



European Bank  
for Reconstruction and Development



# Environmental and Social Policy

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# I Purpose

The European Bank for Reconstruction and Development (EBRD, or the Bank) is committed to promoting environmentally sound and sustainable development in the full range of its activities pursuant to the Agreement Establishing the EBRD.<sup>1</sup> The Bank recognises that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its transition mandate. Therefore, projects that foster environmental and social sustainability are among its highest priorities.

This document:

- outlines how the Bank will manage the sustainability of its own operations and sets out the Bank's commitments and implementation arrangements
- outlines how the Bank will assess and monitor the environmental and social impacts and risks of its projects
- sets minimum requirements for managing environmental and social impacts and risks associated with EBRD-financed projects throughout the lifetime of those projects
- commits the Bank to identifying opportunities to promote projects and solutions with high environmental and social benefits
- defines the respective roles and responsibilities of both the EBRD and its clients in designing, implementing and operating projects in accordance with this Policy.

This document supersedes the EBRD Environmental and Social Policy (2019) and its associated Environmental and Social Requirements (previously called Performance Requirements).

<sup>1</sup> Article 2.1(vii) of the Agreement Establishing the European Bank for Reconstruction and Development.

# I Definitions

Terms used in this policy have the following meanings:

<b>Access to Information Policy</b>	The EBRD Access to Information Policy (2024) as amended from time to time.
<b>Associated facilities</b>	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.
<b>Biodiversity</b>	In accordance with the Convention on Biological Diversity, biodiversity is defined as the variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems.
<b>Capital market transactions</b>	Transactions in publicly traded securities, such as listed bonds and shares, or transactions in securities that are not publicly traded but remain subject to restrictions on trading on the basis of material non-public information.
<b>Child sexual exploitation and abuse</b>	<p>Child sexual exploitation is a type of child sexual abuse. It occurs when an individual or group takes advantage of an imbalance of power to coerce, manipulate or deceive a child or young person under the age of 18 into sexual activity.</p> <p>All sexual activity with a child (as defined by the <a href="#">United Nations (UN) Convention on the Rights of the Child</a> as any person under the age of 18) is considered to be sexual abuse, regardless of the age of maturity or consent locally.</p>
<b>Contractors</b>	A company that undertakes a contract to provide works and services for a project.
<b>Core suppliers</b>	Those suppliers and sub-suppliers who provide goods, equipment or materials essential to the project.
<b>Digitalisation</b>	The process of employing digital technologies and information technologies to improve performance within an organisation, transform business operations, enable data-driven decisions and the creation of new goods and services.
<b>Direct investment</b>	Projects where funds flow directly from the EBRD to the borrower without the intermediation of financial institutions, funds or other intermediaries.
<b>Environmental and social</b>	Any environmental matter or social matter that is the subject to the EBRD's Environmental and Social Requirements (ESRs).
<b>Environmental matter</b>	Matters identified in the EBRD's ESRs, including those related to climate change and other transboundary or global risks and impacts; any material threat to the protection, conservation, maintenance and restoration of natural habitats and biodiversity; and those related to ecosystem services and the use of living natural resources, such as fisheries and forests.
<b>Environmental and Social Framework</b>	The guidance notes and other documents, as relevant, that support this policy.

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<b>Gender</b>	The behaviours, social attributes and opportunities associated with being of a particular sex, which are socially constructed, learned, context and time specific, and changeable.
<b>Gender-based violence and harassment (GBVH)</b>	Any harmful act perpetrated based on socially ascribed gender differences, including acts that inflict physical, mental or sexual harm or suffering, threats of such acts, coercion and other deprivation of liberty. GBVH covers all acts of sexual exploitation, sexual abuse and sexual harassment.
<b>Gender equality</b>	The enjoyment of the same conditions, treatment and opportunities of persons to exercise their rights, notwithstanding their gender, sex assigned at birth, sexual orientation, gender identity, gender expression and/or sex characteristics.
<b>Good international practice (GIP)</b>	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 relevant guidance notes.
<b>Indirect investment</b>	EBRD investments extended to financial intermediaries that finance a set of sub-transactions to end beneficiaries (through sub-projects or sub-investments).
<b>Human rights</b>	Rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion or any other status as provided under the <a href="#">International Bill of Human Rights</a> .
<b>Mitigation hierarchy</b>	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 for any potential residual adverse impacts.
<b>Nature-based Solutions</b>	Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems that address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services, resilience and biodiversity benefits.
<b>Project</b>	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.
<b>Retaliation and/or reprisal</b>	Retaliation includes retribution, intimidation, threats, harassment, punishment, judicial proceedings or any other retaliatory and targeted acts against an individual, group, representative or organisation in response to a complaint about, opposition to or criticism of an EBRD-financed project or as a result of otherwise enforcing or asserting legal rights in relation to the project. For the purposes of this Policy, the terms “retaliation”, “retribution” and “reprisal” will be used interchangeably.
<b>Sexual exploitation, sexual abuse and harassment (SEAH)</b>	Sexual exploitation is any actual or attempted abuse of a position of vulnerability, differential power or trust for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another. Sexual abuse is the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions, including sexual assault, rape, molestation and other forms of non-consensual sexual activity. All sexual activity with a child (as defined by the UN Convention on the Rights of the Child as

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any person under the age of 18) is considered to be sexual abuse, regardless of the age of maturity or consent locally. Sexual harassment is a range of unacceptable and unwelcome behaviours and practices of a sexual nature that may include, but are not limited to, sexual suggestions or demands, requests for “sexual favours”, sexual, verbal or physical conduct, or gestures that are or might reasonably be perceived as offensive or humiliating.

**Sexual and gender minorities** Persons whose sex, gender, sexual orientation, gender identity, gender expression and/or sex characteristics differ from those of the majority in the surrounding society.

**Social matter** All matters that pertain to project stakeholders, including project-affected people and their communities and workers, including but not limited to social, economic, labour and cultural rights, labour and working conditions, public and occupational health and safety, access to land, resources and ecosystem services, Indigenous Peoples, cultural heritage, and participation in decision making and cross-cutting issues related to gender, climate change and the discrimination, marginalisation or vulnerability that project stakeholders may experience.

**Suppliers** A company that undertakes a contract to provide goods, equipment or materials to a project or contractor.

**Vulnerable people** Persons or groups of people who: (i) may be disproportionately affected by project impacts or more limited than others in their ability to access project benefits, due to being discriminated against, marginalised and/or excluded on the basis of characteristics such as, but not limited to, their sex or gender, sexual orientation, gender identity, gender expression and/or sex characteristics, religion, national origin, race, ethnicity, indigenous status, age (including children, youths and older persons), physical or mental disability, literacy, political views and affiliations, or socioeconomic status and (ii) people in situations of vulnerability, such as people living below the poverty line, the landless, single-headed households, natural resource-dependent communities, migrant workers, refugees or internally displaced people, as well as people affected by conflict or natural disasters.



# I EBRD operations

## 1. The EBRD's role and responsibilities

- 1.1. The EBRD's responsibilities are consistent with its role as an international financial institution providing financing for projects that it has approved. The EBRD's level of engagement is determined by the nature and scope of the project and the specific circumstances of the collaboration and relationship with the client.
- 1.2. The EBRD may refrain from financing a project on environmental or social grounds. There are several types of activity that the EBRD does not finance in accordance with the EBRD Environmental and Social Exclusion List, included as Annex A to this policy.
- 1.3. The EBRD administers a number of donor funds. Projects or activities financed in whole or in part with donor funds will comply with this policy. Additional donor requirements relating to environmental or social matters may apply to projects financed with donor funds, as agreed by the EBRD and donors.
- 1.4. In addition to the projects it finances, the EBRD is mindful of the importance of good environmental and social governance standards in its own operations.

## 2. The EBRD's commitments

- 2.1. This section of the EBRD's Environmental and Social Policy sets out the EBRD's ambition, commitments, roles and responsibilities in general. Section III outlines the EBRD's commitment to the sustainable management of its internal operations. Section IV identifies the way these commitments are applied by the EBRD to the projects it finances.
- 2.2. All projects financed by the EBRD will be structured to meet the requirements of this policy.
- 2.3. As a signatory to the European Principles for the Environment,<sup>2</sup> the EBRD is committed to ensuring that projects are structured in line with European Union (EU) environmental principles, practices and substantive standards,<sup>3</sup> where these can be applied at project level, regardless of their geographical location. When host-country regulations differ from EU substantive environmental standards, projects will be required to meet the more stringent standard.
- 2.4. The EBRD will not knowingly finance projects that would contravene national laws or country obligations under relevant international treaties, conventions and agreements, as identified during project appraisal.
- 2.5. The EBRD is committed to respecting internationally recognised human rights standards<sup>4</sup> in projects financed by the Bank. The EBRD will assess and address human rights<sup>5</sup> risks and impacts as an integral part of its environmental and social appraisal and monitoring processes. The EBRD will require clients, in their business activities, to respect human rights, avoid infringing the human rights of others and address

<sup>2</sup> The European Principles for the Environment were adopted by the Council of Europe Development Bank, the EBRD, the European Investment Bank, the Nordic Environment Finance Corporation and the Nordic Investment Bank. They are an initiative launched in response to the drive for increased harmonisation of environmental principles, practices and standards associated with the financing of projects. The European Principles for the Environment commitments are reflected in ESRs 1, 3, 4 and 10.

<sup>3</sup> The EU's substantive environmental standards are to be found in EU secondary legislation, such as regulations and directives. Procedural norms aimed at Member States and EU institutions and the jurisprudence of the European Court of Justice and the Court of First Instance, which applies to Member States, EU institutions and EU legal and natural persons, are excluded from this definition.

<sup>4</sup> As provided for in the International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

<sup>5</sup> The EBRD will continuously improve the projects it finances in accordance with good international practice and seek to progressively strengthen processes to identify and address human rights risks during the appraisal and monitoring of projects.

adverse human rights risks and impacts caused by the business activities of its clients in accordance with the requirements of the Bank's Environmental and Social Requirements (ESRs).

- 2.6. The EBRD believes that gender equality is a fundamental aspect of a modern, well-functioning market economy and democratic society, and is committed to promoting gender equality within its mandate, including through the prevention of gender-based discrimination, including discrimination against sexual and gender minorities. The EBRD will aim to ensure that positive project outcomes and benefits can be realised equally by all persons regardless of their gender. The EBRD requires its clients to identify any potential gender-specific and disproportionate adverse impacts and to develop mitigation measures to reduce them. The EBRD also requires its clients to adopt measures to effectively prevent and address gender-based violence (GBVH) and child sexual exploitation and abuse.<sup>6</sup>
- 2.7. The EBRD recognises that vulnerable people may be disproportionately impacted by the projects it finances and/or may not have equal access to project benefits. The Bank will require projects to identify vulnerable people and/or groups among project-affected people and project workers, as applicable, so that adverse impacts can be avoided or mitigated, and positive project outcomes and benefits can be realised equally.
- 2.8. The EBRD is committed to an open, transparent and inclusive engagement process with its stakeholders, including project-affected people, to improve the environmental and social sustainability of the projects it supports. The EBRD is committed to respecting the rights of access to information, participation, and justice regarding environmental and social issues. The EBRD requires its Clients to identify stakeholders potentially affected by and/or interested in EBRD-financed projects, to engage with them in meaningful consultations using accessible formats for different physical, sensory and/or cognitive needs, and to develop and implement an accessible grievance mechanism for them to provide feedback, concerns and inquiries in accordance with ESRs 1 and 10. The Bank does not tolerate retaliation, such as threats, intimidation, harassment or violence against those who voice their opinion or opposition to an EBRD-financed project or to the client. The EBRD takes seriously any credible allegations of reprisals and will assess risks and work with clients to prevent retaliation. When complaints of this nature are raised to the Bank, the Bank works to address them with the involved parties, within the scope of its mandate. In such instances, the Bank raises its concerns directly with the client or relevant party and takes follow-up action as and where appropriate, taking into account the safety and security of the complainants as a matter of priority.
- 2.9. The EBRD will address both the causes and the environmental and social consequences of climate change in its countries of operation. The EBRD will support its countries of operation and clients in implementing their commitments to the Paris Agreement.<sup>7</sup> The EBRD will engage, whenever possible, in innovative investments and technical assistance to support zero-/low-carbon investments, renewables and climate change mitigation and adaptation opportunities, as well as to identify opportunities to avoid, abate, remove or reduce greenhouse gas (GHG) emissions in projects. The EBRD will also support its clients in developing climate adaptation measures and climate-resilient investments, as well as in managing risks caused by climate change.
- 2.10. The EBRD acknowledges the importance of addressing the environmental and social risks in supply chains. The EBRD recognises that environmental and social risks and impacts prevalent in certain supply chains may not be addressed at the project level, due to factors beyond the control of individual clients, such as the application of dual standards by some suppliers. Other contextual factors include, among others, a lack of legal clarity or enforcement, a lack of social protection, poverty and inequality, discrimination, conflict and humanitarian crises, criminality and corruption, as well as relentless cost pressures through supply chains, which can lead to coercive and/or exploitative practices and environmental destruction. Where concerted efforts are required to address these, the EBRD will engage with relevant industry initiatives,

6 The EBRD supports the Common Approach to Protection from Sexual Exploitation, Abuse and Harassment (CAPSEAH) and will work with clients to align with the common principles and minimum recommended actions of the CAPSEAH: [A Common Approach to Protection from Sexual Exploitation, Abuse and Harassment \(safeguardingsupporthub.org\)](https://safeguardingsupporthub.org).

7 EBRD Board of Governors resolution No.239, which stated that "all EBRD activities shall be fully aligned with the goals of the Paris Agreement no later than 31 December 2022, thus accelerating the Bank's support for countries of operations as they build sustainable and inclusive market economies on the basis of ambitious low carbon and climate resilient pathways".

multilateral institutions and other relevant stakeholders to explore common responses towards the elimination or reduction of such risks.

- 2.11. The EBRD will address both the causes and the consequences of the loss of biodiversity. The Bank will engage whenever appropriate, in initiatives to support the EBRD countries of operation to include measures to safeguard and enhance ecosystems and the biodiversity they support with the objective of achieving the goals and targets of the Kunming-Montreal Global Biodiversity Framework. The EBRD will also support its clients in developing and delivering nature-positive measures and investments, including for the conservation and restoration of living natural resources, biodiversity, ecosystems and nature-based solutions, as well as managing nature-related risks, impacts and dependencies.
- 2.12. The EBRD will require its clients to be precautionary in their approach to the protection, conservation, management and sustainable use of living natural resources. Clients are required to ensure that relevant projects include measures to safeguard and, where feasible, enhance ecosystems and the biodiversity they support. This will be consistent with the aim of achieving, at a minimum, no net loss of and, where feasible in the context of the project, a positive impact on biodiversity.
- 2.13. The EBRD is cognisant of the possible adverse environmental and social impacts, issues and risks of digitalisation, cybersecurity and data privacy with respect to human rights and public health and safety. The Bank will consider where the use of digitalisation can have adverse environmental and social impacts on the projects it finances, in line with national legislation.
- 2.14. The EBRD will build partnerships with clients to assist them in adding value to their activities, improve long-term sustainability and strengthen their environmental and social management capacity. The Bank will work together with other international financial institutions, the EU, bilateral donors, UN agencies and other organisations to coordinate effective interventions to promote environmental and social sustainability at the regional or sectoral level in its countries of operation. The Bank will require clients to apply either the Bank's ESRs or a common approach to the project.
- 2.15. Where the EBRD is co-financing a project with other multilateral or bilateral agencies or organisations, where appropriate, the client will cooperate with the EBRD and such co-financier(s) to agree on a common approach to the assessment, development, and implementation of a project. A common approach may be acceptable to the EBRD, provided that it is materially consistent in content and outcomes with this Policy, including the ESRs. In determining whether the common approach is acceptable, consideration will be given to the policies, standards and implementation procedures of the multilateral or bilateral agencies or organisations, as applicable. A decision on the use of a common approach will be made by the EBRD as early as possible, but no later than project appraisal or final credit approval. Where a common approach has been agreed for a project, an environmental and social action plan (ESAP) will require that environmental and social performance be measured against the common approach. A common approach will apply to associated facilities financed by the same co-financier(s) if agreed by the EBRD and the client. The client will also coordinate with the EBRD and such co-financier(s), so that the EBRD and the client may be able to disclose one set of project information and documentation for stakeholder engagement.
- 2.16. The EBRD's country strategies, sector strategies and policies will take into account potential environmental and social challenges and opportunities associated with the Bank's envisaged activities. Through its technical cooperation and policy dialogue, the EBRD will seek opportunities to build capacity to consider and manage environmental and social risks, impacts and opportunities in its countries of operation. The EBRD will facilitate the development of an enabling environment for its clients in the Bank's countries of operation to achieve environmentally and socially sustainable outcomes in their projects. This will include assisting financial intermediaries in considering and managing such risks, impacts and opportunities in the subprojects they finance, by strengthening their environmental and social management systems.

### 3. Commitments to the sustainability of EBRD operational activities

This section of the EBRD's Environmental and Social Policy sets out the Bank's commitments, roles and responsibilities in respect of its operational activities.<sup>8</sup>

- 3.1. The EBRD commits to improving its environmental performance across all of its internal business activities and will implement an environmental management system (EMS) in accordance with good international practice (GIP).
- 3.2. The EBRD recognises its key environmental impacts and will:
  - align with relevant environmental standards and requirements for its internal operations
  - assess its internal activities and identify areas to continuously improve its environmental and social performance
  - reduce its internal GHG emissions<sup>9</sup>
  - prevent pollution that may arise as a result of its internal activities and minimise waste through the careful and efficient use of materials
  - purchase sustainable products for its own account wherever feasible
  - enhance environmental considerations in procurement decisions for its own account where appropriate;
  - train and communicate environmental policies to employees
  - communicate this policy to its staff, suppliers/contractors and other interested parties and publish it on the EBRD website.
- 3.3. The environmental and social performance of the EBRD's internal operations will be reported in line with the requirements of Section 4 and will not fall within the scope of the Access to Information Policy.

### 4. EBRD public reporting and accountability

- 4.1. The EBRD is committed to the principles of transparency and accountability. The Bank will report annually on environmental and social risks and impacts resulting from its projects and its internal operations. The EBRD will achieve a level of internal and, where possible, external assurance on reported data, in line with GIP. It will promote similar good practices among its clients.
- 4.2. The EBRD will summarise the environmental and social risks and impacts associated with projects in Project Summary Documents in accordance with the provisions of the Bank's [Directive on Access to Information](#). The Bank will disclose documentation relating to the environmental and social risks and impacts of projects during the preparation and implementation of the project, in accordance with the EBRD Access to Information Policy and the Directive. In addition, the Bank will disclose the environmental and social impact assessment (ESIA) and associated documentation for Category A projects 60 calendar days prior to consideration of the project by the Board of Directors for private-sector projects and 120 calendar days prior to Board consideration for public-sector projects.
- 4.3. The EBRD operates an Independent Project Accountability Mechanism (IPAM), which reviews issues raised by individuals or organisations concerning Bank-financed projects that are believed to have caused, or be likely to cause, harm. The purpose of the IPAM is to facilitate the resolution of social, environmental and public disclosure issues among project stakeholders; to determine whether the Bank has complied with its Environmental and Social Policy and the project-specific provisions of its Access to Information Policy; and, where applicable, to address any existing non-compliance with these policies, while preventing future non-

<sup>8</sup> Operational activities include, but are not limited to, procurement, business-related travel, and energy and waste management associated with EBRD offices.

<sup>9</sup> GHG emissions associated with EBRD projects are addressed in ESR 3.

compliance by the Bank. The IPAM is governed outside the Bank's investment operations, with a direct reporting line to the Board of Directors.

- 4.4. The EBRD manages a process for early identification, tracking and responding to the environmental and social-related concerns and complaints raised by stakeholders in relation to its operations. While the clients are required to establish grievance mechanism in line with ESR 10, the Bank through this process addresses concerns and complaints brought directly to its attention, while working with its clients on finding mutually agreeable solutions. Project-affected persons and other stakeholders can access the IPAM, the EBRD's direct complaints process or the client's grievance mechanisms, which collectively represent the accountability architecture of the Bank, at any time.

## **5. Institutional and implementation arrangements**

- 5.1. The EBRD will allocate responsibilities and appropriate resources for effective implementation of this Policy. The Bank will maintain adequate staff resources to oversee the environmental and social appraisal and monitoring processes and to initiate and develop environmentally and socially beneficial projects.
- 5.2. The EBRD will maintain an Environmental and Social Framework with appropriate guidance notes and tools to assist in implementing this policy and will ensure that staff receive appropriate training on the requirements of the policy.
- 5.3. The EBRD will be assisted by its Environmental and Social Advisory Council, whose views will be sought on general policy-related issues and on sector policies and strategies prior to their finalisation. Its views may also be sought on specific issues related to the EBRD's projects and activities.

# I EBRD projects

## 6. Environmental and Social Requirements

6.1. The EBRD has adopted a comprehensive set of ESRs that projects are required to meet with regard to specific areas of environmental and social sustainability. Central to the ESRs is the application of the mitigation hierarchy and GIP.

6.2. The ESRs are as follows:

- ESR 1:** Assessment and management of environmental and social risks and impacts
- ESR 2:** Labour and working conditions
- ESR 3:** Resource efficiency and pollution prevention and control
- ESR 4:** Health, safety and security
- ESR 5:** Land acquisition, restrictions on land use and involuntary resettlement
- ESR 6:** Biodiversity conservation and sustainable management of living natural resources
- ESR 7:** Indigenous Peoples
- ESR 8:** Cultural heritage
- ESR 9:** Financial intermediaries
- ESR 10:** Stakeholder engagement

Each ESR includes specific requirements for EBRD clients in respect of projects financed by the Bank, regardless of whether it is carried out directly by the client or through third parties.<sup>10</sup> Compliance with relevant national law is an integral part of all ESRs. When host-country regulations differ from the requirements of ESRs, projects will be required to meet whichever is more stringent.

6.3. The environmental and social appraisal of a project will consider both the environmental and social risks and impacts of and to the project.

6.4. Projects involving new facilities or business activities will be designed to meet the ESRs from the outset. Where a project does not do so, the client will be required to adopt an ESAP to achieve compliance with the ESRs within a timeframe acceptable to the EBRD. The client will undertake to implement the ESAP to manage the environmental and social risks and impacts of the project in accordance with the ESRs. The ESAP will form part of any financing agreements and may be updated over the period of the investment as needed to achieve compliance with the applicable ESRs.

6.5. The environmental and social appraisal of the project will include an assessment of the environmental and social risks and impacts of associated facilities. To the extent that the associated facilities cannot be structured to meet ESRs, the project appraisal will include reasonable efforts to identify the environmental and/or social risks to and impacts on the project that such associated facilities may present. The client will be required to demonstrate the extent to which it cannot exercise control or influence over associated facilities by providing details of relevant considerations, which may include legal, regulatory and institutional factors. Should an associated facility be financed by another international financial institution

<sup>10</sup> A third party may be, among others, a government agency, a contractor or a supplier with whom the project/client has a contractual relationship or substantial involvement.

with a similar environmental and social policy to that of the EBRD, the EBRD may rely on the assessment and monitoring of any such facility by such institution.

- 6.6. Where potentially significant environmental and/or social risks and impacts are identified from other facilities or activities in the vicinity of the project, outside the control of the client, to which the ESRs do not apply, the client will make reasonable efforts to assess and mitigate risks to the project.
- 6.7. As a multilateral development bank, the EBRD is also engaged in a range of activities intended to achieve environmentally and socially sustainable outcomes, including those relating to equal opportunities and gender equality,<sup>11</sup> that are complementary but sit outside of the scope of this Policy and the client requirements described in the ESRs. This includes policy dialogue and technical cooperation activities delivered under the Bank's country, sectoral and cross-sectoral strategies and approaches.

## 7. Integrating environmental and social considerations into projects

### Designation and assessment of risk

- 7.1. Environmental and social risks associated with EBRD projects will be assessed by the Bank in accordance with its environmental and social risk assessment methodology. The assessment will be appropriate to the nature and scale of projects and commensurate with the level of environmental and social impacts. Key considerations in the risk assessment process include the risk of impact, contextual risk, country context, client leverage and capacity, client implementation of previous EBRD-financed projects, project location and the views of stakeholders. The Bank will further consider residual reputational risks as necessary. The EBRD's environmental and social risk assessment methodology is presented in the EBRD's Environmental and Social Framework.
- 7.2. A determination of key environmental and social risk will be made for all projects subject to this policy. This will establish the applicability of the ESRs and the extent of the appraisal and monitoring required for each project, consistent with achieving the environmental and social outcomes defined in the ESRs. The risk determination may change over the life of the project and the EBRD will adjust the frequency and extent of monitoring accordingly. Key environmental and social project risks and the associated approach to appraisal and monitoring will be disclosed in Project Summary Documents.
- 7.3. The EBRD will consider alternative approaches to the assessment of risk that are used by the Bank's clients and partners, such as environmental and social frameworks associated with certain financial instruments, including capital market transactions. A client's approach to risk assessment is distinct from the EBRD's risk-based approach to projects and transactions, and may be considered appropriate by the EBRD if the objectives of the ESRs can be met by such alternative frameworks, and where the client has the capacity to implement such frameworks while achieving the objectives of the ESRs.

### Categorisation

#### Direct investments

- 7.4. The EBRD categorises each project to determine the nature and level of environmental and social assessment and appraisal, information disclosure and stakeholder engagement required. This will be commensurate with the nature, location, sensitivity and scale of the project, and the significance of any new and additional potential environmental and social impacts.
- 7.5. A project is categorised "A" when it could result in potentially significant environmental and/or social impacts, including direct and cumulative environmental and social impacts, which are new and additional

<sup>11</sup> The outcomes that sit outside the scope of this policy are described in the EBRD's Equality of Opportunity Strategy and Strategy for the Promotion of Gender Equality.

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 presented in Annex B to this policy.

- 7.6. 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 environmental and social assessment 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.
- 7.7. A project is categorised “C” when it is likely to have limited environmental and/or social impacts that can be readily identified and mitigated.
- 7.8. Initial environmental and social examinations (IESEs) will be carried out where insufficient information is available at the time of categorisation to determine the appropriate category and scope of appraisal.

### Financial intermediaries

- 7.9. A project will be categorised as a “financial intermediary” (FI) 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 to this Policy, these will be required to meet ESRs 1 to 8 and 10.

### Other financial instruments

- 7.10. In addition to the FI projects provided for in the “direct investments” and “financial intermediaries” subsections above, the EBRD invests in other financial instruments, including capital market transactions. Other financial instruments will be subject to categorisation in a manner consistent with direct investments or, where appropriate, FIs.
- 7.11. Where the Bank’s investment is not directed at a specific project or physical assets, such as working capital finance, some types of equity investment and capital market transactions, or will lead to future investments, the proposed use of proceeds and the environmental and social footprint of the project may be largely indeterminate at the time of the EBRD’s decision to invest. In such cases, the Bank will: (i) assess the project based on the risks and impacts inherent in the particular sector and the context of the business activity, and (ii) assess the client’s environmental and social risk-assessment approach, including the environmental and social management systems (ESMSs) adopted, as well as its capacity and commitment to managing the environmental and social risks and impacts in accordance with the ESRs.
- 7.12. When assessing the EBRD’s investments in other financial instruments, alternative risk assessment frameworks that are compatible with the Bank’s Environmental and Social Policy may be considered, while also taking into account the capacity of the client to implement such frameworks. The use of proceeds may be subject to environmental and social risk screening and assessment under the client’s ESMS. This system may be accepted by the Bank if it is suitably aligned and maintained, in accordance with the objectives of the ESRs.
- 7.13. Where the project involves general corporate finance, working capital or equity financing for a multi-site company, and where the use of proceeds is not directed at specific physical assets, the client will be required to align its corporate ESMSs with the ESRs and develop measures at the corporate level to manage the environmental and social risks associated with its business activity.
- 7.14. In capital market transactions, the disclosure of environmental and social documentation prior to and after subscription is subject to applicable capital market rules and regulations that prevent trading in listed securities on the basis of material non-public information and principles related to the equal treatment of investors. Due to the nature of capital market transactions, the Bank’s environmental and social appraisal will be risk based. It may have to rely solely on publicly available information and the environmental and social risk frameworks of the client. The Bank’s appraisal will assess the environmental and/or social risks and impacts inherent in the particular sector, where relevant, and the investment projects to be financed with proceeds raised through such capital market instruments; determine the ESRs relevant to the project;



and assess the issuer's capacity and commitment to managing the environmental and social risks and impacts associated with its business activities in accordance with relevant national laws and the ESRs. The Bank's appraisal will determine whether the available information is sufficient to assess the environmental and social risks and impacts of the project and compliance with the ESRs. After subscription, the Bank will require clients to comply with the ESRs and, where relevant, other equivalent standards, such that project risks and impacts are appropriately identified, assessed and managed. For Category A projects financed using such instruments, the Bank will require that clients develop and disclose, prior to project approval, an ESIA that meets the requirements of the relevant provisions of this policy and the Access to Information Policy.

## Overall approach to project appraisal

- 7.15. All projects undergo environmental and social appraisal, both to help the EBRD decide if the project should be financed and, if so, the way in which environmental and social risks and impacts should be addressed in planning, carrying out, implementing and operating a project. While the exact scope of the appraisal will be determined on a case-by-case basis, it will be appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts. The appraisal will assess the environmental and social risks and impacts of the project, any contextual risks involved, and the capacity and commitment of the client to implementing the project in accordance with the relevant ESRs.
- 7.16. It is the responsibility of the client to ensure that adequate information is provided on the environmental and social impacts and risks of the project, so that the Bank can undertake an environmental and social appraisal in accordance with this policy. The Bank's role is to: (i) review the client's information; (ii) provide guidance to assist the client in developing appropriate measures consistent with the mitigation hierarchy to address environmental and social impacts to meet the relevant ESRs and (iii) help identify opportunities for additional environmental or social benefits.
- 7.17. When the EBRD is approached to finance a project that is under construction, or where the project has received its permits from the host country, including the approval of local authorities, the Bank's appraisal will include a gap analysis of the project design, including the justification for project selection and alternatives considered, and implementation against the ESRs to identify whether any additional studies and/or mitigation measures are needed to meet the EBRD's requirements. The Bank will also assess the client's activities and the adequacy of any existing ESMSs prior to the EBRD's engagement.
- 7.18. The EBRD's appraisal requires clients to identify stakeholders potentially affected by and/or interested in projects, disclose sufficient information about the risks and impacts arising from those projects, and engage with stakeholders in a meaningful and culturally appropriate manner. In particular, the EBRD requires its clients to engage with relevant stakeholders and people affected by a project, in proportion to the potential risks and impacts associated with the project and the level of stakeholder interest, including undertaking meaningful consultation with potentially affected people. In cases where the project is likely to generate potential significant adverse impacts on communities, vulnerable people and/or workers, the Bank will ensure, including through its own stakeholder engagement activities, as required, that the project complies with the requirements of ESR 10 prior to approval of the project by the Board. After Board approval of the project, the EBRD will continue to monitor the client's stakeholder engagement process to ensure meaningful consultation is carried out in line with ESR 10 and/or ESAP commitments.
- 7.19. For FI projects provided for in the "direct investments" and "financial intermediaries" subsections above, the EBRD will conduct due diligence on the client and its portfolio to assess: (i) the client's existing environmental and social policies and procedures and its capacity to implement them; (ii) the environmental and social risks and impacts associated with the client's existing portfolio and expected future projects; and (iii) any measures necessary to strengthen the client's existing ESMS.

## Decision-making

- 7.20. The documentation submitted for project approval to the EBRD's Board of Directors or, if the Board of Directors has delegated approval authority, to Bank management, will include a description of the environmental and social appraisal, substantive risks and impacts, mitigation measures, a summary of

stakeholder engagement, and information on how project risks and impacts are being or will be addressed by clients. The Board of Directors or Bank management, as appropriate, will take the comments and concerns of stakeholders into account in its decision-making process as part of assessing the overall impacts, risks and benefits of the project.

- 7.21. The EBRD's Board of Directors may agree, as a condition of EBRD financing, that certain elements of environmental and social appraisal take place following Board approval and after the signing of the financing agreements. The Board will consider the overall impacts, risks and benefits of the proposed approach. Where a project has been approved subject to such conditions, the Project Summary Document will include a description of the approach.

## Legal documentation

- 7.22. The EBRD's financing agreements with clients in respect of a project will include specific provisions reflecting the EBRD's Environmental and Social Requirements. These include compliance with all applicable ESRs, as well as provisions for environmental and social reporting, stakeholder engagement and monitoring. Legal documents will also include, where appropriate, rights and/or remedies for the Bank in the event that a borrower or investee company fails to implement the environmental or social provisions consistent with the requirements of the financing agreements.

## Monitoring

- 7.23. The EBRD will monitor and evaluate the projects it finances against the objectives of this policy for as long as the Bank has a financial interest in the project. The extent of monitoring will be commensurate with the environmental and social risks associated with the project. The EBRD reviews annual environmental and social reports on the environmental and social performance of the project, the implementation of the ESAP and the compliance of the client with the environmental and social covenants in the financing agreements. If the client fails to comply with its social and environmental commitments, as set out in the financing agreements, the EBRD will agree with the client remedial measures to be undertaken by the client to achieve compliance and rectify any harm resulting from the failure to comply. If the client fails to adequately implement the agreed remedial measures, the Bank will use its informal and formal leverage to encourage the client to take corrective action and may exercise such rights and/or remedies contained in the financing agreements as it deems appropriate. The Bank is committed to ensuring that material non-compliance and lack of progress in the implementation of agreed remedial actions by the Bank's clients is addressed adequately as a matter of priority, and the client's implementation of social and environmental commitments will be taken into account by the EBRD when considering applications for new or additional financing by that client. The EBRD may also periodically verify the monitoring information prepared by clients through project site visits by the Bank's environmental and social specialists and/or independent experts. In cases where legal proceedings are pending with the client, the Bank's ability to monitor may be restricted.
- 7.24. Should a project enter into corporate recovery, the ESAP and monitoring requirements will be reviewed on a case-by-case basis to achieve the outcomes required within the constraints of the particular project's status.

## Operational changes

- 7.25. Changes can occur in the nature and scope of a project following EBRD approval and the signing of the financing agreements. Such changes may have significant environmental or social implications associated with them. When such material changes are envisaged, the Bank will carry out an environmental and social appraisal of them in accordance with this policy and any additional appraisal and stakeholder engagement requirements, and environmental and social mitigation measures will be incorporated into the modified/restructured project documentation. Where operational changes will result in a materially different environmental and/or social scenario to the one approved by the Board, the change will be reported to Bank Management and, if appropriate, consistent with applicable EBRD policies, submitted to the Board of Directors for information or approval.

## **8. Annexes**

The contents of ESRs 1 to 10 are part of Section IV.

# I Waivers, exceptions and disclosure

## **Waivers**

The Board of Directors may grant a derogation to a requirement of this policy that is not explicitly permitted by the terms of this policy. All derogations from this policy will require the approval of the Board of Directors.

## **Exceptions**

This policy does not apply to advisory services, community initiative projects, policy dialogue and technical cooperation, financed and/or implemented by the EBRD, or governance, administration and decision-making processes of the EBRD.

## **Disclosure**

This policy will be disclosed on the Bank's website promptly following its approval by the Board of Directors.

## I Transitional provisions

Projects receiving initial approval by Bank management prior to the entry into force of this Policy will be subject to the policy in force at the time of the project's initial approval.

## I Effective date

This policy comes into effect on 1 January 2025.

# | Decision-making framework

## **Accountable**

The Vice President Chief Risk Officer is accountable for this policy.

## **Responsible**

The Managing Director Environment and Sustainability Department is responsible for this policy.

# I Review and reporting

## **Review**

The policy will be subject to review, with a public consultation process, in 2029.

The Board of Directors may approve revisions to the policy at any stage, without need for public consultation, where revisions are non-substantive in nature or arise as a result of changes to another Bank policy which has been the subject of public consultation.

## **Reporting**

Not applicable.



## I Related documents

Access to Information Policy (2024) and Directive on Access to Information (2024).

Project Accountability Policy (2019) and Independent Project Accountability Mechanism: Guidance (2019).

# EBRD Environmental and Social Exclusion List

The EBRD will not knowingly finance, directly or indirectly through FIs, projects where Bank proceeds are used for activities relating to the following:

- a. the production of or trade in any product or activity deemed illegal under host country (that is, national) laws or regulations, or international conventions and agreements, or subject to international phase-out or bans, such as:
  - i. production of or trade in products containing polychlorinated biphenyls (PCBs)<sup>12</sup>
  - ii. production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances<sup>13</sup>
  - iii. production of or trade in ozone-depleting substances (ODSs)<sup>14</sup>
  - iv. production or use of or trade in persistent organic pollutants<sup>15</sup>
  - v. trade in wildlife or production of or trade in wildlife products regulated under the [Convention on International Trade in Endangered Species of Wild Flora and Fauna \(CITES\)](#)<sup>16</sup>
  - vi. transboundary movements of waste prohibited under public international law<sup>17</sup>
- b. child and forced labour
- c. forced evictions<sup>18</sup>
- d. fossil fuel-related exploration and development or fossil fuel-based electricity generation, per the requirements of the EBRD's current Energy Sector Strategy
- e. activities involving the force-feeding of ducks and geese
- f. the keeping of animals for the primary purpose of fur production or any activities involving fur production
- g. the manufacture, placing on the market and use of asbestos fibres, and of articles and mixtures containing these fibres added intentionally<sup>19</sup>

12 PCBs are a group of highly toxic chemicals likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950 to 1985.

13 Reference documents: Regulation (EU) No. 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the export and import of hazardous chemicals as amended from time to time; United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; the Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); World Health Organisation Recommended Classification of Pesticides by Hazard.

14 ODSs are chemical compounds that react with and deplete stratospheric ozone, resulting in the widely publicised "ozone holes". The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase-out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam-blowing agents, solvents and fire-protection agents, together with details of signatory countries and phase-out target dates, is available from the United Nations Environment Programme.

15 Reference document: Stockholm Convention on Persistent Organic Pollutants (POPs) as amended in 2009.

16 A list of CITES-listed species is available from the CITES Secretariat.

17 Reference documents: Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; and Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations.

18 "Forced eviction" refers to the acts and/or omissions involving the coerced or permanent or temporary involuntary displacement of individuals, groups and communities from homes and/or lands and common property resources which they occupy or depend on, thus eliminating or limiting the ability of an individual, group or community to reside or work in a particular dwelling, residence or location, without the provision of, and access to, appropriate forms of legal or other protection.

19 Commission Regulation (EU) 2016/1005 of 22 June 2016 amending Annex XVII to Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) as regards asbestos fibres (chrysotile).

- h. the export of mercury and mercury compounds, and the manufacture, export and import of a large range of mercury- added products<sup>20</sup>
- i. activities prohibited by host-country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage
- j. drift net fishing in the marine environment using nets in excess of 2.5 km in length
- k. shipment of oil or other hazardous substances in vessels that do not comply with International Maritime Organization (IMO) requirements<sup>21</sup>
- l. trade in goods without required export or import licences or other evidence of authorisation of transit from the relevant countries of export, import and, if applicable, transit
- m. projects that impact the following areas: (i) Alliance for Zero Extinction (AZE) sites, (ii) UNESCO Natural and Mixed World Heritage Sites and (iii) free-flowing sections of rivers 500 km or longer in length, with the exception of those projects specifically designed to contribute to the conservation of such areas.

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20 Regulation (EU) 2017/852 of the European Parliament and of the Council of 17 May 2017 on mercury.

21 International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation International Safety Management Code compliance), tankers blacklisted by the EU or banned by the Paris Memorandum of Understanding on Port State Control and tankers due for phase-out under [International Convention for the Prevention of Pollution from Ships \(MARPOL\)](#) regulation 13G. No single-hull vessel over 25 years old should be used.

# I Category A projects

*This list applies to greenfield, major extension or transformation-conversion projects in the below categories. The types of project listed below are examples of projects that could result in potentially significant new and additional environmental and/or social impacts and, therefore, require an environmental and social impact assessment. The categorisation of each project will depend on the nature and significance of any actual or potential new and additional environmental or social impacts as determined by the specifics of nature, location, sensitivity and scale of the project.*

1. Crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.
2. Thermal power stations and other combustion installations with a heat output of 300 megawatts<sup>22</sup> or more and nuclear power stations and other nuclear reactors, including the dismantling or decommissioning of such power stations or reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. (a) Installations for the reprocessing of irradiated nuclear fuel and (b) installations designed: (i) for the production or enrichment of nuclear fuel; (ii) for the processing of irradiated nuclear fuel or high-level radioactive waste; (iii) for the final disposal of irradiated nuclear fuel; (iv) solely for the final disposal of radioactive waste; and (v) solely for the storage (planned for more than 10 years) of irradiated nuclear fuels or radioactive waste in a different site than the production site.
4. Integrated works for the initial smelting of cast-iron and steel; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
5. Integrated chemical installations, that is, those installations for the manufacture on an industrial scale of substances using chemical conversion processes, in which several units are juxtaposed and are functionally linked to one another and which are for the production of: basic organic chemicals; basic inorganic chemicals; phosphorous, nitrogen or potassium-based fertilisers (simple or compound fertilisers); basic plant health products and biocides; basic pharmaceutical products using a chemical or biological process; or explosives.
6. Construction of lines for long-distance railway traffic; airports with a basic runway length of 2,100 metres or more; motorways, express roads and new roads of four or more lanes, or realignment and/or widening of existing roads to provide four or more lanes, where such new roads, realigned and/or widened sections of road would be 10 km or more in a continuous length.
7. Pipelines with a diameter of more than 800 mm and a length of more than 40 km, terminals and associated facilities for the large-scale transport of gas, oil and chemicals or for the transport of carbon dioxide (CO<sub>2</sub>) streams for the purposes of geological storage, including associated booster stations.
8. Storage sites for the geological storage of carbon dioxide.
9. Installations for the capture of CO<sub>2</sub> streams for the purposes of geological storage, where the total yearly capture of CO<sub>2</sub> is 1.5 megatonnes or more.
10. Large-scale sea ports and also inland waterways and ports for inland-waterway traffic; trading ports, piers for loading and unloading connected to land, and outside ports (excluding ferry piers).
11. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
12. Large-scale waste disposal installations for the incineration or chemical treatment of non-hazardous wastes with a capacity exceeding 100 tonnes per day.

<sup>22</sup> Equivalent to a gross electrical output of 140 MW for steam and single-cycle gas turbines power stations.

13. Large<sup>23</sup> dams and other installations designed for the retention or permanent storage of water, where a new or additional amount of water held back or stored exceeds 3 million cubic metres.
14. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic metres or more.
15. Works for the transfer of water resources between river basins where that transfer aims to prevent possible shortages of water and where the amount of water transferred exceeds 100 million cubic metres/year, or works for the transfer of water resources between river basins where the multi-annual average flow of the basin of abstraction exceeds 2,000 million cubic metres/year and where the amount of water transferred exceeds 5 per cent of that flow. (In both cases transfers of piped drinking water are excluded.)
16. Industrial plants for the: (a) production of pulp from timber or similar fibrous materials; (b) production of paper and board with a production capacity exceeding 200 air-dried metric tonnes per day.
17. Quarries and opencast mining where the surface of the site exceeds 25 hectares, or peat extraction, where the surface of the site exceeds 150 hectares.
18. Extraction of petroleum and natural gas for commercial purposes where the amount extracted exceeds 500 tonnes/day in the case of petroleum and 500,000 cubic metres/day in the case of gas.
19. Installations for the storage of petroleum, petrochemical or chemical products with a capacity of 200,000 tonnes or more.
20. Large-scale logging or deforestation of large areas.
21. Municipal wastewater treatment plants with a capacity exceeding a 150,000 population equivalent.
22. Large-scale municipal solid waste-processing and disposal facilities.
23. Large-scale tourism and retail development.
24. Construction of high-voltage overhead electrical power lines.
25. Large-scale wind power installations for energy production (wind farms) with significant environmental or social impacts.
26. Large-scale land reclamation and sea-dredging operations.
27. Large-scale primary agriculture or forestation involving intensification, land-use change or the conversion of priority biodiversity features and/or critical habitats.
28. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tonnes of finished products per day.
29. Installations for the intensive rearing of poultry or pigs with more than: (a) 85,000 places for broilers, 60,000 places for hens; (b) 3,000 places for production pigs (over 30 kg); or (c) 900 places for sows.
30. Projects<sup>24</sup> that are planned to be carried out or are likely to have a perceptible impact, including a cumulative impact in combination with other relevant past, present and reasonably foreseeable developments, on sensitive locations of international, national or regional importance, even if the project category does not appear in this list. Such sensitive locations include, among others, nature protection areas legally protected and/or internationally recognised, or proposed for such status by national governments, critical habitats or other ecosystems which support priority biodiversity features, areas of archaeological or cultural significance, and areas of importance for Indigenous Peoples or other vulnerable people.
31. Projects that may result in significant adverse social impacts on people or in group(s) of people who are affected or likely to be affected directly or indirectly by the project.
32. Projects that may involve significant involuntary resettlement or economic displacement.

23 The International Commission on Large Dams defines a large dam as a dam with a height of 15 metres or more from the foundation. Dams that are between 5 and 15 metres high and have a reservoir volume of more than 3 million cubic metres are also classified as large dams.

24 Including, without limitation, projects that have environmental or social objectives (such as hydropower or other renewable energy projects).



Environmental and Social Requirement 1

# Assessment and management of environmental and social risks and impacts



# Assessment and management of environmental and social risks and impacts

## Introduction

1. This Environmental and Social Requirement (ESR) recognises the importance of an integrated assessment to identify the environmental and social risks and impacts, including human rights, gender, climate and nature risks and impacts, 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) promotes sound and sustainable environmental and social performance and can lead to improved financial, environmental and social outcomes. An ESMS is a dynamic, adaptive, continuous process, initiated and supported by management and, as required by ESR 10, involves meaningful communication between the client, its workers, the communities affected by the project and, where appropriate, other stakeholders.
2. This ESR outlines the client's responsibilities in the process of identifying and assessing the potential environmental and social risks and impacts associated with the project, as well as developing and implementing an ESMS for mitigating, managing, monitoring and reporting these risks and impacts.

## Objectives

3. The objectives of this ESR 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.

## Scope of application

4. This ESR applies to all projects financed by the EBRD as established in the Environmental and Social Policy. 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 ESRs should be read together. ESR 1, and other ESRs as relevant, may apply to a client's business activities beyond the project, depending on the nature of the EBRD financing.
5. If a project does not meet the ESRs and 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 actions and/or measures to achieve project and/or facility or activity compliance with the ESRs within a timeframe acceptable to the EBRD. In the ESAP, the EBRD and the client will agree the specific corrective and preventative actions, mitigation measures, required resources and implementation timeframe that the client will implement to manage the environmental and social risks and impacts of the project in accordance with the ESRs. The ESAP will form part of the financing agreements and include the client's obligations to support the implementation of the ESAP.

6. The environmental and/or social risks and impacts of associated facilities will be included in the environmental and social assessment process. The client will ensure that the environmental and/or social risks and impacts arising from associated facilities over which it has control or influence are managed and mitigated in accordance with applicable law, good international practice (GIP) and the objectives of the ESRs.
7. Where potentially significant environmental and/or social risks and impacts are identified from other facilities or activities in the vicinity of the project, existing facilities, and facilities or activities outside the control of the client to which the ESRs do not apply, the client will make reasonable efforts to assess and mitigate risks to the project.
8. Engagement with project stakeholders is an integral part of this process. Requirements regarding stakeholder engagement are outlined in ESR 10.

## Requirements

### Environmental and social management systems

9. The client will establish and maintain an integrated ESMS, or equivalent management system, appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts, in accordance with this ESR and GIP. The objective of such a management system is to integrate the implementation of ESRs into a streamlined and coordinated process and to embed this in the main operational activities of the client. The ESMS will include an overarching policy or policies defining the environmental and social commitments and objectives that enable the client to achieve sound environmental and social performance.
10. The ESMS should be dynamic and adaptive, apply on a continuous basis and, as appropriate, outline the set of management processes, plans and/or procedures for the ongoing identification, screening, assessment, mitigation, management, monitoring and disclosure of environmental and social risks and impacts associated with the project, consistent with the ESRs. The ESMS will be appropriately resourced and costed and an organisational structure will be established that defines roles, responsibilities and authority to implement the ESMS. The ESMS will consider third-party risks and impacts and will allow for the appropriate monitoring, gathering and recording of information on environmental and social risks and impacts, including performance indicators and targets, to enable reporting to the EBRD and to project stakeholders in accordance with ESR 10 and GIP. The ESMS should include provisions for the remediation of significant residual environmental and social impact.
11. For capital market transactions and in cases where a client is seeking general corporate financing or equity, the client will establish a system to manage environmental and social risks and impacts associated with its business activities and any use of proceeds, consistent with the ESRs.

### Environmental and social assessment

12. The client will conduct a process of environmental and social assessment commensurate with the nature and scale of the project, proportionate to the potential risks and impacts of and to the project. The assessment process will cover, in an integrated way, all relevant direct and indirect environmental and social risks and impacts of and to the project and the relevant stages of the project cycle. It will also identify and assess potential project benefits. When a project involves existing facilities or business activities and/or associated facilities, the assessment process will consider the environmental and social risks and impacts associated with them. It will include risk and impact screening, consider contextual risks and be based on current and/or recent information, and environmental and social baseline data, as well as credible external sources, at an appropriate level of detail. The assessment process will also identify:
  - (i) applicable environmental and social laws and regulatory requirements of the jurisdictions in which the project operates, including laws implementing host-country obligations under public international law; and
  - (ii) applicable requirements under the ESRs. It may be appropriate, due to the complexity or uncertainty of risks and where impacts and/or contextual risks are significant, for the client to complement its environmental and social assessment with further or enhanced studies and assessments, together with



enhanced engagement, focusing on specific risks and impacts.<sup>25</sup> The client should, where relevant, engage appropriate, independent expertise and resources to support the environmental and social assessment process.

13. The environmental and social assessment process will also identify and characterise, to an appropriate extent, the cumulative risks and impacts of and to the project, in combination with the risks and impacts of 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.
14. For projects that could have adverse environmental and social risks and impacts, the client will, as an integral part of the assessment process, identify the project's stakeholders and design a plan for engaging with those stakeholders in a meaningful way to take their views and concerns into consideration in planning, implementing and operating the project in accordance with ESR 10. This stakeholder identification process will identify any foreseeable risks of retaliation against stakeholders. If any such risk is identified, the client will also develop and implement policies prohibiting any form of retaliation within the client's control and develop effective measures to respond to retaliation risks and impacts.
15. The client will, as an integral part of the assessment process, identify project-affected people or groups who are vulnerable and develop and implement mitigation and monitoring measures to ensure they are not disproportionately affected by adverse impacts of the project and can access project benefits equally. Such people or groups should be taken into account in the stakeholder identification process to ensure that the views of all affected stakeholders can be considered in planning, implementing and operating the project in accordance with ESR 10.
16. The client will consider gender in the assessment, management and monitoring of environmental and social risks and impacts, based on 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, including gender-based violence and harassment.
17. Where projects or the client's business activities involve the management of digital personal data, significant reliance on digital services and technologies, or the substantial digitalisation of services or products, the assessment process will consider environmental and social risks and impacts associated with cybersecurity, data protection and privacy.
18. Where a project is likely to be associated with significant environmental and social risks and impacts, the assessment process will, as appropriate and commensurate with the nature of the project, include an assessment of technically and financially feasible alternatives to the project's location, technology, size, design and/or mitigation options in terms of their environmental and social impacts and risks, and consider the "without project" scenario. Consistent with the mitigation hierarchy, the alternatives assessment will consider, as a priority, other options that will avoid impact. This process will include appropriate stakeholder engagement in accordance with ESR 10.
19. Where decisions on project alternatives have been made prior to the involvement of the EBRD, the client will undertake a review of these alternatives to determine: (i) the extent to which environmental and social risks and impacts associated with the preferred alternatives have been appropriately considered, (ii) the stakeholder engagement process undertaken and outcomes, and (iii) the mitigation hierarchy applied. If such review identifies significant risks and/or impacts, the client will develop appropriate risk and/or impact mitigation measures.
20. For projects that are complex or contentious, or that involve potentially significant multidimensional environmental or social risks or impacts, the client may be required to engage one or more internationally recognised independent experts. Such experts may, depending on the project, form part of an advisory panel or be otherwise employed by the client, and will provide independent advice and oversight to the project.
21. During the environmental and social assessment process and throughout project implementation, the client will identify significant environmental and social risks associated with the project's core supply chains. Where significant risks are identified, the client will use reasonable efforts to prevent and mitigate

25 It may be appropriate for the client to include in its environmental and social risk and impact identification process a human rights assessment in line with the UN Guiding Principles on Business and Human Rights. This would be appropriate where the nature of the project or its operating context poses significant risk to human rights.

these risks and to remediate impacts as necessary. Where relevant, these measures will be integrated into the ESMS and/or a supply-chain management system, commensurate with the complexity of the supply chains and the associated environmental and social risks and impacts and appropriate to the nature and scale of the project. The management system will take into account: (a) the severity and likelihood of the risks and impacts; (b) whether the client caused, contributed or is directly linked to these risks and impacts; and (c) the client's leverage over the relevant core suppliers. Where necessary, the client will also assess whether terminating the relationship with a supplier would exacerbate the environmental and social risks and impacts identified. Requirements for addressing significant labour risks in the supply chain are outlined in ESR 2; requirements for addressing significant supply chain risks for living natural resources are defined in ESR 6.

22. A project is categorised "A" when it could result in potentially significant environmental and/or social impacts, including direct and cumulative environmental and social impacts, which are new and additional and cannot readily be identified or mitigated. Category A projects require a formalised and participatory environmental and social impact assessment (ESIA), including a screening and/or scoping process and an assessment of alternatives. An indicative list of Category A projects is presented in Annex B to the policy.
23. A project is categorised "B" when its potential adverse environmental and/or social impacts are typically site-specific, and/or readily identified and addressed through mitigation measures. The scope of environmental and social assessment will be determined by the EBRD on a case-by-case basis, considering the environmental and social risks associated with the project.
24. A project is categorised "C" when it is likely to have limited environmental and/or social impacts that can be readily identified and mitigated.

## Environmental and social management plan

25. Taking into account the findings of the environmental and social assessment process and the outcomes of stakeholder engagement (ESR 10), the client will develop and implement a programme of actions to address the identified environmental and social risks and impacts and other performance improvement measures to meet the ESRs. Depending on the project, the programme may consist of a combination of documented procedures, plans, practices and capital investments, collectively known as an environmental and social management plan (ESMP), which forms part of the ESMS.
26. The ESMP will reflect the mitigation hierarchy and GIP, and ensure that all relevant stages of the project are structured to meet applicable laws and regulatory requirements, and the ESRs.
27. Where affected individuals or groups are identified as vulnerable, marginalised and/or experiencing discrimination 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.
28. The level of detail and complexity of the ESMP will be commensurate with the project's risks and impacts, as well as any opportunities for project improvement and benefits. The ESMP will define outcomes, measurable to the extent possible, with targets and performance indicators that can be tracked over defined time periods. Recognising the dynamic nature of the project development and implementation process, the ESMP will respond to changes in project circumstances, unforeseen events, regulatory changes and the results of monitoring and review, and be updated as necessary.

## Organisational capacity and commitment

29. The client will establish, maintain and strengthen, as necessary, an organisational structure that defines roles, responsibilities and authority to implement the ESMS to ensure ongoing compliance with relevant national laws and regulatory requirements and the ESRs. 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 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.

30. 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.

## Contractors

31. The ESRs and the ESMS, including any specific requirements and actions it sets out, apply to the project regardless of whether it is carried out directly by the client or through contractors.
32. It is the client's responsibility to ensure that contractors working on the project meet the ESRs, where relevant, and ESMS requirements by adopting and implementing an appropriate contractor management system. Effective contractor management includes:
- assessing environmental and social risks and impacts 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 and/or remediation in the case of non-compliance
  - overseeing that contractors have the knowledge and skills to perform their project tasks in accordance with contractual environmental and social conditions
  - monitoring contractor compliance with contractual environmental and social conditions
  - requiring contractors to have equivalent environmental and social arrangements with any subcontractors.
33. For projects where contractor work is already underway, the client should assess such works and implement necessary measures to ensure that contractors meet the ESRs, where applicable, and ESMS requirements.

## Project monitoring and reporting

34. The client will monitor regularly the environmental and social risk, impacts and performance of the project, as well as the effectiveness of mitigation measures, in line with GIP. This monitoring is intended to: (i) determine whether the project is being implemented in accordance with the ESRs, (ii) inform the implementation of any actions, including corrective and preventative actions necessary to mitigate risks and impacts, and (iii) learn lessons, allocate resources and identify opportunities for continuous improvement.
35. Monitoring requirements will be proportional to the nature of the project and its environmental and social risks and impacts. Monitoring will address:
- any significant environmental and social risks and impacts identified during the environmental and social assessment process 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).
36. The client will ensure that adequate resources and personnel are in place to carry out monitoring as part of the ESMS. The client will 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 the relevant authorities or other third parties have responsibility for managing specific environmental and social risks and impacts and associated mitigation measures, the client will collaborate with them to establish and monitor such mitigation measures.

37. The client will provide regular reports to the EBRD on the environmental and social performance of the project, including compliance with the ESRs and implementation of the ESMS, ESMP and ESAP, significant environmental and social risks and impacts, relevant performance indicators and targets, and grievances received from workers and external stakeholders, and how they were resolved. As part of its reporting to the EBRD the client will describe the internal and/or external assurance process in developing the environmental and social report. Based on the monitoring results, the client will identify and reflect any necessary corrective and preventative actions in an amended ESMP or ESAP, to be agreed with the EBRD. The client will implement agreed corrective and preventative actions and follow up on these actions to enhance its performance. Where clients already disclose, or intend to disclose, environmental and social reports or equivalent in line with GIP that address the requirements of this paragraph, the Bank will, depending on the content, consider the use of such reports for the purposes of client reporting to the EBRD.
38. 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 impact. The client will conduct an appropriate investigation into any such incident, define and implement corrective actions as necessary, and report these to the EBRD.
39. 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 and/or social risks and impacts. The client will carry out any additional assessment and stakeholder engagement in accordance with the ESRs and amend the ESMP or ESAP accordingly, as agreed with the EBRD.
40. For projects that could have significant adverse environmental and social risks and impacts, 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 risks and impacts. The scope of this work and follow-up actions will be determined on a case-by-case basis and in agreement with the EBRD.



Environmental and Social Requirement 2

# Labour and working conditions



# Labour and working conditions

## Introduction

1. This Environmental and Social Requirement (ESR) recognises that for clients and their business activities, the workforce is a valuable asset, and that good human resources management, workforce diversity and a sound worker-management relationship based on respect for workers' rights, including freedom of association and the right to collective bargaining, as well as non-discrimination, are key ingredients of the sustainability of business activities.

## Objectives

2. The objectives of this ESR are to:
  - respect and protect the fundamental principles and rights<sup>26</sup> of all project workers (as defined in paragraph 4)
  - ensure fair treatment, non-discrimination, non-harassment and equal opportunities for all project workers<sup>27</sup>
  - establish, maintain and improve a sound worker-management relationship, based on social dialogue
  - ensure compliance with national labour and employment laws, social security laws and any collective agreements to which the client is a party
  - protect all project workers, including vulnerable project workers who might be at higher risk of discrimination, harassment or exploitation, such as women and gender-diverse workers, young workers, workers with disabilities, migrant workers and refugees, self-employed and contracted workers, as well as workers in the project's core supply chain
  - prevent the use of forced labour and child labour
  - ensure that accessible and effective means to raise and address workplace concerns are available to all project workers.

## Scope of application

3. This ESR applies to all projects financed by the EBRD as set out in the Environmental and Social Policy. The scope of application of this ESR will be established during the environmental and social assessment process and will depend on the type of contractual relationship between the client and the project workers.
4. This ESR establishes requirements for clients with respect to all project workers. Project workers are those workers who work on a project site or perform work directly related to the project, including full-time, part-

<sup>26</sup> As guided by the [International Labour Organization \(ILO\) Declaration on Fundamental Principles and Rights at Work](#) (1998, as amended in 2022) and:

[C087 on Freedom of Association and Protection of the Right to Organise](#) (1948)

[C098 on the Right to Organise and Collective Bargaining](#) (1949)

[C029 on Forced Labour](#) (1930) and its [supplementing protocol P029](#) (2014)

[C105 on the Abolition of Forced Labour](#) (1957)

[C100 on Equal Remuneration](#) (1951)

[C111 on Discrimination \(Employment and Occupation\)](#) (1958)

[C138 on Minimum Age](#) (1973)

[C182 on the Worst Forms of Child Labour](#) (1999)

[C155 on Occupational Safety and Health](#) (1981)

[C187 on Promotional Framework for Occupational Safety and Health](#) (2006).

<sup>27</sup> The EBRD's Equal Opportunities Strategy and the Strategy for the Promotion of Gender Equality define how the Bank promotes equal opportunities and gender equality beyond the scope of this ESR.

time, temporary, fixed-term, seasonal and migrant workers, as well as self-employed workers. The term “project worker” refers to:

- a. People employed or engaged directly by the client to perform work related to the project (direct project workers). Clients must implement paragraphs 7 to 21 and 23 to 39 of this ESR in relation to direct project workers.
  - b. People employed, engaged or managed through contractors or other intermediaries to perform work directly related to the project (contracted project workers). Clients must require contractors or other intermediaries to implement paragraphs 40 to 43 of this ESR in relation to contracted project workers.
  - c. People engaged on individual service contracts through self-employment or digital labour intermediation platforms to perform work related to the project (self-employed project workers). Clients must meet the requirements for self-employed project workers as set out in paragraph 22 of this ESR.
5. This ESR also sets out specific requirements with respect to people employed or engaged by suppliers and sub-suppliers who provide goods, equipment or materials essential to the project (supply-chain workers), including where these goods, equipment or materials are procured by contractors. Supply chain-related labour requirements are addressed in paragraphs 44 to 47.
6. Occupational health, safety and security requirements based on the right to a safe and healthy working environment are set out in ESR 4.

## Requirements

### General

7. Projects are required to comply with whichever of the following provides the greater degree of protection: (i) national labour, employment and social security law,<sup>28</sup> (ii) the principles and standards embodied in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work (1998 as amended in 2022) and (iii) this ESR.
8. The client will provide the EBRD with satisfactory evidence and information on its labour practices (and, when relevant, those of its contractors and suppliers) at the project appraisal stage and throughout the life of the project.
9. Where significant labour-associated risks have been identified in relation to the project, the client will commission an independent labour assessment or labour audit at the EBRD’s request. The EBRD may require this labour assessment or audit to be undertaken by a qualified labour specialist, following a credible and participatory approach. The results of the labour assessment or audit will be communicated to the EBRD.
10. Based on the results of the assessment or audit, a time-bound corrective action plan with appropriate mitigation and remediation measures, as well as monitoring requirements, will be put in place and implemented by the client and/or contractors, as relevant. The corrective action plan will be agreed in advance with the EBRD.
11. The client will follow up on the prompt and effective implementation of the corrective action plan and report to the EBRD in a timely manner.

### Management of worker relationships

#### Human resources and labour management policies and procedures

12. The client will adopt and maintain written human resources policies and management systems or procedures appropriate to its size and workforce, which implement the requirements of this ESR and national law. For contracted project workers and self-employed project workers, the client will develop labour management procedures to implement the requirements of this ESR and applicable laws. These

<sup>28</sup> Project workers must be registered with relevant national authorities for the purposes of social security, in accordance with national law.

policies and procedures will be accessible, supportive of a diverse workforce and communicated to project workers, and in the main language(s) spoken by the workforce.

### **Working relationships**

13. The client will provide written contracts at the beginning of the working relationship, which will be amended when any changes to terms or conditions of employment occur. The contract will describe the type of employment, set out the worker's rights under national labour and employment law and any applicable collective agreements with respect to working conditions and terms of employment (including their entitlement to wages, hours of work and rest periods, overtime arrangements and overtime compensation), and any benefits (such as leave for illness, maternity/paternity or holiday). Any material changes will be documented and communicated to the project workers. This information will be understandable and accessible to all project workers and available in the main language(s) spoken by the workforce. The information will be conveyed with due consideration to vulnerable project workers, and the client will take steps to ensure that vulnerable project workers understand the information provided.
14. Labour management systems will ensure up-to-date employment records are kept and will respect the rights of project workers to privacy and data protection, in accordance with national law. Project workers' personal records will be kept confidential and not be disclosed to third parties without the individual's consent. Project workers will have the right to access their own employment records.
15. Communications will be managed to provide all project workers with: (i) adequate information on changes that might affect them, in particular, on anticipated changes associated with the project and (ii) the opportunity to provide comments as part of continuous improvement, including how to raise grievances, as detailed in paragraphs 38 and 39 of this ESR.

### **Wages, benefits and conditions of work**

16. Overall wages, benefits and conditions of work (including hours of work) will be at least comparable to those offered by equivalent employers in the relevant country/region and sector concerned. Overtime work will be voluntary and be performed and compensated in accordance with national law.
17. Wages will be paid regularly, on time and without any unlawful deductions. Project workers will be provided with full, itemised pay slips that clearly specify any deductions. Accurate and up-to-date records of working hours, including overtime hours, will be maintained for all project workers.
18. In case of termination of a working relationship, in accordance with national law and any binding collective agreement, all outstanding back pay, social security, pension contributions and benefits will be paid: (i) to the project workers on or before termination of the working relationship; (ii) to the relevant institutions, where applicable, for the benefit of the project workers; or (iii) in accordance with a timeline agreed through a collective agreement. Where payments are made for the benefit of project workers, project workers will be provided with evidence of such payments.
19. Where the client is party to a collective bargaining agreement or otherwise bound by it, that agreement will be respected. Where such agreements do not exist, or do not address working conditions and terms of employment, the client will provide reasonable working conditions and terms of employment that are consistent with national law.

### **Migrant workers**

20. The client will identify migrant project workers and address any vulnerabilities associated with their migrant status. Migrant workers are particularly vulnerable to forced labour.
21. Clients will ensure that the treatment of migrant project workers is as favourable as that of non-migrant project workers. This includes ensuring that they are engaged on substantially equivalent terms and conditions to non-migrant project workers carrying out the same work.

### **Self-employed workers**

22. The client will ensure that self-employed project workers, where they are not subject to national labour laws, are able to exercise their rights under the ILO Declaration on Fundamental Principles and Rights at



Work, which applies to all project workers regardless of employment status. Clients will ensure that self-employed project workers are appropriately qualified, equipped and competent to carry out their work and comply with occupational health, safety and security measures at the workplace in accordance with national law and any rules or procedures established by the client for the project site. Clients will also provide clear and transparent terms and conditions in relation to fee payment, performance evaluation and work allocation, appropriate working hours, and access to an effective grievance mechanism. The application of this paragraph will not create any presumption of an employment relationship between the client and self-employed project workers.

## Workers' organisations

23. The client will inform project workers that they have the right to elect workers' representatives, form or join workers' organisations of their choosing and engage in collective bargaining, in accordance with national law. The client will not discriminate or retaliate against project workers who act as representatives of, participate or seek to participate in such organisations or collective bargaining and will not interfere in the formation or functioning of workers' organisations. The client will engage with such workers' representatives or organisations in accordance with national law and provide them with information needed for meaningful negotiation in a timely manner. The client should also, in accordance with national law and practices, provide for regular consultation on matters of mutual concern, including in relation to health and safety, as outlined in ESR 4.
24. Where national law substantially restricts the establishment or functioning of workers' organisations, the client will not restrict project workers from developing alternative mechanisms to represent their interests and protect their rights as regards working conditions and terms of employment, appropriate to company size and workforce. The client will neither seek to influence nor control these mechanisms. The client will engage with such mechanisms and provide them with the information needed for meaningful dialogue in a timely manner.
25. Where national law is silent, the client will not discourage project workers from electing worker representatives, forming or joining workers' organisations of their choosing or from bargaining collectively, and will not discriminate or retaliate against project workers who participate or seek to participate in such organisations and collective bargaining. The client will engage with such workers' representatives and workers' organisations and provide them with the information needed for meaningful negotiation in a timely manner.

## Forced labour

26. The client will ensure that the project does not use forced labour, which consists of work or service that is not performed voluntarily and which is exacted from an individual under threat of force or penalty, including through abusive and fraudulent recruitment practices.<sup>29</sup> Forced labour includes involuntary or compulsory labour, such as indentured labour, involuntary prison labour, bonded labour or similar labour-contracting arrangements, or trafficking in persons.<sup>30</sup>
27. The client will not unnecessarily restrict project workers' freedom of movement, including in relation to worker accommodation. Requirements on worker accommodation are set out in ESR 4.
28. The client will not engage in or tolerate any form of corporal punishment, mental or physical coercion, or abuse of project workers. The client will not interfere with project workers' free and complete access to their own identity documents, including passports, or charge recruitment fees or related costs to project workers or jobseekers. In addition, the client will ensure that recruitment fees and related costs are not collected from project workers or jobseekers by any recruiter, agency or other intermediary.
29. If a case of forced labour is identified on a project, the client must take immediate action to remove individuals from situations of forced labour, to safeguard the individuals involved and to provide

<sup>29</sup> Indicators of forced labour include: abuse of vulnerability, deception, restriction of movement, isolation, physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, and excessive overtime. Further guidance on how to use the indicators in practice is provided by the [ILO](#).

<sup>30</sup> Trafficking in persons is defined as the recruitment, transportation, transfer, harbouring, or receipt of persons by threatening or using force or other forms of coercion, abduction, fraud, deception or abuse of power, by abusing a position of vulnerability, or by giving or receiving payments or benefits to achieve the consent of a person or have control over another person for the purpose of exploitation.

appropriate remediation. The client must also report any incidents of forced labour to the EBRD, as well as the corrective measures taken.

### Child labour

30. The client will ensure that the project does not use child labour as defined by ILO Conventions 138 and 182. The client will comply with all relevant national laws or international labour standards regarding the minimum age of employment and conditions of work for children below the age of 18, whichever provide a higher degree of protection for the child.
31. The client may only employ children over the minimum age and under the age of 18 in a manner that is not hazardous – in other words, that is not likely to interfere with the child’s education or be harmful to the child’s health or physical, mental, spiritual, moral or social development. The client will identify all persons below the age of 18 and ensure they are not employed in hazardous work. All work by persons under the age of 18 will be subject to an appropriate risk assessment prior to the work commencing and regular monitoring of health, working conditions and hours of work.
32. If a case of child labour is identified on a project, the client must take immediate action to remove children from situations of child labour, to safeguard the children involved and to provide appropriate remediation. The client must also report any incidents of child labour to the EBRD, along with the corrective measures taken.

### Non-discrimination and equal opportunity

33. Projects will take effective measures to implement requirements on non-discrimination related to employment. In particular, with reference to the project, the client will take measures to ensure that it:
  - does not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements, including, but not limited to, gender, pregnancy, sexual orientation, gender identity, gender expression and/or sex characteristics, race, nationality, political opinion, affiliation to a union, ethnic, social or indigenous origin, religion or belief, marital or family status, disability or age
  - bases the employment relationship on the principle of equal opportunity and fair treatment and will not discriminate directly or indirectly with respect to any aspect of the employment relationship, including recruitment and hiring, job assignment, compensation (including wages and benefits), working conditions and terms of employment, including reasonable adaptation of the workplace to account for disability or other factors, including pregnancy and nursing, access to training, promotion, termination of employment or retirement, and discipline
  - prevents and address any form of violence and harassment,<sup>31</sup> bullying, intimidation and/or exploitation, including any form of gender-based violence and harassment (GBVH), including in relation to worker accommodation, in accordance with ESR 4.
34. The client will take specific measures to prevent and address GBVH, ensure adequate expertise to address these issues fully and safely and provide relevant, regular and ongoing communication and training for project workers and managers. This will include codes of conduct related to GBVH and child sexual abuse and exploitation.
35. Provided they are made in accordance with national law, the following measures will not be considered discrimination: special measures of protection or assistance to remedy past discriminatory actions; promotion of local employment opportunities; or selection for a particular job based on the inherent requirements of the job.

### Collective dismissals

36. Prior to implementing any collective dismissals<sup>32</sup> of direct project workers, the client will carry out an analysis of alternatives to the planned workforce reduction, which will include efforts to reassign affected works when possible. If the analysis does not identify viable alternatives, the client will develop and

<sup>31</sup> As guided by International Labour Organisation (ILO) [Convention 190 on Violence and Harassment](#) (2019).

<sup>32</sup> Collective dismissals cover all multiple dismissals for economic, technical or organisational reasons, or for other non-performance-related or personal reasons.

implement a collective dismissals plan to assess, reduce and mitigate the adverse impacts of the workforce reduction on direct project workers, in accordance with national law and good international practice (GIP)<sup>33</sup> and based on the principles of non-discrimination and consultation. The selection process will be transparent, based on fair, objective, consistently applied criteria and subject to an effective grievance mechanism. The client will comply with all legal and collectively agreed requirements relating to collective dismissal, including the notification of public authorities and the provision of information to and consultation with direct project workers and their organisations. The final collective dismissals plan will reflect the outcomes of those consultations. The client will provide advance notification to the EBRD of the planned workforce reduction and, where requested by the EBRD, a copy of the proposed plan for collective dismissals.

37. All outstanding back pay and social security benefits and pension contributions and benefits will be paid to dismissed workers in accordance with paragraph 18.

## Grievance mechanism

38. The client will provide an effective and proportionate grievance mechanism<sup>34</sup> for all project workers (and their organisations, where they exist) to raise workplace concerns. The client will inform all project workers of the grievance mechanism at the time of hiring and make it easily accessible to them. The mechanism will involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retaliation. The mechanism will not prevent access to other judicial or administrative remedies that might be available under law or through existing arbitration or mediation procedures, nor will it substitute for grievance mechanisms provided through workers' organisations or collective agreements. The mechanism will ensure project workers have the right to be present and to participate directly in the proceedings and to be represented by a trade union or person of their choosing.
39. The mechanism will include provisions for complaints requiring special protection measures, such as reports of GBVH. In relation to GBVH, these will take a "survivor-centred" approach that includes systems for ensuring the immediate and ongoing safety of survivors and witnesses (including from further harm and retaliation), for protecting and guaranteeing the confidentiality and the identity of survivors and witnesses at all times, for offering options of support for survivors, and for including clear protocols for responding to reports in a non-judgmental and non-discriminatory manner. Project workers will have the option to put forward anonymous reports if they do not wish to be identified.

## Contracted workers

40. For project workers engaged through contractors or other intermediaries, the client will require the contractor or other intermediary to apply the requirements stated in paragraphs 7 to 35, 38 to 39 and 41 to 47 of this ESR and the relevant paragraphs of ESR 4.
41. The client will use reasonable efforts prior to contracting to: (i) assess the past performance of these contractors or intermediaries with regard to employment and occupational health and safety, to establish their current capacity to implement the requirements of this ESR and ESR 4; and (ii) contractually require the contractor or other intermediary to apply relevant requirements of this ESR and ESR 4.
42. The client will identify risks associated with the recruitment, engagement and demobilisation of contracted project workers and establish commensurate policies and procedures for managing and monitoring the performance of contractors and other intermediaries in relation to the project and requirements of this ESR. In addition, incorporating these requirements in contractual agreements with contractors and other intermediaries, the client will develop and implement relevant labour management plans and procedures. Where project workers are engaged by subcontracting, the client will use reasonable efforts to cause contractors and other intermediaries to include equivalent requirements in their contractual agreements with their subcontractors.

33 As outlined in the relevant guidance notes.

34 As outlined by the criteria in Principle 31 of the [United Nations Guiding Principles on Business and Human Rights](#).

43. The client will ensure that contracted project workers have access to an effective grievance mechanism that meets the requirements of this ESR. In cases where the contractors or other intermediaries are not able to provide a grievance mechanism, the client will provide an effective grievance mechanism for contracted project workers.

## Supply-chain workers

44. As part of the supply-chain assessment process outlined in paragraph 21 of ESR 1, the client will identify significant labour risks and impacts associated with the project's core supply chains in relation to child labour, forced labour, and occupational health and safety (including GBVH). The client will monitor its core supply chains on an ongoing basis to identify any relevant changes and to identify new significant risks or impacts associated with these changes.
45. Where the initial risk assessment or ongoing monitoring of core suppliers identifies significant risks, the client will cause the supplier to take appropriate measures to adequately prevent and mitigate such risks. If an initial risk assessment identifies significant risks and core suppliers have not been identified, the client will conduct due diligence on potential suppliers and make reasonable efforts to select lower-risk suppliers. Where the client has a direct contractual agreement with the supplier, the client will use reasonable efforts to incorporate the relevant labour requirements into contractual agreements with the supplier. Where the client does not have a direct contractual relationship with a sub-supplier, the client will use reasonable efforts to build and exercise all available forms of leverage<sup>35</sup> to prevent and mitigate the risks identified.
46. If the initial risk assessment or ongoing monitoring identifies actual incidences of child labour, forced labour or harm to workers (including GBVH), the client will use or seek leverage to work with the suppliers or sub-suppliers in question to prevent recurrence and provide remediation to those supply-chain workers affected. Where such adverse impacts are identified, the client will only continue to procure such goods or materials from these suppliers after having received satisfactory undertakings or evidence that the suppliers are committed to implementing measures to prevent such impacts within a reasonable timeframe and to provide remediation as appropriate. The client will notify the EBRD of any such incidences of child labour, forced labour or harm to works and will report to the EBRD on progress on the implementation of prevention and remediation measures on a regular basis.
47. As a last resort, after failed attempts to prevent or mitigate significant risks or adverse impacts, and/or when there is no reasonable prospect of compliance with paragraphs 44 to 46 of this ESR, the client will develop and implement a responsible disengagement plan in relation to the relevant supplier(s) or sub-supplier(s).

35 Leverage refers to the ability of a business entity to effect change in the practices of another party that is causing or contributing to adverse human rights impacts.



Environmental and Social Requirement 3

# Resource efficiency and pollution prevention and control



# Resource efficiency and pollution prevention and control

## Introduction

1. This Environmental and Social Requirement (ESR) outlines a project-level approach to climate impacts and greenhouse emissions, resource management and pollution<sup>36</sup> prevention and control, including plastic waste. It builds on the mitigation hierarchy, the principle that environmental damage should be rectified at its source, as a priority, and the “polluter pays” principle. It recognises the disproportionate impact of pollution on women, children and vulnerable people. The project-related risks and impacts associated with resource use and the generation of waste and emissions need to be assessed in the context of project location and local environmental and social conditions. Appropriate measures, such as Best Available Techniques (BAT) and good international practice (GIP), should be adopted to optimise resource and energy use, secure GHG reductions and efficiently prevent and control pollution.
2. This ESR recognises the transition to a circular economy<sup>37</sup> and/or resource recovery, where usable and valuable products can be created or derived from what has been previously viewed as waste.<sup>38</sup>
3. This ESR also recognises the importance of combating climate change, the need to support low-emission and climate-resilient development and the importance of halting and reversing biodiversity loss, particularly where loss is due to pollution. Ways in which to conserve biodiversity and ecosystem services are addressed in ESR 6.
4. This ESR is based on the do-no-significant-harm principle and outlines the project requirements to ensure an integrated approach to resource efficiency, pollution prevention and control of emissions to air, water and land, noise pollution, radiation, prevention of accidents, as well as waste management and the safe use of hazardous substances and pesticides, avoiding the shift of pollution from one environmental medium to another.

## Objectives

5. The objectives of this ESR are to:
  - adopt a mitigation hierarchy approach to addressing adverse impacts on human health and the environment arising from the resource use and pollution released from the project
  - avoid, minimise and manage project-related GHG emissions
  - avoid, minimise and manage the risks and impacts associated with hazardous substances, single-use plastics and materials, including pesticides and microorganisms, outline the safe use of such materials and alternatives to such use and, if feasible, phase out the use of hazardous substances and pesticides
  - identify, where feasible, project-related opportunities for resource efficiency improvements

<sup>36</sup> The term “pollution” refers to both hazardous and non-hazardous chemical pollutants in the solid, liquid or gaseous phases and includes other components, such as thermal discharge to water, emissions of short- and long-lived climate pollutants, contamination of environmental media (including soil, air and water), nuisance odours, noise, vibration, radiation, electromagnetic energy and potential visual impacts, including light.

<sup>37</sup> As outlined in the European Commission’s Circular Economy Package.

<sup>38</sup> As defined by Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (EU Waste Framework Directive).

- outline the client's responsibility to ensure an integrated approach to resource efficiency, pollution prevention and control of emissions and discharges, and plastic waste reduction, as well as waste management
- outline the client's responsibilities with respect to climate change mitigation and adaptation
- promote the transition to a circular economy through the development and use of existing and/or new business models that seek to increase circularity (the value of products, materials and other resources is maintained for as long as possible), which can deliver substantial material savings throughout value-chain and production processes, generate extra value and unlock economic opportunities.

## Scope of application

6. This ESR applies to all projects directly financed by the EBRD as established in the Environmental and Social Policy. 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 throughout the project lifecycle. The implementation of the actions necessary to meet the requirements of this ESR will be managed under the client's overall environmental and social management system (ESMS) and the project-specific environmental and social management plan (ESMP), as well as relevant disclosures and reporting frameworks, as applicable.

## Requirements

### Resource efficiency and circular economy

7. The environmental and social assessment process will identify and assess the effectiveness and efficiency of the project's use of materials and natural resources (such as land, soil, water and biodiversity), waste management practices and energy use. The assessment will be done in line with GIP and focus on production processes and the impacts on the environment of resource use.
8. The client will adopt technically and financially feasible<sup>39</sup> and cost-effective<sup>40</sup> measures to minimise its environmental and social impact on resources, taking into consideration, for instance, consumption and improving efficiency in its energy use, air emissions, waste management, water use and reuse, and other resources and material inputs, and to recover, reuse or repurpose waste materials in implementing the project. Where benchmarking data are available, the client's assessment will compare its operations with GIP to establish the relative level of efficiency and re-use, or the limitations of material use. Such measures may include, but are not limited to, reducing inefficiencies in the use of materials, promoting waste prevention, reuse and recycling in accordance with the waste hierarchy or avoiding activities that would lead to a significant increase in the disposal of waste.

### Water

9. All technically and financially feasible and cost-effective opportunities for water minimisation and recovery in accordance with GIP will be identified and considered as part of the project design. Where a project-specific water supply needs to be developed, the client will seek, where feasible, to utilise water for technical purposes that is not fit for human consumption.
10. For projects with high water demand (exceeding 5,000 m<sup>3</sup>/day), the following will apply:
  - A detailed water balance will be developed during the assessment process and be maintained and reported annually to the EBRD.
  - Specific water use (measured by volume of water used per unit production) will be assessed.

<sup>39</sup> Technical feasibility is based on whether the proposed measures and actions can be implemented with commercially available skills, equipment, and materials, taking into consideration prevailing local factors such as climate, geography, infrastructure, security, governance, capacity and operational reliability. Financial feasibility is based on commercial considerations, including relative magnitude of the incremental cost of adopting such measures and actions compared with the project's investment, operating and maintenance costs.

<sup>40</sup> Cost-effectiveness is determined based on the capital and operational costs and financial benefits of the measure considered over the life of the project.

- Operations will be benchmarked to available industry standards and GIP on water use efficiency.
- Opportunities for continuous improvement in terms of water use efficiency and recovery should be identified.

11. The client will, as part of its environmental and social assessment process, consider the potential cumulative impacts of water abstraction on third-party users and local ecosystems. This assessment will also consider the potential effects of climate change. Where adverse risks and impacts are identified, the client will implement appropriate measures to mitigate such risks and impacts in accordance with the mitigation hierarchy approach and GIP.

## Waste<sup>41</sup>

12. The client will avoid or minimise the generation of waste materials and reduce their impacts as far as practicable. Where waste generation cannot be avoided but has been minimised, the client will reuse, recycle or recover waste, or use it as a source of energy in a manner that is safe for human health and the environment. Where waste cannot be recycled, reused or recovered, the client will need to treat and/or dispose of it in an environmentally sound and safe manner that includes the appropriate control of emissions and residues resulting from handling and processing the waste material and, where relevant, is in accordance with European Union (EU) substantive environmental standards or equivalent GIP standards.
13. If the waste generated is considered hazardous by national and/or EU regulations, the client will consider the limitations applicable to transboundary movements of waste and other applicable legal requirements.
14. When waste disposal is transferred offsite and/or managed by third parties, the client will obtain chain-of-custody documentation to the final destination and use contractors that are licensed by the relevant regulatory agencies. The client will maintain appropriate duty of care with respect to waste management.

## Pollution prevention and control

15. The client's environmental and social assessment process will determine the appropriate pollution prevention and control methods, technologies and practices or techniques to be applied to the project. The assessment will take into consideration the characteristics of the facilities and operations that are part of the project, the project's geographical location and local ambient environmental conditions. The client will provide the Bank with emission and discharge data proportionate to the nature and scale of the project's risks and impacts.<sup>42</sup>
16. In cases where the Bank's investment is not directed at a specific project or physical assets, clients may be required to provide information on emission and discharge data to allow an assessment of overall operations and benchmarking against national legislation, BAT and GIP, as applicable.
17. The assessment process will identify technically and financially feasible and cost-effective pollution prevention and control techniques that are best suited to avoiding or minimising adverse impacts on human health and the environment. The techniques applied to the project will favour the prevention or avoidance of risks and impacts over minimisation and reduction, in accordance with the mitigation hierarchy and consistent with GIP, and be appropriate to the nature and scale of the project's adverse risks and impacts and to the potential impacts on vulnerable people.
18. The client will structure the project to meet relevant EU substantive environmental standards, where these can be applied at project level.<sup>43</sup> Projects that, due to their nature and scale, would be subject to the EU

41 For the purposes of this ESR, waste is defined as a heterogeneous mixture of gaseous, liquid and/or solid substances and materials that needs to be treated using adequate physical, chemical and/or biological processes before it can be safely disposed of into the environment.

42 The client will provide this information, where possible, in tonnes or kilogrammes, with emission and discharge levels expressed in mg/Nm<sup>3</sup> and mg/l, as appropriate, and specify the methodology used to identify the pollutants and determine their volume, emission and discharge levels, where possible.

43 For the purposes of this ESR, EU substantive environmental standards can be applied at the project level, where the EU secondary legislative document itself contains clear quantitative or qualitative requirements that apply at the project level (as opposed to, for example, the ambient level).



Industrial Emissions Directive<sup>44</sup> will, regardless of location, be required to meet EU BAT and associated emissions levels, as set out in the EU BAT Conclusions.

19. Where no EU substantive environmental standards at project level exist, the client will identify, in agreement with the EBRD, other appropriate environmental standards in accordance with GIP. In addition, projects will be designed to comply with applicable national law and be maintained and operated in accordance with national law and other applicable regulatory requirements. When host-country regulations differ from the levels and measures presented in EU substantive environmental standards or other relevant environmental standards, projects will be required to meet whichever is more stringent.
20. Projects are required to meet EU substantive environmental standards or other agreed environmental standards, as well as national regulatory requirements, from the outset. Where projects involve existing facilities and/or operations, these are required to meet the requirements of paragraph 16 and/or 17 over a reasonable period of time, to be determined by a formal assessment of their performance against the applicable standards.
21. In respect of projects located in EU member states and EU acceding, candidate and potential candidate countries that involve the rehabilitation of existing facilities and/or operations, and where relevant EU substantive environmental standards have been identified, the timeframe to achieve compliance with these standards will take into account any nationally agreed timeframes. For projects in all other countries, the timeframe for achieving compliance with EU substantive environmental standards will take into account local conditions and the cost of application, and will be consistent with the European Neighbourhood Policy and any bilateral agreements or action plans agreed between the EU and the relevant host country.
22. Throughout the project lifecycle, the client will apply pollution prevention and control techniques consistent with the mitigation hierarchy to minimise potential adverse impacts on human health and the environment while remaining technically and financially feasible and cost effective. This applies to the release of pollutants due to routine, non-routine or accidental circumstances.
23. The client will provide the Bank with project information related to pollution risks, liabilities, provisions or costs associated with meeting the requirements of national legislation and applicable EU substantive environmental standards, proportionate to the nature and scale of the project's risks and impacts.

## Greenhouse gas emissions

24. The client's environmental and social assessment process will consider alternatives and implement technically and financially feasible and cost-effective options to avoid and, if avoidance is not possible, to minimise, mitigate and, as a last resort, remedy any potential residual adverse impacts arising from project-related GHG emissions during the design and operation of the project.
25. For projects that either have, or are expected to have, gross emissions in excess of 20,000 tonnes of CO<sub>2</sub> equivalent annually, or are expected to result in a net change in emissions, positive or negative, of more than 20,000 tonnes of CO<sub>2</sub>-equivalent annually post-investment, the client will quantify these emissions in accordance with the EBRD Protocol for Assessment of Greenhouse Gas Emissions. The client will report emissions data to the EBRD on a yearly basis.

## Safe use and management of hazardous substances and materials

26. In all activities directly related to the project, the client will avoid or minimise the use of hazardous substances and materials, and consider the use of less hazardous substitutes for such substances and materials so as to protect human health and the environment from their potential impacts. Where avoidance or substitution is not feasible, the client will apply appropriate risk management measures to minimise or control the release of such substances/materials into the air, water and/or land as a result of project-related production, transportation, handling, storage, use and disposal. To prevent and minimise environmental impacts and contamination with microorganisms and chemicals with antimicrobial properties, the client will undertake GIP wastewater treatment and livestock faecal waste treatment.

<sup>44</sup> Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control), as amended by the European Commission (2024).

27. The client will avoid the manufacture, trade and use of hazardous substances and materials subject to international bans or phase-outs due to their high toxicity to living organisms, environmental persistence, potential for bioaccumulation or potential for depletion of the ozone layer.
28. The client will make sure that the phase-out of hazardous substances is in line with GIP and applicable international agreements.

## **Pest management**

29. Clients who manage or use pesticides, including chemicals with antimicrobial properties, will formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach for pest management activities, including their phase-out in line with GIP. The client's IPM and IVM programmes will coordinate the use of pest and environmental information together with available pest control methods, including cultural practices, biological, genetic and chemical means to prevent unacceptable levels of pest damage. When pest management activities include the use of pesticides, the client will strive to reduce the impacts of those pesticides on biodiversity, human health and the broader environment and, more generally, to achieve the more sustainable use of pesticides, as well as a significant overall reduction in the risks and uses of pesticides, consistent with the necessary crop protection.
30. The sustainable use of pesticides will include:
  - avoiding or, if not possible, minimising the impacts of pesticides on biodiversity, human health and the broader environment
  - reducing the levels of harmful active substances by replacing the most dangerous ones with safer (including non-chemical) alternatives
  - selecting pesticides that are low in toxicity, known to be effective against the target species, and have minimal effects on non-target species, such as pollinating insects and the environment
  - the promotion of low-input or pesticide free crop farming that relies on IPM and IVM strategies
  - minimising damage to natural enemies of target pests and preventing the development of resistance in pests
  - ensuring users of pesticides are adequately trained in safe usage
  - ensuring phase-outs are in line with GIP and international agreements.
31. The client will handle, store, apply and dispose of pesticides in accordance with GIP.

## **Noise and vibration**

32. Clients will assess the noise and vibration impacts of the project, based on the results of the environmental and social risk assessment. This may require baseline data, the identification of key receptors and the assessment of impacts of the development, taking into account both negative and positive impacts and compliance with national legislation and GIP.



Environmental and Social Requirement 4

# Health, safety and security



# I Health, safety and security

## Introduction

1. This Environmental and Social Requirement (ESR) recognises the importance of managing health, safety and security risks to project workers,<sup>45</sup> project-affected communities and consumers associated with project activities, in accordance with the hierarchy of risk controls.<sup>46</sup> When providing project workers with safe, healthy and secure working environments, clients will respect and promote the fundamental principles and rights of workers,<sup>47</sup> thus creating tangible benefits, such as enhancing the efficiency and productivity of their operations.
2. Project activities, equipment and infrastructure may increase the potential for worker and community exposure to health, safety and security risks, including those associated with mobilisation, construction, commissioning, operation, maintenance, decommissioning or closure, reinstatement, and the transport of goods and services.
3. The client has the primary responsibility for cooperating with key stakeholders and providing safe and healthy working environments for project workers and for informing, instructing, training, supervising and consulting project workers on health and safety. Project workers are responsible for cooperating actively with their employer and taking care of their own health and safety and the health and safety of others.
4. While acknowledging the role of the relevant authorities in protecting and promoting the health and safety of the public, the client has the duty of managing health, safety and security risks to project-affected communities.

## Objectives

5. The objectives of this ESR are to:
  - protect and promote the health, safety and security of project workers by ensuring safe, healthy and secure working environments and implementing a management system appropriate and proportionate to the risks associated with the project
  - identify, assess and manage health, safety and security risks to project-affected communities and consumers during the project lifecycle from both routine and non-routine activities and to incorporate health and safety at the earliest opportunity into the project design.

## Scope of application

6. This ESR applies to all projects financed by the EBRD as established in the Environmental and Social Policy. 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 throughout the project lifecycle. The potential risks to project workers and project-affected communities may vary according to the stage,

<sup>45</sup> Project workers as defined in ESR 2.

<sup>46</sup> The hierarchy of risk control refers to: (i) elimination of the risk; (ii) reduction of the risk by substituting the hazardous condition or substance with a non- or less hazardous substance; (iii) isolation of the risk to prevent exposure; (iv) introduction of engineering controls that protect the workforce and community collectively; and (v) provision of information, instruction and training to workers and communities, as appropriate, on risks, safe systems of work, emergency plans, reporting requirements and mandatory supervision.

<sup>47</sup> As guided by the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work (1998, as amended in 2022) and ILO Core Conventions:

C155 Occupational Safety and Health (1981)

C161 Occupational Health Services Convention, 1985 (No.161)

C167 Safety and Health in Construction Convention, 1988 (No. 167)

C187 Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187).

size and nature of the project, including mobilisation, construction, commissioning, operation, maintenance, decommissioning or closure, and reinstatement. Implementation of the actions necessary to meet the requirements of this ESR is managed as an integral part of the client's overall environmental and social management system (ESMS) and/or the project-specific environmental and social management plan (ESMP), as set out in ESR 1.

7. Detailed requirements for the prevention and control of risks to human health and impacts on the environment due to the release of pollution are found in ESR 3.

## Requirements

### General requirements for health and safety management

8. The client will adopt measures to identify hazards, assess risks and prevent accidents, injury and ill-health to project workers and project-affected communities occurring in, arising from or associated with carrying out project activities. Supported by qualified and trained health and safety advice that is proportionate to the risks, the client will prepare and implement preventative and protective measures and plans to manage health and safety risks in accordance with the hierarchy of risk controls and in accordance with good international practice (GIP).
9. The client will provide project workers and project-affected communities with relevant information, instruction and training on health and safety hazards, risks, protective and preventative measures, and emergency arrangements necessary for their health and safety throughout the project.
10. Where any accidents, injury, harassment (including gender-based violence and harassment [GBVH]) and ill-health occur in the course of works associated with the project, or there is the potential for such an incident, the client will investigate, document, analyse the findings, identify learning opportunities, adopt measures to prevent recurrence and, where required by law, notify and cooperate with the relevant authorities. The client will ensure appropriate financial compensation and support for any persons suffering injury or ill-health caused by project activities. Where the client has identified high risks to project workers and where there are gaps in coverage, benefits or access to national insurance systems, the client will implement group personal accident insurance.
11. As part of project performance monitoring, the client will ensure health and safety measures are included in relevant monitoring and reporting processes.

### Occupational safety and health

12. The client will provide all project workers with a safe and healthy working environment, taking into account inherent and foreseeable risks in its particular sector and specific classes of hazard that may be present, and also considering working conditions (including excessive or erratic work hours and overtime) that may contribute to a safety risk. The client will identify the safety and health hazards, assess risks and implement preventative control measures appropriate to the stage, size and nature of the project, in accordance with relevant substantive EU occupational safety and health (OSH)<sup>48</sup> standards and GIP. The client will undertake an assessment commensurate with the level of risk and develop a project specific OSH plan, where appropriate, that will be integrated into the ESMS. The plan will be in place prior to the start of any work and periodically reviewed to evaluate its effectiveness to confirm it remains appropriate to addressing related risks.
13. The client will plan and implement OSH arrangements with the assistance of a person responsible for OSH. Following the hierarchy of risk controls and where personal protective equipment has been identified as part of any preventative control measures, the client will provide gender-appropriate personal protective equipment (PPE) at no cost to project workers. The client will enable and require all project workers engaged to work on project sites or to perform work directly related to the core functions of the project to comply with the OSH plan.

48 EU OSH standards mean substantive requirements in EU legislation in the field of safety and health at work, setting out minimum safety and health requirements for the protection of workers.

14. During the course of any work activity, the client will ensure that all project workers have appropriate physical fitness to undertake their appointed job roles and are provided with: (i) a continued and appropriate level of supervision to ensure they do not place themselves or others at risk; (ii) safe work equipment; and (iii) OSH procedures, work instructions, information, appropriate training and workplace rules that are implemented and enforced. Where project workers place themselves or others at risk, the client will take proportionate disciplinary action to enforce workplace rules and, where necessary, ensure that they are immediately removed from the workplace until they are no longer a risk to themselves or others. The client will not impose financial penalties on workers for health and safety infringements.
15. The client will monitor the physical and mental health and wellbeing of its project workers using appropriate management arrangements and consult with project workers on OSH arrangements. The client will inform project workers of their rights, allow project workers to stop work in situations of danger to life or health, and will not require project workers to return to work until corrective action has been taken and is no longer a danger to life or health. The client will put in place procedures for workers to report any unsafe acts and unsafe conditions in the workplace to their immediate supervisor or other person with the relevant authority to take action. The client will not tolerate any form of retaliation or reprisal for reporting or stopping work.
16. The client will establish a workplace OSH committee with a balanced representation of management and elected workplace representatives that is diverse and inclusive and does not undermine any existing OSH committees or any existing collective bargaining agreements. The OSH committee will communicate, coordinate and cooperate on OSH matters in the workplace and this will include, but not be limited to, accident investigation, risk assessment, development of safe systems of work and selection of work equipment to manage OSH risks in accordance with the hierarchy of risk controls.
17. Where there are specific risks associated with certain work activities or work locations that could result in adverse effects on the health, safety and wellbeing of any vulnerable project workers based on age, sex, gender, sexual orientation, gender identity, gender expression and/or sex characteristics, disability or short- or long-term health conditions, the client will carry out more detailed risk assessments and make reasonable adjustments to prevent any vulnerability becoming worse or increasing the risk of injury and ill-health. The client will implement adjustments consistent with ESR 2 requirements on non-discrimination and equal opportunity.
18. The client will identify and assess gender-related risks that have specific physical, physiological and psychological effects on project workers. OSH hazards created by work activities, work equipment, tools and personal protective equipment because of a worker's gender are to be controlled in accordance with the hierarchy of risk controls, so that project workers are not at any greater risk of injury or ill health.

### **Community health and safety**

19. The client will identify and assess project-related risks to and likely adverse impacts on the physical health and safety of project-affected communities and will develop detection, protection, prevention and mitigation measures in accordance with the hierarchy of risk controls, proportionate to the impacts and risks, and appropriate to the stage, size and nature of the project. The client will communicate with project-affected communities and other relevant stakeholders, as appropriate, on prevention and mitigation measures and plans. These measures will be consistent with the hierarchy of risk control and GIP.
20. Measures to avoid or mitigate impacts of the project on community health and safety may be the responsibility of the relevant public authorities. Under these circumstances, the client will clarify its role and its responsibility to notify, coordinate and cooperate with the relevant authorities and put in place appropriate arrangements.

### **Gender-based violence and harassment and child sexual abuse**

21. The client will assess project-related risks of gender-based violence and harassment (GBVH) and risks of child sexual abuse to project workers and project-affected persons and communities. Measures to assess, mitigate, monitor and respond to GBVH and child sexual abuse will be based on the principles that (i) all forms of sexual exploitation, abuse and harassment (SEAH) are prohibited, and (ii) there is no tolerance for inaction to prevent, report or respond to SEAH, and no tolerance for retaliation against survivors or

witnesses. These measures should be integrated into existing processes and systems of occupational and community health and safety, as well as stakeholder engagement and grievance management. The client will adopt specific measures to prevent and address these risks, based on the needs of women, children and other at-risk groups. Such measures will be informed by relevant stakeholders and may include consultation with project workers and communities, the provision of information, training and confidential channels for reporting incidents in safe and accessible formats, including by children, codes of conduct for project workers, and the provision of support in a manner consistent with paragraph 19, above.

22. When responding to incidents or allegations of GBVH and child sexual abuse, the client will adopt a survivor-centred approach that prioritises the rights, needs and wishes of the person who has experienced GBVH and/or child sexual abuse,<sup>49</sup> as well as their safety. The client will provide survivors with or refer survivors to appropriate medical, psychosocial and judicial support services. Incidents and allegations of sexual exploitation and abuse associated with the project will be reported to the EBRD and addressed in a timely manner.

## Specific requirements for health and safety management

### Contractor and sub-contractor management

23. The client will assess the OSH standards and past OSH performance of contractors proposed to carry out work on the project site or those performing any work directly related to the construction and operation of the project. This will include confirming that the contractor has developed an OSH plan that identifies appropriate capacity, resources and arrangements to safely plan, manage, implement and monitor work under the project.
24. The client will periodically review and assess, through physical site visits, the contractors' OSH performance and the ongoing suitability of their OSH plans. The review and assessment will confirm that arrangements have been implemented in accordance with the hierarchy of risk controls, remain in compliance with this ESR and ESR 2, and remain appropriate to managing current health and safety risks. The client will include appropriate provisions in contracts that will; (i) permit the suspension of the contractor's work in the event of immediate danger to the life or health of any worker or project-affected communities, and (ii) require the contractor to make the workplace safe before works may be resumed.

### Infrastructure, building, and equipment design and safety

25. The client will undertake a risk assessment appropriate to the stage, size, nature and complexity of the project and incorporate health, safety and climate change considerations into structural elements or components during project design, construction, commissioning, operation, maintenance and decommissioning, in accordance with the hierarchy of risk controls and GIP. Structural elements or components will be designed and constructed by client-appointed, qualified and trained professionals and, where possible, hazards will be eliminated at the initial design stage.
26. Independent life- and fire-safety audits will be undertaken at the design stage for all new public buildings, areas of public gathering, such as transport hubs, and major refurbishments prior to their commissioning or use.
27. The construction and major refurbishment of buildings used for communal purposes will be designed in accordance with the concept of the principles of universal design<sup>50</sup> and made inclusive and accessible to all.
28. When structural elements or components of critical infrastructure are situated in high-risk locations and their failure or malfunction may threaten the health and safety of project workers and communities, the client will appoint one or more qualified and trained professionals with relevant and recognised experience in similar projects, independent of the design and construction teams. They will conduct a review as early

49 In responding to allegations of child sexual abuse, the client will work with an expert to carry out a best interest determination in line with UNHCR guidelines: [refworld.org/policy/opguidance/unhcr/2021/en/122648](https://refworld.org/policy/opguidance/unhcr/2021/en/122648).

50 The principles of universal design refer to safe and inclusive access for people of all ages and abilities in different situations and under various circumstances. They include: (i) equitable use; (ii) flexible in use; (iii) simple and intuitive use; (iv) perceptible information; (v) tolerance for error; (vi) low physical effort; and (vii) size and space for approach and use.

as possible in the project development phase and throughout the project design, construction, operation and commissioning stages to confirm the safety and structural integrity of such structural elements or components.

### **Hazardous materials safety**

29. The client will prevent or, where it is not practicable to prevent the risk completely, reduce the potential for worker and project-affected community exposure to hazardous materials<sup>51</sup> that may be released by the project by controlling exposure and adopting the hierarchy of risk controls.
30. Where there is the risk of any intentional or unintentional release of chemicals, energy or other potentially dangerous materials that will result in serious risk to project workers or project-affected communities during project implementation, the client will carry out a risk assessment at the initial design stage to eliminate the risk of release. The risk assessment will identify process safety concerns and address these through GIP and good engineering design prior to construction
31. Where hazardous materials are part of existing facilities or operations associated with the project, the client will exercise due care and implement appropriate measures to prevent, prepare, respond and learn when conducting commissioning, operating, maintenance and decommissioning activities in order to prevent the exposure of workers and project-affected communities to such hazardous materials. Where the use of such materials cannot be avoided, the client will take the necessary measures for safe handling, labelling, storage, transport and disposal in accordance with GIP.

### **Product safety**

32. Where the project involves production of and/or trade in consumer products, the client will ensure product safety through good design and manufacturing processes, as well as safe handling, labelling, storage, transport and end-of-life disposal. GIP will be followed, including general safety requirements specific to product safety standards and codes of practice in a given business sector and country.
33. The client will identify and continually evaluate health and safety risks to all consumers associated with its products throughout their lifecycle. The approach to product safety will adhere to the hierarchy of risk control and ensure that adequate information on the product's health and safety risks is provided to consumers. For situations involving products that may pose serious health or safety threats, the client will ensure that product recall and product withdrawal policies and procedures are in place.

### **Psychosocial risks**

34. The client will identify and assess potential psychosocial risks to project workers that may occur due to exposure to project-related activities and locations and, where appropriate, identify opportunities to prevent potential negative impacts on workers' mental health. The client will adopt appropriate measures to manage any negative mental health concerns raised by project workers and provide confidential mechanisms to report concerns. The client will implement methods to support and promote mental health and wellbeing to project workers through a workplace mental health awareness plan.

### **Health and safety risks in community services**

35. Where the project involves the provision of services to communities, the client will ensure the safety and quality of such services for all community members, taking into consideration the distinct needs of vulnerable people, and implement appropriate quality management systems to make sure that such services do not pose risks to project workers or community health and safety.
36. Where the project involves the provision of public services, to the extent possible, the client will incorporate the principles of universal design.<sup>52</sup>

51 Hazardous materials refer to substances that have one or more inherently harmful properties, such as chemical, biological and radiation, which can have a significant adverse effect on the environment or human health.

52 As defined in paragraph 29 of this ESR.



37. Where the project involves the provision of health services and/or the production, distribution and use of antimicrobials, the client will incorporate antimicrobial stewardship<sup>53</sup> to minimise antimicrobial resistance.

### Traffic and road safety

38. The client will identify, assess, manage and monitor traffic and road safety risks and health impacts on project workers and project-affected communities throughout the project lifecycle and, where appropriate, develop and implement measures and plans to address them. The client will pay particular attention to the risks created by the project to vulnerable road users, including children, cyclists, the elderly and people with disabilities, and the need to engage with these vulnerable users at the project planning phase.
39. The client will take into consideration relevant EU road and traffic safety management standards.<sup>54</sup> Where appropriate, the client will carry out a road safety impact assessment, road safety audits and road safety inspections at relevant stages of the project, identify road safety measures for both motorised and non-motorised road users and incorporate technically and economically feasible and cost-effective road safety components into the project design to mitigate potential road safety impacts on local affected communities. The client will routinely monitor incident and collision reports to identify and resolve problems or negative safety trends.
40. For projects with vehicles or fleets of vehicles (owned or leased), the client will introduce GIP arrangements to manage road and traffic risks<sup>55</sup> and will proactively prevent the risk of road traffic collisions. The client will ensure regular maintenance of all project vehicles, monitor driving standards and put appropriate systems and processes in place to identify and manage unsafe driving behaviour. Where vehicles or fleets include goods or passenger vehicles, the client will implement specific driver safety training programmes and introduce measures to monitor driving hours and proactively prevent driver fatigue, consistent with GIP. For all new vehicles to be used on the project, the client will include safety performance as a criterion for selection. For existing vehicles, a robust maintenance and inspection programme will be implemented to ensure continued roadworthiness, alongside any related plan for fleet retirement.
41. The client will ensure the safe and secure transport of hazardous materials, including wastes, and will implement measures to avoid or reduce project-affected community exposure.

### Natural and climate change hazards

42. The client will identify natural hazards and assess the potential risks caused by those hazards, such as earthquakes, droughts, landslides or floods as they relate to the project, as well as any associated risks to workers. This may require the client to undertake an assessment of the vulnerability of the project to risks caused by climate change and to identify OSH prevention and control strategies and appropriate climate resilience and adaptation measures to be integrated into the project design.
43. The client will avoid and/or minimise risks caused by natural hazards or land use changes to which project activities may contribute.

### Exposure to disease

44. To help prevent or minimise the potential for worker and project-affected community exposure to disease, taking into account differentiated exposure and the higher sensitivity of vulnerable people, the client will develop appropriate mitigation in consultation with the relevant authorities. The client will take measures to avoid or minimise the transmission and spread of communicable diseases that may be associated with the influx of temporary and/or permanent project workers and diseases influenced by other environmental factors.
45. Where specific diseases are endemic in project-affected communities, the client is encouraged to identify opportunities throughout the project life-cycle to improve conditions that could help reduce their incidence,

53 Antimicrobial stewardship is a coordinated programme, as defined by the World Health Organization, that promotes the appropriate use of antimicrobials (including antibiotics), improves patient outcomes, reduces microbial resistance and decreases the spread of infections caused by multidrug-resistant organisms.

54 Consistent with the objectives of [Directive 2008/96/EC of the European Parliament and of the Council of 19 November 2008 on road infrastructure safety management as amended by Directive \(EU\) 2019/1936](#).

55 In accordance with GIP, such as [ISO 39001 on road traffic safety management](#).

both among project workers and project-affected communities. The client will take measures to avoid or minimise the transmission of communicable diseases and prevent gender-based risks that may be associated with the influx of temporary and/or permanent project labour.

### Emergency preparedness and response

46. The client will be prepared to prevent, respond to and recover and learn from incidents, accidents and emergency situations in a manner appropriate to the operational risks associated with the project and the need to prevent or reduce their potential adverse impacts, in accordance with applicable regulatory requirements and GIP.<sup>56</sup>
47. The client will identify and assess major-accident hazards and take all necessary measures to prevent major accidents or limit such risks to workers, project-affected communities – including a particular focus on vulnerable persons – and the environment, with a view to ensuring high levels of protection for people and the environment in a consistent and effective manner. These measures will be identified in a major-accident prevention/emergency preparedness policy and an appropriate management plan, integrated into the client's overall ESMS. The plan will include organisational structures, responsibilities, procedures, communications, training, resources and other aspects required to implement such a policy to ensure that the client has the capacity to respond effectively to emergencies associated with project hazards in accordance with GIP.
48. For projects where major-accident hazards are present, the client will assist and cooperate with the relevant authorities and the project-affected community in their preparations to respond effectively to emergency situations. If local authorities or responders have little or no capacity to respond effectively, the client will play an active role in preparing for and responding to emergencies associated with the project, and will provide adequate evidence to demonstrate its capacity to respond to foreseeable incidents, either directly or indirectly.

### Security

49. The client will identify and assess project security threats to project workers and project-affected communities. Where risks have been identified, adequate security management arrangements and contingency plans to protect the integrity of project operations from security incidents or changes to the operating environment will be implemented in accordance with GIP. In the event of a serious deterioration in the operating environment due to elevated security or safety risks, the client will implement changes to project operations, as required, to ensure the safety of project workers and project-affected communities.
50. When the client retains or changes security services to safeguard its project workers and property, it will assess risks posed by these security arrangements to those within and outside the project site. The assessment will consider the risks of gender-based discrimination, violence and harassment, and child sexual abuse and exploitation, both in the workplace and in project-affected communities. In making such arrangements, the client will be guided by the principle of proportionality, GIP and applicable laws in terms of rules of conduct and in hiring, training, equipping and monitoring the conduct of such project workers. The client will not sanction any use of force except when used for preventative and defensive purposes in proportion to the nature and extent of the threat. The client will make clear that any retaliation against people by security contractors will not be tolerated. If the security services retained by the project change from private actors to actors under the responsibility of the relevant governmental authority, the client will report the change to project workers, the community, and the Bank. The client will prevent the use of security services to restrict the exercise of freedom of association or other protections under ESR 2 and ESR 4 and will not sanction the use of force to intervene in labour disputes, including work stoppages.
51. If security services are the responsibility of relevant governmental authorities, the client will collaborate, to the extent permitted, with the responsible government authority to achieve outcomes consistent with this ESR. The client will identify and assess potential risks arising from such use, communicate to the relevant public authorities its intent that security personnel act in a manner consistent with paragraph 48 above,

<sup>56</sup> As set out in Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012 on the control of major-accident hazards involving dangerous substances, amending and subsequently repealing Council Directive 96/82/EC (EU SEVESO III Directive).

and encourage the relevant public authorities to disclose the security arrangements for the client's facilities to the public, subject to overriding security concerns.

52. The client will (i) make reasonable inquiries to verify that the employees or contracted project workers retained by the client to provide security are not implicated in past abuses, including GBVH and child sexual abuse and exploitation; (ii) train them adequately (or determine that they are properly trained) in the use of force (and, where applicable, firearms) and in appropriate conduct towards project workers and project-affected communities; and (iii) require them to act within the applicable law and any requirements set out in ESR 2 and any other ESRs as specified by the client.
53. The client will establish and maintain an effective grievance mechanism to allow the affected community and project workers to express concerns about security arrangements and the actions of security personnel, including adequate provisions to respond to reports of GBVH and child sexual abuse and exploitation, and will inform communities and project workers of the availability and use of grievance mechanisms, in accordance with this ESR and ESR 10.
54. The client will investigate any allegations of unlawful or abusive acts by security personnel, take action (or urge appropriate parties to take action) to prevent recurrence and, where necessary, report unlawful and abusive acts to the public authorities and the EBRD.

## **Worker welfare and accommodation**

55. The client will identify and make available appropriate worker welfare and accommodation arrangements relevant to the work being undertaken and the hazards to which project workers are exposed throughout the project lifecycle. Project workers will have access to safe and hygienically clean facilities for different genders, in accordance with GIP, where they can rest, eat and wash. Worker welfare and accommodation arrangements will be well ventilated, offer protection from extreme temperatures and be appropriately maintained. Welfare and accommodation arrangements will also include free and unrestricted access to wholesome drinking water for all project workers.
56. Where a client provides sleeping accommodation for project workers and visitors, the client will put in place and implement policies governing the quality and management of the accommodation arrangements and provision of services. The welfare and accommodation services need to ensure structural safety and reasonable levels of decency, hygiene and comfort. The accommodation facilities will be well ventilated, have suitable and safe arrangements for temperature control and be appropriately maintained. The accommodation will be provided in accordance with GIP and in a manner consistent with the principles of non-discrimination and equal opportunity, including safeguards against sexual harassment and other forms of GBVH. Workers' freedom of movement to and from the employer-provided welfare and accommodation will not be unreasonably restricted.



Environmental and Social Requirement 5

# Land acquisition, restrictions on land use and involuntary resettlement



# Land acquisition, restrictions on land use and involuntary resettlement

## Introduction

1. This Environmental and Social Requirement (ESR) addresses impacts of project-related land acquisition,<sup>57</sup> including restrictions on land use<sup>58</sup> and access to assets and natural resources, which may cause physical displacement (relocation, loss of land or shelter), and/or economic displacement (loss of land, assets or restrictions on land use, assets and natural resources leading to loss of income sources or other means of livelihood).<sup>59</sup> The term “involuntary resettlement” refers to both of these impacts and the processes to mitigate and compensate for these impacts. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use, other assets and natural resources, even if compulsory acquisition is used only as a last resort after a negotiated process.
2. Application of this ESR is consistent with the universal respect for and observance of human rights and freedoms,<sup>60</sup> such as the right to property, the right to adequate housing<sup>61</sup> and the right to the continuous improvement of living conditions.
3. Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons<sup>62</sup> and communities, as well as environmental damage to and adverse socioeconomic impacts on the areas to which they have been displaced. The client will consider feasible alternative project designs and sites to avoid or minimise land acquisition or restrictions on land use, other assets and natural resources while balancing environmental, social and financial costs and benefits, and paying particular attention to gender impacts and effects on vulnerable people. Where it cannot be avoided through design, displacement will be minimised and appropriate measures carefully planned and implemented to mitigate adverse impacts on affected persons and host communities.

57 “Land acquisition” refers to all methods of obtaining land for project purposes, which may include outright purchase, expropriation of land and assets, and acquisition of temporary or permanent access rights, such as easements, rights of way and the establishment of restrictions of access to protected and other areas. Land acquisition may also include: (a) acquisition of unoccupied or unutilised land whether or not the landholder relies upon such land for income or livelihood purposes; (b) repossession of public land that is used or occupied by individuals or households; and (c) project impacts that result in land being submerged or otherwise rendered unusable or inaccessible. “Land” includes anything growing on or permanently affixed to land, such as crops, buildings and other improvements, and associated water bodies.

58 “Restrictions on land use” refers to limitations or prohibitions on the use of agricultural, residential, commercial or other land that are directly introduced and put into effect as part of the project. These may include restrictions on access to legally designated parks and protected areas, restrictions on access to other common property resources, and restrictions on land use within utility easements or safety zones.

59 “Livelihood” refers to the full range of means that individuals, families and communities use to earn a living, such as wages from employment; cash income earned through an enterprise or through the sale of produce, goods, handicrafts or services; rental income from land or premises; income from a harvest or animal husbandry, share of a harvest (such as various sharecropping arrangements) or livestock production; self-produced goods or produce used for exchange or barter; self-consumed goods or produce; food, materials, fuel and goods for personal or household use or trade derived from natural or common resources; pensions and various types of government allowance.

60 Namely, the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights.

61 “Adequate housing” refers to adequate privacy; space; physical accessibility; security; security of tenure; structural stability and durability; lighting, heating and ventilation; basic infrastructure, such as water-supply, sanitation and waste-management facilities; suitable environmental quality and health-related factors; and an adequate and accessible location with regard to work and basic facilities.

62 “Affected person” refers to a legal or natural person experiencing either physical or economic displacement as a result of project-related land acquisition, or restrictions on land use, other assets or natural resources.

## Objectives

4. The objectives of this ESR are to:
- avoid involuntary resettlement or, where unavoidable, minimise involuntary resettlement by exploring feasible alternative project designs and sites
  - avoid forced eviction<sup>63</sup>
  - mitigate unavoidable adverse social and economic risks and impacts from involuntary resettlement on affected persons by:
    - i. providing timely compensation for loss of assets at full replacement cost<sup>64</sup>
    - ii. assisting affected persons in their efforts to improve or at least restore their livelihoods and standards of living in real terms relative to pre-displacement levels
    - iii. improving the living conditions of physically displaced vulnerable people by providing adequate housing (including essential services and utilities) with security of tenure<sup>65</sup> at resettlement sites
    - iv. ensuring that land acquisition, restrictions on land use, other assets and natural resources and involuntary resettlement activities are planned and implemented with meaningful consultation, participation and disclosure of information
    - v. providing affected persons with access to grievance mechanisms in accordance with the requirements of ESR 10
    - vi. enabling displaced persons to benefit directly from the project, where the nature of the project affords such opportunities.

## Scope of application

5. The applicability of this ESR is established during the environmental and social impact assessment (ESIA) process described in ESR 1.
6. This ESR applies to physical or economic displacement that can be full or partial, permanent or temporary, and resulting from the following types of transaction:
- land rights<sup>66</sup> and/or assets acquired through expropriation or other compulsory procedures in accordance with national law
  - land rights and/or assets acquired through negotiated settlements, if expropriation or other compulsory processes can be initiated where negotiation fails
  - restrictions that result in people experiencing loss of access to land, assets, natural resources or livelihoods, irrespective of whether such rights of restriction are acquired through negotiation, expropriation, compulsory purchase or by means of government regulation
  - relocation of people without formal, traditional or recognisable usage rights under national law, who are occupying or utilising land prior to the cut-off date

63 “Forced eviction” refers to the coerced displacement of individuals, groups and communities from their homes, lands, common property and/or resources (either legally owned or informally occupied) without the provision of and access to appropriate forms of legal and other protection, or adherence to the basic requirements defined in this ESR.

64 “Replacement cost” is a method of valuation yielding compensation sufficient to replace assets, plus necessary transaction costs associated with asset replacement. Where functioning markets exist, replacement cost is the market value as established through independent and competent real-estate valuation, plus transaction costs. Where functioning markets do not exist, replacement cost may be determined through alternative means, such as calculation of output value for land or productive assets, or the undepreciated value of replacement material and labour for the construction of structures or other fixed assets, plus transaction costs. In all instances where physical displacement results in loss of shelter, replacement cost must at least be sufficient to enable the purchase or construction of housing that meets acceptable minimum community standards of quality and safety.

65 “Security of tenure” refers to resettled individuals or communities resettled to a site they can legally occupy, where they are protected from the risk of eviction and where the tenure rights provided to them are socially and culturally appropriate.

66 “Land rights” include full and permanent ownership rights recognised by the law of the country, be they registered or customary; permanent or temporary usage rights derived from a formal or informal agreement or from custom, including long- or short-term leases, tenancies and sharecroppings, as well as formal or informal use of communally held natural resources such as forest, pasture and water bodies; rights of way established by law or custom; or restrictions of use or access established by law or custom.

- displacement of people as a result of project impacts that render their land or assets unusable or inaccessible
  - displacement impacts that may occur in host communities due to the relocation into such communities of affected persons physically displaced by a project.
7. This ESR also applies to any physical displacement or economic displacement carried out by the client or a government for purposes relevant to the project before the EBRD's involvement. Where displacement has already occurred prior to the involvement of the Bank, an audit will be conducted to identify: (i) compliance with national legislation and the key objectives of this ESR; (ii) any significant deviations in past activities from the key objectives of this ESR, including in respect to the rights of vulnerable people; and (iii) the corrective actions that may be required to address the gaps, as identified through the audit, to ensure compliance with the key objectives of this ESR. A corrective action plan will be prepared, which will describe all activities to achieve compliance with this ESR in the form of a time-bound plan, including a budget, implementation arrangements, allocation of roles and responsibilities, and implementation schedule. Any ongoing land acquisition, even if it was started before the EBRD's involvement, will be required to comply with this ESR.
8. This ESR does not apply to:
- resettlement resulting from voluntary land transactions (market transactions in which the seller is not obliged, coerced, intimidated or bribed to sell and the buyer cannot resort to expropriation or another compulsory process if negotiations fail), and where such transactions affect only those with legally recognised rights. However, this ESR will apply where such voluntary land transactions may result in the displacement of persons other than the seller who occupy, use or claim rights to the land in question, such as informal tenants or other land users that have no right under national law
  - the settlement of refugees, internally displaced persons and victims of natural disasters, conflict, crime or violence.<sup>67</sup>

## Requirements

### General

9. At an early stage of the environmental and social assessment process outlined in ESR 1, the client will identify whether any physical and/or economic displacement is likely to be caused by the project and assess whether the project is likely to have any current or future additional land and resource needs.
10. Where there are displacement impacts, the assessment process will characterise the baseline socioeconomic circumstances of displaced persons and the potential risks and impacts the project may have on them. The extent of the assessment will be sufficient to characterise the potential significance, likelihood and severity of the impact and take into account the views of project-affected people and relevant key stakeholders.
11. Where the assessment has identified that the project may entail material risks and impacts associated with the physical and economic displacement of people and/or communities, the client will engage qualified resettlement expert(s) to assist in the preparation of a resettlement planning document, with the aim of developing and implementing measures to address impacts on displaced people in accordance with the mitigation hierarchy. The nature of the resettlement planning document to be prepared by the client will be determined by the Bank as part of the environmental and social assessment process. The resettlement planning document will include an analysis of alternative project designs and sites to demonstrate how physical and economic displacement were avoided or minimised. The scope and level of detail of the plan will be proportionate to the nature and scale of the project, its potential displacement impacts and the level of stakeholder interest.

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<sup>67</sup> In cases where there has been displacement as a result of conflict prior to project-induced displacement, the involuntary resettlement process will be guided by the [Guiding Principles on Internal Displacement](#) (Office of the High Commissioner for Human Rights).

### Avoidance or minimisation of displacement

12. The client will consider feasible alternative project designs and sites to avoid or at least minimise physical and/or economic displacement. Avoidance is the preferred approach in accordance with the mitigation hierarchy in ESR 1. It is especially important to avoid physical or economic displacement of those who are socially or economically vulnerable. The client will document avoidance and minimisation efforts and will justify in the planning documentation submitted to the Bank that, further to these efforts, residual physical (including relocation of culturally sensitive sites) or economic displacement impacts are unavoidable. This explanation will include the economic, technical, financial, environmental and any other reasons for not selecting project design options that would have avoided and minimised displacement. However, the client may consider situations where avoidance may not be an appropriate approach for public health, safety or similar reasons, and where displacement can bring direct positive development outcomes to affected persons and communities, including improved housing and greater security of tenure, or other improvements to the standards of living of project-affected persons.

### Forced eviction

13. Forced evictions refer to the coerced displacement of individuals, groups and communities from their homes, land and/or common property or resources (either legally owned or informally occupied) without the provision of or access to appropriate forms of legal and other protection, or adherence to the basic requirements defined in this ESR. Forced evictions constitute a violation of human rights and are included in the EBRD's Exclusion List
14. The exercise of eminent domain, compulsory acquisition or similar powers by a client will not be considered to be forced eviction if it complies with the requirements of national law and the provisions of this ESR, and is conducted in a manner consistent with basic principles of due process (namely, it provides adequate advance notice and meaningful opportunities to lodge grievances and appeals; avoids the use of unnecessary, disproportionate or excessive force; does not result in homelessness; and ensures the provision of adequate compensation before the eviction takes place).
15. The client will notify the EBRD before any eviction takes place. This notification will include a statement that the above conditions have been and are being met.

### Negotiated settlements

16. The client will seek to acquire land rights through negotiated settlements even if it has the legal means to gain access to the land without the consent of the seller. Negotiated settlements help to avoid or minimise expropriation and any administrative or judicial delays associated with a formal expropriation process. They also help, to the extent possible, to reduce the impacts on affected persons associated with formal expropriation. Negotiated settlements can usually be achieved by providing fair and appropriate compensation to affected persons or communities at full replacement cost, and in-kind compensation will be at least at replacement value. When appropriate, the client will apply all additional assistance and livelihood restoration measures. The client will ensure that under negotiated settlement, the risks of asymmetry of information and the bargaining power of the parties involved in such transactions will be mitigated. For this purpose, the Bank may require the client to engage qualified social monitoring experts to verify and document the negotiation and settlement process and assess its compliance with the requirements of this ESR.

### Consideration of vulnerable people

17. The client will identify, assess and address risks to and impacts on vulnerable people in the planning and implementation of resettlement throughout the concept design, preparation and implementation phases of a project cycle. The vulnerability assessment will be context specific and carried out in accordance with ESR 1.
18. The client will implement the following activities:



- carry out, at the time of the socioeconomic surveys, an analysis to determine pertinent vulnerability factors in the context of the project area, in cooperation with relevant stakeholders, including affected communities
- identify vulnerable people based on the results of this vulnerability analysis
- conduct specific consultations with vulnerable people
- plan assistance measures tailored to the different needs of vulnerable people, describe these measures in the resettlement planning document, and provide for their implementation and funding as part of the overall land acquisition and resettlement budget.

### Consideration of gender aspects

19. The process of physical displacement or economic displacement has specific gender dimensions that will be considered throughout the stakeholder engagement, baseline survey, impact assessment, mitigation and monitoring processes. Measures will be put in place to ensure meaningful participation of all genders in any consultations about resettlement, including appropriate meeting times, transport and childcare support, as well as convening women-only meetings when necessary. Projects will seek to understand the differential impacts of land acquisition, restrictions on land use and involuntary resettlement on men and women. Depending on the significance of these impacts, this may require the following, as appropriate:
  - intra-household analysis to identify differences in men's and women's sources of livelihood, including informal ones
  - analysis of women's rights over land and use thereof, including inheritance rights and co-ownership, and usage rights over communal lands and other assets
  - analysis of the impact of the resettlement on women's ability to conduct work.
20. Compensation entitlement and delivery will take into account gender issues, including (i) women's productive and household activities, (ii) fair modalities of cash compensation payment and (iii) shares in resettlement property ownership. The client will consider offering alternative compensation methods and/or modalities, especially in countries and regions where women are less likely to have access to formal financial institutions and/or bank accounts. In circumstances where national law and tenure systems do not recognise the rights of women to hold or exchange property, provision will be made to ensure, to the extent possible, that women can gain security of tenure.
21. The consultation process will ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation. Women's and men's preferences in terms of compensation mechanisms, replacement land or alternative access to assets and natural resources rather than cash will be explored and documented.
22. Assistance with regard to livelihood improvements or restoration,<sup>68</sup> such as improvements to existing agricultural activities, skills training, access to credit, entrepreneurship and job opportunities, will be made equally available to men and women and adapted to their respective needs.

### Socioeconomic surveys

23. Clients will carry out socioeconomic surveys to describe the baseline circumstances of project-affected people where the project may entail physical displacement or economic displacement. Such surveys will use a combination of quantitative and qualitative methods and be designed to facilitate further social and economic monitoring of the circumstances of project-affected persons. Socioeconomic baseline surveys will:
  - establish a social and economic profile of the affected communities and people with a disaggregation of data by sex and age
  - identify sources of livelihood that are affected and their significance to the overall livelihoods of project-affected people

<sup>68</sup> "Livelihood improvement or restoration" refers to specific allowances or activities meant to support affected persons in improving or, at a minimum, restoring their livelihoods compared with pre-displacement levels.

- identify land-tenure regimes in the affected area
  - identify any gender issues that may affect the land acquisition and resettlement process
  - identify relevant factors of vulnerability and establish a list of vulnerable people.
24. Cumulative impacts of successive phases of the development of a project, its associated facilities and other facilities or activities in the vicinity that also affect land and livelihoods of project-affected persons will be taken into consideration in planning and developing the socioeconomic survey, stakeholder engagement strategy and mitigation measures, including livelihood restoration packages, in line with ESR 1.

### **Census, inventory of affected assets and cut-off date**

25. The client will carry out a census of project-affected people to: (i) identify persons affected by the project and (ii) determine who will be eligible for compensation and assistance. The census will also take into account seasonal resource users, informal business operators and employees who may not be present in the project area at the time of the census.
26. The client will carry out an inventory of affected assets and a detailed measurement survey, including land, structures and other physical assets attached to the land, as well as other resources, such as formal and/or informal sources of livelihood and modes of income generation, and other natural resource-based activities and employment. The client will assess the full range of rights held or asserted by affected persons, including those based on custom or practice, access or use for livelihood purposes, and rights held in common. The client will also identify any conflicting claims and disputes over affected lands, assets and livelihood resources and support their resolution through legal processes, as feasible. The detailed measurement survey will be carried out in the presence of affected persons or their representatives and other relevant stakeholders.
27. In all surveys, censuses, inventories and valuations, consultation records and the management of data associated them, the client will comply with relevant national legislation and data privacy requirements. Where consent from affected persons is required to process and store their data, such consent will be requested formally and the right to access and modification will be ensured. The client will keep track of measures taken to ensure personal data privacy and security.
28. The client will establish a cut-off date for eligibility,<sup>69</sup> adapted to the needs and legal framework of every project, usually either: (i) as foreseen in applicable legislation; or (ii) using the end date of the inventory or project delineation (whichever is the latest). The client will inform affected persons of the cut-off date. Information on the cut-off date will be well documented and disseminated throughout the project area at regular intervals in written and non-written form in a manner that is culturally appropriate, gender responsive, understandable and readily accessible to affected persons. This will include posted warnings that persons settling in the project area after the cut-off date may be subject to removal. The client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date.
29. The cut-off date for eligibility will be valid either: (i) for the period foreseen in national law or (ii) for a reasonable time period from the census or inventory date. Where a longer period elapses between the cut-off date and compensation of the affected land by the client, the census, inventory and resulting valuation will be updated. The client will declare a separate new cut-off date for any additional unanticipated or omitted resettlement risks and impacts not included or inaccurately assessed in a resettlement plan.

### **Valuation of affected lands and assets**

30. Valuation will be at full replacement cost and will be performed by qualified valuers. The valuation methodology for determining replacement cost will be documented and included in relevant resettlement planning documents. To ensure compensation at replacement cost, planned compensation rates may require updating in project areas where inflation is high or the period of time between calculation of compensation rates and delivery of compensation is extensive.

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<sup>69</sup> Including the definition of displaced persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.

## Eligibility classification

31. Affected persons may be classified as follows:
- i. persons who have formal legal rights to the land (including customary and traditional rights recognised under national law) or assets
  - ii. persons who do not have formal legal rights to land or assets at the time of the census, but who have a claim to land or assets that is recognised or recognisable under national law
  - iii. persons who have no recognisable legal right or claim to the land or assets they occupy or use.

## Compensation and benefits for affected persons

32. Where land acquisition or restrictions on land use, other assets and natural resources (whether permanent or temporary) cannot be avoided, the client will offer compensation<sup>70</sup> to affected persons at full replacement cost. Other assistance may also be necessary to help them improve or at least restore their standards of living and livelihoods, subject to the provisions in this ESR.
33. In cases where only part of the land or asset is acquired and the residual land is (i) not residentially or economically viable or (ii) unsafe or inaccessible for human use or occupancy, the client will consider the options provided in national law and offer the option to acquire the entire land parcel. If there is a dispute in relation to the residential or economic viability or use of the remaining plot of land or asset, the client should engage an independent third-party valuer to provide an independent opinion to address the impact in accordance with this ESR.
34. The client will provide resettlement assistance<sup>71</sup> to all physically displaced persons and livelihood improvement or restoration assistance to economically displaced persons, regardless of the categories of eligibility referred to above. The resettlement assistance may include separate assistance packages for project-affected people, depending on their specific needs and based on the severity of impacts caused to them. In addition, the client's obligations pertaining to compensation are as follows for each of the three categories described in paragraph 31:
- Category (i)** Provide compensation (in kind or in cash) for their legally held property<sup>72</sup> and other assets at full replacement cost.
- Category (ii)** Provide legal support for affected persons to obtain recognition of their claim to land, so that they can further be provided with compensation for their legally held property at full replacement cost and cover the cost of this recognition process.
- Category (iii)** Provide compensation for any structures or developments on land (including crops and trees), loss of income sources and other means of livelihood.
35. Compensation standards for categories of land and fixed assets will be disclosed and applied consistently. Compensation rates may be subject to upward adjustment where negotiation strategies are employed. In all cases, a clear basis for the calculation of compensation will be documented and compensation distributed in accordance with transparent procedures.
36. Compensation will be provided before displacement or imposition of access restrictions on land or assets. Where repeated efforts to contact absentee owners have failed, where project-affected persons have rejected fair compensation offers, or where competing claims to the ownership of lands or assets are subject to lengthy legal proceedings, the client may deposit compensation funds provided by the resettlement plan into an interest-bearing account and proceed with project activities in accordance with national law. Compensation will be made immediately available to eligible persons upon resolution of entitlement issues.

70 "Compensation" refers to payments in cash or in kind for loss of land, other assets or natural resources and access thereto that are acquired or affected by the project.

71 "Resettlement assistance" refers to technical and financial assistance provided to displaced people, in addition to compensation to support their efforts in relocating to a new home and restoring their livelihoods.

72 "Property" refers to a building, land or both, including all fixed assets attached to the land, such as trees and ancillary structures.

37. Where livelihoods of displaced persons are land-based<sup>73</sup> or where land is collectively owned, the client will offer land-based compensation, unless proven unfeasible or unacceptable to affected persons. Combinations of land-for-land and cash compensation may be considered among the options proposed to project-affected people. Where land-for-land options are unfeasible due to scarcity of land, or if project-affected people do not reasonably accept such options, the client will provide a clear demonstration thereof in the resettlement plan, including a justification that livelihoods will not be affected by not providing replacement land and taking into consideration the specific needs of women and vulnerable households.
38. Payment of cash compensation for lost land or assets at full replacement cost in lieu of in-kind compensation may be appropriate where: (i) livelihoods are not land based; (ii) livelihoods are land based, but the land taken for the project is a small fraction of the affected asset and the residual land is economically viable; or (iii) active markets for land, housing and labour exist, displaced persons use such markets and there is sufficient supply of land and housing.
39. In cases where affected persons reject compensation offers that meet the requirements of this ESR and, as a result, expropriation or other legal procedures are initiated, the client will explore opportunities to cooperate with the responsible government authority to obtain outcomes consistent with this ESR, including compensation at full replacement cost, resettlement assistance and livelihood improvement or restoration assistance.
40. Where urgent expropriation processes are triggered, these should only be used as a last resort when other available processes cannot yield the desired outcome for the project. Using such processes should be agreed with the Bank prior to implementation. The client will identify, consult and negotiate with all landowners prior to undertaking urgent expropriation. Compensation will still be paid prior to impact, unless landowners challenge a reasonable offer or are absent, in which case the provisional amount of compensation should be deposited in an interest-bearing account.
41. Where communities of Indigenous Peoples are affected, the client will meet the applicable requirements of this ESR, as well as those of ESR 7.

### Temporary land-use restrictions

42. In case of temporary access restrictions due to project construction works, the client will ensure restored access to lands and resources or the provision of alternative access routes with appropriate community safety measures. The client will compensate affected persons for the temporary loss due to unavoidable access restrictions at replacement cost for the duration of the restriction.
43. The client will ensure that all requirements of this ESR apply to temporary land acquisition activities carried out by any contractors for project construction purposes. Where it is not possible to identify the additional land needs of the contractor(s) at the time of resettlement plan preparation, the client will submit to the Bank an addendum to the resettlement plan to address the impacts of temporary land acquisition by its contractor(s) prior to land access.

### Land acquisition for associated facilities

44. Impacts and risks of land acquisition, restrictions on land use and involuntary resettlement for associated facilities will be included in the environmental and social assessment process, in line with ESR 1. The client will ensure that such risks and impacts are managed and mitigated in accordance with applicable law, good international practice (GIP) and the objectives of the ESRs to the extent that the client has control or influence over such associated facilities.

### Voluntary land donations

45. In some circumstances, it may be proposed that part or all of the land to be used by the project is donated on a voluntary basis without payment of full compensation. Subject to prior approval by the Bank, this may be acceptable providing the client demonstrates that all of the following requirements are met:

<sup>73</sup> "Land-based livelihood" refers to activities such as cropping and the grazing of livestock, as well as the harvesting of natural resources.

- the potential donor or donors have been appropriately informed and consulted about the project and the choices available to them
- the potential donor or donors have confirmed their willingness in writing
- no coercion, intimidation or bribery has been used
- the amount of land being donated will not reduce the donor's current livelihood levels and the land donation entails no residual livelihood impact
- no household relocation is involved
- the donors are expected to benefit directly from the project
- for community or collective land, donation can only occur with the consent of individuals using or occupying the land
- the client will maintain a transparent record of all consultations and agreements reached.

### Loss of community facilities, utilities and public amenities

46. Where a project involves the loss of community facilities, utilities or public amenities, or access thereto, the client will replace these to ensure a better or similar level of service, based on consultation with the affected community<sup>74</sup> and relevant government stakeholders to identify and agree upon suitable alternatives.

### Stakeholder engagement

47. Meaningful consultation of affected persons and communities, including host communities,<sup>75</sup> will be organised by the client throughout the process of resettlement planning, implementation and monitoring, in accordance with the principles and processes outlined in ESR 10, and will be supported by the following:
- the disclosure of relevant information and meaningful consultation of affected persons and communities will take place during the consideration of alternative project designs
  - resettlement and livelihood improvements or restoration will include options and alternatives from which affected persons and communities may choose
  - meaningful consultation will take place throughout the planning, implementation, monitoring and evaluation of the land acquisition and resettlement process, including livelihood improvement or restoration
  - additional provisions apply to consultations with displaced Indigenous Peoples, in accordance with ESR 7
  - consultation during the planning phase with all affected groups and stakeholders, including people of all genders and vulnerable people, will be documented in the resettlement plan required by this ESR
  - consultation during the implementation and monitoring phases will be documented.
48. In devising consultation measures, the client will ensure that all groups, including vulnerable people, are informed and made aware of their entitlements, rights, opportunities and benefits.
49. The client will support consultation and engagement efforts with simple, practical, accurate and culturally appropriate documentation meant for broad dissemination to affected persons.

### Grievance mechanism

50. The client will establish an effective grievance mechanism as early as possible in the land acquisition and resettlement process and, at the latest, prior to the census taking place, in order to address in a timely manner specific concerns about the involuntary resettlement process, such as entitlements, access to information, compensation, relocation or livelihood restoration measures raised by affected persons, host communities or other stakeholders. The grievance mechanism will be consistent with the objectives and

<sup>74</sup> "Affected community" refers to the community affected by the project as defined under ESR 1, whose members are experiencing physical or economic displacement. Affected communities include host communities.

<sup>75</sup> "Host communities" refers to communities in or around areas to which people physically displaced by a project will be resettled.

principles pertaining to grievance management contained in ESR 10 and, among others, be socially appropriate and readily accessible, regardless of gender or any other socioeconomic characteristics, and free from manipulation, interference, coercion, intimidation and retaliation. In addition, the mechanism will include a recourse mechanism designed to resolve disputes in an impartial manner. The mechanism should not impede access to the country's available judicial or administrative remedies. The outcomes of the grievance mechanism (including numbers of grievances received, resolved and outstanding) will be reflected in monitoring reports.

## Planning and implementation

51. To address the risks and impacts identified in the environmental and social assessment, the client will prepare a resettlement plan proportionate to the risks and impacts associated with the project:
  - i. For projects with minor land acquisition or restrictions on land use, as a result of which there will be no significant impact on livelihoods, the plan will establish eligibility criteria for affected persons, set out procedures and standards for compensation, and incorporate arrangements for consultations, monitoring and addressing grievances.
  - ii. For projects causing physical displacement, the plan will set out the additional measures relevant to the relocation of affected people.
  - iii. For projects involving economic displacement with significant impacts on livelihoods or income generation, the plan will set out the additional measures relating to livelihood improvement or restoration.
  - iv. For projects that may impose changes in land use that restrict access to resources in legally designated parks, protected areas or other common property resources on which local people may depend for livelihood purposes, the plan will establish a participatory process to determine appropriate restrictions on use and set out the mitigation measures to address adverse impacts on livelihoods that may result from such restrictions.
52. A resettlement plan will be developed, where the nature and magnitude of impacts associated with land acquisition can be determined at the time of the environmental and social assessment, and the resettlement plan will be submitted to the Bank. The plan will be based on up-to-date and contain: (i) reliable information on the proposed project and its potential impacts on the displaced persons and other adversely affected groups; (ii) a legal gap analysis comparing the host country's applicable laws with the requirements of this ESR, (iii) an entitlement matrix setting out compensation entitlements (whether in cash or in kind) for each category of loss and each group of affected persons; (iv) appropriate and feasible mitigation measures for all impacts identified; (v) the legal and institutional arrangements required for effective implementation of resettlement measures; (vi) resources and budget specifically allocated to resettlement that are commensurate with the mitigation measures; (vii) channels and procedures for the transfer of funds.; (viii) a resettlement timeline aligned with project design, procurement and construction works; (ix) monitoring and reporting requirements and; (ix) information on how the change process will be managed to address potential future changes in the project footprint or design and associated impacts.
53. Where unanticipated displacement impacts occur during project implementation, after the preparation of a resettlement plan, the client will conduct additional stakeholder engagement and impact assessment activities, develop appropriate mitigation measures, and prepare an addendum to the resettlement plan to assess such unanticipated impacts, with an amended entitlement matrix in accordance with the provisions of this ESR.
54. In specific cases and subject to the approval of the Bank, a resettlement framework may be acceptable as a first step in developing a resettlement plan only if there is a clearly identified and compelling reason related to the stage of project development that prevents the development of a full resettlement plan. A resettlement framework will be prepared by the client if the nature or magnitude of impacts associated with land acquisition are unknown due to the project development stage and a detailed census of project-affected people and assets cannot be conducted for this reason. The purpose of the resettlement framework is to clarify resettlement principles and organisational arrangements. Once the project components are defined in sufficient detail, a detailed resettlement plan proportionate to potential risks

and impacts will be prepared in accordance with the requirements of this ESR on the basis of the resettlement framework.

55. Resettlement planning documents will be integrated into the environmental and social management system required by ESR 1. For Category A projects, they will be submitted as part of the ESIA required under ESR 1 and disclosed according to the same review and engagement process and timeline as established in ESR 10. Where the magnitude of displacement impacts is substantial, the Bank may require disclosure of resettlement planning documents for Category B projects. Confidential information pertaining to individuals and compensation budgets will be removed from resettlement planning documents meant for public disclosure.

### **Organisational capacity and commitment**

56. The client will apply the requirements of ESR 1 to land acquisition and resettlement activities, as applicable, and specifically establish, maintain and strengthen, as necessary, an organisational structure that defines roles, responsibilities and authority to implement land acquisition and resettlement in accordance with this ESR. The client will designate specific personnel, including resettlement expert(s) and management representative(s), with a clear allocation of responsibility and authority to plan and implement land acquisition and resettlement activities.
57. As part of resettlement planning, the client will prepare a budget proportionate to the required resettlement-related planning, mitigation, monitoring, evaluation and reporting activities, including: (i) stakeholder engagement, impact assessment, cash and in-kind compensation, livelihood restoration and livelihood improvement, relocation and resettlement, and other assistance and corrective actions; (ii) staffing and related operational costs; (iii) training and capacity-building measures; and (iv) progress monitoring, including internal and external evaluation and reporting of all resettlement-related activities. The budget will contain adequate contingencies to finance corrective actions, as well as the planning and mitigation of unanticipated impacts, if any. The client will consider allowances for inflation and any other potential contingencies to meet the replacement cost requirement. The resettlement budget(s) will be specified in a resettlement plan and other project documents, as applicable. For projects using a resettlement framework, the client will prepare an estimated budget based on the scoping of anticipated resettlement risks and impacts and with sufficient contingency, with a commitment to the future allocation of funds for a resettlement plan. The client will ensure the availability and timeliness of the required funds and provide progress updates in line with the Bank's reporting requirements.

### **Private-sector projects with government-managed land acquisition and resettlement**

58. Land acquisition and resettlement may involve government responsibility, even where the project is privately owned. In such cases, the client will: (i) engage the responsible government agencies early in the project development process to explore ways and means to reach compliance with this ESR; (ii) seek to play an active role in land acquisition and resettlement planning, implementation and monitoring; and (iii) collaborate with the responsible government agency, to the extent permitted by the agency, to achieve outcomes consistent with the objectives of this ESR. In addition, where government capacity is limited, the client will support the government's efforts in the processes of land acquisition and resettlement.
59. The client is responsible for identifying gaps between national legislation and government practice on the one hand and the requirements of this ESR on the other (that is, compensation rates, eligibility of informal occupiers, or consultation and disclosure). When gaps are identified, the client shall take responsibility for bridging these gaps in a manner that is acceptable to the government and the Bank.
60. The client will prepare a resettlement plan or framework to complement the documents prepared by the responsible government agency, if required, to meet the requirements of this ESR. The client will include in this plan: (i) a description of the entitlements of displaced persons provided under applicable laws and regulations; (ii) the measures proposed to bridge any gaps between such entitlements and the requirements of this ESR; and (iii) the financial and implementation responsibilities of the government agency and/or the client in executing this plan. Clients will agree on the plan or framework that clearly defines each entity's roles and responsibilities in line with this ESR prior to disclosure.

## Monitoring and evaluation

61. The client will establish procedures to monitor and evaluate the implementation of the resettlement plan and take corrective action, if necessary, during implementation to achieve the objectives of this ESR. Monitoring of the land acquisition, resettlement and livelihood improvement or restoration process will be carried out in accordance with ESR 1. It will involve the participation of key stakeholders, such as project-affected people, including women and vulnerable people, and other relevant stakeholders, and will consider their concerns and feedback as part of monitoring activities.
62. The extent of monitoring activities will be proportionate to the project's risks and impacts. For all projects with substantial displacement impacts, the client will retain competent resettlement professionals to monitor the implementation of resettlement plans, design corrective actions as necessary, provide advice on compliance with this ESR, and produce periodic internal monitoring reports. These monitoring reports will include progress made against the key performance indicators specified in the resettlement plan, including status of the delivery of mitigation measures to all project-affected people and vulnerable people, and provide a gender-disaggregated analysis of mitigation activities. It will be submitted to the Bank as part of the periodic environmental and social monitoring reports required by ESR 1.
63. Responsibility for providing the Bank with monitoring reports remains with the client, even where land acquisition and resettlement are implemented by a third party, such as the government.
64. The client will ensure that the implementation of the resettlement plan is verified through the submission and approval of the land acquisition and resettlement execution report<sup>76</sup> by the Bank upon completion of all activities.
65. Where the magnitude of displacement impacts is significant, the Bank may require one or both of the following in addition to internal monitoring:
- Periodic external compliance reviews<sup>77</sup> at a frequency and according to terms of reference to be determined in the resettlement plan and in agreement with the Bank.
  - An external completion audit<sup>78</sup> of land acquisition and resettlement activities to determine that requirements in this ESR and provisions of the resettlement plan have been met, particularly those pertaining to improvement or replacement of housing or livelihoods. The resettlement plan will specify the timing, scope and success indicators of the completion audit. The completion audit will be undertaken by competent resettlement professionals after livelihood improvement or restoration measures have been completed and their outcomes can be measured. The completion audit report will identify corrective actions should gaps be observed and, if necessary, include a corrective action plan.
66. The client may be required to disclose external monitoring reports (including compliance review reports and the completion audit report) where the magnitude of displacement impacts is significant.

## Physical displacement and resettlement assistance

67. In cases where permanent or temporary physical displacement cannot be avoided through project design, the client will develop a resettlement plan that covers, at a minimum, the applicable requirements of this ESR, regardless of the number of people affected. The plan will be designed to mitigate the negative impacts of displacement and, as warranted, to identify development opportunities. It will include a

76 "Land acquisition and resettlement execution report" refers to a report finalised on completion of land acquisition, resettlement and livelihood restoration activities, which includes: a summary of project impacts (both physical and economic displacement) and principles guiding the resettlement plan; a description of efforts to avoid and minimise displacement; a summary of consultation events and outcomes, including how they influenced entitlements and other features of the land acquisition, resettlement and livelihood restoration activities; a description of the compensation delivery process; a description of any issues encountered and how they were resolved; a summary of grievances received and how they were resolved, including the list of any grievances and court cases pending at the date of submission of the report; and a description of resources mobilised to plan and implement land acquisition, resettlement and livelihood restoration activities.

77 "External compliance review" refers to periodic external reviews of land acquisition and resettlement activities undertaken during planning and implementation of these activities to determine whether requirements of this ESR and provisions of the resettlement plan are being met. It will include recommendations to correct any observed gaps.

78 "Completion audit" refers to an external audit of land acquisition and resettlement activities undertaken after the activities defined in the resettlement plan have been completed to determine whether requirements of this ESR and provisions of the resettlement plan have been met, particularly those pertaining to livelihood improvement or restoration.



resettlement budget and implementation schedule, and establish the entitlements of all categories of affected persons (including host communities). The plan will incorporate arrangements to monitor the effectiveness of physical displacement and livelihood measures during implementation, as well as evaluation once implementation is completed. Particular attention will be paid to gender aspects and the needs of vulnerable people. The client will document all transactions to acquire land rights, as well as the provision of compensation and other assistance associated with relocation activities.

68. The client will offer displaced persons a choice between a replacement property of equal or higher value with security of tenure, or cash compensation at replacement cost if it is demonstrated that replacement property options are not possible or not accepted by project-affected people. The client will take possession of land and related assets only after compensation in accordance with this ESR has been made available and, where applicable, physically displaced persons have been resettled with relevant assistance and entitlements provided.
69. Resettlement sites or replacement properties built for displaced persons will offer adequate housing, living conditions and access to services at least equivalent to those existing before displacement. At a minimum, resettlement sites or replacement properties built for affected persons need to fulfil the following conditions:
- They are not situated on polluted land or in immediate proximity to pollution sources that threaten the mental and physical health of the inhabitants, in line with ESR 4.
  - They ensure safe housing by addressing risks associated with natural hazards.
  - They ensure security of tenure with no threat of eviction.
  - They are not located on land used by communities that have been displaced as a result of violence or conflict
  - They are considered culturally appropriate by both the affected and the host communities.
  - They are available and have the capacity to absorb the influx of resettled persons at acceptable density levels, namely, in terms of: (i) availability of services, facilities and infrastructure such as health and education; and (ii) opportunities for local employment, availability of natural resources, and food and water security.
70. The client will inform physically displaced people of the timing of the physical move with reasonable notice and after consultation, taking into consideration potential impacts on agricultural and schooling calendars, among other factors.
71. The client will provide resettlement assistance suited to the needs of each group of affected persons, with particular attention to the needs of vulnerable people. All physically displaced persons will be provided with financial and logistical transition, moving and relocation assistance.
72. The client will identify and assess potential adverse impacts on host communities that could be affected by the resettlement process. Mitigation measures that have been consulted on with the host communities will be included in the resettlement plan.
73. Where the development of resettlement sites and the reconstruction of affected housing and other affected structures are undertaken by the client, all ESRs are applicable.

### **Economic displacement and livelihood improvement or restoration**

74. In the case of projects affecting livelihoods or income generation, the client will plan measures to improve, or at least restore, affected persons' incomes or livelihoods. The plan will establish the entitlements of affected persons and/or communities, pay particular attention to gender aspects and the needs of vulnerable people, and ensure that these are provided in a transparent, consistent and equitable manner. The plan will incorporate arrangements to monitor the effectiveness of livelihood measures during implementation, as well as evaluation once implementation is completed. The mitigation of economic displacement will be considered complete when the completion audit concludes that affected persons or communities have received all of the assistance for which they are eligible and have been provided with adequate opportunity to restore their livelihoods.

75. Impacts on incomes or livelihoods that are not a direct result of land acquisition or land-use restrictions will be identified as part of the ESIA process, in accordance with ESR 1 requirements. Examples of such impacts could include construction nuisance, such as dust, vibration, loss of livelihood due to severance of natural resources, or loss of business income due to construction impacts. Compensation and livelihood restoration measures for such impacts will be undertaken in accordance with the principles of this ESR.
76. Depending on the type of impact, livelihood improvement or restoration measures will include the following:
- Where land acquisition or restrictions on land use affect businesses,<sup>79</sup> compensation of the affected business owners or operators for: (i) the cost of re-establishing activities elsewhere; (ii) lost net income during the transition period;<sup>80</sup> and (iii) the costs of the transfer and reinstallation of the plant, machinery or other equipment, as applicable.
  - In cases where the project affects persons with legal rights to land that are recognised or recognisable under national law, the provision of replacement land or property of equal or greater value or, if appropriate, cash compensation at replacement cost.
  - Economically displaced persons who are without legally recognisable claims to land will be compensated for lost assets other than land (such as crops, irrigation infrastructure and other improvements made to the land) at replacement cost. In addition, the client will provide assistance in lieu of land compensation sufficient to provide such persons with an opportunity to re-establish livelihoods elsewhere.
  - Where communally used natural resources are affected, initiatives that enhance the productivity of the remaining resources to which the community has access, and in-kind or cash compensation for loss of access or provision of access to alternative sources of the lost resource.
  - Provision of additional targeted assistance and opportunities at least to restore or, where possible, improve their income-earning capacity, production levels and standards of living. In the case of businesses experiencing temporary losses or having to close as a result of project-related displacement, both the owner of the business and employees losing pay or employment are eligible for such assistance.
  - Provision of support during the transition period to economically displaced persons, as necessary, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels and standards of living.
  - Provision of opportunities to displaced persons and communities to derive appropriate development benefits from the project.

79 “Businesses” include shops, restaurants, services, manufacturing facilities and other enterprises, regardless of size and whether licensed or unlicensed.

80 “Transition period” refers to the period in between the occurrence of the displacement and the time when affected livelihoods are restored.



Environmental and Social Requirement 6

# Biodiversity conservation and sustainable management of living natural resources



# Biodiversity conservation and sustainable management of living natural resources

## Introduction

1. This Environmental and Social Requirement (ESR) recognises that the conservation of biodiversity and sustainable management of living natural resources<sup>81</sup> are fundamental to environmental and social sustainability.
2. This ESR recognises the importance of maintaining and valuing the core ecological function of habitats,<sup>82</sup> biodiversity and ecosystem services.<sup>83</sup> All ecosystems support a complexity of living organisms and vary in terms of richness, abundance and importance of species.
3. The objective of biodiversity conservation and sustainable management of living resources must be balanced with the potential for utilising the multiple economic, social and cultural values of biodiversity and living natural resources in an optimised manner.

## Objectives

4. The objectives of this ESR are to:
  - protect and conserve biodiversity using a precautionary approach
  - safeguard and, when appropriate, enhance ecosystems and the biodiversity they support, so as to contribute to achieving the overall goals and targets of the Kunming-Montreal Global Biodiversity Framework
  - adopt the mitigation hierarchy when designing and implementing projects to achieve no net loss and, where appropriate, a net gain in biodiversity
  - maintain ecosystem services
  - promote good international practice (GIP) in the sustainable management and use of living natural resources.

## Scope of application

5. This ESR applies to all projects directly financed by the EBRD as established in the Environmental and Social Policy. The client will, as part of its environmental and social assessment process, identify and agree with the EBRD the relevant requirements of this ESR and how they will be addressed and managed throughout the project lifecycle. The implementation of the actions necessary to meet the requirements of this ESR will be managed under the client's overall environmental and social management system (ESMS) and project-specific environmental and social management plans (ESMPs) to structure the project to meet

81 "Living natural resources" are defined as being the plants and animals cultivated for human or animal consumption and use, whether in the wild or in a cultivated situation. It includes all types of forestry, biofuels, agriculture, including both annual and perennial crops and animal husbandry, including livestock; and both wild and capture fisheries including all types of marine and freshwater organisms, both vertebrate and invertebrate.

82 "Habitat" is defined as a terrestrial, freshwater or marine geographical unit or airway that supports assemblages of living organisms and their interactions with the non-living environment.

83 Ecosystem services are the benefits that people, including businesses, derive from ecosystems. Ecosystem services are organised into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the non-material benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.

this ESR within an acceptable timeframe. The environmental and social assessment and management requirements are set out in ESR 1.

6. This ESR also applies to situations in which the livelihoods of affected communities – including Indigenous Peoples and their access to or use of biodiversity, ecosystem services and/or living natural resources – may be affected by project activities. The potential positive role of project-affected communities, including Indigenous Peoples, in biodiversity conservation and the sustainable management of living natural resources is also considered in this ESR.

## Requirements

### Biodiversity conservation

#### Assessment of risks and impacts

7. The assessment process will characterise the baseline conditions to a degree that is proportional and specific to the anticipated risk and significance of impacts. The baseline assessment will consider, but not be limited to, relevant risks to biodiversity and ecosystem services, focussing on potential habitat loss, degradation and fragmentation, invasive alien species, overexploitation, migratory corridors, hydrological changes, nutrient loading, and pollution, as well as impacts relevant to climate change and adaptation. In planning and carrying out biodiversity-related baseline and impact assessments, the client will refer to relevant good practice guidance, utilising desktop reviews, consultation with experts and field-based approaches as required. Where further investigations are needed to provide greater certainty on the significance of potential impacts, including the value of natural capital, the client will carry out additional studies and/or monitoring before undertaking project-related activities that could cause irreversible impacts.
8. Through the assessment process, the client will identify and characterise, early in the project lifecycle and, in any event, prior to conducting activities that can result in impacts, the potential project-related opportunities, risks, impacts and dependencies on biodiversity. The extent of the assessment will be sufficient to characterise the impacts, based on their likelihood and the significance and severity of impact, and reflect the concerns of potentially affected communities and, where relevant, other stakeholders. The assessment will also consider direct, indirect and cumulative impacts and evaluate the effectiveness and feasibility of the mitigation measures to be applied to the project. The assessment process will include consideration of potential landscape-level impacts, seasonal constraints and/or sensitivities, as well as impacts on the ecological integrity of these ecosystems, independent of their protection status and regardless of the degree of their disturbance or degradation. Clients will make best efforts to follow GIP on the disclosure of project-related biodiversity data.
9. In accordance with GIP, the assessment will consider: (i) the project's potential impacts on ecosystem services, including those that could be exacerbated by climate change; (ii) the use and value of and dependence on these ecosystem services by potentially affected communities and/or Indigenous Peoples; and (iii) the project's dependence on these ecosystem services. Where the project has the potential to impact ecosystems services and where the client has direct management control or significant influence, adverse impacts should be avoided. If these impacts are unavoidable, measures to minimise impacts and/or restore biodiversity and ecosystem services will be implemented in accordance with this ESR and ESRs 1, 3, 4, 5, 7, 8 and 10.
10. For projects that could potentially have such impacts on Indigenous Peoples and local communities, including those mentioned in paragraph 9, the client will provide opportunities for fair and equitable sharing of the benefits derived from the utilisation of living natural resources in accordance with: (i) the requirements for addressing economic displacement impacts in ESR 5; (ii) the specific requirements relating to managing potential risks and impacts on Indigenous Peoples in ESR 7; and (iii) the stakeholder engagement requirements set out in ESR 10.

## The protection and conservation of biodiversity, priority biodiversity features and critical habitats

11. Where the assessment has identified potential project-related impacts on biodiversity, including those features that are not considered “critical habitat” or “priority biodiversity features”, the client will, as a priority, avoid adverse impacts on biodiversity. Where avoidance is not possible, the client will follow the mitigation hierarchy and minimise or mitigate adverse impacts. The client will only consider offsets as a last resort, where any significant residual impacts remain despite best efforts to avoid, minimise or mitigate adverse impacts. The client will adopt a precautionary approach and apply adaptive management practices in which the implementation of mitigation and management measures are responsive to changing conditions and to the results of project monitoring throughout the project lifecycle.
12. Notwithstanding the above, some areas affected by the project may contain priority biodiversity features<sup>84</sup> that include: (i) threatened habitats; (ii) vulnerable species; (iii) significant biodiversity features identified by a broad set of stakeholders or governments; and (iv) ecological structure and functions needed to maintain the viability of the aforementioned priority biodiversity features.
13. Where the assessment has identified that the project could have significant, adverse and irreversible impacts on priority biodiversity features, the client will not implement any project-related activities unless:
  - The client can demonstrate that there are no technically and economically feasible alternatives.
  - Stakeholders are consulted in accordance with ESR 10.
  - The project is permitted under applicable environmental laws, recognising the priority biodiversity features.
  - Appropriate mitigation measures are put in place, in accordance with the mitigation hierarchy, to ensure no net loss<sup>85</sup> and preferably a net gain of priority biodiversity features and the habitats and ecological functions that support them over the long term to achieve measurable conservation outcomes.
14. The most sensitive biodiversity features are defined as critical habitat, comprising one of the following: (i) highly threatened or unique ecosystems; (ii) habitats of significant importance to endangered<sup>86</sup> or critically endangered species; (iii) habitats of significant importance to endemic or geographically restricted species; (iv) habitats supporting globally significant migratory or congregatory species; or (v) areas associated with key evolutionary processes.
15. Critical habitat will not be further fragmented, converted or degraded to the extent that its ecological integrity or biodiversity importance is compromised. Consequently, in areas of critical habitat, the client will not implement any project activities unless the following conditions are met:
  - no other viable alternatives within the region exist for development of the project in habitats of lesser biodiversity value
  - stakeholders are consulted in accordance with ESR 10
  - the project is permitted under applicable environmental laws, recognising the priority biodiversity features
  - the project does not lead to measurable adverse impacts<sup>87</sup> on those biodiversity features for which the critical habitat was designated, as outlined in paragraph 14

84 “Priority biodiversity features” are a subset of biodiversity, which are irreplaceable or vulnerable, but at a lower priority level than critical habitats (as defined in paragraph 14).

85 “No net loss” is defined as the point at which project-related biodiversity losses are balanced by gains resulting from measures taken to avoid and minimise these impacts, to undertake on-site restoration and to offset significant residual impacts, if any, on an appropriate geographic scale.

86 As listed on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species. The determination of critical habitat based on other listings is as follows: (i) If the species is listed nationally/regionally as critically endangered or endangered, in countries that have adhered to IUCN guidance, the critical habitat determination will be made on a project-by-project basis in consultation with competent professionals; and (ii) in instances where nationally or regionally listed species’ categorisations do not correspond exactly to those of the IUCN (for example, some countries more generally list species as “protected” or “restricted”), an assessment will be conducted to determine the rationale for and purpose of the listing. In this case, the critical habitat determination will be based on such assessment.

87 Measurable adverse impacts mean the project’s direct and indirect impacts will jeopardise the persistence within the study area of any biodiversity value that triggers a critical habitat designation.

- the project is designed to deliver net gains<sup>88</sup> for the critical habitat impacted by the project, with monitoring systems to demonstrate them
  - the project is not anticipated to lead to a net reduction in the population<sup>89</sup> of any endangered or critically endangered species, over a reasonable time period<sup>90</sup>
  - a robust and appropriately designed, long-term biodiversity monitoring and evaluation programme aimed at assessing the status of critical habitat is integrated into the client's adaptive management programme.
16. In cases where a client is able to meet the requirements set out in paragraph 15, the project's mitigation strategy, including net gain, will be described in a biodiversity management plan and/or biodiversity action plan.<sup>91</sup>
17. The requirement for a critical habitat assessment will be identified during the project's impact assessment scoping phase and, where relevant, revised on conclusion of the baseline assessment. Where the assessment has identified that the project could have adverse impacts on a critical habitat, the client will retain independent experts to conduct an assessment of the potentially adverse impacts on this critical habitat.
18. As a last resort, biodiversity offsets may be designed and implemented to achieve measurable, additional and long-term conservation outcomes<sup>92</sup> that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity. The design of a biodiversity offset will adhere to the "like-for-like or better" principle<sup>93</sup> and be carried out in alignment with the Bank's ESRs and GIP. The client will need to dedicate appropriate staff resources and demonstrate the long-term technical and financial feasibility of undertaking the offset.
19. In instances where biodiversity offsets are proposed for priority biodiversity features or critical habitat, the client will develop a biodiversity offset strategy or biodiversity offset management plan, as appropriate, to demonstrate that the project's significant residual impacts on biodiversity will be adequately mitigated. In these instances, the client will retain independent experts with knowledge in biodiversity offset design and implementation and will report annually to the EBRD on loss/gain analysis.
20. Not all residual adverse impacts to priority biodiversity features and/or critical habitat can be offset. In such cases, the client will redesign the project to avoid the need for such offset and to meet the requirements of this ESR, in particular, the provisions of paragraphs 13 and 15.

88 Net gains are additional conservation outcomes that can be achieved for the biodiversity values for which the critical habitat was designated. Net gains may be achieved through the implementation of programmes that could be implemented in situ (on the ground) to enhance habitat and protect and conserve biodiversity and, where additional mitigation is required to meet the requirements of paragraph 15 of this ESR, by developing a biodiversity offset.

89 Net reduction is a singular or cumulative loss of individuals that impacts a species' ability to persist at the global and/or regional/national scales for many generations or a long period of time. The scale (that is, global and/or regional/national) of the potential net reduction is determined based on the species' listing on either the (global) IUCN Red List of Threatened Species and/or on regional/national lists. For species listed on both the (global) IUCN Red List of Threatened Species and the national/regional lists, the net reduction will be based on the national/regional population.

90 The timeframe in which clients shall demonstrate "no net reduction" of critically endangered and endangered species will be determined on a case-by-case basis and in consultation with external experts.

91 Biodiversity action plans typically include a series of goals, objectives, management measures and scheduled milestones to mitigate residual impacts to achieve no net loss/net gains of priority biodiversity features or critical habitat. The goal/objectives should be realistic and based on measurable targets. Each objective should outline a series of actions and include completion indicators or monitoring targets, the responsible party and a timeframe. Biodiversity action plans should be developed in consultation with relevant stakeholders, including government, external experts, local/international conservation organisations and project-affected communities.

92 Measurable conservation outcomes for biodiversity will be demonstrated in situ (in natural conditions, not in captivity or depository) and on an appropriate geographical scale (for example, at a local, national or regional level).

93 The principle of "like for like or better" means that, in most cases, biodiversity offsets should be designed to conserve the same biodiversity values that are being affected by the project (an "in-kind" offset). In certain situations, however, areas of biodiversity to be affected by the project may be neither a national nor a local priority, and there may be other areas of biodiversity with like values that are a higher priority for conservation and sustainable use and under imminent threat or in need of protection or effective management. In these situations, it may be appropriate to consider an "out-of-kind" offset that involves "trading up" (that is, where the offset targets biodiversity of higher priority than that affected by the project).

## Legally protected and internationally recognised areas of biodiversity value

21. Where the project occurs within or has the potential to adversely affect an area that is legally protected,<sup>94</sup> internationally recognised<sup>95</sup> or proposed for such status by national governments, the client will identify and assess potential project-related impacts and apply the mitigation hierarchy, so that project impacts will not compromise the integrity, conservation objectives and/or biodiversity importance of that area.
22. If the assessment identifies that the project has the potential to adversely impact the conservation objectives and integrity of the site, priority biodiversity features and/or critical habitat within the legally protected areas or internationally recognised areas of biodiversity value, the client will take measures to avoid such impacts. In addition, the client will:
  - demonstrate that any proposed development is legally permitted, which may entail proving that a specific assessment of the project-related impacts on the protected area has been carried out as required under national law
  - act in a manner consistent with any government-recognised management plans for such areas
  - consult protected area managers, relevant authorities, local communities and other stakeholders on the proposed project in accordance with ESR 10
  - implement additional programmes, as appropriate, to promote and enhance the conservation objectives of the protected area.

## Invasive alien species

23. The client will avoid and proactively prevent the accidental or deliberate introduction of alien species that could have significant adverse impacts on biodiversity. Specifically:
  - The client will not intentionally introduce alien species into areas where they are not normally found, unless this is carried out in accordance with the regulatory framework governing such introduction. Under no circumstances will species known to be invasive be introduced into new environments.
  - The client will identify potential risks, impacts and mitigation options related to the accidental transfer and release of alien species.<sup>96</sup>
  - Where alien species are already established in the country or region of the proposed project, the client will exercise diligence in not spreading the invasive species into areas where they are not already established and avoid spreading them in areas where they are already established.

## Sustainable management of living natural resources

24. Projects that involve the primary production of living natural resources, including crop or livestock production, natural or plantation forestry, aquaculture or fisheries, as well as the production and use of biomass for energy and biofuels will comply with all applicable requirements of this ESR, in addition to the following:
  - The client will manage living natural resources through the application of national regulatory requirements, GIP and relevant European Union (EU) substantive environmental standards, as applicable, at project level.
  - Where appropriate, the client will adopt globally, regionally or nationally recognised certification standards that: (i) are founded on a multi-stakeholder consultative process and (ii) where accreditation is subject to independent verification or certification through appropriate accredited bodies for such standards. In the absence of relevant standards and/or certification systems, the client will commit to applying appropriate industry-specific sustainable management practices in accordance with GIP.

<sup>94</sup> This ESR is guided by the IUCN definition of “protected area”.

<sup>95</sup> Sites identified under international conventions or agreements, including, but not limited to, UNESCO Natural World Heritage Sites, UNESCO Man-and-Biosphere Reserves and the Ramsar List of Wetlands of International Importance.

<sup>96</sup> With respect to the international shipping of goods and services, this ESR is guided by the International Convention for the Control and Management of Ships’ Ballast Water and Sediments. Clients seeking EBRD finance for a project involving such shipping activities are required to comply with appropriate obligations developed in the framework of this convention.



- Where feasible, the client will locate land-based agribusiness projects on unforested land or land that has already been converted from its natural state to avoid and minimise impacts on priority biodiversity features and/or critical habitat.
- Production and/or use of species with potential for invasiveness will not be undertaken without adequate controls to prevent their release/spread outside of the production area.
- For fishery<sup>97</sup> or aquaculture projects, the client will assess, avoid and minimise the risk of escape of non-native species into the aquatic environment. The client will also assess, avoid and minimise the potential for the transfer of disease and contamination of microorganisms and chemicals with antimicrobial properties into the environment.
- Where the client is involved in the farming, transport and slaughter of animals for meat or by-products (such as milk, eggs or wool), it will adopt and implement national regulatory requirements, relevant EU animal welfare standards and GIP, whichever are most stringent, in animal husbandry techniques.
- To avoid and minimise antimicrobial resistance (AMR),<sup>98</sup> the client will only use antimicrobials on food-producing animals, in accordance with EU substantive environmental standards.
- in EU Member States, genetically modified organisms (GMOs) may not be used or released into the environment without approval from the competent authorities. In other EBRD countries of operation, GMOs may not be used or released into the environment without a risk assessment, conducted in accordance with EU substantive environmental standards.

## Supply chains

25. As part of the supply chain assessment process outlined in ESR 1, the client will identify and assess whether there are foreseeable risks of significant land-use conversion that could impact biodiversity and ecosystem services (such as deforestation) in the project's core supply chain.<sup>99</sup>
26. If this risk assessment identifies a risk of significant land-use conversion that impacts biodiversity or ecosystem services (for example, deforestation) in the client's core supply chain, the client will find alternative suppliers or, if that is not feasible, remedy this in accordance with GIP over a timeframe agreed with the EBRD and as outlined in ESR 1, including establishing supply-chain policies, procedures and verification practices. When purchasing living natural resources, clients will take into account internationally recognised principles and standards of sustainable management, where available.
27. The client is expected to manage supply-chain risks as outlined above and as set out in other ESRs, specifically ESR 1 and ESR 2.

<sup>97</sup> Fishery activities are not necessarily limited to harvesting. Repopulation or the introduction of different species or populations, especially in closed environments such as lakes, will ensure that the new stock does not destroy or displace existing local endemic/natural fish species.

<sup>98</sup> According to the World Organisation for Animal Health, antimicrobial agents are medicines used to treat infections, particularly those of bacterial origin. These medicines are essential to protect human and animal health, as well as animal welfare. Excessive or inappropriate use can lead to the emergence of resistant bacteria, which do not respond to antibiotic treatment. This is commonly referred to as antimicrobial resistance (AMR).

<sup>99</sup> See definitions in Section III of the Environmental and Social Policy.



Environmental and Social Requirement 7

# Indigenous Peoples



# I Indigenous Peoples

## Introduction

1. This Environmental and Social Requirement (ESR) recognises that Indigenous Peoples are social groups with identities and livelihoods that are distinct from dominant groups in national societies. They may be among the most marginalised and vulnerable segments of the population. Their economic, social and legal status may limit their capacity to defend their rights to and interest in lands and resources (both natural and cultural). This, combined with their economic and spiritual dependence on these lands and resources, may make them particularly susceptible to any adverse impacts of projects. This ESR also acknowledges that Indigenous Peoples have unique knowledge and abilities and are potential partners in sustainable development, both contributing to and benefiting from the planning and implementation of project-related activities.
2. This ESR recognises that governments play a central role in safeguarding the rights of Indigenous Peoples. It outlines the responsibilities of the client to assess the potential for a project to impact Indigenous Peoples, to engage meaningfully with affected Indigenous Peoples and, under certain circumstances outlined in this ESR, to obtain their free, prior and informed consent (FPIC). This ESR also lays out client obligations to collaborate with affected Indigenous Peoples in the planning and implementation of measures to avoid, minimise, mitigate and compensate for adverse effects and to share project benefits.

## Objectives

3. The objectives of this ESR are to:
  - ensure that projects fully respect the dignity, rights, aspirations, cultures, customary laws and livelihoods of Indigenous Peoples
  - both anticipate and avoid adverse risks and impacts<sup>100</sup> of projects on the lives and livelihoods of Indigenous Peoples' communities or, when avoidance is not feasible, to minimise, mitigate, or compensate for such impacts
  - promote sustainable development benefits and opportunities for Indigenous Peoples in a manner that is accessible, culturally appropriate and inclusive
  - establish and maintain an ongoing relationship with the Indigenous Peoples affected by a project throughout its lifecycle
  - ensure the effective participation of Indigenous Peoples in the design of project activities or mitigation measures that could potentially affect them, either positively or negatively
  - ensure good-faith negotiation with Indigenous Peoples and obtain their FPIC in the specific circumstances described in this ESR.

## Scope of application

4. In this ESR, the term "Indigenous Peoples" is used in a technical sense to refer to a social and cultural group, distinct from dominant groups within a national society, possessing all of the following characteristics:<sup>101</sup>

<sup>100</sup> Adverse impacts may include, but not be limited to, impacts occurring as a result of the loss of assets or resources, restriction on land use or carrying out traditional lifestyle activities, resulting from project activities.

<sup>101</sup> Some characteristics may have eroded or be less evident for some groups or communities through integration into the broader society or the wider economy, sometimes as a result of government policy.

- self-identification as members of a distinct indigenous ethnic or cultural group and recognition of this identity by others
  - collective attachment to geographically distinct habitats, traditional lands or ancestral territories in the project area and to the natural resources in these habitats and territories<sup>102</sup>
  - customary cultural, economic, social or political institutions, laws or regulations that are separate to those of the dominant society or culture
  - a distinct language or dialect, often different from the official language or dialect of the country or region.
5. A group, or members of a group, that lead a nomadic or transhumant way of life, live in mixed or urban communities and/or only visit their traditional lands on a seasonal basis may also experience forced severance. Neither their present mode of living nor this forced severance renders such a group ineligible for application of this ESR.
  6. Implementation of the actions necessary to meet these requirements is to be managed in accordance with all relevant ESRs, as applicable.

## Requirements

### Assessment

7. The client will establish the applicability of this ESR as early as possible in the project lifecycle, but no later than during the environmental and social assessment process. Where the appropriate skills are not available within the client's organisation, it will seek the advice of experienced and independent social specialists to ascertain whether a particular group meets the criteria in paragraphs 4 to 6 of this ESR.
8. In projects likely to affect Indigenous Peoples, the client will carry out an assessment of impacts on Indigenous Peoples. The client will first avoid adverse effects and, where this is not feasible, prepare a development plan to minimise and/or mitigate any potential adverse impacts and identify opportunities to benefit affected Indigenous Peoples.
9. Where the project has not yet commenced, the client will commission an objective and independent study identifying all communities of Indigenous Peoples that may be directly or indirectly affected and, in consultation with affected Indigenous Peoples, assess the potential effects of the project on these groups and their views regarding the project. This assessment will consider the specific vulnerability of Indigenous Peoples to changes in their environment and way of life.
10. In cases where construction, project-related activities or operations have already commenced, the client will provide all relevant information and documents to demonstrate it has sought and acted upon the opinions of project-affected Indigenous Peoples. These should include documents on the client's past performance, effects to date on Indigenous Peoples and a record of documents already submitted to the authorities.
11. If the requirements of this ESR have not been satisfied, the client will carry out an assessment as outlined in paragraphs 7 to 10 of this ESR. This assessment will also: (i) review the effects to date on the lives and livelihoods of Indigenous Peoples; (ii) identify any shortfalls in relation to the requirements of this standard; and (iii) identify the corrective actions that may be required to achieve the intended outcomes of this ESR. The client will then agree to a corrective action plan with the EBRD.

<sup>102</sup> A group that has lost "collective attachment to geographically distinct habitats, traditional lands or ancestral territories in the project area" because of forced severance remains eligible for coverage under this ESR. "Forced severance" refers to loss of collective attachment to geographically distinct habitats, traditional lands or ancestral territories because of conflict, government resettlement programmes, dispossession from their lands, natural disasters, or incorporation of such territories into an urban area. For the purposes of this ESR, "urban area" normally refers to a city or a large town and takes into account all of the following characteristics, no single one of which is definitive: (a) the legal designation of the area as urban under domestic law; (b) high population density; and (c) a high proportion of non-agricultural economic activities relative to agricultural activities.

## Meaningful consultation and free, prior and informed consent

### Meaningful consultation

12. The client will establish an ongoing relationship with affected communities of Indigenous Peoples as early as possible in the project planning process and undertake a process of meaningful consultation, as defined in ESR 10, commensurate with the project's risks and potential impacts on Indigenous Peoples. In addition, the consultation process will include:
- the involvement of Indigenous Peoples' representative bodies (such as councils of elders or village councils), Indigenous Peoples' organisations and members of the affected communities of Indigenous Peoples
  - understanding and respect for any relevant customary laws
  - provision of sufficient time for Indigenous Peoples' collective decision-making processes
  - effective participation of Indigenous Peoples to enable meaningful influence on the project design (for example, siting, location, routing, sequencing and scheduling) and the choice and design of mitigation measures that could potentially affect them either positively or negatively
  - recognition of community heterogeneity, taking into account that:
    - Indigenous Peoples may live in mixed communities with non-Indigenous Peoples
    - communities of Indigenous Peoples are multi-vocal; consultations and participation must be multigenerational and inclusive of gender and excluded groups.

### Free, prior and informed consent

13. There is no universally accepted definition of free, prior and informed consent (FPIC). However, for the purposes of this ESR, consent refers to the collective support of affected Indigenous Peoples for the proposed project activities that affect them. FPIC builds on and expands the process of meaningful consultation defined above and is established through good-faith negotiations between the client and affected Indigenous Peoples. Once this is concluded, the latter arrive at a decision in accordance with their cultural traditions, customs and practices. FPIC does not require unanimity and may be achieved even when individuals or groups within or among Indigenous Peoples explicitly disagree.
14. FPIC of affected Indigenous Peoples is required in circumstances where a project: (i) affects their customary lands or resources; (ii) relocates them from their traditional or customary lands; or (iii) affects or proposes to use their cultural resources.
15. In these circumstances, the client will retain qualified independent experts to assist in conducting and documenting the good faith negotiations and FPIC process.
16. FPIC is expected to be fully documented as a mutually agreed and legitimate process between the parties, carrying evidence of agreement between them as the outcome of the negotiations and clearly outlining benefit- and risk-sharing provisions. It requires that satisfactorily documented evidence be provided of the participation of the whole body of an affected indigenous community in the FPIC process. Specifically, the client will:
- fully document the voluntary and mutually agreed process between the client and the project-affected Indigenous Peoples as to how the FPIC process will be carried out
  - provide evidence of agreement between the client and the affected indigenous community as to the outcome of the negotiations
  - provide evidence of legitimate representation and deliberative process among the affected indigenous community.

### Impacts on customary lands and resources

17. Indigenous peoples are often closely tied to their customary lands and forests, water, wildlife and other natural resources. These ties can relate to livelihoods and/or cultural, ceremonial or spiritual dimensions and can define Indigenous Peoples' identities and communities. Special considerations, therefore, apply if

the project affects such ties. While these lands may not be under legal ownership according to national law, use of these lands by communities of Indigenous Peoples, including seasonal or cyclical use, can often be substantiated and documented.

18. If the client proposes to locate the project on or commercially develop natural resources located within customary lands, and if adverse impacts can be expected on the livelihoods, cultural, ceremonial, or spiritual uses that define the identity and community of the Indigenous Peoples thereon, the client will obtain their FPIC. Further to this, the client will:
- document the Indigenous Peoples' land and resource use by experts in collaboration with the affected communities of Indigenous Peoples without prejudicing any other Indigenous Peoples' land claim; the assessment will be gender inclusive and specifically consider gender roles in the management and use of these resources
  - document its efforts to avoid or at least minimise the size of the proposed land to be used, occupied and/or owned by Indigenous Peoples for the project
  - inform affected Indigenous Peoples of their rights with respect to these lands under national law, including any laws recognising customary rights or use
  - give adequate time to affected communities of Indigenous Peoples to reach internal agreement, without the client imposing its will directly or indirectly
  - ensure continued access to natural resources, ensuring the equivalent replacement of resources or, as a final option, providing compensation
  - provide affected communities of Indigenous Peoples with access, use and transit on land that the client is developing, subject to overriding health, safety and security considerations.

### Relocation of Indigenous Peoples from traditional or customary lands

19. The client will explore feasible alternative project designs to avoid the relocation of Indigenous Peoples from their communally held traditional or customary lands. When relocation is unavoidable, the client will minimise the size of the land used and not carry out such relocation without obtaining the FPIC of affected Indigenous Peoples. Any relocation of Indigenous Peoples will meet the requirements of ESR 5. In addition, Indigenous Peoples will be entitled to receive fair and equitable compensation from the client for the lands, territories and resources they have traditionally owned or otherwise occupied or used, and which have been confiscated, taken, occupied, used or damaged as a result of the project without their FPIC.
20. Indigenous peoples are often closely tied to their land and related natural resources. Frequently, land is traditionally owned or under customary use or occupation. While Indigenous Peoples may not possess legal title to land as defined by national law, their use of the land, including seasonal or cyclical use for their livelihoods, or for cultural, ceremonial and spiritual purposes that define their identity and community, can often be substantiated and documented. Where projects involve (a) activities that are contingent on establishing legally recognised rights to lands and territories that Indigenous Peoples have traditionally owned or customarily used or occupied, or (b) the acquisition of such lands, the client will prepare a plan for the legal recognition of such ownership, occupation or usage, with due respect to the customs, traditions and land-tenure systems of the Indigenous Peoples concerned. The objective of such plans will be the following: (a) full legal recognition of existing customary land-tenure systems of Indigenous Peoples or (b) conversion of customary usage rights to communal and/or individual ownership rights.<sup>103</sup> If neither option is possible under national law, the plan includes measures for the legal recognition of Indigenous Peoples' perpetual or long-term renewable custodial or use rights.
21. Where feasible, relocated Indigenous Peoples should be able to return to their traditional or customary lands should the reason for their relocation cease to exist. In such cases, the land should be fully reinstated.

<sup>103</sup> Conversion of customary usage rights to individual ownership rights will only be an objective following consultation with the Indigenous Peoples concerned and assessment of the impacts of such conversion on the communities and their livelihoods.

## Cultural heritage

22. Where a project may significantly impact cultural heritage that is material to the identity and/or cultural, ceremonial or spiritual aspects of Indigenous Peoples, priority will be given to avoiding such impacts. Where significant impacts are unavoidable, the client will obtain the FPIC of affected Indigenous Peoples and meet the requirements of ESR 8.
23. Where a project proposes to use the cultural resources, knowledge, innovations or practices of Indigenous Peoples for commercial purposes, the client will inform the Indigenous Peoples of: (i) their rights under this ESR; (ii) the scope and nature of the proposed commercial development; (iii) the potential consequences of such development; and (iv) will obtain their FPIC. The client will also define and implement mechanisms that promote the fair and equitable sharing of benefits from the commercialisation of such knowledge, innovation or practice, consistent with the customs and traditions of the affected Indigenous Peoples.

## Compensation and benefit sharing

24. The client will ensure, in agreement with the local community, that affected Indigenous Peoples are fairly compensated for any loss of livelihood incurred as a result of project-related activities. When calculating compensation, the client will meet the requirements of ESR 5 and take into consideration the adverse effects of the project on customary livelihoods,<sup>104</sup> including nomadic/transhumant practices, as well as the family life of Indigenous Peoples, with specific consideration of gender in relation to wage and non-wage subsistence activities. This will be undertaken in co-operation with Indigenous Peoples' representatives and experts. The provisions of this paragraph also apply in cases where the client has to pay compensation to local or regional government bodies.
25. Mutually acceptable and legally feasible mechanisms for transferring the compensation and/or resources will be developed. These may be provided on a collective basis where the land and resources are collectively owned. The client will provide assistance to enable the establishment of appropriate management and governance systems that ensure the effective distribution of compensation to all eligible members, or the collective use of compensation in a manner that benefits all members of the group.
26. The client will provide affected Indigenous Peoples with opportunities for culturally appropriate development benefits. Such opportunities should be commensurate with the degree of project impact, with the aim of improving their standard of living and livelihoods in an appropriate manner and of fostering the long-term sustainability of the natural resources on which they may depend. Development benefits will be provided in a timely manner.
27. The client's proposed actions to minimise, mitigate and compensate for adverse effects and to identify and share benefits will be contained in a time-bound plan, such as an Indigenous Peoples development plan (IPDP), or a broader community development plan with separate components for Indigenous Peoples. This plan will be developed in consultation with affected Indigenous Peoples. The client will also retain qualified experts with relevant and appropriate technical expertise to prepare the plan. The IPDP will systematically assess differentiated impacts of a project with respect to gender and different generations and will include actions to address these impacts on the different groups in the community, including all accompanying mitigation measures and benefit-sharing agreements. The level of detail and the scope of an IPDP will vary according to the project in question and the nature and scope of project activities.
28. Where implicit factors exist that exclude Indigenous Peoples and individuals from project benefits, such as employment opportunities, on ethnic grounds, the project activities will include corrective measures, such as: (i) informing Indigenous Peoples' organisations and individuals of their rights under labour, social, financial and business legislation and of the recourse mechanisms available; (ii) appropriate and effective information dissemination, training and measures to eliminate barriers to benefits and resources such as credit, employment, business services, health services and education services, as well as other benefits generated or facilitated by the project; and (iii) granting to indigenous workers, entrepreneurs and beneficiaries the same protection afforded under national law to other individuals in similar sectors and

<sup>104</sup> The nature of "customary livelihoods" is to be interpreted flexibly (so as to include contemporary adaptations such as ethno-tourism and food processing).

categories, taking into account gender issues and ethnic segmentation in goods and labour markets, as well as linguistic factors.

## Grievance mechanism

29. The client will ensure that the grievance mechanism established for the project, as described in ESR 10, is culturally appropriate and accessible for Indigenous Peoples and takes into account the availability of judicial recourse and customary dispute-settlement mechanisms. This may entail less reliance on written procedures and greater use of verbal reporting channels.

## Other considerations

30. During project implementation, the client will bring to the immediate attention of the EBRD any conflicts between Indigenous Peoples and the client that remain unresolved, despite having gone through the project grievance mechanism.
31. Where the government has a defined role in the management of risks and impacts on Indigenous Peoples in relation to the project, the client will collaborate with the responsible government agency, to the extent feasible and permitted by the agency, to achieve outcomes that are consistent with the objectives of this ESR. In addition, where government capacity is limited, the client will play an active role in the planning, implementation and monitoring of activities to the extent permitted by the agency.





Environmental and Social Requirement 8

# Cultural heritage



# I Cultural heritage

## Introduction

1. This Environmental and Social Requirement (ESR) recognises the importance of cultural heritage to present and future generations. The aim is to protect cultural heritage and to encourage clients to avoid or mitigate adverse impacts on cultural heritage in the course of their business operations. The clients are required to be precautionary in their approach to the management and sustainable use of cultural heritage.
2. Both tangible and intangible cultural heritage are important assets for economic and social development and are an integral part of the continuity of cultural identity and practices (including traditional skills, knowledge, beliefs and/or minor dialects and languages).
3. In pursuing these aims of protection and conservation, this ESR is guided by applicable international conventions and other instruments. It also recognises the need for all parties to respect the laws and regulations that pertain to cultural heritage that could be affected by a project and the obligations under relevant international treaties and agreements ratified by host countries. These laws may be on cultural heritage or antiquities, planning or building permits, conservation areas, protected areas, or other laws and regulations governing the built heritage, or laws relating to the protection of cultures of Indigenous Peoples. Detailed requirements for protecting Indigenous Peoples can be found in ESR 7.

## Objectives

4. The objectives of this ESR are to:
  - support the protection and conservation of cultural heritage
  - adopt the mitigation hierarchy approach to preserve cultural heritage and protect it from adverse impacts arising from the project
  - promote the equitable sharing of benefits from the use of cultural heritage in business activities
  - where significant elements of cultural heritage are identified, promote awareness, appreciation and enhancement of cultural heritage, as well as potential socioeconomic benefits for local communities.

## Scope of application

5. This ESR applies to all projects directly financed by the EBRD, as established in the Environmental and Social Policy. 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 as an integral part of the client's overall environmental and social management system (ESMS), outlined in ESR 1, and/or the project's cultural heritage management plan (CHMP). In addition, the client will apply this ESR during project implementation if the project affects or has the potential to affect cultural heritage (tangible and intangible) that had not been previously identified.
6. For the purposes of this ESR, the term "cultural heritage" is defined as a group of resources inherited from the past, which people identify, independently of ownership, as a reflection and expression of their evolving values, beliefs, knowledge and traditions. It encompasses tangible and intangible cultural heritage, which is valued<sup>105</sup> at the local, regional or national level, or within the international community:

105 Criteria for defining the value attached to the cultural heritage and establishing its significance are described under paragraph 23, but also paragraphs 10–17.

- Tangible cultural heritage refers to movable or immovable objects, sites and groups of structures, as well as cultural or sacred spaces associated therewith, and natural features and landscapes that have archaeological, ethnological, paleontological, historical, architectural, religious, aesthetic or other cultural significance.
  - Intangible cultural heritage refers to practices, representations, expressions, knowledge and skills that communities, groups and, in some cases, individuals recognise as part of their cultural heritage and which are transmitted from generation to generation.
7. Recognising that sites, objects or cultural traditions representing cultural heritage value or significance could be directly or indirectly affected during project development, a project is subject to the provisions of this ESR if it:
- involves excavations, demolitions, movements of earth, drainage, flooding or other changes in the physical environment
  - is located in, or in the vicinity of, a cultural heritage site identified in the country of operation
  - may have a material impact on the intangible forms of cultural heritage of people including Indigenous Peoples
  - involves the dewatering of peat soils, marine dredging, seabed disturbance or anchoring corridors.
8. The requirements of this ESR are applicable to cultural heritage irrespective of whether or not it has been legally registered or previously disturbed. With regard to intangible cultural heritage, the requirements of this ESR apply only if the physical component of the project will have a material impact on such cultural heritage, or if the project intends to use such cultural heritage for commercial purposes.

## Requirements

9. The client will seek to avoid adverse impacts on cultural heritage during the project lifecycle. Where impacts on cultural heritage cannot be avoided, the client will identify and implement mitigation measures to address the impacts in line with the mitigation hierarchy, which may involve the rerouting or changing the physical footprint of the project, in situ conservation and rehabilitation, the relocation of cultural heritage, documentation and cataloguing, and the transmission of cultural heritage-related knowledge. Mitigation measures should take into consideration the specific requirements pertinent to each type of cultural heritage in accordance with paragraphs 10-17 of this ESR.

## Requirements for specific types of cultural heritage

### Archaeological sites

10. Archaeological sites comprise patterned physical remains of past human activity and may involve any combination of structural remains, artefacts and human or ecological elements that may be located entirely beneath, partially above or entirely above the land or water surface. The client will carry out desk-based research, including by consulting national and international registries and lists, consider the high probability of past human activity and conduct field surveys to document, map and investigate archaeological remains. The client will document the location and characteristics of archaeological sites and material – including burial sites, human remains and funerary items – identified during the project lifecycle and provide such documentation to the national regulator or relevant cultural heritage authorities.
11. The client will consult with the national regulator and heritage expert(s) to determine the appropriate mitigation measures for archaeological sites and associated materials (excavation and documentation, or in situ conservation) identified during the project lifecycle and will manage the archaeological material accordingly. The client will also consult with the cultural heritage authorities to determine ownership responsibility over archaeological sites and materials and ensure the transfer of custody to the relevant state agencies.

## **Built heritage**

12. Built heritage refers to heritage places and features that survive as buildings, earthworks or structures above or below the ground. It includes buildings, structures, artefacts and urban or rural spaces, representing past or current human settlements that are of historical, architectural, aesthetic or cultural heritage significance.
13. The client will identify and implement appropriate measures to address project impacts on built heritage, which can include documentation, in situ conservation or rehabilitation, relocation and other forms of ex situ conservation. If the rehabilitation of the built heritage is identified as the appropriate mitigation measure, the client will retain the authenticity of the form, materials and techniques used and seek to preserve the physical and spatial context for the built heritage concerned.

## **Cultural landscape with natural features**

14. Cultural landscape can be an area where traditional patterns of natural resource use have shaped the landscape features that reflect a particular culture, lifestyle or historical period. Examples include sacred hills or mountains, waterfalls, caves and rocks, carvings and paintings on rocks or in caves, and fossilised remains.
15. If the cultural landscape has been identified through impact assessment or in consultation meetings, the client will identify natural features associated with cultural heritage significance, the people that value such features, and the users and custodians who will represent them in any discussions on the location, protection and use of the heritage place(s).

## **Movable cultural heritage**

16. Movable cultural heritage includes manuscripts, rare books, documents and publications of special interest (historical, artistic, scientific and literary), sculptures, paintings, statuettes, carvings, religious items, fragments of monuments or historic buildings, archaeological material, archives and collections of historical records.
17. The client will consult with the relevant cultural heritage authorities and key stakeholders, including users and custodians of the cultural heritage, to identify movable cultural heritage that may be affected by the project and adopt measures for their protection throughout the project lifecycle. The client will inform the regulator and/or relevant custodians and transfer custody of the identified movable cultural heritage to the relevant authorities.

## **Underwater cultural heritage**

18. Underwater cultural heritage refers to traces of human existence with cultural, historical and/or archaeological value that have been partially or fully under the water. Underwater cultural heritage includes prehistoric settlements, remains of towns, shipwrecks or downed planes that may contain human remains.
19. The client will consult with the national regulator and heritage expert(s) to determine the appropriate mitigation measures for the identified underwater cultural heritage and associated materials, with priority consideration to be given to avoidance in project design. When the impact assessment process suggests the presence of underwater cultural heritage, the client will engage a qualified expert to examine and document the features of the cultural heritage identified.

## **Consultation with cultural heritage users, custodians, affected communities, and other stakeholders**

20. The client will carry out meaningful consultation with and provide information in respect of the project to all key stakeholders with a view to: (a) identifying cultural heritage likely to be affected; (b) understanding the significance of the cultural heritage to users, custodians and other key stakeholders, including local communities; (c) assessing the impacts and risks; (d) applying the mitigation hierarchy; and (e) identifying opportunities for potential community benefit. The identification of key stakeholders and the conduct of

meaningful consultation will follow the requirements of ESR 10 and will include custodians and key users of the identified cultural heritage. This will include women and vulnerable people.

21. The client, through consultations with key project-affected communities, including users and custodians of the cultural heritage and other stakeholders, will determine whether disclosure of information related to cultural heritage may compromise the safety or integrity of the cultural heritage. In such situations, the client will keep the information related to the cultural heritage confidential and may omit the sensitive information from public disclosure.

## Assessment of risks and impacts

22. At an early stage of the environmental and social assessment, the client will identify whether any cultural heritage is likely to be adversely affected by the project and assess the likelihood of any chance finds. In doing so, the client will consult with the relevant authorities, experts, local communities and other key stakeholders, including users and custodians of the cultural heritage, as appropriate.
23. The assessment process will characterise the baseline and the potential risks and impacts of the project on cultural heritage. The extent of the assessment will need to be sufficient to characterise the potential significance, likelihood and severity of the impact and take into account the views of the regulator, users and custodians of the cultural heritage, heritage expert(s) and other key stakeholders. To address the identified impacts on cultural heritage, the client will develop and implement a CHMP that should include mitigation measures developed in accordance with the mitigation hierarchy and use good international practice (GIP).
24. The client will engage cultural heritage expert(s) to support the baseline survey, data and documentation collection, the definition of the significance of the cultural heritage, and preparation of the CHMP. It will also ensure the application of requirements to contractors and other third parties.

## Chance finds procedure

25. The client will ensure that provisions for managing chance finds – defined as tangible cultural heritage encountered unexpectedly during project implementation – are in place and included in contracts, as appropriate. Such provisions will include notifying relevant competent bodies of found objects or sites; delivering training to project personnel, including contractor and sub-contractor employees, on the procedures to follow in the case of chance finds; and securing the area of finds to avoid any further disturbance or destruction. The client will not disturb any chance finds until an assessment is made by a cultural heritage expert(s) and actions are identified consistent with national law and this ESR.

## Legally protected and internationally recognised areas

26. Where the project has the potential to have adverse impacts on the cultural heritage of an area that is protected through legal or other effective means, and/or is internationally recognised, or proposed for such status by national governments, the client will seek to avoid such impacts. In situations where impacts cannot be avoided and no alternatives are feasible, the client will proceed with development only when the project:
  - meets local, national and international requirements pertaining to the cultural heritage concerned
  - demonstrates that any proposed development is legally permitted, which may require an assessment of project-related impacts on the protected area
  - complies with the provisions of government management plans for such areas through the preparation and implementation of a cultural heritage impact assessment and associated management plan, as required under national law, relevant international conventions and ESR 8
  - consults protected area regulators, relevant authorities, local communities and other stakeholders on the proposed project in accordance with ESR 10
  - explores opportunities and implements programmes to promote the conservation mandate of the protected area and contributes to the socioeconomic development of local communities, in accordance with the management plan of the protected area.

## Sustained and safe access to cultural heritage

27. If the project area contains cultural heritage or affects access to previously accessible cultural heritage sites enjoyed by users, custodians and other community members, the client will ensure sustained and safe access to the cultural site or will provide an alternative access route of equal characteristics, taking into account health, safety and security considerations.

## Project's use of cultural heritage

28. Where a project entails the use of cultural resources, knowledge, innovations or practices of local communities embodying traditional lifestyles for commercial purposes, the client will inform these communities on a timely basis of: (i) their rights under national law; (ii) the scope and nature of the proposed commercial development; and (iii) the potential consequences of such development. The client will proceed with such commercialisation only when it: (i) enters into a good-faith negotiation with the affected local communities embodying traditional lifestyles; (ii) documents their informed participation and the successful outcome of the negotiation; and (iii) provides affected local communities with a fair and equitable share of benefits from the commercialisation of such knowledge, innovation or practice, consistent with their customs and traditions. Where a project proposes to use the cultural resources, knowledge, innovations or practices of Indigenous Peoples, the requirements of ESR 7 will apply.
29. If the project is likely to expose the cultural heritage, especially movable heritage items, to theft, looting or trafficking, the client will take measures to guard against such risks and will notify the relevant authorities of any such activity.

## Monitoring and evaluation

30. The client will establish procedures to monitor and evaluate the implementation of the CHMP and update it as necessary during the project lifecycle to achieve the objectives of this ESR. The client will ensure that implementation of the CHMP is verified by the EBRD by preparing and submitting to the Bank a completion report upon implementation of all mitigations envisaged under the CHMP.



Environmental and Social Requirement 9

# Financial intermediaries



# Financial intermediaries

## Introduction

1. This Environmental and Social Requirement (ESR) recognises intermediated financing<sup>106</sup> channelled through a wide range of eligible financial intermediaries (FIs) as a key instrument for promoting sustainable development, sustainable financial markets and the transition to green, low-carbon economies. FIs include banks, collective investment vehicles, including funds, microfinance and non-bank financial institutions (NBFIs).<sup>107</sup>
2. The nature of intermediated financing means that FIs will assume delegated responsibility for environmental and social risk management and monitoring, as well as overall portfolio management in relation to such risks. The EBRD will evaluate and monitor the effectiveness of the FI's environmental and social risk management periodically throughout the project lifecycle.

## Objectives

3. The objectives of this ESR are to:
  - set out how FIs will assess, manage, monitor and report environmental and social risks and impacts associated with the sub-projects they finance
  - promote sustainable environmental and social management practices in on-lending, investment practices and the sub-projects financed by FIs
  - promote good environmental and sound human resources, gender equality and health, safety and security management within FIs.

## Scope of application

4. For the purposes of this ESR, the term “sub-project” refers to investments or activities that may be eligible for financing by FIs using funds provided by the EBRD under an FI project. The term “sub-borrower” refers to the entity to which the funds are being channelled by an FI, which will include investee companies in the case of equity financing.
5. The requirements of this ESR will be applicable to all sub-projects and sub-borrowers that receive EBRD financing.
6. If the EBRD becomes a direct equity investor in an FI, the requirements of this ESR will apply to all future sub-projects of the FI from the time of the EBRD's investment.
7. The FI will apply risk management procedures commensurate with the environmental and social risks associated with the sub-projects.
8. The EBRD may require FIs to adopt and implement specific environmental and social requirements, depending on the nature of the FI, its business activities, and the level of environmental and social risks and impacts associated with its portfolio and sub-projects, including contextual risks and sector exposure, as applicable. Such requirements will be included in specific environmental and social guidance and procedures,<sup>108</sup> which will be agreed by the EBRD and the FI at the time of the EBRD's investment.

<sup>106</sup> Providing debt and equity financing to partner FIs that on-lend to sub-borrowers or invest in investee companies.

<sup>107</sup> NBFIs include companies providing services associated with microfinance, leasing, factoring, insurance, asset management and stock exchanges.

<sup>108</sup> These include guidance and procedures for specific sectors, asset classes or instruments fully or partially dedicated to promoting environmental and social sustainability objectives.



## Requirements

### Organisational capacity within the FI

9. The FI will maintain human resources (HR) policies, management systems and practices in accordance with ESR 2 on labour and working conditions and will comply with the relevant occupational health, safety and security requirements of ESR 4. These will be communicated and made available in writing to FI employees.
10. The FI will give one or more representatives of its senior management team overall responsibility for implementing this ESR, ESR 2 and ESR 4, requiring them to oversee environmental and social matters, as well as climate change mitigation and adaptation and gender equality. The responsible senior management representative(s) will need to (i) designate qualified and trained members of staff to be responsible for day-to-day implementation of the environmental and social requirements and provide implementation support; (ii) identify environmental and social training needs and required budget; and (iii) ensure that adequate technical expertise, either in house or external, is available to carry out assessments and manage sub-projects, especially those with potentially significant adverse environmental or social risks and impacts.
11. The FI will establish a clearly defined environmental and social management system (ESMS), including an environmental and social policy and environmental and social risk management procedures commensurate with its size and activities. The procedures will consider the level of environmental and social risk associated with sub-projects and investments, including size, type, socioeconomic context, location and sector sensitivity to such risks.
12. Where the FI can demonstrate that it already has an ESMS in place, it will provide adequate documented evidence of the ESMS and its use within the FI. Where necessary to establish or improve the ESMS, the FI will agree an action plan with the EBRD.
13. The ESMS will include risk management and monitoring mechanisms, as appropriate, to:
  - screen all sub-projects against the EBRD's Environmental and Social Exclusion List, included as Annex A to the Environmental and Social Policy
  - categorise the environmental and social risk of proposed sub-projects (low/medium/high, Category A) in accordance with the EBRD's environmental and social risk categorisation for FIs
  - ensure, through its risk assessment, that sub-projects mitigate adverse environmental and social impacts and risks, meet national regulatory requirements relating to environmental and social matters, including, where necessary, those related to public consultation and disclosure and also, where necessary, develop and implement corrective action plans with sub-borrowers
  - keep and regularly update environmental and social records and relevant disclosures on sub-projects, as required under paragraph 17 of this ESR
  - monitor sub-projects to ensure compliance with national laws on environment, climate, social, gender, health, safety and security.
14. Where an FI is financing sub-projects that meet the criteria in the list of Category A projects, included as Annex B to the EBRD Environmental and Social Policy, such sub-projects will be required to meet ESRs 1 to 8 and 10 and be referred to the EBRD. For sub-projects categorised as Category A, the requirements for an environmental and social impact assessment (ESIA) as per ESR1 apply, including if relevant an assessment of associated facilities, cumulative impacts, and alternatives.

### Stakeholder engagement

15. The FI's ESMS will include a procedure for dealing with external communications on environmental and social matters, including a grievance mechanism. The FI will respond to such enquiries, concerns and grievances in a structured and timely manner.

## Disclosure and reporting to the public

16. To enhance the transparency of non-financial sustainability-related information, FIs will meet national regulatory requirements for public disclosure and reporting and implement disclosure and reporting frameworks as appropriate. At a minimum, FIs are required to publicly disclose information on their corporate ESMS in accordance with paragraphs 11-14. FIs will list on their website the link to any publicly-available ESIA reports for Category A sub-projects that they finance.

## Monitoring by the EBRD

17. The EBRD will monitor the environmental and social performance of FIs and their sub-projects financed by the Bank by undertaking site visits and/or through annual reporting mechanisms.

## Reporting to the EBRD

18. The EBRD will require FIs to submit annual environmental and social reports on the implementation of ESR 2, ESR 4, as well as this ESR in a form acceptable to the Bank, including risk management procedures, sectoral exposure, and internal capacity and resources to manage the environmental and social risks and impacts of the portfolio of sub-projects financed by the EBRD.



Environmental and Social Requirement 10

# Stakeholder engagement



# I Stakeholder engagement

## Introduction

1. This Environmental and Social Requirement (ESR) recognises the importance of open and transparent engagement between the client, its workers, worker representatives, local communities and persons affected by the project and, where appropriate, other project stakeholders as an essential element of good international practice and corporate citizenship. Such engagement is also a way of improving the environmental, social and overall sustainability of projects. Effective community engagement, in particular, appropriate to the nature and scale of the project, promotes sound and sustainable environmental and social performance and can lead to improved financial, social and environmental outcomes, together with enhanced community benefits.
2. Stakeholder engagement is central to building strong, constructive and responsive relationships, which are essential to the successful management of a project's environmental and social risks and impacts. It is an inclusive and ongoing process, which is most effective when initiated at an early stage of the project and is an integral part of the assessment, management and monitoring of environmental and social risks and impacts of the project.

## Objectives

3. The objectives of this ESR are to:
  - outline a systematic approach to stakeholder engagement that will help clients build and maintain a constructive relationship with their stakeholders
  - provide a means for effective and inclusive engagement with project stakeholders throughout the project cycle
  - ensure that appropriate environmental and social information is disclosed and meaningful consultation is held with the project's stakeholders and, where appropriate, that feedback provided through the consultation is taken into consideration
  - ensure that grievances from stakeholders are responded to and managed appropriately
  - ensure that stakeholder engagement is conducted in a manner that protects the privacy and safety of stakeholders and is free from retaliation.

## Scope of application

4. This ESR applies to all projects. At a minimum, all projects will carry out stakeholder identification, determine engagement and consultation requirements, and develop and implement a grievance mechanism. Further stakeholder engagement, as outlined in this ESR, will be undertaken, proportionate to the nature and scale of the project, its stakeholders and its potential environmental or social risks and impacts.
5. The client will identify and engage with stakeholders as early as practical in the environmental and social assessment process as an integral part of the project's planning and implementation and continuing during the development and implementation of environmental and social management systems (ESMSs) and environmental and social management plans (ESMPs), as outlined in ESR 1. This ESR will also be read in conjunction with the requirements of ESR 2 on engaging with workers and ESR 4 on engaging in emergency preparedness and response. In the case of projects involving involuntary resettlement or economic displacement, affecting Indigenous Peoples or having an adverse impact on cultural heritage,

the client will also apply the special disclosure and consultation requirements set out in ESR 5, ESR 7 and ESR 8.

## Requirements

6. Stakeholder engagement will involve the following elements: stakeholder identification and analysis, stakeholder engagement planning, disclosure of information, meaningful consultation, implementation of a grievance mechanism, and ongoing reporting to relevant stakeholders.
7. The client will take measures to ensure the engagement process is conducted free from any form of manipulation, interference, coercion, intimidation or retaliation against stakeholders.
8. Where the EBRD's appraisal or monitoring identifies salient risks of retaliation or risks to the safety of stakeholders in connection with the project or client, the client will include within a stakeholder engagement plan (SEP) the measures proposed to prevent and mitigate these risks and will develop a process to investigate allegations or occurrences of such activities.
9. The client will conduct stakeholder engagement to provide stakeholders with access to timely, relevant, understandable and accessible information in a meaningful, effective and culturally appropriate manner.
10. The engagement process will be gender responsive and inclusive of all relevant stakeholders, including vulnerable people and underrepresented groups.
11. The client will take appropriate measures to ensure the protection of personal data and the privacy of stakeholders during stakeholder engagement.
12. Stakeholder engagement will begin as early as possible in the project's development and will continue throughout the project lifecycle. The nature and frequency of stakeholder engagement at all phases of project development will be proportionate to the nature and scale of the project, its potentially adverse environmental or social risks and impacts, as defined in ESR 1, and the level of stakeholder interest. The client will comply with the applicable requirements of national law with respect to public information and consultation, including those laws implementing host-country obligations under public international law.
13. The client will define clear roles, responsibilities and authority, and will designate specific human and financial resources for the implementation and monitoring of stakeholder engagement activities and grievance management, including the involvement of any third parties.

## Engagement planning

14. The client will identify and document stakeholders, defined as (i) the various individuals or groups (or their legitimate representatives) who are affected or are likely to be affected (directly or indirectly) by the project's activities and operations, (affected parties), or (ii) individuals or groups who may have an interest in the project (other interested parties).
15. The client will identify those affected parties (individuals or groups) who are vulnerable people in accordance with ESR 1. Based on this identification, the client will further identify stakeholders who require different or separate forms of engagement because:
  - of their ability or willingness to participate in the engagement process, including due to fear of reprisal
  - they may experience differential or disproportionate project risks, impacts or access to benefits
  - they have different concerns and priorities about project risks, impacts, mitigation mechanisms and benefits.

An adequate level of detail will be included in the stakeholder identification and analysis, taking into consideration any contextual risks identified in line with ESR 1, so as to determine the engagement approach that is appropriate for the project.

## Stakeholder engagement plan

16. For projects that are likely to be associated with adverse environmental and/or social risks and impacts, the client will develop and implement an SEP or an equivalent documented process, proportionate to the

nature and scale or the risks, impacts and development stage of the project. The SEP (or equivalent) will be developed and disclosed by the client as early as available, in accordance with the requirements of paragraph 22, to inform stakeholders and allow them to provide feedback. In addition, for any project that requires an environmental and social impact assessment (ESIA), the SEP will apply the disclosure and consultation requirements for Category A projects outlined in paragraphs 30 to 34 of this ESR.

17. The SEP will describe how engagement with identified stakeholders will be carried out throughout the project lifecycle, including the timing and methods of engagement, the information to be disclosed, disclosure language(s) and the type of information to be sought from stakeholders. The SEP will be tailored to take into account the main characteristics (including gender) and interests of the project-affected parties and other interested parties and distinguish between the different levels and methods of engagement that might be appropriate for each, as well as the specific requirements for vulnerable people and groups. The level of detail needed will be determined on a case-by-case basis. Resources available for stakeholder engagement will be outlined within the SEP. The SEP will be regularly reviewed and updated as necessary during the project lifecycle, as project risks, impacts and stakeholder information needs may change. When significant changes are made to the SEP, the client will disclose the revised version in accordance with the requirements of paragraph 22 (information disclosure section).
18. When the stakeholder engagement depends substantially on community representatives,<sup>109</sup> the client will make reasonable efforts to verify that such persons do, in fact, represent the views of affected communities and that they are facilitating the communication process by communicating the information to their constituents and conveying their comments to the client or authorities, as appropriate. In some circumstances, such as engagement with project-affected vulnerable people, reliance on representatives of these communities will be the preferred option to avoid the risk of harm to individuals who may otherwise not wish to be publicly identified.
19. Where stakeholder engagement is the responsibility of the relevant government authorities, the client will collaborate with the relevant government authority to the extent permitted to achieve outcomes that are consistent with this ESR. Where there are gaps between local regulatory requirements and this ESR, the client will identify engagement activities to supplement the formal regulatory process and, where appropriate, commit to supplementary actions.
20. In cases where the exact location of the project is not known, the SEP will take the form of a framework approach as part of the client's overall ESMS. It will outline general principles and a strategy to identify stakeholders and plan for an engagement process in accordance with this ESR, which will be implemented once the location is known.
21. Clients with multi-site operations and projects involving general corporate finance, working capital or equity financing will adopt and implement a corporate SEP. The corporate SEP will be commensurate with the nature of the client's business and its associated environmental or social risks and impacts, and the level of stakeholder interest. The SEP will be rolled out to facilities in a timely manner. It will include procedures and resources to ensure that adequate stakeholder engagement is conducted at facility level, and that stakeholders proximal to client facilities or affected by its business activities receive information on the client's environmental and social performance and grievance mechanism.

## Information disclosure

22. Where the project has environmental and social impacts, the client will disclose relevant project information, as soon as available, to help stakeholders understand the risks, impacts and opportunities of the project. The client will provide stakeholders with access to the following information:
  - the purpose, nature, scale and duration of the project
  - risks to and potential impacts on stakeholders, proposed mitigation plans highlighting potential risks and impacts that might disproportionately affect vulnerable people or disadvantaged groups, and different measures to mitigate them

<sup>109</sup> For example, community and religious leaders, local government representatives, civil society representatives, politicians, teachers and/or others representing one or more affected stakeholder groups.

- the envisaged stakeholder engagement process, if any, and opportunities and ways in which stakeholders can participate
- the time and venue of any envisaged public consultation meetings, and the process by which meetings are notified, summarised and reported
- the process by which any grievances will be managed
- project benefits and opportunities.

This information will be disclosed in the local language(s) and in a manner that is accessible and culturally appropriate, taking into account any specific needs of groups that may be differentially or disproportionately affected by the project, vulnerable people, or groups of the population with specific information needs (including disability, literacy, gender, mobility, differences in language or accessibility).

23. For higher-risk Category B projects, prior to a financing decision by the EBRD, clients will prepare, publicly disclose and provide to the Bank for public disclosure environmental and social documentation consistent with the requirements and timelines of the Bank's Directive on Access to Information.<sup>110</sup>
24. Throughout the life of the project, the client will provide information to identified stakeholders on an ongoing basis. The frequency, method and information to be provided will be appropriate to the nature of the project and its adverse environmental and social risks and impacts, the stakeholder(s) and the level of interest, as specified in the ESRs.

### Meaningful consultation

25. The client will undertake meaningful consultation, based on the nature and scale of the project's adverse risks and impacts and the level of stakeholder interest. If the client has already engaged in such a process, it will provide adequate documented evidence of such engagement.
26. Meaningful consultation is a two-way process that:
- will begin early in the project planning process to gather initial views on the project proposal and inform project design, in accordance with the mitigation hierarchy
  - encourages stakeholder feedback, particularly as a way of informing project development and engagement by stakeholders in the identification and mitigation of environmental and social risks and impacts
  - continues on an ongoing basis throughout the life of the project, including as risks and impacts arise and mitigation measures are implemented
  - is based on the prior disclosure and dissemination of relevant, transparent, objective and easily accessible information in a timeframe that enables consultations with stakeholders and allows their input to influence the project
  - is undertaken in a culturally appropriate format, in relevant local language(s), is understandable to stakeholders and takes into consideration stakeholders' decision-making processes
  - is conducted in good faith by the participants on both sides and considers and responds to feedback
  - supports active and inclusive engagement with a diverse range of project-affected parties, including those who are experiencing vulnerability, marginalisation and/or discrimination or are under-represented, and includes tailored measures to ensure their effective participation, as appropriate
  - is free from external manipulation, interference, coercion, discrimination, intimidation and retaliation
  - is documented by the client.
27. The client will inform those who have participated in the public consultation process in a timely manner of the final decision on the project, any associated environmental and social mitigation measures, any benefits of the project to local communities, and the reasons and considerations on which the decision is

<sup>110</sup> The EBRD Access to Information Directive provides that for these projects the Bank disclose an SEP and non-technical summary, with a description of the environmental and social action plan, including any actions relevant to affected people and local communities, prior to consideration of the project by the Board of Directors or delegated approval body.

based. This information will include a summary of the feedback received and a brief explanation of how it was taken into account, or the reasons why it was not, and the grievance mechanism available.

28. The client will undertake meaningful consultation on an ongoing basis throughout the life of the project and respond to and address stakeholders' opinions and concerns as they arise. Consultation activities will be required at key stages in the project cycle on the effectiveness of mitigation measures and/or on issues of stakeholder concern, including as identified through the project grievance mechanism.
29. Where appropriate, the client will also seek feedback from affected parties on the effectiveness of the impact mitigation measures.

### Disclosure and consultation on Category A projects

30. Category A projects will require the client to carry out a formalised, participatory disclosure and consultation process that is built into each stage of the ESIA process, taking into account the stage of project development. This process will involve organised and iterative consultation, building on the steps outlined in paragraph 25 for meaningful consultation, leading the client to incorporate into their decision-making process the views of affected parties on matters that impact them directly.
31. The client will engage in a scoping process with identified stakeholders at an early stage of the ESIA process to ensure identification of key risks and impacts to be assessed as part of the ESIA. As part of the scoping process, stakeholders will be able to provide comments and recommendations on a draft SEP and other scoping documents.
32. Prior to a financing decision by the EBRD, the client will prepare, publicly disclose and provide to the Bank for public disclosure the ESIA and associated documentation consistent with the requirements and timelines of paragraph 4.2 of this Environmental and Social Policy.
33. The consultation and disclosure process will meet any applicable requirements under national environmental impact assessment laws and other relevant laws. The client will publicly disclose a summary of the disclosure and consultation process, including stakeholder feedback received, and the client's response to such feedback (consultation summary). The client will keep the ESIA in the public domain throughout the life of the project, but it may be amended with additional information from time to time or archived following project completion, as long as it is available in a timely manner on request.

### External communication

34. The client will establish a procedure for external communications, proportionate to the risks and potentially adverse impacts of the project, which includes methods to receive and respond to external communications from project stakeholders.

### Grievance mechanism

35. The client will need to be aware of and respond to stakeholder concerns about the project in a timely manner. For this purpose, the client will establish an effective<sup>111</sup> grievance mechanism as early as possible in the project development process, to receive and facilitate the resolution of stakeholders' concerns and grievances, in particular about the client's environmental and social performance
36. The grievance mechanism will be proportionate to the risks and potentially adverse impacts of the project, in particular:
  - The client will inform stakeholders about the grievance mechanism in the course of its engagement activities and take any feedback into consideration in its design and implementation.
  - The grievance mechanism will address concerns promptly and effectively, in a transparent manner that is culturally appropriate, rights compatible, free from manipulation, interference, coercion, intimidation and retaliation, and readily accessible to all affected parties at no cost.
  - Handling of grievances will be done in a culturally appropriate manner and be discreet, objective, sensitive and responsive to stakeholders' needs and concerns. The mechanism will also allow for

111 As outlined by the criteria in Principle 31 of the [United Nations Guiding Principles on Business and Human Rights](#).



anonymous complaints to be raised and addressed and ensure the safety, privacy and protection of stakeholders' personal data.

- The grievance mechanism will be gender inclusive and responsive and will include tailored arrangements for stakeholders with specific needs, including vulnerable people.
- The grievance mechanism will include dedicated reporting channels, trained personnel, specialist support and response procedures for certain complaints, such as those relating to gender-based violence, child sexual abuse and exploitation (including child-sensitive reporting mechanisms), and harassment or retaliation.
- The grievance mechanism will include an appeals/recourse mechanism. The client will consider the provision of mediation to resolve grievances on projects where there are significant community concerns. The mechanism will not prevent access to judicial or administrative remedies.<sup>112</sup>
- Implementation of the grievance mechanism will be monitored and trends analysed on a regular basis to improve the operation of the mechanism.

### Monitoring and reporting

37. The client will monitor the effectiveness of the engagement process and the grievance mechanism, as required in ESR 1. Monitoring will be undertaken to inform changes to the engagement process and grievance mechanism to improve their effectiveness, as required. For projects with potentially significant risks to or adverse impacts on affected communities, and in accordance with the level of stakeholder interest, the client may engage community members or other relevant stakeholders to participate in environmental and social monitoring activities, as outlined in ESR 1.
38. During project implementation, clients may be required to prepare, publicly disclose and/or provide to the Bank for public disclosure, environmental and social reports, as required, consistent with the requirements and timelines of the Bank's Directive on Access to Information.

### Changes to project environmental and social risks and impacts

39. The SEP will include provisions for stakeholder engagement if there are changes at any stage of the project lifecycle that result in significant changes to its environmental or social risks and impacts. The client will disclose to stakeholders how these are being mitigated. If there are significant adverse risks and impacts, the client will be required to carry out additional consultation.

<sup>112</sup> Affected people may also raise concerns or grievances directly with EBRD management or with the EBRD Independent Project Accountability Mechanism (IPAM).

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| Notes

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