

Environmental and social management system – stakeholder engagement and external grievance mechanism



European Bank
for Reconstruction and Development

Introduction

Financial intermediaries (FIs) are required to comply with the stakeholder engagement and external grievance mechanism set out in Performance Requirement (PR9) of the European Bank for Reconstruction and Development's (EBRD) [Environmental and Social Policy](#).¹ These requirements include developing and implementing an effective stakeholder engagement plan and grievance mechanism that provide all stakeholders with a transparent, accessible and responsive platform through which to voice their concerns, seek resolution to grievances and actively participate in decision-making processes that affect the FI's operations and policies. Generally, the level, scale, detail and effort of stakeholder engagement needs to be commensurate with the environmental and social (E&S) risk of the FI portfolio. This process should be managed as part of the FI's environmental and social management system (ESMS).

This guidance material should be used in conjunction with the EBRD's range of supporting guidance notes designed to help FIs manage specific stakeholder engagement and external grievances. This document will refer to these other guidance documents as necessary throughout.

For additional information on the EBRD's requirements with regard to the implementation of appropriate stakeholder engagement processes and external grievance mechanisms, please see [Guidance Note – EBRD Performance Requirement 9: Financial intermediaries](#).²

Stakeholder engagement

Stakeholder engagement objectives

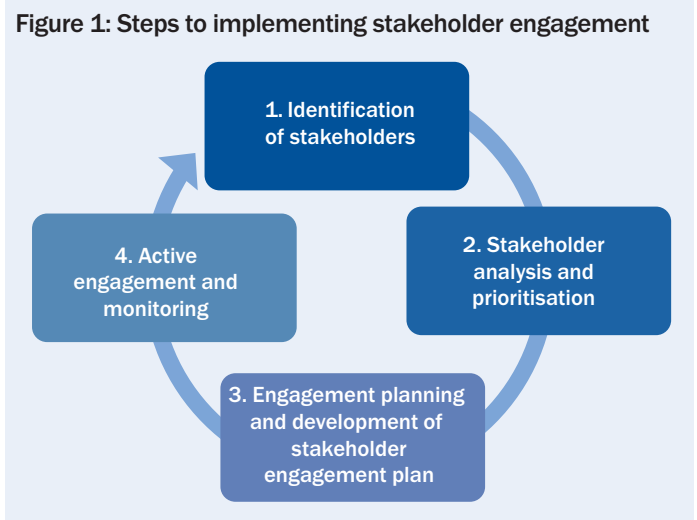
Frequent, proactive and systematic engagement keeps FIs in touch with the interests, needs and perspectives of their stakeholders, allowing them to enhance their organisations' management strategies, systems and procedures and potentially mitigate risks or challenges to their businesses. Effective engagement with stakeholders is a key tool underpinning FI sustainability. In addition, it ensures that the FI's environmental, social and operational objectives are aligned as much as possible with those of its different interest groups. A robust approach to stakeholder engagement also ensures transparency and accountability across the organisation and can assist in pinpointing new opportunities for superior returns, growth and innovation.

The EBRD recommends that FIs adopt a practical and proactive approach to stakeholder engagement to manage their relationship with all groups, both internally and externally, which may have an interest in or influence on their business and investment/banking activities. This involves identifying all stakeholder groups and designing and initiating frequent engagement at appropriate levels with each, including both formal and informal dialogue, consultation, reporting and information sharing.

These targeted activities will aim to gauge feedback from stakeholders on a regular basis and identify areas where attention may be required to improve business practices and, more specifically, the E&S performance of the FI.

Stakeholder engagement process

Stakeholder engagement requires proper planning, action, reflection and monitoring, so that it can be improved over time. The following guidance for stakeholder engagement aims to ensure that FIs actively and meaningfully engage with their stakeholders to build trust and achieve sustainable relationships for the long term. FIs can implement stakeholder engagement by following the four steps presented in Figure 1:



1 See EBRD (2019), p.44.

2 See EBRD (2023a).

1. Identification of stakeholders: A stakeholder can be defined as a person, group or organisation that has a direct or indirect stake in an FI's activities, because they can affect, or be affected by, the organisation's actions, operations, objectives, strategies and policies. Stakeholders may include the FI's employees, clients, shareholders, investors, suppliers and service providers, media, government and regulators, among others. When identifying and analysing stakeholders, it is important to draw on broad knowledge and experience from numerous players and sources, both within the FI and externally. The FI should identify and "map" all of its stakeholders, along with key information, in order to profile each group, for example: (i) their geography or location, (ii) their area of influence, (iii) their degree of awareness about the FI and its investment strategy and activities, and (iv) their expectations and underlying interests or concerns.

2. Stakeholder analysis and prioritisation: FIs should carry out a stakeholder analysis and prioritisation exercise to determine the level of interest and influence of each of their stakeholders, as well as their perceptions and expectations of the FI. This can be done using a risk-mapping approach and by positioning stakeholders on an influence/interest matrix, as illustrated in Figure 2. Stakeholder analysis and mapping must establish which stakeholders are the most significant from an engagement perspective, ensure that engagement is tailored to each group and that stakeholders' views and concerns are addressed appropriately.

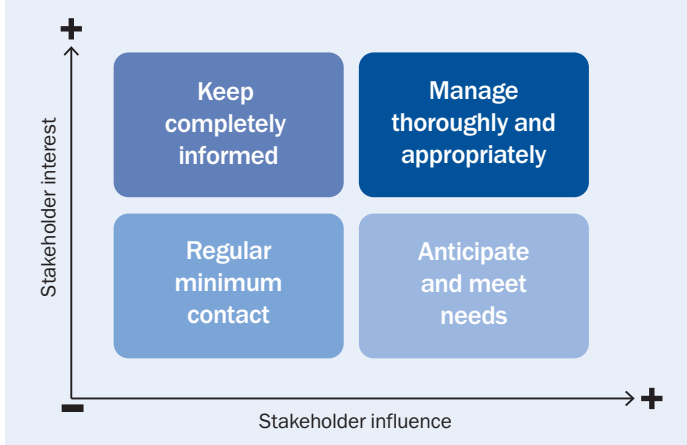
3. Engagement planning and development of the stakeholder engagement plan (SEP): Based on steps 1 and 2, the FI should develop an operational SEP commensurate with the level of E&S risk in its portfolio. For example, the SEP for a multinational bank will differ from that of a local leasing company. The SEP must allow for open two-way communication between the FI and its stakeholders.

The EBRD recommends that the FI conduct regular reviews of its stakeholders and issue prioritisation. The FI can develop a practical and implementable engagement and communications plan, describing steps and activities to deliver on the strategy and level of ambition. The plan should contain clear guidance for those responsible to ensure that ongoing two-way communication between the FI and its stakeholders is proactive, recorded and tracked. For each stakeholder or group, the plan should outline the relationship owner (person or unit), the frequency of engagement, the type of engagement (for example, activities, methods, forums and channels) and so on.

4. Active engagement and monitoring: An SEP is a live document that needs to be reviewed periodically, especially when key changes occur in the operations of the FI and/or its sub-borrowers that could affect stakeholder expectations.

For further details on how to implement meaningful stakeholder engagement processes at the investee level, please see [Guidance note – EBRD Performance Requirement 10: Information disclosure and stakeholder engagement](#).³

Figure 2: Stakeholder influence/interest matrix



³ See EBRD (2023b).

External grievance mechanism

A key component of stakeholder engagement is a mechanism for identifying, evaluating and addressing any complaints or concerns from external stakeholders. It is important to note that FIs should establish two grievance mechanisms: an internal one for staff, in compliance with [EBRD Performance Requirement 2](#) (PR2),⁴ and an external grievance mechanism in compliance with PR9, so that all other stakeholders can file confidential and/or anonymous complaints and concerns about different business activities and services provided by the FI.

The purpose of an external grievance mechanism is to identify and proactively resolve any issues of non-compliance or dissatisfaction and genuine concerns that could potentially affect the livelihoods and welfare of stakeholders. Consequently, the FI should implement a system to enable these stakeholders to have their grievances or concerns resolved in an effective manner, as fairly and as quickly as reasonably practicable.

Indicative process flow of an external grievance mechanism

The process flow depicted in Figure 3 provides an example of a typical external grievance mechanism procedure that may be adapted to the specific needs and context of the FI's business.

The FI should evaluate the relevance and/or severity of any external grievance received and determine the appropriate level of action in order to reach a fair resolution. The EBRD recommends that the FI first consider resolving complaints in an informal manner.

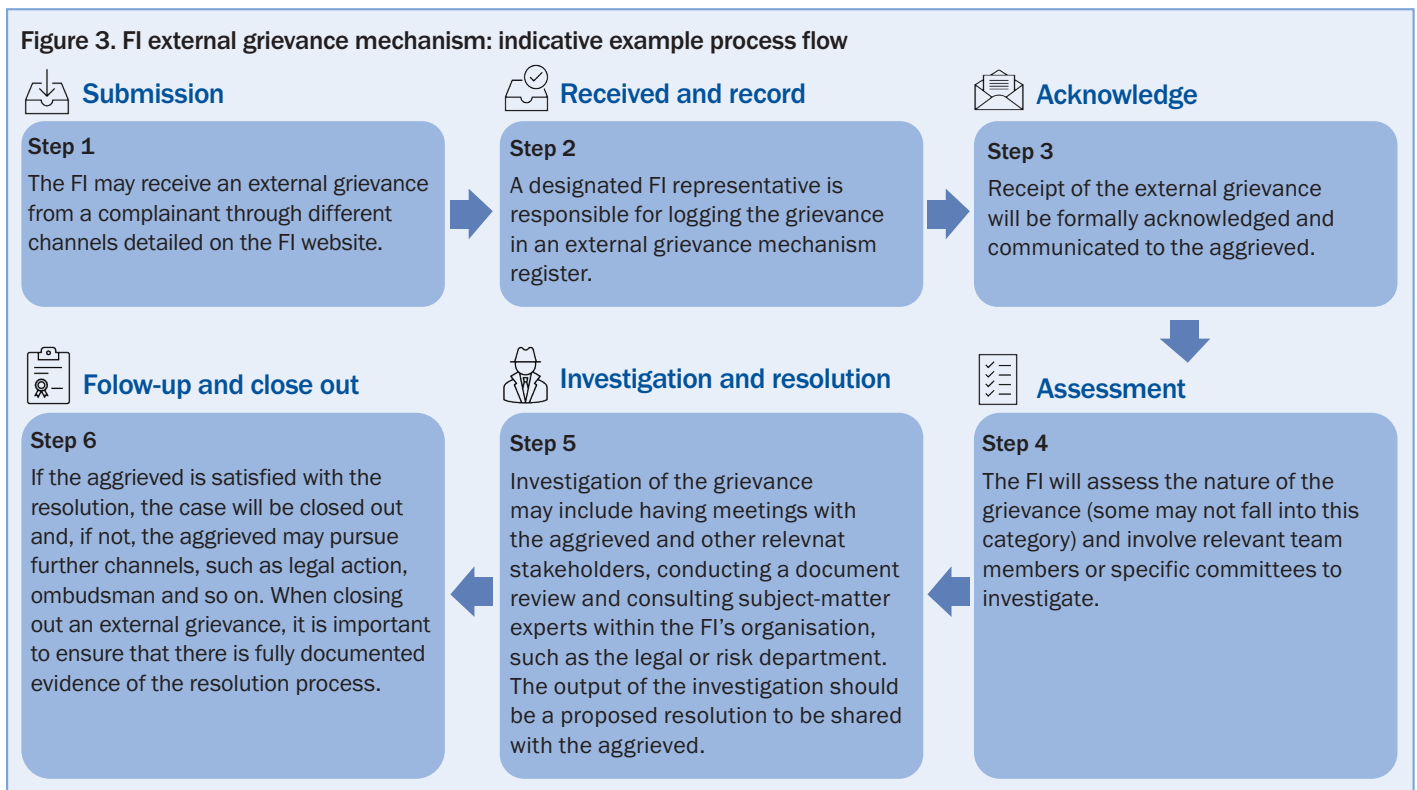
However, if this is not possible, the FI can implement the following recommended best practices, grouped according to the following example process flow:

Step 1: Submission

- **Publicise the grievance mechanism:** Make the procedure for filing grievances publicly available and easily accessible. This can be done through the institution's website, branch offices or customer service centres. Clearly state the contact details of the grievance officer or team.
- **Define the types of grievance:** Categorise the types of grievance that the institution is prepared to address. These can include issues related to services, products, policies, billing, investor relations or any other relevant area.
- **Grievance submission channels:** Provide multiple channels through which external stakeholders can submit their grievances. This may include email, phone, written letter, online forms or in-person visits to branch offices.

Step 2: Receive and record, and Step 3: Acknowledge receipt

- **Acknowledgement of grievance:** Ensure that every grievance received is acknowledged promptly. Send a response to acknowledge receipt and provide a reference number for tracking purposes.
- **Escalation process:** Define a clear escalation process for grievances that cannot be resolved at the initial level. This may involve escalating the issue to higher management or involving specialised teams or committees.
- **Documentation and reporting:** Maintain proper records of all grievances received and actions taken. This documentation will be helpful for internal audits, compliance requirements and reporting to lenders and other entities, as required.



4 See EBRD (2019), p.16.

Step 4: Assessment

- **Assessment:** The FI will assess the nature of the grievance received to determine whether it is a genuine grievance. This is generally an issue, concern, problem or claim (perceived or actual) that an individual or community group wants a company or contractor to address and resolve. Questions, requests for information and suggestions are not categorised as grievances and should be addressed through the stakeholder engagement process (rather than the grievance redress mechanism).
- **Team allocation:** Depending on the nature of the grievance, the FI will involve relevant team members or specific committees to investigate. This decision will depend on the nature of the grievance in question and the specific expertise of the FI's teams.

Step 5: Investigation and resolution

- **Investigation and resolution:** Conduct a thorough investigation of each grievance. This may involve gathering relevant information, contacting the parties concerned and evaluating any supporting documents. Aim to resolve grievances within a clearly defined timeframe.

Step 6: Follow-up and close out

- **Regular updates to complainants:** Keep the complainant informed about the progress of their grievance at various stages of the investigation and resolution. Maintain clear communication channels to update them on the status.

Matters to be aware of when handling grievances

When dealing with a grievance, the FI should bear in mind and practise the following:

- Hold any grievance meetings in private and in a culturally acceptable manner.
- Listen carefully to the aggrieved's explanation of the problem and consider whether there is a deeper issue that might be the root cause of the grievance.
- Assess any conflicting points of view.
- Weigh up all of the evidence to determine the main concerns that need to be addressed and the appropriate action(s) to take.
- Decide what action to take by trying to deal fairly with the aggrieved person without compromising the interests of the company or other stakeholders.
- Inform all parties concerned of the decision made.
- The FI should encourage all aggrieved persons who may feel particularly vulnerable (such as ethnic or religious minorities, women, migrants, youth, persons with disabilities and so on) not to be deterred from raising an external grievance.
- The process for raising external grievances should be confidential in order to allow such individuals and groups to raise a complaint anonymously. Anonymity should be safeguarded and respected by all parties involved in an external grievance.
- Protect stakeholders by forbidding any form of retaliation, victimisation or threats.

- **Review and analysis:** Periodically review the grievance mechanism records to identify any patterns or trends in the grievances received. Use this analysis to improve services, products and processes to prevent similar grievances in future.
- **Customer feedback and satisfaction survey:** After resolving grievances, seek feedback from complainants to assess their satisfaction with the redressal process. This information can help to fine-tune the grievance assessment procedure.

By implementing a robust procedure for assessing external grievances, financial institutions can build trust with their stakeholders and demonstrate a commitment to resolving issues in a fair and transparent manner. For further detailed information on how to implement meaningful grievance mechanism processes, please see [Guidance note – EBRD Performance Requirement 10: Information Disclosure and Stakeholder Engagement](#).⁵

Reporting external grievances to the EBRD

FIs are required to report on an annual basis all external grievances received that relate to aspects of their EBRD financing. The specific reporting requirements are included in the annual E&S report. In addition, the EBRD reserves the right to request additional data on all external grievance aspects from its clients. This may include any external grievance close-out reports or equivalent documentation, or copies of external grievance logs created by the FI.

Implications of FIs reporting zero external grievances

When reporting zero external grievances to the EBRD as part of the annual E&S report, the EBRD may interpret this as follows:

- The FI does not have a robust external grievance mechanism in place and potential external grievances could not be lodged by stakeholder groups.
- The external grievance mechanism is partially effective, resulting in external grievances being managed, but the outcome not being recorded.
- The external grievance mechanism is not effective, resulting in external grievances not being managed and/or recorded.
- The FI has a robust external grievance mechanism in place and no external grievances were recorded during the reporting period.

What these scenarios illustrate is that by reporting zero external grievances to the EBRD without contextual information, the effectiveness of the FI's grievance mechanism and the reasons for the lack of grievances may be called into question. To avoid unnecessary misunderstanding, the EBRD recommends that FIs record all external grievances related to the environmental and social impacts and risks of sub-projects, together with the actions taken to close them out (where possible) and accurately report these to the Bank in the form of a summarised external grievance log in whatever format the FI chooses. Where there are genuinely no external grievances received, the FI should state this clearly and provide details of the different communication channels available to stakeholders to lodge their complaints and any internal assessments conducted to test the effectiveness of those systems.

5 See EBRD (2023b).

References

EBRD (2019), *Environmental and Social Policy*, London. Available at:

<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>.

EBRD (2023a) *Guidance note – EBRD Performance Requirement 9: Financial intermediaries*, London. Available at:

<https://www.ebrd.com/who-we-are/our-values/environmental-and-social-policy/implementation.html>.

EBRD (2023b) *Guidance note – EBRD Performance Requirement 10: Information disclosure and stakeholder engagement*,

London. Available at: <https://www.ebrd.com/who-we-are/our-values/environmental-and-social-policy/implementation.html>.

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