ENVIRONMENTAL AND SOCIAL ADVISORY COUNCIL (ESAC) MEETING: 31st JANUARY 2019

The Environmental and Social Advisory Council (ESAC) met at EBRD's offices in London on 31st January 2019. The meeting was opened by Betsy Nelson, Vice President and Chief Risk Officer who welcomed the ESAC members present:

Peter Bakvis
George Kremlis
Jacqueline McGlade
John Morrison
Marko Slokar
David Wheeler
Jan-Olaf Willums

Ms Nelson expressed her pleasure to have two new members join ESAC, Mr. Kremlis, Honorary Director from the European Commission and Mr. Morrison, CEO of the Institute for Human Rights and Business. In addition, Ms Nelson also thanked the outgoing members who have reached the end of their term of office (Dr Shvarts and Mr. Dimovski).
Ms Nelson and Dr Clark provided ESAC with a recap of the Bank's accomplishments since the last ESAC meeting in 2018 and highlighted some of the geopolitical and financial challenges that lay ahead.

Sessions One and Two: Revision of the Environmental and Social Policy

This session was presented by Mikko Venermo, Associate Director, Lead Oversight Adviser. He presented the main changes in the revision process that have occurred since the last ESAC meeting and mentioned the work that was carried out both within ESD and across various Bank departments. He confirmed that no change in architecture of ESP is envisaged, but focus on clarifying language, addressing lessons learned as well as emerging best practice. ESP will address lessons learned from implementation in practice, feedback from stakeholders and in particular PCM cases, and also guidance documents on implementation of PRs will be developed to accompany the Policy. Cross cutting issues also include clarifying requirements and when they apply/do not apply and the scope of due diligence, strengthening requirements relating to supply chains, identification of vulnerable groups and gender throughout the project lifecycle.
ESAC members praised the positive changes being brought into the Policy and also made several recommendations. Incorporation of climate proofing into PR 1, circular economy into PR 3 and actively promoting corporate social responsibility, strengthening of human rights wording and adding violation of labour rights as triggers for A categorization of projects and further improvements to PR 2 (stronger links to ILO conventions) and PR 4 (clearer definitions of workers' rights in relation health and well-being), and emerging issues such as big data and CSO shrinking space should all be considered. ESD representatives briefly responded that circular economy and CSR as well as other proposed definitions are being considered, including climate proofing, but urged the need for caution in adding too many definitions that may saturate the Policy text and also stressed that some principles such as human rights is already recognized at PR level and that EBRD's domain of influence is limited to project level for the most

part. The Bank however recognizes the need that people have the right to complain and to that extent has published a statement on its website regarding retaliation against civil society and project stakeholders, and further to this, guidance documents accompanying PRs will be developed in the coming period.

ESAC members further commented on the possibility of introducing a clear reference to the Sustainability Goals, Stockholm convention and GDPR as well as inclusion of coal-related projects in ESP's exclusion list and discussed actions that have been undertaken by the Bank to utilize block chain as an enforceability tool. EBRD representatives confirmed that exclusion of coal will most likely be present in the final version of ESP, and that the possibility of introducing reference to persistent organic pollutants is possible. EBRD economists are looking how to introduce the concept of block chain and this can be a possible topic for the next ESAC meeting. Even though the Bank is not bound to comply with GDPR, it complies with its requirements.

Session Three: Revision of the Public Information Policy

This session was introduced by Anna Samolis, Principal, Board & Institutional Affairs. Ms Samolis stressed that even though there is pressure from various stakeholders on the Bank to disclose more, there needs to be a balance against limitations the Bank is working against such as client confidentiality obligations, operational constraints and resource use. Ms Samolis summarized the main changes including the name change from Public Information Policy to Access to Information Policy, revised structure of the policy to align with latest IFI approaches (adopting a Board-approved policy with high level principles and exceptions to disclosure, and a President-approved Directive with the list of routinely disclosed information and detailed implementation arrangements) and enhanced information disclosure through proactive disclosure of state sector Board documents and additional PSD disclosure for projects approved under delegation to Bank Management as well as enhanced disclosure of environmental, social and governance (ESG) and treasury information. Additional changes are in the areas of: Routinely disclosed information: Board of Governors' information, Governance and Implementation – Information requests and Appeals, Review Cycle, Consultation timeframes on CS &SS, Exceptions to disclosure, Overrides and deferred disclosure.

The members stated their opinion that the length of the consultation period should be longer than 30 days for sector strategies and more generally asked for a better opportunity for ESAC to participate in the consultation process on sector strategies. They also commented on the amount of information disclosed and how it aligns with other IFIs. EBRD responded that the consultation period for country strategies is based on feedback from country teams, under the caveat it passed public consultation. Policies are key Bank's documents and their public consultation period is 45 days. With regard to information disclosure, while EBRD may disclose less in volume than e.g. IFC, it discloses the same amount of information in substance through providing links to key disclosure documents. Another consideration is the business model EBRD operates in and the sector it caters to, which is mostly private. The Bank has three types of deferrals to ensure sensitive information is not inadvertently disclosed. Members further commented on how Bank's clients manage 3rd party personal information and noted the lack of definition of information. Ms Samolis stated that environmental and social governance methodology keeps changing and is not included in the Policy and Ms. Alba Bozo, Associate Director, Senior Counsel further explained that the definition was not provided because it is understood that all information is covered under the Policy. GDPR is not covered by the PIP, and the Bank has internal processes on how personal information is handled. Maintaining the privacy of vulnerable groups in the Bank's COOs is described under the Guidance note on stakeholder consultation.

Sessions Four and Five: Revision of the Project Complaint Mechanism

This session was opened by Sarah Hanes, Principal PCM Adviser, Project Complaint Mechanism. Ms Hanes talked about the review process undertaken so far and proposed changes in the Policy based on stakeholder feedback and practice in implementation of the current PCM. The main changes include shift from external case processing by PCM experts to in-house case processing by the IPAM team, improved timelines for case processing, IPAM leadership by senior decision-maker, reporting line to the EBRD Board of Directors instead of Bank Management, establishment of stand-alone IPAM department, broadened eligibility assessment stage, clarified compliance review eligibility criteria and introduction of advisory mandate.

ESAC members welcomed the changes in the IPAM but noted that this will include significant costs and staffing requirements, and also ensuring the impartiality of the IPAM will be a significant task. Budgetary constraints of a mechanism responsible directly to Board were also raised. Lisa Rosen, Managing Director, Chief Compliance Officer confirmed that there are emergency funds attached to the Board in case the new mechanism is inundated to ensure uninterrupted operation of IPAM. Members also acknowledge that IPAM should be used as a last resort to deal with complaints, and lower-tier mechanisms should be put in place to avoid unnecessary PCM cases. Ms. Hanes confirmed that the Bank has in place provisions in the existing and new policy to encourage lower-tier and management solutions to avoid registration of complaints. Currently PCM registers approximately 25-30 requests per year, and an average of 10 cases per year since 2017 which is consistent with the size and number of projects. The Bank will monitor how CSOs respond to the new mechanism, but it will depend on the changes in CSO structure going forward as well.

Session Six: EBRD Energy Sector Strategy 2019-2023, information session

This session was presented by Adil Hanif, Principal Banker, Policy & TC, Energy and Maria De Melo, Principal, Adviser to MD, SIG. The EBRD Energy Sector Strategy (ESS) promotes secure, affordable, and sustainable energy through the transition to a market-oriented low-carbon energy sector. The ESS has been developed to account for the work being undertaken by MDBs on alignment with the Paris Agreement. The strategic directions of the ESS include: decarbonised economies; energy markets that are competitive, regionally integrated and resilient; cleaner oil and gas value chains; and inclusive and energy-efficient economies. To support climate goals and air quality concerns, the Bank will not finance thermal coal mining or coal-fired electricity generation capacity; not finance any upstream oil exploration; and not finance upstream oil development projects except in rare and exceptional circumstances where the projects reduce greenhouse gas emissions or flaring. Mr. Hanif and Ms. De Melo confirmed that the strategy underwent extensive consultations prior to its final form.

ESAC members congratulated the team on shifting away from financing coal-related investments and upstream oil exploration in the energy sector. They stated however that a clearer linkage to ESP should be made, proposed the inclusion of just transition strategy elements to strengthen the definition of inclusive projects and explore the concept a hybrid generation portfolio. Members also discussed the 1,5 degree target and what the Bank could do to actively support its COOs in reaching the Paris Agreement goals. Mr. Hanif confirmed that the Bank is moving away from conventional generation and is exploring projects and initiatives with our COOs who are more and more actively seeking the Bank's support. The Bank is also actively involved in supporting just inclusion, and to this end two inclusion strategies have been published by EBRD's Inclusion team. Ms De Melo confirmed that the teams will be actively cooperating in harmonizing the Bank's policies and mentioned the Green Cities programme as a good example of how the Bank is tackling energy efficiency despite the complexity of history and the institutional barriers faced when disbursing funds.

Alistair Clark thanked the ESAC members for their active participation in the day's sessions and invited them to send written questions and comments on any issues that they want answered further.