, Health and Safety (EHS) Guidelines and other IFI safeguard systems, which offer sector-specific technical detail
- international standards, such as ISO 14001 for environmental management and ISO 45001 for occupational health and safety; social accountability frameworks such as SA8000 and ISO 26000 offer frameworks for labour rights and community engagement
- industry-specific bodies such as the International Council on Mining and Metals, and the Voluntary Principles on Security and Human Rights for sector-specific risk management
- national and regional environmental and health and safety authorities offer technical manuals, exposure limits, and codes of practice that are widely referenced in both regulatory and voluntary compliance contexts.

Further details and hyperlinks to these and other relevant guidance documents – including ESIA, ESMS, HRIAs and security risk management – are provided in Annex B. Where national law differs from GIP, the more stringent standard must be applied. Clients should be prepared to demonstrate how their ESMP reflects GIP, including through benchmarking, expert input and reference to relevant standards. Reviewers may also refer to the EBRD's ESP and associated ESRs for further guidance on expected practices and sources of GIP.

Together, the ESMS, ESMP and ESAP form the operational backbone of environmental and social risk management. They ensure that the project is not only assessed but also actively managed in a way that supports sustainability, compliance and stakeholder trust.

6.5. Organisational capacity and commitment

Effective E&S risk management and implementation of an ESMS require a clearly defined organisational structure of roles, responsibilities and lines of authority. Clients are responsible for ensuring that all contractors, subcontractors and suppliers working on the project comply with the relevant ESRs and the ESMS. Table 6 depicts the EBRD expectations of clients and practical guidance on defining an effective and resourced organisational structure.

Table 6. EBRD expectations and guidance

EBRD expectations	Practical guidance
Establish and maintain an organisational structure that clearly defines roles, responsibilities and authority for implementing the ESMS.	• Create an E&S organogram showing reporting lines and responsibilities, with clear linkages to the E&S impacts/risks/topics that the ESMS aims to address. • Integrate E&S roles into existing departments (such as health and safety, human resources (HR) and operations) or establish a dedicated E&S team. • Ensure clear accountability at both operational and senior management levels.
Designate specific personnel, including at least one management representative, to oversee ESMS implementation, and define and communicate key E&S responsibilities to relevant staff.	• Assign a management representative with authority to oversee the ESMS. • Identify E&S focal points at project, site and corporate levels. • Ensure these roles are reflected in job descriptions and performance objectives.
Provide adequate human and financial resources to ensure effective and continuous E&S performance.	• Budget for E&S staffing, training, monitoring and external support (such as consultants), including contingency for scope or design changes, additional studies, and corrective or remedial actions where required. • Ensure ongoing funding for ESMS activities, not just during project development, including adequate contingencies in situations where changes in the scope of the project are possible. • For greenfield and high-risk projects, clients should appoint dedicated E&S staff – and other relevant personnel such as health and safety, HR and security – early in the project lifecycle, rather than waiting until construction begins. These staff must receive appropriate training before works begin, and adequate E&S resources must be maintained throughout the project's lifetime to effectively identify, manage and mitigate risks and impacts. • Consider digital tools or systems to support ESMS tracking and reporting.
Ensure staff are suitably qualified and trained for their E&S responsibilities.	• Conduct a training needs assessments for staff with E&S responsibilities and develop a training matrix. • Provide regular training on ESMS procedures, legal requirements and good practices. • Track training completion and effectiveness through HR systems or ESMS dashboards.

6.6. Contractors

Clients are responsible for ensuring that contractors engaged on the project meet the requirements of ESR 1 and the ESMS. This responsibility applies regardless of whether works are directly financed by the EBRD or

form part of associated facilities. Contractor management must be proactive, systematic and aligned with the client's own environmental and social commitments.

Before engaging a contractor, clients should assess its capacity, including past performance, technical competence and ability to meet environmental and social obligations. Contractual agreements must incorporate relevant ESR 1 and ESMS requirements, including provisions for grievance handling, risk mitigation and performance tracking. Contractors must also be able to demonstrate requirements for equivalent environmental and social arrangements with any subcontractors that they use or plan to use. These obligations should be embedded in procurement documents and contracts to ensure clarity and enforceability.

Contractor management systems must be aligned with the client's ESMS and include mechanisms for ongoing oversight. This includes regular audits, inspections and documentation reviews, as well as reporting procedures that enable adaptive management in response to non-compliance or emerging risks. Where gaps in contractor capacity are identified, clients should provide appropriate training and resources to support compliance, and include in contracts clear conditions for retention payments and financial penalties for environmental and social violations, with penalties escalating for repeated non-compliance. Applying these requirements retrospectively – particularly where contracts for associated works are already in place – can be challenging. Nonetheless, clients must assess existing arrangements and implement corrective measures. This may involve revisiting contract terms, renegotiating obligations or allocating additional resources to support compliance. In some cases, this may also involve terminating contracts with suppliers if they are not able or willing to meet applicable environmental and social requirements. While such efforts may require financial and human investment, they are essential to ensuring that contractor activities do not undermine the project's environmental and social performance. Clients can access good practice resources and training on contractor management, including materials available through EBRD Learning (https://ebrdelearning.com).

More specific supply chain requirements are detailed in ESRs 2, 4 and 6.

6.7. Monitoring and reporting

Monitoring and reporting are essential for ensuring that environmental and social risks and impacts are effectively managed throughout the life of the project. This phase begins during project implementation and continues through construction, operation and, where relevant, decommissioning or closure. It provides the feedback loop that allows clients to track performance, identify issues and make timely adjustments to improve outcomes and maintain compliance with ESR 1 and other applicable ESRs.

Monitoring must be conducted in line with GIP and be proportionate to the nature and scale of the project and its associated risks. It should cover:

- any significant environmental and social risks and impacts identified during the ESA and during project implementation
- relevant parts of the ESRs, as identified during the project assessment process and subsequent monitoring
- actions specified in the ESMP and/or ESAP
- relevant performance indicators and targets

- grievances received from workers and external stakeholders, and how they were resolved
- any regulatory monitoring and reporting requirements
- any monitoring and reporting required by other parties (for example, off-takers, financiers and certification bodies).

Clients must ensure that adequate resources and personnel are in place to carry out monitoring as part of the ESMS. Monitoring should be systematic and documented, with results reviewed regularly to identify trends, gaps or emerging risks. Where appropriate, clients may engage third parties, such as independent experts, local communities or civil society organisations, to complement or verify monitoring data. In cases where authorities or other third parties are responsible for managing specific risks and mitigation measures, clients should collaborate with them to ensure effective oversight.

Reporting to the EBRD must be regular, transparent and comprehensive. Clients are expected to submit periodic reports detailing environmental and social performance, compliance with ESRs, implementation of the ESMS, ESMP and ESAP, and any significant incidents or changes. Reports should include a description of the internal and/or external assurance processes used to validate the information. Based on monitoring results, clients must identify and implement any necessary corrective or preventative actions, and update the ESMP or ESAP accordingly, in agreement with the EBRD.

Clients must also promptly notify the EBRD of any environmental or social incident or accident that has, or is likely to have, a significant adverse impact. This includes conducting investigations, implementing corrective actions and reporting outcomes. Similarly, any material changes to project scope, design or operation that could alter the risk profile must be reported, with additional assessment and stakeholder engagement carried out as needed.

For high-risk or complex projects, the EBRD may require clients to engage external experts to conduct periodic independent reviews or targeted monitoring of specific risks. These reviews help to ensure objectivity and provide additional assurance that environmental and social commitments are being met.

Guidance note
Environmental and Social Requirement 1

Annexes

Annex 1: Glossary

ESR 1 introduces several foundational concepts that are used throughout the Environmental and Social Policy and its associated guidance. These concepts are essential for interpreting and applying ESR 1 in practice. They include both defined terms from the ESP and ESRs, and interpretive principles used in environmental and social risk management. This section provides concise explanations to support consistent understanding and implementation. For full definitions of formal terms, refer to the ESP glossary.

Term	Definition
Associated facilities	Facilities or activities that are not financed by the EBRD as part of the project but which, in the EBRD's view, are significant in determining the success of the project or in producing agreed project outcomes. These are new facilities or activities: (i) without which the project would not be viable, and (ii) which would not be planned, constructed, expanded or carried out if the project did not exist.
Contextual risks	Risks arising from the broader operating environment, such as weak governance, conflict, climate vulnerability or social exclusion. These are considered alongside project-specific risks.
Contractor	An entity engaged to perform works or services directly related to project implementation (for example, EPC contractors or construction firms). Contractors and subcontractors are subject to ESR 1 requirements and must comply with the client's ESMS. A supplier may also act as a contractor where contractual obligations include project execution.
Core supply chain	Those suppliers and sub-suppliers who provide goods, equipment or materials essential to the project.
Cumulative impacts	Combined impacts of the project with other past, present or foreseeable developments. These impacts may be spatially or temporally distributed and require integrated assessment.
Good international practice (GIP)	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. The outcome of such an exercise is that the project employs the most appropriate techniques and standards in the project-specific circumstances, as outlined in this and other guidance notes.
Leverage	The client's ability to influence third parties (such as suppliers or contractors) to improve environmental and social performance. Used especially in relation to associated facilities and supply chain risk management.
Mitigation hierarchy	Measures taken to avoid creating environmental or social impacts from the outset of development activities and, where this is not possible, to implement additional measures that would minimise, mitigate or restore and, as a last resort, offset and/or compensate for any potential residual adverse impacts.
Project	The set of works, goods, services, business activities and/or investment set out in a financing agreement for which EBRD financing is sought by a client and approved by the EBRD Board of Directors or, if the Board of Directors has delegated approval authority, by Bank management.

Term	Definition
Risk-based approach	An approach that tailors the depth and scope of environmental and social assessment, management measures and monitoring to the nature, scale and significance of risks and impacts. It ensures resources and effort are proportionate to risk severity and likelihood.
Significance	Significance refers to the culmination of the scale, severity and likelihood of a risk or impact that may require enhanced assessment, mitigation or monitoring. Significant impacts are typically irreversible, long-term or disproportionate to vulnerable people or sensitive environments, and may trigger formal processes such as an ESIA, stakeholder engagement or independent expert review.
UN Guiding Principles on Business and Human Rights (UNGPs)	A global standard for preventing and addressing human rights risks in business activities. ESR 1 requires alignment with UNGPs when screening for human rights risks and conducting enhanced assessments in high-risk contexts.
Vulnerable people	Persons or groups who may be disproportionately affected by a project or have limited ability to access benefits due to discrimination, marginalisation or exclusion. This includes people in situations of vulnerability such as poverty, displacement or dependence on natural resources.

Annex 2: References

EBRD (1990), "Agreement Establishing the European Bank for Reconstruction and Development" in EBRD (2013) *Basic Documents of the European Bank for Reconstruction and Development*, London. Available at: https://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html

EBRD (2024), *Environmental and Social Policy*, London. Available at: https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html

CDC, EBRD and IFC (2020), *Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector*, London. Available at: https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/environment--sustainability/implement-performance-requirements/social/gender-based-violence-and-harassment-gbvh/GBVH-Good-Practise.pdf

CDC, DFID, EBRD and IFC (2018), *Managing Risks Associated with Modern Slavery: A Good Practice Note for the Private Sector*, London. Available at: https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/environment--sustainability/implement-performance-requirements/social/modern-slavery/Modern-Slavery.pdf

Resources

EBRD documents

- Environmental and Social Policy (2024)
  https://www.ebrd.com/home/news-and-events/publications/institutional-documents/environmental-and-social-policy-2024.html
- Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector
  (see link on previous page)
- Managing Risks Associated with Modern Slavery: A Good Practice Note for the Private Sector
  (see link on previous page)

IFC/World Bank guidance

- IFC Environmental, Health, and Safety (EHS) Guidelines
  https://www.ifc.org/en/insights-reports/general-environmental-health-and-safety-guidelines#general-ehs
- IFC Good Practice Handbook: Environmental and Social Impact Assessment
  https://documents.worldbank.org/en/publication/documents-reports/documentdetail/843201521089993123
- IFC Environmental and Social Management System (ESMS) Implementation Handbook
  https://www.ifc.org/en/insights-reports/2015/publications-handbook-esms-general

Human rights guidance

- UN Guiding Principles on Business and Human Rights
  https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights

Security guidance

- Voluntary Principles on Security and Human Rights
  https://www.voluntaryprinciples.org/

International standards

- ISO 14001: Environmental management systems
  https://www.iso.org/standard/60857.html
- ISO 45001: Occupational health and safety management systems
  https://www.iso.org/iso-45001-occupational-health-and-safety.html
- ISO 26000: Social responsibility
  https://www.iso.org/iso-26000-social-responsibility.html
- SA8000 Standard
  https://sa-intl.org/programs/sa8000/

Industry initiatives

- ICMM Good Practice Guidance
  https://www.icmm.com/en-gb/resources

Acronyms and abbreviations

DFID	UK Department for International Development
E&S	environmental and social
EBRD	European Bank for Reconstruction and Development
ESA	environmental and social assessment
ESAP	environmental and social action plan
ESDD	environmental and social due diligence
ESIA	environmental and social impact assessment
ESMS	environmental and social management system
ESP	Environmental and Social Policy
ESR	Environmental and Social Requirement
GBVH	gender-based violence and harassment
GIP	good international practice
HRIA	human rights impact assessment
IESE	initial environmental and social examination
IFC	International Finance Corporation
SEP	stakeholder engagement plan
UNGPs	United Nations Guiding Principles on Business and Human Rights

Disclaimer

This document contains references to good practices and should be interpreted bearing in mind the Environmental and Social Policy adopted by the EBRD (2024). It is not a compliance document. It does not alter or amend EBRD policies and does not create any new or additional obligations for any person or entity. In case of any inconsistency or conflict between this document and the Environmental and Social Policy adopted by the EBRD as amended from time to time, such policy shall prevail. Questions of interpretation shall be addressed solely in respect of the Environmental and Social Policy adopted by the EBRD.

The information and opinions within this document are for information purposes only. No representation, warranty or undertaking expressed or implied is made in respect of any information contained herein or the completeness, accuracy or currency of the content herein. The EBRD does not assume responsibility or liability with respect to the use of or failure to use or reliance on any information, methods, processes, conclusions or judgements contained herein and expressly disclaims any responsibility or liability for any loss, cost or other damages arising from or relating to the use of or reliance on this document. In making this document available, the EBRD is not suggesting or rendering legal or other professional services for any person or entity. Professional advice of qualified and experienced persons should be sought before acting (or refraining from acting) in accordance with the guidance herein.

This document does not constitute or imply a waiver, renunciation or other modification, either express or implied, of any of the privileges, immunities and exemptions granted to the EBRD under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law. Certain parts of this document may link to external internet sites and other external internet sites may link to this publication. The EBRD does not accept responsibility for any of the content on these external internet sites.

1821 Environmental and Social Requirement 1: Assessment and management of environmental and social risks and impacts – Guidance note.

Five Bank Street
London E14 4BG
United Kingdom
www.ebrd.com

Terms, names, maps and charts used in this report to refer to geographical or other territories, political and economic groupings and units, do not constitute and should not be construed as constituting an express or implied position, endorsement, acceptance or expression of opinion by the European Bank for Reconstruction and Development or its members concerning the status of any country, territory, grouping and unit, or delimitation of its borders, or sovereignty.