



European Bank
for Reconstruction and Development

Guidance note

EBRD Performance Requirement 1:

Assessment and management of
environmental and social risks
and impacts

March 2023

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1. Introduction and objectives

1.1. Purpose of this guidance note

The European Bank for Reconstruction and Development (EBRD) is committed to promoting environmentally sound and sustainable development in the full range of its activities, pursuant to the Agreement Establishing the Bank.¹ The Environmental and Social Policy (ESP) is one of the Bank's three good governance policies and a key document that guides this commitment to promoting "environmentally sound and sustainable development" in the full range of its investment and technical cooperation activities.² The EBRD's Board of Directors approved the 2019 Environmental and Social Policy and its 10 related Performance Requirements (PRs) on 25 April 2019. They apply to projects started after 1 January 2020.

EBRD Performance Requirement 1 (PR1) on the assessment and management of environmental and social risks and impacts sets out the Bank's overarching requirements for the environmental and social appraisal of projects. It specifies how EBRD clients should assess, manage and monitor their project-related environmental and social risks and impacts in an integrated manner.³

The EBRD may refrain from financing a project on environmental and social grounds. The Bank's ESP also includes the types of project that the EBRD will not finance based on an Environmental and Social Exclusion List (Appendix 1 of the ESP).⁴

The EBRD views environmental and social management as an adaptable, dynamic and continuous process that should be commensurate with project risks and the stage of project development, and respond to other internal and external factors. The EBRD expects clients to allocate sufficient resources to achieving appropriate governance of environmental and social risks for the full duration of the project. The EBRD also expects the client to establish regular communications with its workers, any local communities affected by the project and, where relevant, other stakeholders.

This guidance note provides EBRD clients and others with a practical guide to implementing the requirements of PR1 and expands on the key principles underpinning it. These include:

1. selected **key definitions and concepts** of PR1, including how they should be interpreted and applied in various cases (for example, depending on project risk level or the stage of project and type of financing structure)
2. the complementary and discrete **roles and responsibilities** of the client and the EBRD throughout the Bank's project environmental and social appraisal process
3. selecting a suitable approach to **environmental and social assessment and management** that meets the EBRD's requirements.

The other PRs and supporting guidance notes provide more detail on the EBRD's requirements with regard to specific types of risk and impact. Further information is available in various reference documents prepared by the EBRD and others. While this and other guidance notes cross-reference some of these documents, the client should not take this as a definitive reference list; guidance is constantly evolving and will vary in applicability for different types of project. The EBRD welcomes early engagement from potential or existing clients on topics such as the applicability of other PRs and is able to provide further guidance on particular projects.

1 See EBRD (1990), Article 2.1(vii).

2 See EBRD (2019a).

3 See EBRD (2019a), p. 13-15.

4 See EBRD (2019a), p. 10.

1.2. The underpinning principles of PR1

For the EBRD, the concept of “environmental and social risks and impacts” is an important underlying theme incorporated into the requirements of PR1. The ESP is an outcome-orientated policy that seeks to address the risks and impacts of the projects the EBRD finances as they pertain to the natural environment and society. For the client, this means:

- properly defining the “project” to be approved by the EBRD (see Section 3.1.1)
- demonstrating that all risks to and impacts on potentially affected natural and societal receptors⁵ have been identified and are being, or will be, managed for the project’s duration.

In line with its objectives, in applying PR1, it is important to note that the approach to environmental and social assessment for any project will need to be commensurate with the risks and impacts of that particular project. Project categorisation (see Section 3.4 for more details) will also guide this.

“Risks” and “impacts” are terms often used in environmental and social assessments. Risk refers to unplanned events or the potential for impacts to occur. Impacts are events that are known and that will occur. For both risks and impacts, it is important that the EBRD be able to see evidence that these are being, or will be, adequately assessed and managed and that appropriate measures have been, or will be, put in place to minimise and manage the risk or impact.

1.3. Key changes from the 2014 PR1 to the 2019 PR1

The updated version of PR1 took effect on 1 January 2020. It aligns largely with the 2014 version of PR1, but includes some significant changes, primarily in the areas of:

- How the environmental and social risks and impacts of associated facilities should be assessed, managed and mitigated in the environmental and social assessment process.
- How the environmental and social risks and impacts of other facilities or activities in the vicinity of the project, existing facilities, and facilities or activities outside the control of the client should be assessed and mitigated.

- The need to assess and mitigate gender impacts and the risks caused by climate change.
- 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.
- The definition of a category A project has been enhanced to consider cumulative impacts and the fact that impacts should be new and additional and, at the time of categorisation, not readily identifiable or assessable.
- The approach to third-party risks, including supply chains and contractors, has been strengthened.

1.4. Key objectives of PR1

PR1, paragraph 3 sets out its key objectives:

- Identify and assess the environmental and social risks and impacts of the project.
- Adopt a mitigation hierarchy approach to addressing environmental and social risks and impacts from project activities on workers, affected communities and the environment.
- Develop an environmental and social management system (ESMS) commensurate with the environmental and social risks and impacts of the project, in a manner consistent with the relevant PRs.
- Promote continuous improvement of the client’s environmental and social performance through the effective use of management systems.

⁵ The term “receptor” is used to describe features of the biophysical and social environment that may be affected by or interact with the project. This may include, for example, water resources, land, air, habitats, species, communities, individuals and cultural heritage.

2. Scope of application

PR1 applies to all projects financed by the EBRD as established in the ESP. The client will, as part of its environmental and social assessment process, identify the relevant requirements of this PR and how they will be addressed and managed through the project's design, construction, operation, decommissioning or closure, and reinstatement. PR1 also requires the client to take into account the applicability of all other PRs to the project in question and to comply with all other PRs as required. The client will need to agree with the EBRD which of the PRs apply. The EBRD's view is that all of the PRs apply to the project until determined otherwise.

3. Requirements

3.1. EBRD requirements depending on project type

3.1.1. Defining the project

The definition of a "project" used by the EBRD can be found in Section II of the EBRD's ESP:⁶

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

3.1.2. EBRD requirements depending on project type

Project assessment processes should take into account the full life of a project, from design, construction and operation to decommissioning or closure and reinstatement.

In practice, this requires the client to complete an appropriate form of environmental and social assessment of the proposed project, as well as (where applicable) any associated facilities, primary supply chains and/or other relevant facilities and activities, with a view to contextual risks. It further requires the client to implement an effective ESMS for the lifetime of the project. The way this is done should be proportionate to and commensurate with the types of risk and impact associated with the particular project. The EBRD's categorisation process will guide this to some extent.

Tables 1 and 2 provide further guidance on how the PRs need to be met in a range of circumstances. These are illustrative only and should be clarified with the EBRD on a project-by-project basis.

3.2. Role of the EBRD and the client

The EBRD's role is explained in the ESP 2019. The EBRD and the client play complementary yet discrete roles, which together enable the EBRD to understand and be satisfied that environmental and social risks and impacts will be managed to an acceptable degree throughout the project lifecycle. Figure 1 summarises these roles.

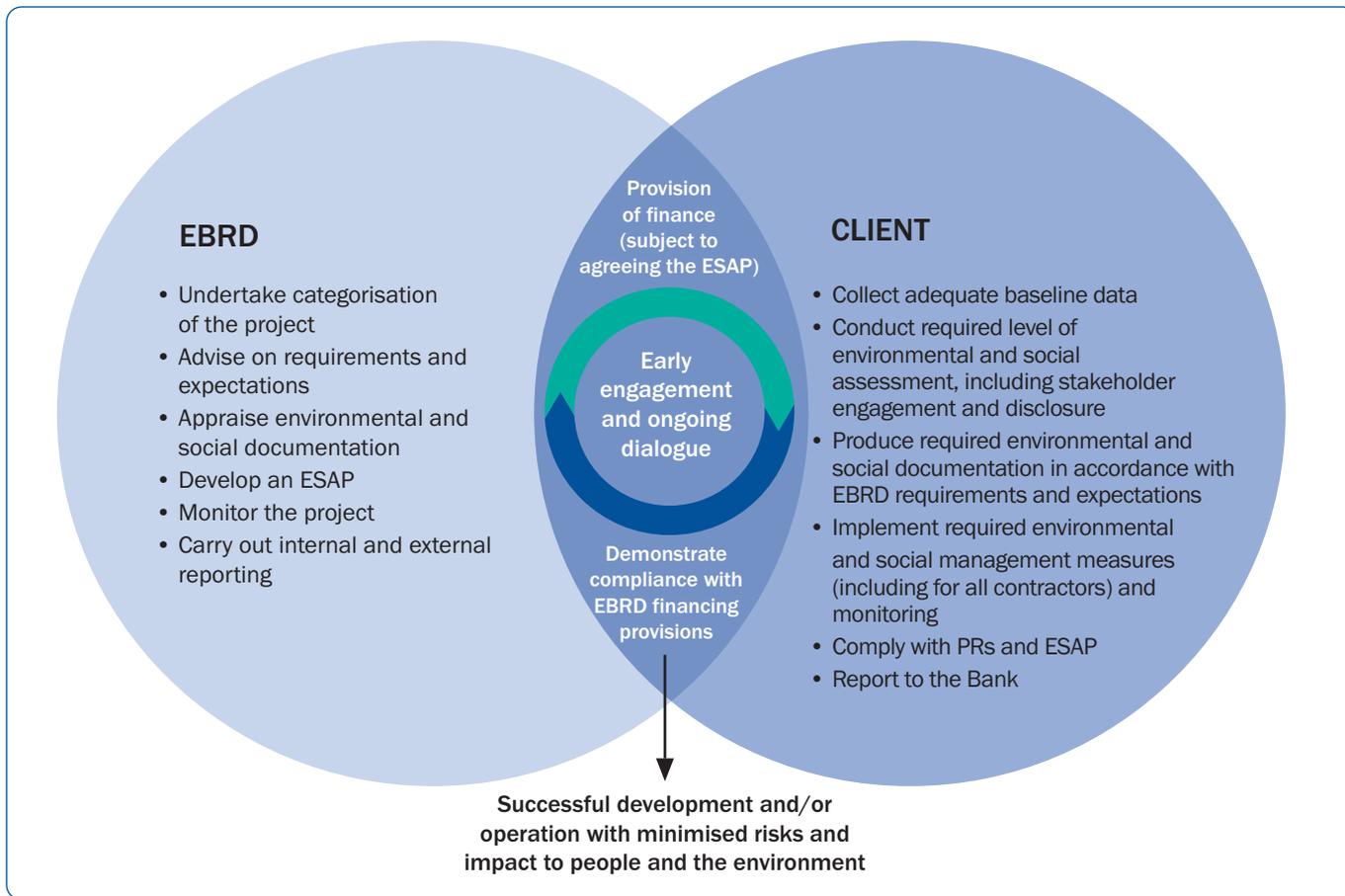
Table 1. Meeting the PRs

Project	EBRD requirements
New facilities or business activities	<ul style="list-style-type: none"> The project must be designed from the outset to meet the requirements of all applicable PRs and, by extension, good international practice (GIP)⁷ and EU substantive environmental standards, where applicable, throughout the entire lifecycle, including decommissioning and closure. The client will be required to adopt an environmental and social action plan (ESAP) confirming its commitment to meet the PRs following project approval. ESAPs are a fundamental part of financing agreements and become binding between the client and the EBRD. Section 3.6.6 discusses ESAPs in detail.
Modernisation or upgrading of existing facilities or business activities	<ul style="list-style-type: none"> Where the EBRD will be financing the addition of new equipment within an existing facility, the new equipment must comply with all applicable PRs and EU substantive environmental standards from the outset. The rest of the existing facility must be assessed against all PRs and an ESAP is required. The ESAP will be developed by the EBRD and agreed and implemented by the client to bring the facility into compliance with the PRs within an appropriate period.

⁶ Ibid.

⁷ Defined in the Environmental and Social Policy as "the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally. The outcome of such exercise will be that the project employs the most appropriate techniques and standards in the project specific circumstances." See EBRD (2019a).

Figure 1. EBRD and client roles and responsibilities



The EBRD defines the category of the project (see Section 3.4 for further details), reviews the results of the environmental and social assessment, conducts its appraisal and makes its financing decision. The Bank advises the client on how to implement its PRs and what it must produce and disclose. Where appropriate, the EBRD will also encourage and assist the client in identifying opportunities for additional environmental or social benefits.

The client is expected to:

- conduct an environmental and social assessment of the proposed project and any associated facilities, primary supply chains and/or other relevant facilities and activities (see Section 3.5 for further details)
- develop mitigation and management measures and potential opportunities for environmental or social benefits
- initiate and demonstrate the process of implementing an effective environmental and social management plan (ESMP) and ESMS.

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

Table 2. EBRD PR1 requirements by type of direct finance

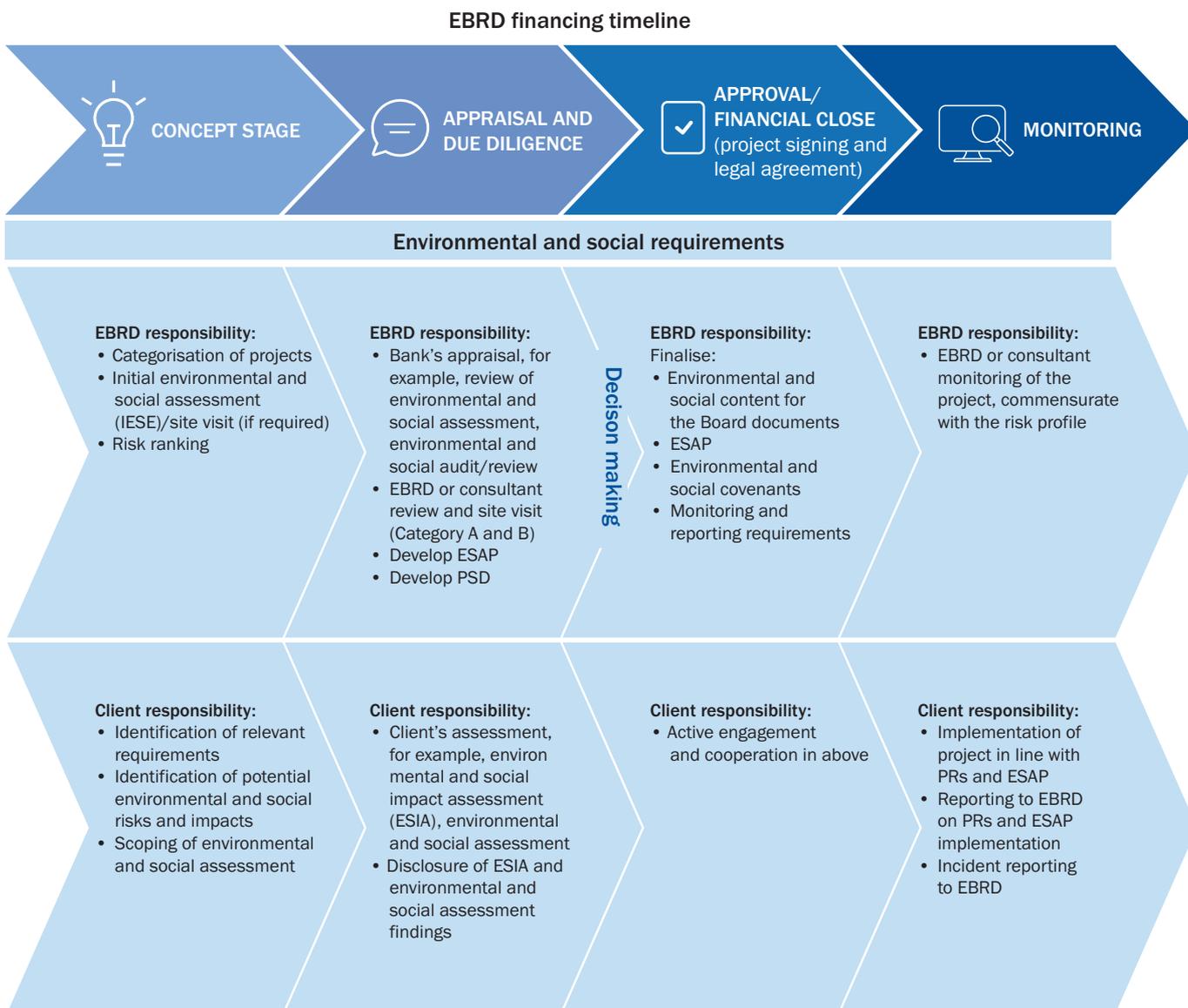
Type of direct finance*	EBRD requirements
Project finance	<ul style="list-style-type: none"> • Environmental and social assessment of the project, depending on categorisation and risks and impacts of the project. • Project needs to meet PRs from the outset. • If the project involves existing facilities, these facilities need to meet the PRs within a timeframe acceptable to the EBRD. • ESAP for project and existing facilities, where relevant.
Equity participation	<ul style="list-style-type: none"> • Environmental and social assessment of the use of equity proceeds, depending on categorisation and the risks and impacts of the project and client operations. • Use of equity proceeds, as well as future projects, needs to meet PRs from the outset. • All existing operations need to meet PRs within a reasonable period. • ESAP at a corporate level, for use of proceeds and existing operations.
Corporate finance	<ul style="list-style-type: none"> • Environmental and social assessment of client's current ESMS and past and current performance against the applicable PRs. • ESAP at a corporate level. • Site-specific actions may be considered depending on the risk profile of the business activities.
Capital market transactions, such as bonds	<ul style="list-style-type: none"> • Defined by the EBRD and will depend on the use of proceeds by the client and capital-market transaction restrictions of the host jurisdiction. • Specific actions will be agreed by the EBRD and the client, as necessary, and within the structure of capital markets rules as they apply to the project.

Note: *Indirect financing is covered by PR9.

3.3. EBRD financing timeline

Figure 2 illustrates how the EBRD decides on environmental and social considerations over the financing timeline. This is an illustrative graphic and not an exhaustive list of steps that can be taken for any given project. Its purpose is to provide context for users of PR1 and for how certain requirements of PR1 fit or align with broader financing decisions.

Figure 2. Key milestones in the EBRD’s consideration of environmental and social requirements and decision-making



3.4. Categorisation

The EBRD categorises all direct investment projects as either A, B or C depending on the nature of the potentially significant environmental and/or social risks and impacts associated with project activities.⁸ If the EBRD is unable to categorise a project at the concept stage (the first formal stage of the EBRD's financing timeline) based on the information available, it may categorise a project as requiring an initial environmental and social examination (IESE). The IESE is undertaken by the EBRD in consultation with the client to determine an appropriate categorisation for a project.

Table 3. Defining Category A, B and C projects per paragraph 4, Section IV of the EBRD ESP

Category	Description
A	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, at the time of categorisation, cannot readily be identified or assessed. Projects categorised as A require a formalised and participatory environmental and social impact assessment process. A list of Category A projects is available in Appendix 2 of the EBRD ESP.*
B	A project is categorised as B when its potential environmental and/or social impacts are typically site-specific and/or readily identified and addressed through effective mitigation measures. The EBRD will determine the scope of environmental and social appraisal on a case-by-case basis.
C	A project is categorised C when it is likely to have minimal or no potential adverse environmental and/or social impacts.

Note: *In cases where the risks and impacts have been assessed (for example, through an environmental and social impact assessment (ESIA)) prior to categorisation, if the risks and impacts are expected to be new, additional and potentially significant and the project is listed in Appendix 2, the EBRD would still generally categorise the project as A.

A formalised and participatory environmental and social impact assessment (ESIA) is required for projects the EBRD categorises as A. For other categories of project (B and C), the environmental and social assessment may take a different form proportionate to their risk. Some Category B projects may require a full appraisal of a particular PR (for example, PR5 if resettlement is required or PR6 if critical habitat is identified)⁹ that would be more akin to that of a Category A ESIA, but this may not impact overall project categorisation.

Table 4 indicates the typical processes that need to be carried out for each category of project and the ensuing disclosure requirements of associated documents. This is an illustrative list only; the client should agree precise project requirements with the EBRD on a case-

by-case basis.

Although the nature of the assessment may vary in scope according to categorisation and the risks of the project, certain steps must be taken for all projects, irrespective of initial categorisation. In other words, for every project, there needs to be an assessment of the project risks and impacts, with measures and/or resources put in place to manage any such risks and impacts appropriately, in line with the mitigation hierarchy and GIP. For all projects, certain outputs, such as an ESMP or ESMS, are required, irrespective of the project category assigned (see Section 3.6 for further detail on environmental and social management principles and requirements).

⁸ See EBRD (2019a), Section IV, paragraphs 4.2 to 4.4.

⁹ See EBRD (2019a).

Table 4. Indicative deliverables and disclosure requirements by category

	Category (as defined in the EBRD ESP)		
	A	B	C
Indicative deliverables	Formalised and participatory ESIA process.	Independent audit and project assessment, EBRD audit and assessment, questionnaire, client assessment, documentation review, and so on. Depends on the project, financial structure, sector, risk, and so on. Where required, specific PR assessments (such as PR5, PR6).	Typically requires the completion of a questionnaire provided by the EBRD.
Documents for disclosure on the EBRD website	Project summary document (PSD), developed by the EBRD), ESIA, ESMP(s), non-technical summary (NTS), stakeholder engagement plan and ESAP	NTS and PSD.	PSD.

Note:

The duration and timing of disclosure for each project depend on the project category, whether it is private- or state-sector financing, and whether the financing decision is taken by the EBRD's Board of Directors or approved by EBRD Management where the Board of Directors has delegated approval authority. The EBRD also has specific requirements for the languages in which disclosed project environmental and social documentation and PSDs must be made available. Please see the EBRD Access to Information Directive (2019)¹⁰ for details. Clients should agree disclosure requirements with the EBRD.

3.5. Environmental and social assessment

The EBRD requires the client to conduct a form of environmental and social assessment for the project. The Bank is able to provide guidance on the scope of an environmental and social assessment, including the provision of questionnaires and terms of reference, which may assist the client in appointing specialist advice. The process of conducting an environmental and social assessment starts early in the project development phase, in parallel with technical and financial decision-making, to identify and assess environmental and social risks and impacts associated with the project and its associated facilities, primary supply chains, and/or other relevant facilities and activities. This is the first step in developing a system to manage environmental and social risks, as well as associated technical, financial and legal risks, over the project's lifetime.

The requirement to produce an environmental and social assessment should not be confused with the requirement to develop a full ESIA:

- A full, participatory ESIA is typically required only for Category A projects and explained in further detail below. Where a full ESIA is required, the EBRD recognises that, in some circumstances, the client may already have developed or be in receipt of assessments and data that relate to the project (for example, a locally compliant environmental impact assessment or other permitting studies) before approaching the EBRD for financing. In these instances, the EBRD recognises that this work may fulfil some or all of the EBRD's requirements for a Category A project and that certain supplementary studies may only be needed to meet additional EBRD requirements and to bring the original documentation to the standard of a full, participatory ESIA. This should be discussed with the EBRD on a case-by-case basis.
- Category B projects generally do not require a full, participatory ESIA, but may require detailed assessments for certain PRs. Whenever possible, the EBRD takes into account work done to date by the client (for example, on permitting or other studies), however, this is decided on case-by-case basis and will depend on the quality and sufficiency of the information provided. The latter is usually defined through a gap-analysis process.

¹⁰ See EBRD (2019b).

3.5.1. Applicable environmental and social laws and regulatory requirements

For any category of project, the client must identify applicable national environmental and social laws and regulations and ensure compliance with their requirements for the duration of the project. This generally includes the applicable environmental and social laws and regulatory requirements of the jurisdictions in which the project operates, as well as laws implementing host-country obligations under international public law.

In addition to meeting national regulations, the client is required to comply with any applicable EU substantive environmental standards, regardless of the location of project-related operations, as explained in paragraph 2.2 of Section III of the EBRD's ESP:¹¹

"... as a signatory to the European Principles for the Environment, [the] EBRD is committed to ensuring that projects are structured to meet EU environmental principles, practices and substantive standards, where these can be applied at the project level, regardless of their geographic location. When host country regulations differ from EU substantive environmental standards, projects will be required to meet whichever is more stringent."

Examples of potentially relevant EU standards include: best available techniques (BAT) (see PR3), the Seveso III Directive (see PR4) and the Habitats Directive (see PR6). If no relevant EU standard can be identified, the EBRD and the client will agree on the standard to be applied.

The client should be aware that meeting national requirements does not necessarily mean that all EBRD requirements have been met. The granting of an environmental impact assessment permit in itself may not confirm that all host-country and international obligations have been met. The documentation provided to the EBRD must demonstrate how the assessment has met EBRD requirements (including EU environmental substantive standards) as well as national and international requirements if these are more stringent than EBRD requirements.

When defining the applicable requirements for a specific project, GIP should also be established based on relevant guidance notes and industry body codes specific to the industry sector being assessed.

3.5.2. Applicable requirements under other PRs

The requirements contained within PR1 are applicable to all direct finance projects. PR1 also requires the client to consider the applicability of all other PRs to the project under consideration and comply with the all other PRs as relevant. The EBRD's approach is that all PRs apply to the project.

3.5.3. Scope of the environmental and social assessment

In addition to assessing the risks and impacts associated with the project (including project activities undertaken by contractors), the client (whether it be through a full ESIA for Category A, or less extensive documentation for Category B or C projects) needs to assess the risks and impacts of any associated facilities, primary supply chains and/or other relevant facilities and activities, as Figure 3 illustrates.

11 See EBRD (2019a).

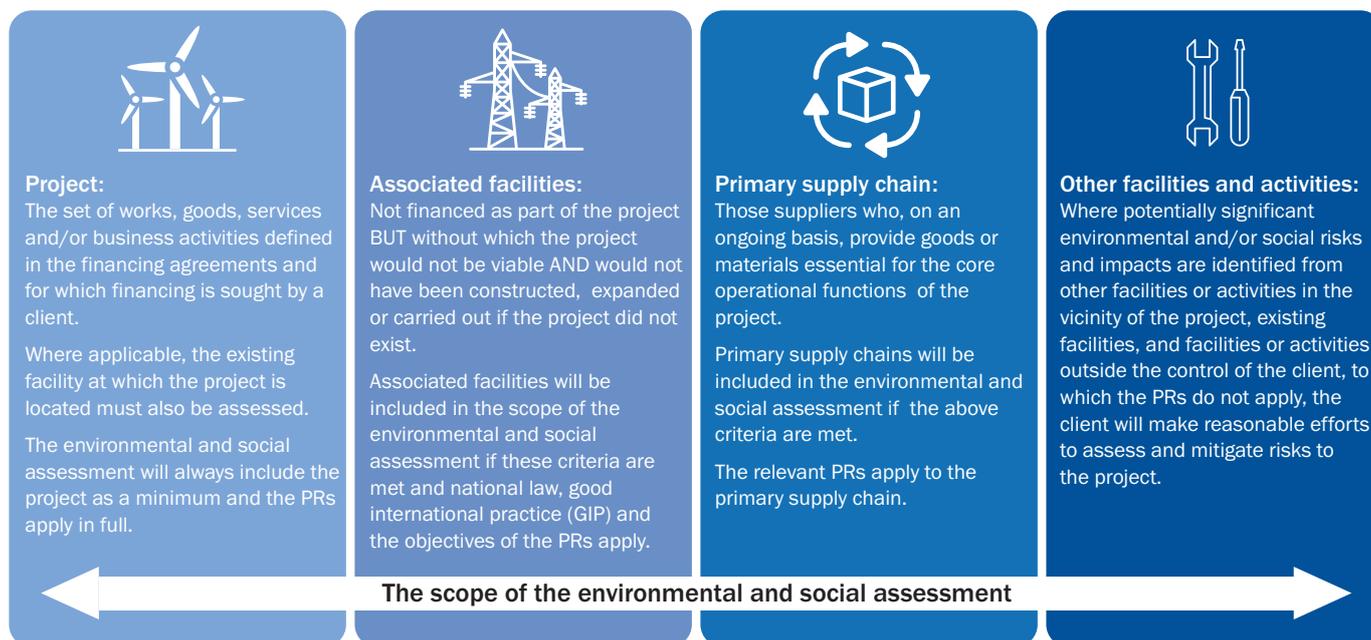
Figure 3. Defining the scope of the environmental and social assessment

Figure 3 shows the interrelationships between the project for which financing is sought and the facilities and/or activities that may impact or present risks to the project, or vice versa. The physical boundaries of the assessment should be defined at an early stage of the assessment process and the linkages and leverage between the project and relevant facilities and/or activities be clearly defined.

3.5.4. Associated facilities

The EBRD requires the client to conduct an environmental and social assessment not only of the project, but also any associated facilities. Associated facilities are defined in Section II of the EBRD's ESP as:¹²

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

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

Based on the key principles of the definition in the EBRD's ESP, the following bullet points explain what an associated facility could include in practice:

- An associated facility is any facility or activity not financed by the EBRD as part of the project, but which is essential to realising the project and/or its outcomes.
- An associated facility is more than likely to be developed by or on behalf of a third party.
- Associated facilities and/or activities can only be new facilities (including expansions or substantial modifications of existing facilities) and activities.
- Associated facilities and/or activities would not have been built or carried out if the project had not been developed.
- Where a project has been prompted by or relies on an already existing facility for its success, that existing facility or activity is not an associated facility or activity.

12 See EBRD (2019a).

Some examples of what comprises an associated facility can be found in Table 5. This is not an exhaustive list of potential scenarios, however, and the definition of project and associated facility for any given project should be agreed with the EBRD on a case-by-case basis.

Table 5. Examples of associated facility scenarios

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

Note: Even when another activity is not deemed an associated facility, the project developer still needs to consider the risks and impacts such facilities present to the project, per paragraph 3.5 of Section III of the EBRD's ESP. See EBRD (2019a).

Associated facilities should be clearly distinguished in any assessment and, just as project risks and impacts need to be assessed, the associated facilities discussion needs to include the findings of the assessment of risks and impacts. It should also include the measures and actions required to manage and mitigate such risks and impacts in line with national law, good international practice and the objectives of the PRs. These measures and actions should

be captured, as necessary, in ESMPs and/or the project ESAP. To ensure that the measures and actions are realised, the client may need to seek agreements with the developer/operator of such associated facilities or build environmental and social management requirements into contracts.

3.5.5. Integrated assessment

The EBRD requires that an “integrated assessment” be carried out on directly financed projects. This means that the EBRD pays equal attention to the identification, assessment, management and monitoring of both the environmental and social risks and impacts, including contextual risks, associated with the projects it finances. National environmental impact assessments (EIAs) often include many of the environmental items covered under the PRs (although it should not be assumed that the inclusion of these items in the assessment means that the quality of the assessment will meet EBRD requirements). However, the scope of a social assessment varies according to the project location (country) and is often limited or omitted. For example, in some countries, there is no legal need for social risks and impacts to be assessed in detail within the national impact assessment process. In such instances, the client will need to develop a strategy to ensure that both environmental and social risks and impacts are fully assessed and managed, to demonstrate alignment with EBRD requirements for both environmental and social risk and impact management.

In some instances, it is recognised that an activity may have adverse environmental impacts but positive social impacts (or vice versa). Taking an integrated approach means that these impacts and interactions should be considered holistically.

The types of risk and impact that one could be expected to consider for an environmental and social assessment are shown in Table 6. The extent of relevant topics should be considered on a case-by-case basis for each project and discussed with the EBRD in case of doubt. Further detail on considering these topics is available in other PRs.

Table 6. Examples of risks and impacts for consideration in environmental and social assessments

Environmental risks and impacts	Social risks and impacts
Risks and impacts that pertain to changes in ambient air quality, noise conditions, soil and water quality, biodiversity species or habitat, and climate change risks	Risks and impacts that pertain to project-affected people and their communities and workers, and are related to human rights, socioeconomic status, access to resources, livelihoods, resettlement, vulnerability, gender issues, cultural heritage, labour and working conditions, community, health and safety, and participation in decision making

3.5.6. Scoping

For a Category A project requiring a full ESIA, a scoping or screening process is crucial in order to frame the assessment and focus data-gathering and assessment on the most material issues.

The scoping process typically identifies the potentially most important/significant risks and impacts (including secondary, indirect and cumulative) that the assessment should address. The scoping process includes obtaining views on the proposed project through consultation with institutional stakeholders, as well as a diverse and representative set of potentially impacted and interested stakeholders. A key part of scoping is to clarify the topics that need to be considered in the main environmental and social assessment, so that the process and output are focused on the key issues. Good scoping will then focus subsequent phases of the assessment process on these key issues in terms of collecting information on existing conditions, engaging stakeholders, understanding the risks and impacts, and developing measures to avoid or control and monitor them.

Depending on the particular issues deemed relevant to a particular project, as PR1 explains, it may be appropriate to involve further experts or to undertake more detailed studies on particular issues, such as physical displacement, human rights, climate change, gender or critical habitat. The need to undertake such studies should be based on an understanding of the project issues. Clients can ask the EBRD for guidance, if required.

Previous EIA activities undertaken as part of a national permitting process may be sufficiently robust to be considered project scoping. However, this will be determined on a case-by-case basis in consultation with the EBRD.

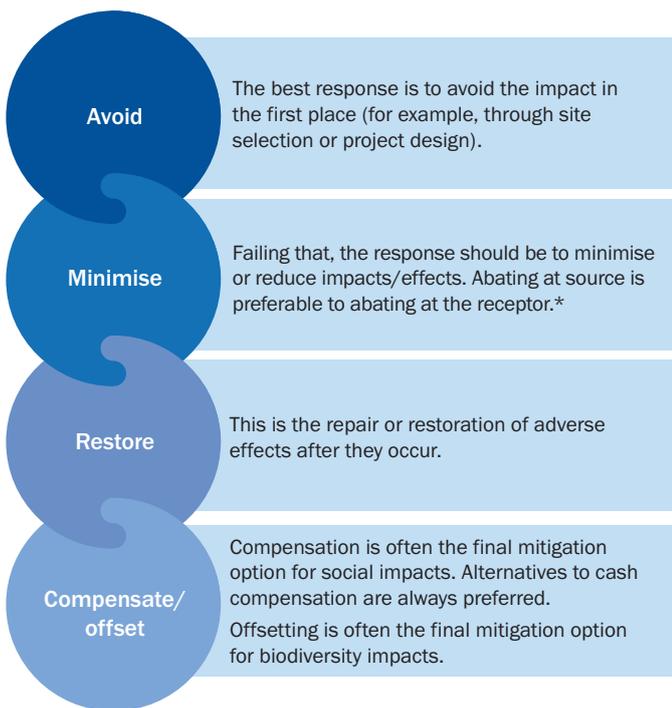
3.5.7 Mitigation hierarchy

The EBRD’s ESP defines the mitigation hierarchy as:¹³ “... 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.”

Mitigation measures should be developed to avoid, minimise and mitigate/restore any significant negative impacts identified during the assessment process, and to create or enhance positive impacts, such as environmental and social benefits. Offsets/compensation should only be considered as a last resort once all other mitigation measures are considered.

A hierarchy of options is typically explored when applying mitigation measures, as Figure 4 illustrates.

Figure 4. The mitigation hierarchy



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

Mitigation measures are often established based on industry standards and may include, for example:

- changes to the configuration of the project during the design process (for example, changing the development approach or selection of more energy-efficient power-generating equipment or changing the project configuration to reduce spatial impacts)
- the engineering controls and other physical measures applied (for example, the use of effluent treatment equipment or spill prevention technology)
- operational plans and procedures (such as notification to other resource users, emergency preparedness plans or waste management plans).

Where mitigation commitments are reported in an environmental and social assessment (for example, in the case of a full ESIA), they should be written in a way that is easily interpreted and implementable. They should be carried through to the ESMP (see Section 3.6.1). Any commitments presented within an ESIA and/or within the ESMP should also be verifiable when thinking about the long-term implementation of the project over the operational lifetime of the project.

3.5.8. Alternatives assessment

PR1 clarifies that where a full ESIA is required for Category A projects, “the ESIA shall include an analysis of reasonable alternatives, in terms of project location, technology, size, scale and design, mitigation options and the “without project” scenario”.¹⁴ Types of alternative assessment may include, for instance: project concept alternatives, routing and site location alternatives, or technical and design alternatives, which may require an EU BAT assessment or evaluation against GIP.

In some instances, the EBRD may be presented with a project at concept stage, where the alternatives assessment has already been completed as part of the national EIA process and where a full ESIA is proceeding on the selected project configuration or solution. In such instances, the EBRD will review the existing alternatives analysis to assess whether the provisions of the PR have been met and confirm whether the project can proceed on suitably robust grounds. Should deficiencies be noted, the client should be prepared to revisit the alternatives assessment in line with PR1 and GIP. The extent and nature of the alternatives assessment should be discussed and agreed with the EBRD, particularly in situations where projects are at an advanced stage.

13 See EBRD (2019a).

14 See EBRD (2019a), p. 14.

3.5.9. Climate change risk assessment

PR1 states that the assessment must consider climate change. In essence, the assessment may include the potential impact of the project on climate change (for example, GHG emissions) and/or the risks to the project caused by climate change and how the project will adapt to these changes (for example, natural hazards or water scarcity). Climate change risk assessments (CCRAs) may be complex in nature and require significant baseline data collection. Therefore, the CCRA will be refined over time and a CCRA developed in line with GIP will be updated after EBRD approval, on the basis that a preliminary assessment has been undertaken before approval. This is also an important consideration in the context of cumulative impact assessments, discussed below.

3.5.10. Cumulative impact assessment

PR1 requires the client, through its environmental and social assessment process, to “identify and characterise, to the extent appropriate, cumulative risks and impacts of the project in combination with risks and impacts from other relevant past, present and reasonably foreseeable developments as well as unplanned but predictable activities enabled by the project that may occur later on”.¹⁵ The approach to assessing this for any project will vary depending on project context, the types of risk and issue, and the availability of data. However, the client will be required to demonstrate that all “reasonably foreseeable” and “unplanned but predictable” activities have been determined and considered. The client should consider whether there are any existing cumulative impact assessments (CIA) available, or strategic environmental assessments (SEA) and/or ESIA that could be used as a relevant source of information to inform the CIA. A number of sources exist to provide further guidance on how to undertake an appropriate level of CIA.

3.5.11. Appropriate data

When the client is required to gather data as part of the environmental and social assessment, the EBRD expects the client to use current and up-to-date, site-specific information on the project. This is likely to be most relevant in the case of Category A projects, where a full ESIA may be required, but could also apply to Category B and C projects should specific assessments be required to respond to particular PR requirements.

The EBRD carefully considers the quality of the environmental and social baseline data used in an assessment. If sufficient or quality data are missing, the EBRD expects clients to conduct baseline data collection, which can include:

- primary data collection, directly by specialists for the purposes of the project
- secondary data collection, namely, information gathered from existing resources (such as previous reports or public datasets).

There is no universal definition of what is “appropriate” with regard to baseline data, and good international practice should be adopted. A common example of this might be the collection of appropriate biodiversity or socioeconomic baseline data, including methodologies deployed and temporal and spatial scope. This will depend on a range of project-specific factors, for example, the likely sensitivity/vulnerability of the affected receptors in any particular context or location and the types of project-related activity that will interact with existing environmental or social conditions.

3.5.12. Information disclosure and stakeholder engagement

PR1 briefly outlines the requirements for information disclosure and stakeholder engagement. Further detail on these requirements can be found in PR10. It is likely and possible that national and EBRD expectations on disclosure will differ (see Table 4 for more details on the disclosure requirements for each category of project). The EBRD discloses project-related environmental and social documentation in an official EBRD language, typically English, and in a language appropriate to the project location. Stakeholder engagement plans will include a grievance mechanism, and clients are required to ensure that such a mechanism is functioning and that the client, rather than the EBRD, is the first contact in the efficient resolution of potential stakeholder concerns.

3.6. Environmental and social management

3.6.1. Environmental and social management plan

Whatever the categorisation of the project and the extent of environmental and social assessment deemed appropriate, the EBRD requires an ESMP (a plan or series of plans, programmes and procedures) to address any environmental and social risks and impacts that may be associated with the project.

The ESMP must be linked to the risks and impacts identified for the project and should be developed proportionately to reflect these. The EBRD does not specify precise requirements or templates for an ESMP, but the key underlying principles are that the results of the environmental and social assessment need to be integrated into management practices, processes and documents and cover all applicable aspects of PR1.

15 See EBRD (2019a), p. 14.

As many of the measures identified in the ESMP will typically need to be implemented by contractors, it is essential that the ESMP be incorporated into contracting terms as soon as possible. Consequently, in some cases, it would be advantageous to prepare a draft ESMP or framework early in the process and to refine it following the environmental and social assessment.

In addition to detailing the measures to be used to mitigate impacts, the plan(s) may include supporting information, such as:

- Who will be responsible for implementing these measures?
- What staff training will be required?
- How will compliance with the plan be verified (for example, auditing and inspection)?
- Will monitoring be conducted to verify the effectiveness of measures?
- What process will be followed if corrective actions are required (for example, if a measure is not effective or is not being correctly implemented)?

It is important to consider whether the measures included are implementable and verifiable. Avoid using soft language, such as “endeavour”, “consider”, “evaluate”, “suitable”, and so on. In drafting the mitigation measures, take into account how each measure will be implemented to minimise the need to make such determinations in the field.

3.6.2. Environmental and social policy

The client is expected to have an overarching environmental and social policy, or framework of policies, which is aligned with PR1. It is important that the policy have the full buy-in of the relevant levels of company management. The purpose of having a policy in place is to support the client organisation in mapping out its approach to environmental and social management. Thus, principles relating to environmental and social management are embedded throughout the management systems such that it develops in an integrated way.

3.6.3. Environmental and social management systems

The ESMS is an important part of a project, as it puts in place the measures whereby environmental and social requirements will be embedded into a client's project activities to comply with the applicable PRs. It is, therefore, the vehicle through which the findings of the environmental and social assessment process are implemented on the ground. As such, the ESMS should be seen as directly following on from the environmental and social assessment and, where feasible, the environmental and social assessment should be conducted with ESMS application in mind.

If the ESMS is not developed in parallel with the environmental and social assessment, then a framework ESMP can sometimes be produced at the environmental and social assessment stage and implemented into the full ESMS at a later date. The suitability of this approach should be agreed with the EBRD.

The exact format of an ESMS can be different depending on the project and regional context, but in principle, it may be helpful for the client to consider some broad principles pertaining to management systems, such as those provided by the International Organization for Standardization (ISO) and other sources of GIP.

Two key principles in such systems are “continual improvement” and “leadership”. Similar internationally recognised social, labour and health-and-safety management frameworks are also available for guidance.

The ESMS will vary depending on the stage of the project lifecycle and the activity being financed by the EBRD. For greenfield developments, the ESMS will need to cover the construction, commissioning and, ultimately, the operation of the new facility. The ESMS will be quite different for these phases and, during construction, the commitments in the ESIA will need to be integrated into procedures, with a clear delineation of responsibilities between parties, including the client's contractors and subcontractors. Where an operational business is receiving funding (that is, where no ESIA is typically undertaken), the ESMS will be established based on routine activities and will be less subject to change.

3.6.4. Organisational capacity and commitment

Implementation of EBRD requirements necessitates having dedicated and adequate resources in place to implement the requirements identified in the environmental and social assessment and to monitor compliance with the relevant PRs, laws and other regulatory requirements. This capacity may include both suitably qualified human resources, as well as financial (operational and capital) resources. Appropriate individuals should be chosen to take on certain roles, to reflect the nature of the risks and impacts relevant to the project

3.6.5. Third-party risk and supply-chain management

For the EBRD, it is important that the client recognise that contractors engaged on a project and the risks associated with their activities are their responsibility. The client's responsibility also extends to certain risks associated with activities in its primary supply chains of essential goods and materials. Such risks should be identified and considered in the ESMS, along with the risks and impacts associated with project activities carried out directly by the client.

The client can fulfil its responsibilities in practical terms by reviewing its contractual relationships with contractors and primary suppliers and considering what it must require of those parties in terms of environmental and social management.

More specific supply-chain requirements are set out in Performance Requirements 2, 4 and 6.¹⁶

3.6.6. Environmental and social action plans (ESAPs)

When the EBRD identifies issues in relation to PR compliance, it will agree with the client in the form of an ESAP a series of technically and financially feasible and cost-effective measures to achieve compliance with the PRs within a timeframe acceptable to the Bank.

In the ESAP, the EBRD and the client will agree specific corrective and preventative actions, mitigation measures and an implementation timeframe, which the client undertakes to implement and adhere to, to manage the environmental and social risks and impacts of the project in accordance with the PRs.

The ESAP will form part of the financing agreements and include, as necessary, the client's obligations to support the implementation of the ESAP.

3.6.7. Project monitoring and reporting to the EBRD

The process of managing environmental and social risks and impacts over the project lifetime begins with the production of an environmental and social assessment and the establishment of an ESMP and ESMS. These should be followed by monitoring, which is key to continuous improvement and a successful ESMS.

The EBRD makes no formal specifications when it comes to monitoring, as the extent and form will be agreed on a project-by-project basis, proportionate to the specific risks and impacts of the project. Plans for monitoring should follow logically from the commitments included in the ESMS and ESMP. Monitoring should be considered early in the ESMS development process.

The EBRD requires the client to report "regularly". This is typically an annual exercise, but can be more frequent, depending on the project specifics. The EBRD will agree the content of such reports and advise on reporting expectations. In some circumstances, the EBRD may require a client to commission an independent audit of the project under terms of reference approved by the Bank.

The client is required to notify the EBRD in several instances, including:

- Any "environmental or social incident or accident relating to the client or the project which has, or is likely to have, a significant adverse effect". Examples for such events will be provided to the client as part of the financing documentation. They are likely to include a fatality, a reportable incident under national law or a major pollution incident.
- "Any changes to the project's scope, design or operation that [are] likely to materially change its environmental or social risks and impacts". This may include a material change in location or capacity of the project, change in raw materials, technology or processes being used, or the project schedule.

Further detail on these requirements is likely to be stipulated in the financing documentation. Broadly, in these instances, the client is expected to carry out an appropriate additional assessment and stakeholder engagement in line with the PRs and amend the ESMP or ESAP accordingly as agreed with the EBRD.

¹⁶ See EBRD (2019a).

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Acronyms

BAT	Best available techniques
CCRA	Climate change risk assessment
CIA	Cumulative impact assessment
EBRD	European Bank for Reconstruction and Development
EIA	Environmental impact assessment
ESAP	Environmental and social action plan
ESIA	Environmental and social impact assessment
ESMP	Environmental and social management plan
ESMS	Environmental and social management system
ESP	Environmental and Social Policy
GIP	Good international practice
IESE	Initial environmental and social examination
NTS	Non-technical summary
PR	Performance Requirement
PSD	Project summary document
SEA	Strategic environmental assessment

1548 Guidance note – EBRD Performance Requirement 1: Assessment and management of environmental and social risks and impacts

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