

EBRD Performance Requirement 1

Assessment and Management of Environmental and Social Impacts and Issues

Introduction

1. This Performance Requirement (PR) establishes the importance of integrated assessment to identify the environmental and social impacts¹ and issues associated with projects and the client's management of environmental and social performance throughout the life of the project. A successful and efficient Environmental and Social Management System (ESMS) is a dynamic, continuous process, initiated and supported by management, and involves meaningful communication between the client, its workers and the local communities affected by the project and/or the client's other activities, and where appropriate, other stakeholders. It requires a methodical systems approach comprising planning, implementing, reviewing and reacting to outcomes in a structured way with the aim of achieving a continuous improvement in performance management. An ESMS appropriate to the nature and scale of the project promotes sound and sustainable environmental and social performance, and can lead to improved financial, environmental and social outcomes.
2. This PR outlines the responsibilities of the client in the process of assessing the potential environmental and social impacts and issues associated with the project, and developing and implementing procedures for managing and monitoring these impacts and issues. Engagement with the project stakeholders is an integral part of this process. PR 10, which outlines requirements regarding stakeholder engagement, should be read in conjunction with this PR.

Objectives

3. The objectives of this PR are to:

- identify and evaluate environmental and social impacts and issues of the project
- adopt a mitigation hierarchy² approach to address adverse environmental or social impacts and issues to workers, affected communities, and the environment from project activities
- promote improved environmental and social performance of clients through the effective use of management systems
- develop an ESMS tailored to the nature of the project, for assessing and managing environmental and social issues and impacts in a manner consistent with relevant PRs.

Scope of application

4. This PR applies to all projects directly financed by the EBRD. The client will, as part of its environmental and social assessment process, identify the relevant requirements of this PR, and how they will be addressed and managed through the project design, construction, operations, and decommissioning or closure and reinstatement.
5. For the purposes of the PRs, the term "project" refers to the defined set of business activities for which EBRD financing is sought by a client, or where EBRD financing has already been committed, the set of business activities defined in the financing agreements, and as approved by the EBRD Board of Directors or other decision-making body.
6. Projects involving new facilities or business activities should be designed to meet the PRs from the outset. Where the project relates to existing facilities, or where the project does not meet the PRs from the outset, the client will be required to develop and implement an Environmental and Social Action Plan (ESAP),³

¹ For the purposes of this Policy, social impact refers to the impacts on individuals, community and workers, resulting from the business activity to be supported and the way in which their working conditions, socio-economic status, cultural identity, human rights and/or health may be affected.

² The mitigation hierarchy comprises 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 and, as a last resort, offset and/or compensate any potential residual adverse impacts.

³ The ESAP constitutes an integral part of the financing agreements.

which will include a series of measures that are needed to achieve compliance of these facilities with the PRs within a reasonable time frame.

Requirements

Environmental and social assessment

7. The environmental and social assessment process will be based on recent information, including an accurate description and delineation of the project and the client's associated activities, and social and environmental baseline data at an appropriate level of detail. The assessment process should also identify: (i) applicable environmental and social laws and regulatory requirements of the jurisdictions in which the project operates, including those laws implementing host country obligations under international law; and (ii) applicable requirements under the PRs. Central to this approach is the application of the mitigation hierarchy and GIP.⁴ For projects that could have adverse environmental and social impacts, the client will, as an integral part of the assessment process, identify the project's stakeholders and design a plan for engaging with the stakeholders in a meaningful manner to take their views and concerns into consideration in planning, implementing and operating the project in accordance with PR 10.
8. The assessment process will be commensurate with and proportional to the potential impacts and issues of the project and will cover, in an integrated way, all relevant direct and indirect environmental and social impacts and issues of the project, and the relevant stages of the project cycle (for example, preconstruction, construction, operation, and decommissioning or closure and reinstatement). It may be appropriate for the client to complement its environmental and social assessment with further studies focusing on specific risks and impacts, such as climate change, human rights and gender.
9. The environmental and social assessment process will also identify and characterise, to the extent appropriate, potentially significant environmental and social issues associated with activities or facilities which are not part of the project, but which may be directly or indirectly influenced by the project, exist solely because of the project or could present a risk to the project. These associated activities or facilities may be essential for the viability of the project, and may either be under the control of the client or carried out by, or belong to, third parties. Where the client cannot control or influence these activities or facilities, the environmental and social assessment process should identify the corresponding risks they present to the project. Where potentially significant adverse environmental and/or social risks relating to third party activities or facilities are identified, the client should collaborate with those relevant third parties to manage and mitigate these risks. Similarly, where there are opportunities to enhance benefits, the client should exercise its leverage and influence on relevant third parties. Additionally, the assessment process will consider cumulative impacts of the project in combination with impacts from other relevant past, present and reasonably foreseeable developments as well as unplanned but predictable activities enabled by the project that may occur later or at a different location.
10. Category A projects⁵ could result in potentially significant adverse future environmental and/or social impacts which cannot readily be identified or assessed and will require the client to carry out a comprehensive Environmental and Social Impact Assessment (ESIA). The ESIA process will include a scoping stage to identify the potential future environmental and social impacts associated with the project. The ESIA will include an examination of technically and financially feasible alternatives to the source of such impacts, including the non-project alternative, and document the rationale for selecting the particular course of action proposed. It will also identify potential improvement opportunities and recommend any measures needed to avoid, or where avoidance is not possible, minimise and mitigate adverse impacts.⁶ The ESIA may

⁴ Good international practice refers to 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 exercise should be that the project employs the most appropriate technologies in the project-specific circumstances.

⁵ A list of indicative Category A projects is provided in Appendix 2 to the EBRD Environmental and Social Policy

⁶ The assessment of environmental and social impacts will consider potential direct, indirect and cumulative impacts related to the project, as well as potential transboundary impacts, where relevant.

need to be carried out or verified by independent experts. The ESIA process will also include a public disclosure and consultation process as specified in PR 10.

11. For Category B projects, where potential adverse future environmental and social impacts are typically site specific and/or readily identified and addressed through mitigation measures, the client will undertake an environmental and social assessment that is proportionate to the project's nature, size and location, as well as the characteristics of the potential impacts and risks. The assessment will characterise potential future adverse impacts associated with the project, identify potential improvement opportunities, and recommend any measures needed to avoid, or where avoidance is not possible, minimise and mitigate adverse impacts.
12. For Category A and B projects which involve existing facilities, an assessment of the environmental and social issues of past and current operations will be required. The purpose of this assessment is to identify potential risks, liabilities and opportunities associated with the existing facilities and operations, to confirm the current status of regulatory compliance and to assess the client's existing management systems and overall performance against the PRs. Any investigations of existing facilities must be carried out by experts that are independent from the facility that is being investigated.
13. For Category C projects, which are likely to have minimal or no adverse future environmental and social impacts and that are readily identified and addressed through mitigation measures, the client will implement an ESMS proportionate to the impacts and risks in accordance with paragraphs 14-22 of this PR and monitor and report on the project's compliance with the PRs as per paragraphs 23-28 of PR 1.
14. In cases where clients with multi-site operations are seeking general corporate finance, working capital or equity financing, the assessment outlined in paragraphs 7 to 12 may not be appropriate. In such cases, the client's current ESMS and past and current performance will be assessed against the applicable PRs and an ESAP will be developed and implemented at the corporate level (as opposed to site-specific level).

The corporate level assessment will:

- assess the client's ability to manage and address all relevant social and environmental impacts and issues associated with its operations and facilities against the requirements described in the PRs
- assess the client's compliance record with applicable environmental and social regulatory requirements applicable in the jurisdictions in which the project operates
- identify the client's main stakeholder groups and current stakeholder engagement activities.

The exact scope of the corporate assessment will be determined on a case-by-case basis.

Environmental and Social Management Systems

15. Clients are required to establish and maintain an ESMS appropriate to the nature and scale of the project and commensurate with the level of its environmental and social impacts and issues in line with GIP. The objective of such a management system is to integrate the implementation of environmental and social requirements into a streamlined and coordinated process and to embed it in the main operational activities of the client assessment of impacts and issues.

Environmental and Social Policy

16. The client will establish, as appropriate, an overarching policy defining the environmental and social objectives and principles that enable the project to achieve sound environmental and social performance. The policy will provide a framework for the environmental and social assessment and management process consistent with the principles of the PRs.

Environmental and Social Management Plan

17. Taking into account the findings of the environmental and social assessment process and the outcomes of stakeholder engagement, the client will develop and implement a programme of actions to address the identified project's environmental and social impacts and issues and other performance improvement measures to meet the PRs. Depending on the project, the programme may consist of

a combination of documented operational policies, management systems, procedures, plans, practices and capital investments, collectively known as Environmental and Social Management Plans (ESMPs).

18. The ESMP will reflect the mitigation hierarchy and, where technically and financially feasible, favour the avoidance and prevention of impacts over minimisation, mitigation or compensation, and ensure that all relevant stages of the project are structured to meet applicable laws and regulatory requirements and the PRs. Where affected individuals or groups are identified as disadvantaged or vulnerable⁷ during the appraisal process, the ESMP will include differentiated measures so that adverse impacts do not fall disproportionately on them and they are able to take advantage of opportunities to benefit from the project. Where relevant, the ESMP will also cover management of third party and supply chain issues.

19. The level of detail and complexity of the ESMP will be commensurate with the project's impacts and issues addressing risks, impacts and opportunities specific to the project. The ESMP will define desired outcomes as measurable events to the extent possible with elements such as targets and performance indicators that can be tracked over defined periods. Recognising the dynamic nature of the project development and implementation process, the ESMPs will be responsive to changes in project circumstances, unforeseen events, regulatory changes and the results of monitoring and review, and will be updated from time to time.

20. The ESMS, including any specific requirements and actions it sets out, will apply to the project regardless of whether it is carried out directly by the client or through contractors or subcontractors. It is the client's responsibility to ensure that contractors working on project sites meet these requirements by adopting and implementing an appropriate contractor management system. Effective contractor management includes:

- assessing environmental and social

risks associated with contracted works and services and incorporating relevant ESMP conditions into tender documents as appropriate, contractually requiring contractors to apply these standards and provide for mitigation of non-compliance

- overseeing that contractors have the knowledge and skills to perform their project tasks in accordance with the contract conditions
- monitoring contractor compliance with the contract conditions
- in the case of subcontracting, requiring contractors to have similar arrangements with their subcontractors.

Requirements related to labour and working conditions of non-employee workers are outlined in PR 2. Requirements on occupational health and safety of all workers are in PR 4.

Organisational capacity and commitment

21. The client will establish, maintain and strengthen, as necessary, an organisational structure that defines roles, responsibilities and authority to implement the ESMS for ensuring ongoing compliance with relevant national regulatory requirements, and the PRs. The client will designate specific personnel, including management representative(s), with clear lines of responsibility and authority to maintain and implement the ESMS. Key environmental and social responsibilities will be defined and communicated to the relevant personnel. The client will provide adequate support and human and financial resources on an ongoing basis to achieve effective and continuous environmental and social performance.

22. The client will ensure that employees with direct responsibility for activities relevant to the environmental and social performance of the project are suitably qualified and trained.

Supply chain management

23. A client is required to identify risks associated with its supply chain. Where the client can reasonably

⁷ For the purpose of this Policy, vulnerable groups refers to people who, by virtue of gender identity, sexual orientation, religion, ethnicity, indigenous status, age, disability, economic disadvantage or social status may be more adversely affected by project impacts than others and who may be limited in their ability to claim or take advantage of project benefits. Vulnerable individuals and/or groups may also include, but not be limited to, people living below the poverty line, the landless, the elderly, women and children headed households, refugees, internally displaced people, ethnic minorities, natural resource dependent communities or other displaced persons who may not be protected through national legislation and/or international law.

exercise control over its primary suppliers, the environmental and social assessment process will also consider whether the primary supply chains central to the project's core operational functions are likely to be associated with environmental and social risks. If this is the case, the client will adopt and implement a supply chain management system commensurate to the complexity of these supply chains and associated environmental and social issues appropriate for the nature and scale of the project. The management system will include processes for taking action to address environmental and social issues identified during the supply chain assessment or ongoing monitoring, taking into account: (i) whether the client caused or contributed to the issues; (ii) the client's leverage over the supplier; (iii) how crucial the relationship is to the client; (iv) the severity of the issues; and (v) whether terminating the relationship with the supplier would itself have adverse consequences. Requirements for labour standards in the supply chain are outlined in PR 2; requirements for supply chains for living natural resources are defined in PR 6.

Project monitoring and reporting

24. The client will monitor the environmental and social performance of the project. This monitoring is intended to: (i) determine whether the project is being implemented in accordance with the PRs; and (ii) learn lessons, allocate resources and identify opportunities for continuous improvement.
25. Monitoring requirements will be proportional to the nature of the project and its environmental and social impacts and issues. Monitoring will address:
 - any significant environmental and social impacts and issues identified during the environmental and social assessment process
 - relevant parts of the PRs as identified during the project assessment process and subsequent monitoring as appropriate
 - actions specified in the ESMP or ESAP, where relevant
 - grievances received from workers and external stakeholders, and how they were resolved
 - any regulatory monitoring and reporting requirements
 - any monitoring/reporting required by other parties (for example, off-takers, financiers or certification bodies).
26. The client will ensure that adequate systems, resources and personnel are in place to carry out monitoring. The client should review the results of monitoring and initiate corrective actions as necessary. In addition, the client may use third parties, such as independent experts, local communities or civil society organisations, to complement or verify its own monitoring information. Where relevant authorities or other third parties have responsibility for managing specific impacts and issues and associated mitigation measures, the client will collaborate with the relevant authorities or other third parties in establishing and monitoring such mitigation measures.
27. The client will provide regular reports to the EBRD on the environmental and social performance of the project, including compliance with the PRs and implementation of the ESMS, ESMP, ESAP and Stakeholder Engagement Plan where appropriate. Based on the monitoring results the client will identify and reflect any necessary corrective and preventive actions in an amended ESMP or ESAP, as agreed with the EBRD. The client will implement agreed corrective and preventive actions, and follow up on these actions to enhance their performance.
28. The client must promptly notify the EBRD of any environmental or social incident or accident relating to the client or the project which has, or is likely to have, a significant adverse effect.
29. The client must promptly notify the EBRD of any changes to the project's scope, design or operation that is likely to materially change its environmental or social impacts and issues. The client will carry out any additional assessment and stakeholder engagement in accordance with the PRs and amend the ESMP or ESAP in accordance with the findings, as agreed with the EBRD.
30. For projects that could have significant adverse environmental and social impacts and issues, the client may be required to engage relevant external experts to perform periodic independent reviews of the project, or to carry out monitoring of specific environmental or social issues. The scope of this work and follow-up actions will be determined on case-by-case basis.