

**Progress Report on
IFC's Policy and Performance Standards on Social
and Environmental Sustainability,
and Policy on Disclosure of Information**

Review and Update Process

International Finance Corporation

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**PROGRESS REPORT ON IFC’S POLICY AND PERFORMANCE STANDARDS
ON SOCIAL AND ENVIRONMENTAL SUSTAINABILITY,
AND POLICY ON DISCLOSURE OF INFORMATION
REVIEW AND UPDATE PROCESS**

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ACRONYMS

BCS	Broad Community Support
CAO	Compliance Advisor Ombudsman
CODE	Committee on Development Effectiveness
CSOs	Civil Society Organizations
DOTS	Development Outcomes Tracking System
E&S	Environmental and Social
EDFIs	European Development Financial Institutions
EPFIs	Equator Principles Financial Institutions
ESAP	Environmental and Social Action Plan
FIs	Financial Intermediaries
FPIConsent	Free, Prior, and Informed Consent
FPIConsultation	Free, Prior, and Informed Consultation
GFN	Good Faith Negotiation
GRI	Global Reporting Initiative
IEG	Independent Evaluation Group
NGOs	Nongovernmental Organizations
SEMS	Social and Environmental Management System
WBG	World Bank Group

Progress Report on IFC's Policy and Performance Standards on Social and Environmental Sustainability, and Policy on Disclosure of Information Review and Update Process

EXECUTIVE SUMMARY

IFC's Policy and Performance Standards on Social and Environmental Sustainability, and Policy on Disclosure of Information (Sustainability Framework) became effective on April 30, 2006. In July 2009 IFC reported to the Board's Committee on Development Effectiveness (CODE) on its experience from the past three years in implementing the Sustainability Framework. This report, entitled *IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information: Report on the First Three Years of Application*, is available at IFC's Policy Review website.¹ CODE agreed with the plan to review and update the Sustainability Framework.

IFC issued the *Overview of Consultation and Engagement Process* report on August 26, 2009. This overview included the proposed consultation and engagement process, outlined how stakeholders could participate, and provided a timeline for the review. This report also described the three consultation phases as follows: Phase I: consultation for 60 days to identify the key issues and challenges in the Sustainability Framework; Phase II: consultation for 60 days on the proposed revised text changes of the Sustainability Framework; and Phase III: consultation for 30 days on the final proposed draft text changes of the Sustainability Framework.

On September 8, 2009 IFC formally launched the review and update process. Phase I consultation was completed on November 13, 2009 and a public summary was issued on January 11, 2010. The results from Phase I consultation process, along with feedback from the Compliance Advisor Ombudsman (CAO), the Independent Evaluation Group (IEG), IFC's Sustainability Framework External Advisory Group, an IFC Investment Officer peer group, a technical peer review group from the IBRD and MIGA, and IFC's Legal Department have informed the first set of proposed revised documents.

IFC's changing product offering, a changing global environment, IFC's implementation experience, internal stakeholder engagement, external stakeholder engagement, CAO and IEG recommendations, have resulted in the proposed changes to the Sustainability Framework. What has not changed, because it is working well, is the way that the Sustainability Policy, the Performance Standards, and the Policy on Disclosure of Information work together as the Sustainability Framework and clearly delineate the roles and responsibilities of IFC and of our clients; and the structure of the modular approach of the Performance Standards and how they

¹ <http://www.ifc.org/policyreview>

are applied to projects. Therefore, the span of Performance Standards is recommended to remain as it currently is, with eight Performance Standards.

IFC seeks CODE's approval to disclose this entire CODE package (paper and annexes) and consult upon the proposed changes to the Sustainability Policy and Performance Standards on Social and Environmental Sustainability and the Policy on Disclosure of Information. In conjunction with this public release, and to provide additional helpful background material, IFC also plans to release proposed changes to the Guidance Notes.

PART I. INTRODUCTION AND OVERVIEW

INTRODUCTION

1. IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information (Sustainability Framework) became effective on April 30, 2006. In July 2009, IFC reported to the Board's Committee on Development Effectiveness (CODE) on its experience from the past three years in implementing the Sustainability Framework. This report, entitled *IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information: Report on the First Three Years of Application*, is available at IFC's Policy Review website.² CODE agreed with the plan to review and update the Sustainability Framework.
2. IFC issued the *Overview of Consultation and Engagement Process* report on August 26, 2009, which provided an overview of the proposed consultation and engagement process, outlined how stakeholders could participate, and provided a timeline for the review. This report also described the three consultation phases as follows: Phase I: consultation for 60 days to identify the key issues and challenges in the Sustainability Framework; Phase II: consultation for 60 days on the proposed revised text changes of the Sustainability Framework; and Phase III: consultation for 30 days on the proposed draft text changes of the Sustainability Framework prior to submission to the Board of Directors for its approval.
3. On September 8, 2009, IFC formally launched the review and update process. Phase I consultation was completed on November 13, 2009 and a public summary was issued on January 11, 2010. The results from Phase I consultation process along with feedback from the Compliance Advisor Ombudsman (CAO), the Independent Evaluation Group (IEG), the IFC's Sustainability Framework External Advisory Group, an IFC Investment Officer peer group, a technical peer review group from the IBRD and MIGA, and IFC's Legal Department have informed the first set of proposed revised documents.
4. Should CODE approve the documents for public release, Phase II consultation will begin June 2, 2010 and end July 31, 2010. This will be an intensive period of outreach to stakeholders through various channels including the media, a blog, live web chats, and face-to-face meetings including multi-stakeholder events in Bogota, Dakar, Accra, Istanbul and New Delhi, where IFC will invite clients, nongovernmental organizations (NGOs)/civil society organizations (CSOs), government authorities, and academia. In addition, IFC will hold meetings open for public participation in Europe, Manila, Moscow, Sao Paulo, and Washington, D.C. IFC will also consult with at least eight local communities (to supplement the five that were analyzed by the CAO) that were affected by projects that applied the Performance Standards. IFC will meet with the banking community including the Equator Principles Financial Institutions (EPFIs),

² <http://www.ifc.org/policyreview>

European Development Financial Institutions (EDFIs), Export Credit Agencies, other Multilateral Banks and World Bank Group (WBG) colleagues. Phase III consultation is anticipated to be in October 2010 and will include additional regional consultation events. The intention is to present the revised IFC Sustainability Framework for approval by the Board of Directors in December 2010.

OVERVIEW OF THE DRIVERS OF PROPOSED CHANGES

IFC'S CHANGING PRODUCT OFFERING

5. The business environment in which the Performance Standards and the Policy on Disclosure of Information (Disclosure Policy) have been implemented over the four-year period has been dynamic. The first two and a half years were characterized by a rapid growth in IFC's business across most industry sectors and regions. During this period, industry sector growth was most rapid in infrastructure and financial markets and funds, while regional growth was more broad-based, although most pronounced in the Africa, Latin America, and South Asia regions. Furthermore, the nature of IFC's products, and the balance between them, has continued to evolve, with traditional project finance activities representing a smaller share of the new business. The role of equity and corporate finance in IFC's product mix has become more significant over time, as has trade finance. IFC continues to respond to market demand for new financial products and financing structures that are aligned with its private sector development mission and strategic objectives.

A CHANGING GLOBAL ENVIRONMENT

6. The external context in which the Performance Standards have been applied since they were drafted has evolved rapidly in certain thematic areas, including increased attention to human rights, climate change, ecosystem services, and consent for Indigenous Peoples. Perhaps the most striking example of rapid development may be the issue of climate change. The WBG's involvement in the climate agenda has progressed significantly in the last three years, culminating in the report *Development and Climate Change: Strategic Framework for the World Bank Group*. This external context has lead IFC to review the Sustainability Framework through the lens of each of these issues.

IFC'S FOUR YEARS OF IMPLEMENTATION EXPERIENCE

7. The report entitled *IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information: Report on the First Three Years of Application*, dated July 29, 2009 examined IFC's implementation experience of the Sustainability Policy and found that there were several areas where experience had demonstrated that change was needed, such as further clarifying when and what to do when examining supply chains, increasing disclosure requirements around individual projects, promoting more efficient use of water and energy, and reflecting IFC's changing product offering in the Sustainability Policy.

INTERNAL STAKEHOLDER ENGAGEMENT

8. Ongoing engagement with IFC staff has been a central part of the update process since its beginning and has helped to ensure that the proposed changes reflect the realities of IFC's business activities and incorporate lessons learned from the four years of experience. Consultations have been held throughout the drafting process with relevant IFC departments, an Investment Officer peer review group, and IFC's Legal Department. This has enabled the revised drafts to fully reflect an institutional approach.

9. To ensure that the proposed changes are broadly harmonized at the principle level with the WBG Safeguard Policies, and that the draft Disclosure Policy is consistent with the principles outlined in the IBRD's new Access to Information Policy, IFC had ongoing discussions with its WBG counterpoints. IBRD's Operational Policy and Country Services, specialists, and legal staff have been involved in the review process. IFC acknowledges our IBRD and MIGA colleagues' time, collegiality, and willingness to contribute to the improvement of IFC's Sustainability Framework.

EXTERNAL STAKEHOLDER ENGAGEMENT

10. Phase I consultation (September 15–November 13, 2009) was focused on soliciting stakeholder comments in three main areas:

- Clarity of Language: How can IFC increase clarity and reduce ambiguity in language;
- Implementation Effectiveness: Provide suggestions on how to improve the implementation of the Sustainability Framework, especially from those who have implemented the Performance Standards on projects, and/or from those who have been directly impacted by projects that implemented the Performance Standards; and
- Gaps in Current Coverage: Help identify areas that are not currently addressed in the Sustainability Framework, and provide accompanying guidance on ways to implement new requirements on the ground.

11. IFC engaged with stakeholders through a combination of web-based tools (IFC's Policy Review website, e-mail, a blog, and live web chats), teleconferences, and face-to-face consultations to receive input.

12. During Phase I, IFC consulted with a wide group of stakeholders from various regions that included: multilateral banks, bilateral banks, commercial financial institutions including the Steering Committee of EPFIs, trade unions, select UN agencies, Indigenous Peoples, conservation organizations, governments who refer to the Performance Standards, business associations, our clients and other private sector users of the Performance Standards, the NGO and CSO community, WBG colleagues, and the External Advisory Group. This phase also benefited from recent extensive global (Brazil, India, Malaysia, South Africa, U.K., and

Washington, D.C.) consultations that IFC conducted on issues related to gender in conjunction with Global Reporting Initiative (GRI).

13. In total, IFC held over 58 meetings, and three open sessions in Brussels, Istanbul, and Washington, D.C., consulting over 700 external stakeholders. Meeting summaries from the three open sessions and from a meeting with the EPFI steering committee are posted on IFC's Policy Review website. IFC organized two live webchats during which the review team answered more than 30 specific questions related to the review process and the scale of the update exercise. The questions and answers from these sessions are posted on the website. IFC also disclosed publicly its methodology for selecting and consulting communities affected by projects financed by IFC, and in total, received over 60 detailed written comments from external stakeholders through IFC's Policy Review website or separately through e-mails directly to staff.

14. IFC established an External Advisory Group to provide an independent view throughout the review and update process. The Advisory Group is intended to be one of many forums through which IFC can better understand and seek expert guidance on existing and emerging issues related to the Performance Standards. The group is comprised of individuals that have diverse and relevant backgrounds in some of the focus areas where IFC is interested in seeking additional views. The Advisory Group's members provide their individual views and not those of their affiliations. The individuals and their affiliations are as follows: Salil Tripathi (Institute for Human Rights and Business); Jane Nelson (Kennedy School of Government, Harvard University); Kit Armstrong (Independent Environmental Consultant); David McLaughlin (World Wildlife Fund); John Laidlaw (HSBC); and Linda Broekhuizen (Netherlands Development Financial Company (FMO)). This group has contributed to the process through several conference calls and a three-day working session. An additional face-to-face working session will be held near the end of Phase II consultation to once again obtain their advice on any process changes or content suggestions to the Sustainability Framework.

15. The nature of comments received was broad in scope and ranged from very detailed to more general, and have been summarized in the report *IFC Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information, Review and Update, Progress Report on Phase I of Consultation*, dated January 11, 2010. This summary, along with the notes from individual consultation meetings, are posted on IFC's Policy Review website, and constitute the total summary of comments. IFC also received general comments that did not request a change but that were supportive of the Sustainability Framework and acknowledged that it has had an impact on market practices and has converged the social and environmental standards in global financial markets.

16. During this Phase I, IFC benchmarked its Sustainability Framework against other International Financial Institutions' policies to study the differences. In some cases differences

were discussed with the other institutions to learn about their implementation experience so that IFC can better understand where it might want to incorporate some of the differences.

CAO REVIEW

17. CAO initiated a review of IFC's experience with the implementation of the Sustainability Policy and Performance Standards. A draft of CAO's Advisory Note was shared with IFC to allow it to consider findings and recommendations that may have a bearing on the direction of the review and update of the Sustainability Policy and Performance Standards. As with IEG recommendations, IFC is engaging with CAO on the implementation-level recommendation and is in the process of formulating a comprehensive response which will be finalized once CAO's recommendations are final.

18. CAO divided its recommendations into policy-level and implementation-level. The implementation-level recommendations were further divided into three broad categories covering: (i) the need to improve predictability for host communities and client companies; (ii) the suitability of the Performance Standards in the context of IFC's changing business environment; and (iii) opportunities to further strengthen IFC's management systems and information disclosure practice.

19. CAO's draft policy-level recommendations are presented in Table 1. Overall, there is significant alignment between IFC's proposed enhancements to the Policy and Performance Standards and CAO's policy-level recommendations. In its report to CODE on the first three years of application of the Sustainability Policy and Performance Standards (July 2009), IFC recognized the evolving nature of IFC's business and the need to consider these developments in the review and update of the Sustainability Framework. CAO has confirmed the need for such adjustments in the Sustainability Framework. The proposed revisions should also provide better clarity on dealing with low impact projects, including the recognition of financial (in particular short-tenor products) and advisory services that are inherently low risk. The proposed categorization approach for FIs includes three risk levels, with FI-Low representing the lowest risk requiring the application of the IFC's Exclusion List and the host country's national law. Proposed revisions to Performance Standard 2 include a reference to migrant workers, an issue which has received considerable attention by IFC in the last two years.

20. IFC's proposed changes to the Disclosure Policy are also responsive to the CAO's draft recommendations. IFC recognizes the demands from its stakeholders to disclose more information, particularly project-level disclosure as well as post-approval disclosure, two areas being addressed under proposed enhancements to the Disclosure Policy so that disclosure of relevant information is achieved over the investment lifecycle. Consistent with this approach, IFC will create more opportunities to update project information to ensure it is accurate and up to date.

Table 1: CAO's Draft Findings and Recommendations Related to Policy	
<u>Findings:</u>	<u>Recommendations:</u>
<p>Policy</p> <ul style="list-style-type: none"> • IFC's Policy established the application of the Performance Standards to all of IFC's direct investments, without specifying IFC's approach in more detail. • There is a lack of clarity regarding application of the Performance Standards to Advisory Services. 	<p>Policy</p> <ol style="list-style-type: none"> 1. Clarify application of the Performance Standards to different product types and to Advisory Services.
<p>Performance Standards</p> <ul style="list-style-type: none"> • IFC can play an important role in demystifying local approval processes. • Concern about migrant workers is a priority for host communities. 	<p>Performance Standards</p> <ol style="list-style-type: none"> 2. Performance Standard 1: Present a clearer framework for which different environmental and social (E&S) risk and impact factors trigger different levels of engagement. 3. Performance Standard 1: Clarify engagement requirements for low-impact projects. 4. Performance Standard 2: Address migrant workers.
<p>Disclosure Policy</p> <ul style="list-style-type: none"> • The stipulations of the current Policy on Disclosure of Information undermine its presumption in favor of disclosure. • IFC does not routinely update public information about its investments. 	<p>Disclosure Policy</p> <ol style="list-style-type: none"> 5. Change approach to implement a presumption in favor of disclosure in practice. 6. Routinely update IFC's website with current project information. 7. Ensure basic IFC information and project information is available in relevant languages.

IEG REVIEW

21. IEG has initiated a review and evaluation of the WBG's Safeguards³ and IFC's Sustainability Policy and Performance Standards, as well as MIGA's Sustainability Framework. IEG provided IFC with an extract of its upcoming report as well as a summary of preliminary recommendations to allow IFC to consider these in the preparation of the draft revisions of its Sustainability Policy and Performance Standards before the discussion with CODE. IEG findings are presented in two broad categories: compliance and performance, while recommendations are presented in three categories: thematic coverage of Safeguards and Performance Standards; consistency in project categorization; and policy guidelines, instruments, and incentives.

22. IFC considered the initial set of recommendations and concluded that only a few had policy implications. These recommendations are presented in Table 2. Most of IEG's recommendations

³ The review includes IFC's application of its Safeguard policies before the introduction of the Performance Standards in 2006.

are operational in nature and IFC is in the process of considering these and will respond comprehensively through the formal review process with IEG.

Table 2: Preliminary IEG Recommendations with Policy Implications

1. *Thematic Coverage of Safeguards and Performance Standards*

- Strengthen the provisions on sustainability within the Sustainability Framework by integrating approaches to address emerging issues such as supply chains and their certification, and climate change.
- Develop an Environmental, Health, and Safety Guideline for safety of dams to replace OP 4.37.

2. *Consistency in Project Categorization*

- Develop clear guidelines and risk assessment criteria for project categorization and ensure consistency across the WBG.

3. *Policy guidelines, instruments and incentives*

- Develop a more robust approach to implement Performance Standards in Financial Intermediary (FI) projects, listed equities, and trade finance.
- Strengthen policies and practices on local disclosure.
- Define areas of influence and requirements for supply chains to better address supply chain risks and opportunities
- Use independent evaluations more often for projects with involuntary resettlement.

23. IFC Management welcomes these recommendations and is confident that significant policy-related issues have been considered in this revision of the Sustainability Framework that CODE is considering. Key proposed changes that are responsive to IEG recommendations include:

- Strengthen the commitment to climate change in the Sustainability Policy;
- Provide additional clarity to supply chain requirements;
- Recognize a wider range of investment and Advisory Services products in the Sustainability Policy and the scope of application of the Performance Standards as well as the nature of IFC’s due diligence in cases where the nature of assets or use of funds is not known at time of approval;
- Provide a clearer reference to risk as the basis for categorization; and
- Introduce a reference in Performance Standard 5 to the use of external completion audits of Resettlement of Compensation Plan to assess whether the provisions have been met.

24. All of these drivers—IFC’s changing product offering, a changing global environment, IFC’s implementation experience, internal stakeholder engagement, external stakeholder engagement, CAO recommendations, and IEG recommendations—have contributed to the development of the proposed changes to the Sustainability Framework. What has not changed,

because it is working well, is the way that the Sustainability Policy, the Performance Standards, and the Disclosure Policy work together as the Sustainability Framework. This structure clearly delineates the roles and responsibilities of IFC and of our clients, the structure of the modular approach of the Performance Standards, and how they are applied to projects. Therefore, the span of Performance Standards is recommended to remain as it currently is, with eight Performance Standards.

REQUEST OF THE COMMITTEE OF DEVELOPMENT EFFECTIVENESS

25. Following discussion with CODE, and taking into consideration CODE's comments received, IFC will publically release this CODE package (paper and annexes). The draft of the Sustainability Policy and Performance Standards, and the draft Disclosure Policy, will also be translated into the WBG's six official languages and disclosed. In conjunction with such public release, and to provide additional helpful background information, IFC also plans to release the draft Guidance Notes.⁴

26. IFC's Management proposes a 60-day public comment period on the Sustainability Framework during June and July 2010 to enable sufficient time for document review and further comments from various stakeholder groups.

27. The 60-day public consultation period will be an intensive time of outreach to stakeholders through various channels including the media, a blog, live web chats, and face-to-face meetings including multi-stakeholder events in Accra, Bogota, Dakar, Istanbul, and New Delhi, where IFC will invite clients, NGOs/CSOs, government and academia. In addition, IFC will hold open house meetings where anyone can participate in Washington, Moscow, Manila, Europe, and Sao Paulo. IFC will also consult with at least eight communities, to supplement the five that were analyzed by the CAO, that were affected by projects that applied the Performance Standards and IFC will meet with the finance community including the EPFIs, EDFIs, Export Credit Agencies, other Multilateral Banks and our World Bank colleagues.

28. In the event that comments are sent to an Executive Director's office, IFC would request that, these comments are forwarded to IFC to include for consideration in the next set of proposed changes and for their inclusion in the summary of comments. IFC will prepare a summary of all comments received after the Phase II consultation period closes and make these available in IFC's Policy Review website. IFC is implementing a comprehensive communications strategy to respond to important concerns of external audiences.

⁴ The Guidance Notes will be updated following CODE's endorsement of the proposed policy level changes in the Performance Standards.

PART II. SUSTAINABILITY POLICY AND PERFORMANCE STANDARDS: KEY CHANGES

INTRODUCTION

29. This section broadly describes the proposed key policy changes to the April 30, 2006 Sustainability Framework. We first address some cross cutting policy issues and then operational issues which are both described in more detail in Annex A. This is followed by key proposed changes to the Sustainability Policy and individual Performance Standards.

KEY CROSS-CUTTING ISSUES

Climate Change

30. With climate change as a strategic priority for the WBG, the review and update process provides a timely opportunity to explore possible approaches to more effectively integrate climate change considerations into the Sustainability Framework. The current Sustainability Policy language is not explicit on climate change and is therefore out of step with IFC's strategic and operational directive. Given the importance of mainstreaming and strengthening climate change in its operations, IFC recommendations are focused around: (i) improving efficiency of use of resources, including energy and water; (ii) driving reduction in greenhouse gases (GHG) emissions; (iii) expanding reporting requirements for IFC and for its clients; and (iv) in anticipation of increasing climate impacts, incorporating an ecosystem approach which will, among other things, increase analysis on the sustainable use of water used by our clients.

Ecosystem Services

31. The theme of ecosystem services was included in the 2006 version of the Performance Standards, primarily in Performance Standard 6. Ecosystem services are defined as benefits that people obtain from ecosystems, which include provisioning services (such as food, freshwater, shelter, and timber), regulating services (such as surface water purification, carbon storage and sequestration, climate regulation, and protection from natural hazards), and natural cultural services (such as cultural heritage and sacred sites), which are linked to biodiversity. Based on stakeholder comments, IFC has identified several areas where the Performance Standards can be strengthened and made more explicit. Examples of strengthening include where there may be impacts to ecosystem services: conducting an analysis of ecosystem services during the project's life-cycle when conducting an assessment; using natural resources such as water more efficiently and making sure that the project's use of such resources does not have significant adverse impacts upon others; protecting the regulating services that the environment provides to communities and that thus help to reduce landslides, floods, and other natural hazards; and identifying restrictions on land use that might include loss of ownership or access to natural resources (i.e., ecosystem services, such as fire wood, fishing, foraging, hunting, etc.).

Gender

32. Each of the Performance Standards was analyzed through the lens of strengthening the gender requirements. Information from various consultations has fed into the review of and proposed changes to the Sustainability Framework. Several areas were identified where this could be done, including recognizing the importance of a gender-responsive approach during a project's life-cycle (e.g., when analyzing risks, impacts, and opportunities of a project). This is reflected both in the diagnostic aspects of the assessment and management of social and environmental aspects, and in the participatory process building on stakeholder analysis disaggregated by gender as well as other relevant social identities. The consultation process should ensure inclusive participation by both men and women. Clients should provide a working environment that protects workers from non-discrimination in areas such as working conditions, terms of employment, avoidance of harassment, and in cases where retrenchment is unavoidable. Clients will also take measures to prevent and address trafficking. Gender is an important aspect when communities might be or have been exposed to communicable diseases. This can have a higher impact on vulnerable groups which may include women in their roles as caretakers.

Human Rights

33. The Sustainability Framework covers a variety of topics that support various aspects of human rights in the context of private sector operations. In response to the work of the UN Secretary-General's Special Representative for Business and Human Rights, and specific comments from IFC's external stakeholders, IFC has carried out a comprehensive analysis of the Performance Standards against various reference documents. This analysis has identified areas in the Sustainability Policy, Performance Standards, and Guidance Notes which can be strengthened. The details of this analysis will be released simultaneously with the draft Sustainability Framework documents for consultation during the Phase II consultation period.

KEY OPERATIONAL TOPICS

Free, Prior, and Informed Consultation Plus Broad Community Support vs. Consent

34. For projects affecting Indigenous Peoples, IFC's current Performance Standard 7 requires the client to engage in a process of Free, Prior, and Informed Consultation (FPIConsultation) which leads to the informed participation of the affected community. This is similar to the World Bank's practice, through Operational Policy 4.10. IFC also requires an elevated form of client consultation called Good Faith Negotiation (GFN) in addition to FPIConsultation where projects are to be located on traditional or customary lands under use by Indigenous Peoples. The principles of consultation has been challenged in recent years, with Indigenous Peoples and their advocates arguing that they should have a right to Free, Prior, and Informed Consent (FPIConsent) in development-related decision making. This principle has been endorsed by the UN and by some other multilateral development banks. IFC's position is therefore perceived by some to be out of step with the international community.

35. A review of standards and practices related to FPIConsent globally shows that it is functionally equivalent to FPIConsultation as implemented by IFC in terms of legitimacy of process with desired results. There is broad agreement that FPIConsent does not mean local veto power or consensus among all concerned stakeholders. There are both political and conceptual arguments for adopting the term “FPIConsent,” however, IFC is of the view that it needs to better understand how its practice should change if it were to implement the concept of FPIConsultation. The recommendation is therefore to retain the language of FPIConsultation and GFN, and continue to consult with internal and external stakeholders on this issue. A final decision on “consent” will be made by October 2010, before the next version of the Sustainability Framework is presented to CODE and subsequently to the Board of Directors for approval.

Categorization

36. IFC uses a system of environmental and social categorization to communicate the magnitude of risks and/or impacts understood as a result of IFC’s appraisal, and to specify IFC’s institutional requirements to disclose project information to the public prior to presenting projects to its Board of Directors. The current framework for project categorization is not well understood by some external stakeholders, and this sometimes results in uncertainty. IEG has also identified categorization differences within the WBG. IFC recommends revisions that would (i) make the system more relevant for all types of investment structures; (ii) make the categorization process more predictable; and (iii) increase transparency in the signaling of risk. IFC proposes dividing the current FI category into FI-Low, FI-Medium, and FI-High categories in order to strengthen social and environmental signaling to the Board of Directors and stakeholders on this important portion of IFC business.

Contract Transparency

37. The Sustainability Policy currently contains three paragraphs on sector-specific initiatives on governance and disclosure related to extractive industry and infrastructure projects. During the consultations, we have heard from stakeholders that project-level disclosure and revenue transparency in extractive and infrastructure projects is of particular importance to them. IFC is currently reviewing these issues internally and through engagement with relevant business partners, including other multilateral development institutions. During Phase II consultation, IFC welcomes feedback from all stakeholders, including CSOs, and industry and government agencies, on how to make relevant terms of Host Government and Inter-Government Agreements and revenue transparency provisions clearer and easier to be implemented by clients.

PROPOSED KEY CHANGES

38. IFC would like to highlight that one of the key conclusions of *IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of*

Information: Report on the First Three Years of Application report and from Phase I of consultation was that some of the language in the Performance Standards needs to be clarified. Thus, many of the proposed changes in the documents are striving to bring greater clarity without changing the intent or content of the Performance Standards. The summary of key issues below is intended to signal the most significant proposed content changes to the Sustainability Framework.

Policy on Social and Environmental Sustainability

39. Proposed changes to the Sustainability Policy include the strengthening of the policy statements with regards to climate change, as noted earlier, and to gender, human rights and corporate governance, as it relates to social and environmental management. Additional clarity is provided through a more detailed description of IFC roles, responsibilities, and the due diligence process for direct and FI investments, including situations where the use of proceeds of IFC financing is not specified at the time of IFC's due diligence, as well as for Advisory Services. The approach to categorization has been adjusted to consider risk more systematically and to recognize different risk levels within the FI categorization. The policy also recognizes the greater importance of monitoring and supervision, and introduces the requirement for the development and the implementation of an annual IFC program of project supervision visits.

Performance Standard 1: Social and Environmental Assessment and Management Systems

40. It is proposed to rename Performance Standard 1 to "Assessment and Management of Social and Environmental Risks and Impacts" to better reflect IFC's changing business products which continue to move away from greenfield project finance. Client requirements on community engagement have been expanded further to address all stakeholders in varying degrees rather than the affected communities. Clients are also being encouraged to involve Affected Stakeholders in monitoring where applicable. A key change in the revised Performance Standard 1 is related to assessing environmental and social risks related to supply chains. The 2006 version of Performance Standard 1 requires that the impacts associated with supply chains are considered where the resource utilized by the project is ecologically sensitive, or in cases where low labor cost is a factor in the competitiveness of the item supplied. In the case of low labor cost (primarily related to textile and agribusiness industries) the requirement has been broadened to apply to any industry that may have a risk of child or forced labor and now also includes reference to significant occupational, health, and safety risks. Performance Standard 2 and Performance Standard 6 provide additional clarification on each of these supply chain risks.

Performance Standard 2: Labor and Working Conditions

41. The key changes in Performance Standard 2 intend to broaden the scope of application of this Performance Standard to workers hired through third party; working conditions for migrant workers that are comparable to those of non-migrant workers; and extend access to grievance mechanism to contracted workers and to include supply chain provisions related to significant occupational, health, and safety issues. In addition, the revised Performance Standard 2

introduces requirements related to workers' accommodation, not previously covered, and requires an analysis of alternatives to collective dismissals, as well as compliance with legal requirements for such actions.

Performance Standard 3: Pollution Prevention and Abatement

42. To better reflect the intent of Performance Standard 3, a name change is proposed to "Resource Efficiency and Pollution Prevention." A revised Performance Standard 3 broadens focus to include efficient use of resources, in particular energy and water, which should result in additional GHG emissions reduction as well as more efficient use of resources in general. The revised Performance Standard 3 tightens the GHG emissions reporting requirement by lowering the threshold requirement from 100,000 tons to 20,000 tons CO₂-equivalent. It requires all projects with significant GHG emissions to demonstrate good international industry practice and to consider additional measures to further reduce emissions. In addition, it introduces a new requirement to consider operational standards and duty-of-care in the context of hazardous waste disposal.

Performance Standard 4: Community Health, Safety and Security

43. Performance Standard 4 does not include significant changes.

Performance Standard 5: Land Acquisition and Involuntary Resettlement

44. Performance Standard 5 recognizes that land acquisition can lead to the loss of access to assets to those without property rights. The revised version also introduces a new requirement for a post-resettlement completion audit under certain circumstances, and introduces a compensation plan requirement which is analogous to a resettlement action plan.

Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management

45. A revised Performance Standard 6 introduces new requirements in case of possible significant conversion and degradation of natural habitats. The new approach encourages development in modified habitats and provisions for conservation measures and set-asides in the project area. It also highlights existing requirements related to ecosystem services. In regards to ecologically-sensitive supply chains, requirements have been included for clients to examine the risks associated with primary suppliers that may adversely impact: (i) high biodiversity value areas; and (ii) forest products, typically from plantations.

Performance Standard 7: Indigenous Peoples

46. A revised Performance Standard 7 introduces a concept of vulnerability as a factor in determining requisite compensation. It also adds a new criterion to the GFN requirement, namely an agreement on a proposed compensation framework, mitigation measures, and development interventions. The new criterion is more explicit about the requirement of an agreement with

regard to proposed development and Indigenous Peoples Development Plan. It includes a section on private sector responsibilities under government Indigenous Peoples Management systems.

Performance Standard 8: Cultural Heritage

47. Performance Standard 8 has minimal changes. It now references the mitigation hierarchy and requires clients to consider providing access across their lands to cultural sites of significance.

Guidance Notes

48. The Guidance Notes that correspond to each of the Performance Standards provide guidance and reference materials on good sustainability practices. They have proved to be a helpful tool to clients, IFC staff, and other users of the Performance Standards over the past four years. These Guidance Notes are not intended to establish policy. The Guidance Notes will be updated after the May 5, 2010 CODE meeting to reflect the proposed changes to the Performance Standards, and included as part of the public disclosure package anticipated to be available during Phase II consultation. IFC will provide copies of the updated Guidance Notes for CODE's background information at least two weeks prior to the public release of the Guidance Notes.

PART III. DISCLOSURE POLICY: KEY CHANGES

INTRODUCTION

49. Transparency and disclosure of information about IFC's activities is important for building trust from our stakeholders and increasing organizational efficiency. The recent approval by the Board of IBRD's new Access to Information Policy represents a shift in policy towards more proactive disclosure of information about almost every category and every stage of activity undertaken by IBRD. Many of IBRD's changes, such as the shift to a presumption in favor of disclosure, were already implemented by IFC in 2006. IFC's current review of its Disclosure Policy presents the opportunity to move IFC's current disclosure practice from a point prior to Board consideration to a process that extends the lifecycle of an investment. This policy review and update will allow IFC to promote better awareness of IFC's activities and communicate its development impact to stakeholders, as well as to provide opportunity for feedback.

CONSULTATION PROCESS AND FEEDBACK

50. The report *IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information: Report on the First Three Years of Application* found that, since the adoption of the new Disclosure Policy in 2006, IFC is generally effective in meeting its institutional requirements, as defined in the Disclosure Policy. However, the report also found that disclosure of information regarding IFC's activities throughout the life cycle of the project remains inconsistent and that the degree of disclosure, evidence of

community engagement, and quality of information disclosed varies widely across IFC's portfolio. The result is that stakeholders must look both to IFC and to the client to piece together a picture of what the project is, whom it affects, the expected development outcomes, how the project is being implemented, and whether the project accomplished its intended development impact.

51. Phase I consultation on the Disclosure Policy included those consultations referenced in Part I of this paper, in addition to one-on-one meetings with various CSOs. IFC hosted the first private sector IFI meeting on disclosure and stakeholder engagement on December 4, 2009, convening staff working on disclosure and stakeholder engagement issues from nine different institutions (European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Inter-American Investment Corporation, Asian Development Bank, MIGA, IBRD, Export-Import Bank of the United States, and IFC).

52. The comments and feedback received fall into the following themes: (i) more systematic reporting of project-level information (including project status, development impact, E&S performance, implementation of the Environmental and Social Action Plan (ESAP), etc.) during implementation and evaluation; (ii) reporting of project-level development impacts; (iii) greater transparency regarding the contracts related to extractive industry projects and tariffs related to utility projects; and (iv) greater transparency related to the consultation and broad community support (BCS) process.

KEY CHANGES

53. Key changes would broaden IFC's current disclosure practice in the following ways:

- Establish new disclosure procedures along the lifecycle of an investment, including disclosure of selected project-level development outcomes tracking system (DOTS) indicators, information regarding implementation of the ESAPs, and project evaluative information;
- Improve transparency regarding notification of IFC's potential involvement in a project to local communities and IFC's summary of the process for the determination of BCS;
- Better incorporate Advisory Services into IFC's disclosure framework; and
- Establish a two-stage independent disclosure appeal mechanism.

NEW DISCLOSURE REQUIREMENTS

Development Impact

54. IFC proposes disclosing indicators from DOTS for certain investment and advisory projects. IFC is committed to enhanced reporting of project-level development information, but must also deal with the reality of resource constraints and ability to gather information from a diverse client base. IFC will continue to work toward expanding the scope of project-level DOTS

information it would disclose through a phased-in approach of other project categories as appropriate.

55. For direct investments with potential significant adverse social or environmental risks and/or impacts, IFC will begin disclosing project-level DOTS indicators. For these investments, IFC will indicate which DOTS indicators it will monitor and disclose during IFC's involvement in the project at the time IFC releases a summary of information regarding the potential investment prior to Board consideration. A section in the Summary of Investment Information entitled Development Impacts will provide a summary of the expected development impact and an overview of the DOTS indicators to be reported. Thereafter, IFC will provide updates on an annual basis for each indicator for the life of IFC's involvement in the project. IFC will only disclose non-confidential information in consultation with the client.

56. For advisory services projects, DOTS performance is reported when the project is closed. IFC currently discloses information regarding its advisory activities for programs and projects over a significant value (currently \$2million). Consistent with this framework, DOTS indicators will be disclosed at project completion.

Project Performance

57. For direct investments with significant potential adverse social or environmental risks and/or impacts, IFC will disclose a summary of the actions taken by the client on an annual basis to implement the ESAP, which is disclosed as part of IFC's Environmental and Social Review Summary during IFC's involvement in the project or until ESAP implementation is complete. For advisory services projects, IFC will disclose indicators of project performance on an annual basis as well, consistent with IFC's framework for disclosure of advisory services projects.

58. For investments made with and through FIs, IFC examines the FI's ability to effectively manage the environmental and social risks associated with their portfolio, through a Social and Environmental Management System (SEMS). In order to be more transparent and better differentiate the levels of potential risks associated with an FI's portfolio, IFC is working to clarify and strengthen the categorization of its FI investments into high, medium, and low. This enhanced categorization will be disclosed prior to Board Approval. IFC is also developing indicators to capture the performance of its FI clients in managing the environmental and social risks in their portfolios, and will also consider, during Phase II consultation period, ways to disclose these on an on-going basis. These indicators are expected to take into account the nature of IFC's exposure to environmental or social risks in the FI's portfolio and focus on the FI's capacity and effectiveness in developing and implementing a SEMS.

Evaluative Information

59. IFC currently undertakes expanded project supervision reports for a random sample of projects who have reached early operating maturity (typically five years after approval). For this

sample of projects, including investments and advisory services projects, IFC will disclose a summary of the evaluation findings, including any non-confidential project ratings. In tandem, IFC will work with IEG to disclose a summary of its evaluation of the project, including any non-confidential ratings and lessons learned.

IMPROVEMENTS TO THE CURRENT DISCLOSURE PROCESS

Disclosure of Broad Community Support Determination

60. In projects where IFC makes a determination of BCS, IFC will disclose a public summary of this determination.

Notification of IFC's Potential Involvement in a Project

61. In order to improve transparency regarding IFC's operations in local communities, IFC will now verify that the client has locally disclosed IFC's potential participation in a proposed investment.

Disclosure Appeals Process

62. Consistent with IBRD's approach toward establishing a more independent review and appeal mechanism for its Access to Information Policy, IFC will also implement a new two-stage independent disclosure appeal process. For requesters who feel that a disclosure request has been denied in a manner inconsistent with the Disclosure Policy, they can appeal this decision to IFC's Disclosure Policy Advisor. If a requester believes the Disclosure Policy Advisor has unduly upheld the decision not to disclose the information, he or she will be able to appeal that decision to an independent committee of experts. This Disclosure Policy Committee will be comprised of three individuals, with expertise in transparency regarding commercial matters, who will be confirmed by IFC's Board of Directors for fixed renewable terms. Their decision will be final.

CONTINUING WORK

Translation

63. IFC recognizes that Affected Stakeholders should have access to information in their native languages and through mediums that are appropriate to them. Performance Standard 1 requires that clients provide information to Affected Stakeholders in a format that is appropriate. IFC will be reviewing its capabilities to translate documents it discloses, consistent with its Disclosure Policy obligations, as part of review of the World Bank Group Translation Framework.

PART IV. CONCLUSION

64. The sustainability agenda and its Sustainability Framework have become important differentiators for IFC in the marketplace and a pillar of IFC's corporate strategy. Continued successful implementation of this framework is therefore a corporate priority. IFC expects

continued significant interest in this review from external stakeholders and commits to engage in a constructive and collaborative dialog to fully understand the implications of the proposed changes to the Sustainability Framework. IFC is mindful that the proposed changes may have cost and resource implications for our clients, in particular smaller ones. IFC will study the resource implications between May and September 2010, and reflect this in the final proposal to the Board.

65. IFC seeks CODE's approval to disclose this CODE package (paper and annexes) and consult upon the proposed changes to the Sustainability Policy and Performance Standards on Social and Environmental Sustainability and the Policy on Disclosure of Information. In conjunction with this public release, and to provide additional helpful background material, IFC also plans to release proposed changes to the Guidance Notes.

ANNEX A

Review and Update of IFC's Sustainability Framework: Overview of Key Issues

International Finance Corporation

April 14, 2010

ANNEX A

REVIEW AND UPDATE OF IFC'S SUSTAINABILITY FRAMEWORK: OVERVIEW OF KEY ISSUES

I. Introduction

Stakeholders identified seven key issues of concern and/or interest during Phase I consultations. Four of these issues are cross-cutting thematic topics that span the IFC Sustainability Framework¹: climate change, ecosystem services, gender and human rights. Three additional issues of interest to stakeholders (non-thematic in nature but also of interest and relevance to IFC's operations) emerged from these consultations: consent vs. consultation with Indigenous People, environmental and social categorization and contract transparency/disclosure. This discussion paper presents a summary of these issues.

IFC's approach to cross-cutting thematic topics is to integrate them in a more robust and explicit manner into the current Performance Standards, rather than developing new and stand-alone Performance Standards related to these topics. Additional and more detailed guidance will be incorporated in the Guidance Notes. This mainstreaming approach is complemented by more targeted and focused engagement in several of these areas through Advisory Services.

This paper establishes the rationale for the current recommendations, and suggests areas where further work or consultation may be required. It will be used as a "status note" for the upcoming Phase II consultation (June–July, 2010), and is expected to contribute to a meaningful dialogue with stakeholders with the goal of improving the Sustainability Framework.

II. Thematic Topics

a. Climate Change

The external context in which IFC's Sustainability Framework operates has evolved rapidly in certain thematic areas and none more striking than climate change. The *Development and Climate Change: Strategic Framework for the World Bank Group* (December 2008) has set the stage for IFC's engagement. This roadmap has had a deep impact on IFC's business, with climate change emerging as one of its core operational pillars. IFC addresses issues related to climate change risks both through its investments and through business lines providing advisory services to its clients.

The Sustainability Policy is not explicit on climate change and is therefore out of step with IFC's strategic and operational direction. Given the importance of mainstreaming and strengthening climate change in IFC operations, Management proposes adding the following language to the Sustainability Policy:

¹ IFC's Sustainability Framework consists of the Sustainability Policy, the Performance Standards on Social and Environmental Sustainability, the Performance Standards Guidance Notes and the Disclosure Policy.

IFC is committed to supporting low-carbon economic development. It recognizes that GHG emissions are inevitable in a development context but at the same time climate change impacts may significantly impede economic and social development efforts, IFC works towards reduction of GHG emissions through supporting the spread of new and appropriate technologies and processes, and through reducing impacts on ecosystem services that play a key role in the global carbon cycle. IFC also believes that the private sector needs to implement risk-appropriate climate adaptation measures and plays an active role in mitigating emissions of greenhouse gases. IFC through its various advisory service products assist its clients in better understanding of the risks of climate change, including options for developing mitigation measures. It is also devoted to fostering knowledge-sharing amongst public and private sector entities.

The Performance Standards address climate change in a number of direct and indirect ways, including:

- Performance Standard 1 states that environmental and social assessments should be undertaken in an integrated manner and that risks relating to climate change should be considered where relevant.
- Performance Standard 2 refers to client requirements to provide workers with a safe and healthy environment, taking into account all inherent risks, including climate-related risks.
- Performance Standard 3 has an objective to promote the reduction of emissions that contribute to climate change. This represents an important shift in that it elevates to a policy level what had previously been covered through technical guidance, requiring clients to promote reduction of GHG emissions and report on it, including for direct and indirect land use change resulting from projects.
- Performance Standard 4 recognizes the need to consider the potential impacts of climate variability and climate change that create risks and/or impacts on the health and safety of local communities, including the increased risks of natural hazards such as landslides and floods.

On the corporate front, IFC began to measure its portfolio exposure to GHGs through the development and implementation of a GHG emissions measurement and tracking system, beginning with the calculations for projects in the real sector and infrastructure clusters. The increased focus on the identification of energy efficiency measures as well as IFC's growing experience with the cleaner production agenda has highlighted the opportunity to expand the scope of Performance Standard 3 to include resource efficiency more broadly as a standing guiding principle that can be applied to water and other input materials into manufacturing and production operations.

IFC has also deepened its understanding of climate risks during the past four years of implementation of the Performance Standards and began to better understand the needs and opportunities to manage these risks through adaptation measures. It is now clear that the risks and impacts from climate change: (i) should be appropriately addressed in environmental and social assessments; (ii) may exacerbate or create additional risks to workers' health, safety, and

working conditions; and (iii) may affect existing practices and increase costs of undertaking conservation and sustainable resource management.

Management recommends that the scope of direct GHG emissions accounting should be expanded beyond purchased electricity to also include steam, heating and cooling, and that the option for clients to offset GHG emissions be eliminated. Instead, clients will be required to conduct an overall assessment of options for low-carbon technologies. Additionally, Management proposes to alter the level of GHG emissions reporting requirements from the current 100,000 tons CO₂ equivalent per year to 20,000 tons.

Other proposed climate-related revisions and improvements to the Performance Standards include:

- Change the name of Performance Standard 3 to *Resource Efficiency and Pollution Prevention* to better reflect IFC's broader view of resource use as an important aspect of pollution management and GHG emissions reductions.
- Add a new section on resource (water and energy) efficiency to Performance Standard 3, and incorporate an ecosystems approach across all of the Performance Standards which will increase analysis and protection of water used by our clients and by communities.
- Move the GHG reporting requirement in Performance Standard 3 from the footnote to the main text.
- In Performance Standard 4, reference potential impacts on communities from climate change impacts such as exposure to diseases, impacts on natural waterways, and exacerbation of the effects of natural hazards.
- Include a clear reference to climate as a regulating service in Performance Standard 6, including the need for the risks and impacts identification process to focus on major climate related threats to biodiversity and ecosystem services.

b. Ecosystem Services

Ecosystem services were included in the 2006 version of the Performance Standards (PSs), primarily in Performance Standard 6. Ecosystem services are defined as benefits that people obtain from ecosystems such as food, freshwater, shelter, timber, surface water purification, carbon storage and sequestration, climate regulation, protection from natural hazards, and cultural heritage and sacred sites. During the review process this issue was widely discussed. Based on this, Management proposes several areas where the Performance Standards can be strengthened and made more explicit.

The Sustainability Policy outlines IFC's mission of promoting sustainable development with the intent to "do no harm" to people and the environment, recognizing that climate change impacts may require clients to implement risk-appropriate adaptation measures.

Performance Standard 1 provides the framework through which potential ecosystem service risks and impacts are identified, mitigated and managed during the project's life-cycle. It highlights the importance of addressing risks and impacts related to climate change, ecosystem functions, and access to water resources.

Performance Standard 3 requires the efficient use of natural resources including an evaluation and implementation of technically and financially feasible and cost effective measures for improving efficiency in its consumption of water and other core resources. When a project is a potentially significant consumer of water, additional provisions may be required to ensure that the project's water consumption does not have significant adverse impacts upon others. Performance Standard 3 also requires pollution prevention from discharges to avoid adverse impacts to human health and the environment, and specifically to ecosystems.

Performance Standard 4 focuses on protecting community health, safety and security and includes avoiding or reducing impacts from a project's use of natural resources or from alteration of natural resources. This includes protecting the regulating ecosystem services that reduce landslides, floods and other natural hazards and provisioning ecosystem services such as water.

Performance Standard 5 includes identification of risks and impacts related to land acquisition, which can result in physical (relocation or loss of shelter) or economic displacement (loss of assets or access to assets) and/or restrictions on land use. This loss might include loss of ownership or access to natural resources (i.e. ecosystem services such as fire wood, fishing, foraging, hunting, etc.). Importantly, it applies to freshwater and marine environments as well as land based activities.

Performance Standard 6 recognizes that protecting and conserving biodiversity, the maintenance of ecosystem services and the sustainable management of natural resources are fundamental to sustainable development. It addresses how clients can avoid, reduce, restore, and compensate/offset impacts on biodiversity arising from their operations as well as sustainably manage renewable natural resources and ecosystem services.

Performance Standard 8 on cultural heritage recognizes that changes to ecosystem services that are related to cultural heritage should be identified and mitigated and protected by applying the mitigation hierarchy of avoid, reduce, restore.

c. Gender

IFC's is committed to creating opportunities for women both through its financing activities as well as advisory services by an approach that promotes equality under the law, creates equal opportunities through our private sector investments and ensures that everyone has a voice while helping to better leverage the untapped potential of women as well as men in developing countries. IFC believes that understanding and managing gender perspectives in business can help clients achieve bottom line benefits, and that women have a crucial role to play in achieving sound economic growth, private sector development, and poverty reduction. Consistent with the approach described in other sections, gender issues and women's rights are addressed both through targeted and mainstreaming efforts. The *Women in Business* program represents important and highly visible opportunities for aspiring businesswomen to realize their economic potential. IFC expects its clients to minimize gender-related risks and unintended gender differentiated impacts through the Performance Standards.

The Sustainability Policy focuses on areas that are targeted to minimizing adverse impacts on women because of potential gender differentiation.

Performance Standard 1 underscores the importance of a gender-responsive approach during a project's life-cycle when analyzing risks, impacts and opportunities of a project. This is reflected both in the diagnostic aspects of the assessment and management of social and environmental risks, and in the participatory process building on stakeholder analysis disaggregated by gender as well as other relevant social identities. The consultation process should ensure inclusive participation by both men and women.

Performance Standard 2 addresses labor conditions, and requires clients to ensure non-discrimination in areas such as working conditions, terms of employment, avoidance of sexual harassment, and in cases where retrenchment is unavoidable. Measures will be taken to prevent and address trafficking of women and children.

Performance Standard 4 addresses community health, safety and security issues and specifically highlights that community exposure to communicable diseases could have a higher impact on vulnerable groups which may include women in their roles as caretakers.

Performance Standard 5 recognizes that project-related land acquisition can have adverse impacts to individuals and communities that use this land. Targeted measures are generally required to ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation particularly in respect to compensation and benefits. Documentation of ownership or occupancy and compensation arrangements should be issued in the names of both spouses or single head of households. Livelihood losses may affect men and women differently, requiring resettlement assistance, such as skills training, access to credit, and job opportunities, to be gender responsive. Where national law and tenure systems do not recognize the rights of women to hold or contract in property, measures should be considered to provide women as much protection as possible.

Performance Standard 7 on Indigenous Peoples requires the client to specifically consider women's role in the management and use of land and natural resources, and to conduct consultations and support decision making processes that are gender responsive.

Performance Standard 8 on Cultural Heritage requires the client to take into account the views of the affected communities, including women. If a project proposes to use the cultural resources, knowledge, innovations, or practices of local communities embodying traditional lifestyles for commercial purposes good faith negotiation is required with the affected local communities, including women. Cultural heritage values may in some cases be perceived differently by men and women, and it is important that the project recognize and address such differences.

d. Human Rights

Much work has been carried out in recent years to articulate the responsibility of businesses in relation to human rights, including the work of Professor John Ruggie, Special Representative

of the Secretary-General on the Issue of Human Rights and Transnational Corporations and other Business Enterprises (“SRSG”). IFC has actively participated in the SRSG consultation process to date, and is committed to supporting this responsibility of the private sector.

In particular, IFC is concerned that the business activities it finances identify adverse human rights risks, and avoid or address these risks. While the 2006 version of the Performance Standards was not systematically aligned with human rights, the Standards supported many important rights, such as labor rights, rights of Indigenous Peoples, and right to health (though clean environment). The Performance Standards also supported human rights by recognizing that project risk management includes management of human rights risks.

To understand how the Standards can further provide concrete meaning to human rights, IFC reviewed various approaches to strengthening the Standards from a human rights perspective. The outcomes of the review are summarized below.

Businesses, civil society, and other stakeholders understand that social and environmental considerations in business contexts are broadly equivalent to human rights considerations. As a result, IFC proposes that the focus of the Performance Standards should continue to be on strengthening social and environmental issues in the Performance Standards; however, human rights considerations should be spelled out explicitly where relevant, particularly in the Sustainability Policy, as follows:

IFC recognizes the responsibility of the private sector to respect human rights. Although it is well understood that states have the primary duty to protect human rights, companies meet their responsibility to respect human rights by undertaking due diligence in order to identify adverse human rights risks, and by avoiding or addressing them as appropriate. In addition, meeting the responsibility to respect human rights means creating access to an effective grievance mechanism that can facilitate early identification of and prompt remediation for those who believe they have been harmed by a company's actions. IFC's Performance Standards support this responsibility of the private sector.

To understand whether the Performance Standards had serious human rights gaps, IFC analyzed the Performance Standards against various reference documents.² In addition, IFC analyzed high level policy issues, such as climate change, ecosystem services, water, gender, and human trafficking, that also provided opportunities to strengthen the human rights dimension. Overall, IFC confirmed that the multiple dimensions of rights in the economic, social and cultural areas are well addressed in the Performance Standards (e.g., labor rights, pollution prevention, involuntary resettlement, cultural heritage). The Performance Standards also cover aspects of rights in the civil and political area (e.g., community engagement, grievance mechanisms, Indigenous Peoples, vulnerable groups). IFC is proposing to address some gaps as

² The International Bill of Human Rights; new relevant international covenants and declarations; UN Human Rights Council, *Protect, Respect and Remedy: a Framework for Business and Human Rights: Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie*, April 2008, A/HRC/8/5; *Human Rights Translated: A Business Reference Guide*, Castan Centre for Human Rights Law, International Business Leaders Forum, Office of the United Nations High Commissioner for Human Rights, and United Nations Global Compact Office, 2008; and the Human Rights Compliance Assessment tool of the Danish Institute for Human Rights (v1 and v2).

new requirements in the Performance Standards due to their relevance for business activities in all sectors and regions, while addressing the remainder of the gaps in the Guidance Notes.

Simultaneously with the release of the first drafts of the updated Performance Standards, IFC plans to release an annotation document that maps the Performance Standards and Guidance Notes to human rights. IFC welcomes comments and feedback from stakeholders on the foregoing approach as well as the content of the drafts in the forthcoming consultation period.

III. Operational Topics

a. Consultation vs. Consent with Indigenous Peoples

Background. Indigenous groups and their advocates have argued that indigenous peoples should have a right to "Free, Prior, Informed Consent" (FPICConsent) in development-related decision-making. The recommendation to adopt "consent" as a guiding principle was made both by the World Commission on Dams (2000) and the Extractive Industries Review (2004). It is also included in the International Labor Organization (ILO) Convention 169, adopted in 1989, which 19 countries have ratified so far and incorporated into their domestic legislation.

In September 2007, the UN General Assembly endorsed the principle of FPICConsent through the UN Declaration on the Rights of Indigenous Peoples. Several multilateral development banks and other institutions subsequently adopted language incorporating the principle of consent. These include EBRD, IADB, ADB, and IFAD.

The adoption of consent by the UN General Assembly and other development finance institutions has contributed to a perception that IFC is out of step with the international community.

IFC's Current position. In July 2005, when the World Bank converted the older Operational Directive (OD) 4.20 to the new Operational Policy (OP) 4.10, the prevailing lack of clarity with the definition and operational implications of "consent" resulted in the decision to use "consultation" rather than "consent". IFC, when adopting the 2006 Sustainability Policy and Performance Standards, took the same position as the World Bank. IFC currently requires "free, prior, and informed consultation" (FPICConsultation), and in certain cases an additional requirement for "good faith negotiation." An important reason for avoiding the term "consent" was the commonly held perception that "consent" gives indigenous peoples veto power over projects in their areas. This is a view that has been advocated by some civil society groups, but member countries have seen this as an unacceptable challenge to sovereignty.

Emerging clarity on the definition of consent. On the definitional side, it is important to note that none of the institutions that have adopted the principle of consent have interpreted this to mean granting veto power to indigenous peoples over development projects, or a requirement for unanimity of opinion in favor of a project among project beneficiaries or affected groups. The February 2008 UN Development Group's Guidelines on Indigenous Peoples Issues recognized that divergence of opinion is likely to occur, and that even involuntary resettlement may take

place while maintaining the principle of consent, provided there is adequate consultation and mitigation. The UN Rapporteur on Indigenous Peoples has expressed similar views, focusing on consent as an objective rather than a requirement, stating that consultations should be carried out in good faith, with the objective of achieving agreement or community support.

IFC's approach is functionally equivalent to consent. The emerging consensus is that the concept of consent should be defined in terms of legitimacy and transparency of process, with a desired result. The desired result should be community agreement, based on existing and culturally-appropriate decision-making processes. Conceptually, there are no significant differences between consent as defined in this way, and IFC's current requirements for FPIConsultation and good faith negotiation (GFN) leading to broad community support.

Practical and operational challenges in adopting consent. A number of dilemmas and challenges arise when trying to operationalize these processes, including:

- Should "consent" be limited to direct project-induced impacts that the company should be held responsible for, or should it also cover legacy issues and existing conflict situations?
- Who determines "consent"? While ILO 169 stresses that the engagement with IPs should be done based on customary law and practice, traditional institutions are frequently challenged internally. In some cases this may be because of a view that they are undemocratic or male dominated, and in other situations communities are divided internally, along political, economic, kinship, religious, or other identities and factions.
- "Consent" can be misinterpreted to mean a stable state of harmony around a project, and may reduce the likelihood that attention will be paid to the dynamic and changing nature of community organization, relations with other stakeholders, and views and perceptions of members.
- Clients are reluctant to invest and provide development opportunities in settings involving IPs and consent, particularly if there is preexisting conflict or tensions related to rights and development.

Performance Standard 7 currently retains the language of FPIConsultation and GFN. IFC would like to understand how consent is substantially different from our FPIConsultation, GFN, and BCS framework before making a change.

b. Categorization

IFC uses a system of environmental and social categorization to communicate the magnitude of risks and/or impacts understood as a result of IFC's appraisal, and to specify IFC's institutional requirements to disclose to the public project information prior to presenting projects to its Board. IFC adopted a new approach to environmental and social (E&S) categorization of projects with the introduction of the 2006 Sustainability Policy. The previous categorization system under IFC's Safeguard Policies was largely rooted in the World Bank's public sector approach to development projects in which the institution is typically involved in

both project design and implementation. The objective of the change was to tailor categorization to IFC's private sector investment model.

The Sustainability Policy introduced two key changes. The first change was to reverse the sequencing between IFC's E&S due diligence and project categorization. Under the current approach, the result of the E&S due diligence process determines the categorization, rather than categorization establishing the extent of the review process, as was the case under the previous system.

Secondly, the changes introduced in 2006 sought to disassociate the categorization decision from project-level disclosure. Under the Performance Standards, responsibility for disclosure to affected communities rests primarily with the client, and does not depend on categorization. IFC's own disclosure of project summaries and E&S reviews prior to consideration of the proposed investment by the Board of Directors reflects risk categorization.

The categorization approach in IFC's Sustainability Policy has been adopted by many Equator Principles Financial Institutions (EPFIs). Any changes will be of interest to this important community of stakeholders.

Operational Experience and Challenges. The shift from a process-driven to impact-based system of social and environmental categorization has been operationally successful but has been a source of confusion. Practical challenges remain, and should be considered in the review and update process. They include:

- Categorizing projects whose parameters are largely unknown at the time of Board approval.
- IFC's business is rapidly evolving (e.g. increased number of equity and corporate finance projects in IFC's portfolio mix, the continued growth of business with FIs, funds, and facilities, and the establishment of the Asset Management Corporation).

A growing share of IFC business is now going to the Board with limited project-specific information, raising questions on use of funds post-commitment and the need for more transparency and, possibly, reporting on use of funds and development outcomes. Discussions around the categorization issue have further highlighted this growing gap in information and this issue must be addressed through various aspects of IFC operations, including through the E&S categorization framework and the Disclosure Policy.

Sustainability Framework Changes: The following clarifications and changes are being proposed for Phase II consultations:

- IFC will more clearly state that for direct investments categorization is based on potential risks and impacts.
- IFC proposes dividing the current FI category to into FI-Low, FI-Medium and FI-High categories in order to strengthen E&S risk signaling to the Board and stakeholders on this important portion of IFC's business.

- IFC will encourage clients to disclose project-specific information (where available) as early as possible in order to improve overall information sharing with communities and interested stakeholders.

Additional considerations in categorization require more internal and external dialog, and any implication on information disclosure will be addressed during the Phase II consultation process.

c. Sector-Specific Initiatives on Governance and Disclosure

The Sustainability Policy currently contains three paragraphs on sector-specific initiatives on governance and disclosure related to extractive industry and infrastructure projects. During consultations we have heard from stakeholders that project level disclosure and revenue transparency in extractive and infrastructure projects is of particular importance to stakeholders. IFC is currently reviewing these issues internally and through engagement with relevant business partners, including other multilateral development institutions. During the period of consultation for the first draft of the Sustainability Policy, IFC welcomes feedback from all stakeholders, including civil society organizations, industry, and government agencies on how to make relevant terms of Host Government and Inter-Government Agreements and revenue transparency provisions clearer and easier to be implemented by clients.

ANNEX B

Mark up of Draft Policy and Performance Standards on Social and Environmental Sustainability

(Against April 30, 2006 Version)

Track Changes References:

Insertions: Underline

Deletions: ~~Strikethrough~~

Moved from: ~~Double-strikethrough~~

Moved to: Double underline

International Finance Corporation

April 14, 2010

Section 1: Purpose of this Policy

1. ~~The~~ International Finance Corporation (IFC) strives for positive development outcomes in the private sector ~~activities~~~~projects~~ it ~~supports~~ ~~finances~~ in ~~emerging markets~~~~developing countries~~. ~~These activities might be investments financed directly by IFC, implemented through financial intermediaries (FIs), or by IFC's Asset Management Company, or advisory services.~~ ~~An~~ IFC believes that an important component of ~~achieving~~ positive development outcomes is the social and environmental sustainability of ~~these activities~~, which IFC ~~pursues and~~ expects to achieve ~~through the application of~~ ~~by applying this Policy on Social and Environmental Sustainability (the Sustainability Policy or the Policy), and~~ a comprehensive set of social and environmental performance standards.

~~1.2.~~ Through ~~its this Policy~~ ~~Policy on Social and Environmental Sustainability (the Sustainability Policy)~~, IFC puts into practice its commitments to social and environmental sustainability. ~~These~~~~is~~ commitments ~~are~~~~is~~ based on IFC's mission and mandate, as ~~explained~~ ~~presented~~ in Section 2 of this Policy. ~~Translating these~~~~is~~ commitments into successful outcomes depends on the efforts of IFC and its clients. ~~Consistent with these~~~~is~~ commitments, IFC carries out the actions described in Section 3 of this Policy, including its responsibility to ~~conduct social and environmental due diligence of~~ ~~review~~ ~~projects~~ ~~business activities~~ proposed for ~~direct~~ financing against the Performance Standards.

~~1.3.~~ Business activities supported and financed by IFC include a wide range of investment and AS products. Products with longer tenor include (i) direct lending to private sector companies (including corporate and project finance); (ii) lending to various types of FIs, funds, and facilities; (iii) ~~minority equity stakes in companies (including financial institutions); and (iv) guarantee facilities, municipal finance, as well as investments by IFC's Asset Management Company, all of which must meet the requirements of the Performance Standards. Products with shorter tenor include short-term guarantees and trade finance products, among others. These products, when determined to have low social and environmental risk, are subject to the IFC Exclusion List and relevant national laws.~~

4. The Performance Standards consist of the following:

Performance Standard 1: ~~Social and Environmental~~ Assessment and Management ~~of Social and Environmental Risks and Impacts~~ ~~System~~

Performance Standard 2: Labor and Working Conditions

Performance Standard 3: ~~Resource Efficiency and~~ Pollution Prevention ~~and Abatement~~

Performance Standard 4: Community Health, Safety, and Security

Performance Standard 5: Land Acquisition and Involuntary Resettlement

Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management

Performance Standard 7: Indigenous Peoples

Performance Standard 8: Cultural Heritage

~~2.5.~~ These Performance Standards are essential documents to help IFC ~~and its~~ clients manage and improve their social and environmental performance through ~~a~~ ~~risks-~~ ~~and~~ outcomes-based approach. ~~The~~ desired outcomes are described in the objectives of each Performance Standard, followed by specific requirements to help clients achieve these outcomes through means that are appropriate to the nature and scale of the ~~business activity~~ ~~project~~ and commensurate with the level of social and environmental risks (~~likelihood of harm~~) and/or impacts. ~~Central to these requirements is~~ ~~the intent~~ ~~a consistent approach~~ to avoid adverse impacts on workers, communities, and the environment, or if avoidance is not possible, to reduce, ~~mitigate~~ ~~restore~~, or compensate/~~offset~~ for the impacts, as appropriate. ~~IFC believes that t~~ The Performance Standards also provide a solid base

~~from on~~ which clients may increase the overall sustainability of their ~~business~~ operations, identify new opportunities to grow their business, and build their competitive advantage in the marketplace.

~~13.6.~~ While managing social and environmental risks and impacts in a manner consistent with the Performance Standards is the responsibility of the client, IFC seeks to ensure, through monitoring and supervision, that the ~~business activities-projects~~ it finances are ~~-operated~~ implemented in a ~~manner consistent~~ accordance with the requirements of the Performance Standards. As a result, the outcome of IFC's social and environmental ~~due diligence~~ review of a proposed business activity project is an important factor in its investment decision, ~~to finance the project or not,~~ and will determine the scope of the social and environmental conditions of IFC financing. By adhering to this Policy, IFC seeks to (i) ~~enhances~~ the predictability, transparency, and accountability of its actions and decision-making; (ii) ~~helps~~ clients manage their social and environmental risks and impacts; (iii) ~~and~~ improve their performance; and (iv) ~~enhances~~ positive development outcomes on the ground.

Section 2: IFC's Commitments

~~17.7.~~ IFC's mission is to promote sustainable private sector development in developing countries, helping to reduce poverty and improve people's lives. IFC believes that sound economic growth, grounded in sustainable private investment, is crucial to poverty reduction.

~~18. In order to accomplish its mission, IFC seeks to base partnerships with clients on the understanding that the pursuit of social and environmental opportunities is an integral part of good business. Socially and environmentally responsible businesses can enhance clients' competitive advantage and create value for all parties involved. IFC believes that this approach also helps to promote the long-term profitability of investments in emerging markets and to enable IFC to fulfill its development mandate and strengthen the public's trust in IFC.~~

~~3.8.~~ Central to IFC's development mission are its efforts to carry out ~~its~~ investment operations activities and advisory services (AS) ~~in a manner that~~ with the intent to "do no harm" to people and ~~or~~ the environment and achieve positive development outcomes. Negative impacts should be avoided where possible, ~~and if~~ these impacts are unavoidable, the approach should be to they should be reduced, ~~mitigated-restore,~~ or compensate/offset, as d for appropriately. In particular, IFC is committed to ensuring that the costs of economic development do not fall disproportionately on those who are poor or vulnerable, that the environment is not degraded in the process, and that natural resources are managed efficiently and sustainably. IFC believes that the client's regular engagement with local communities, stakeholders about matters that directly affect them plays an important role in avoiding or reducing harm risks and impacts to people and the environment. ~~IFC also recognizes that the roles and responsibilities of the private sector in respecting human rights are emerging as an important aspect of corporate social responsibility. The Performance Standards, developed by IFC to help private sector clients address environmental and social risks and opportunities, are consistent with these emerging roles and responsibilities.~~

~~4. Accordingly, IFC endeavors to invest in sustainable projects that identify and address economic, social and environmental risks with a view to continually improving their sustainability performance within their resources and consistent with their strategies. IFC seeks business partners who share its vision and commitment to sustainable development, who wish to raise their capacity to manage their social and environmental risks, and who seek to improve their performance in this area.~~

~~20.9.~~ IFC is committed to supporting low-carbon economic development. It also ~~recognizes that~~ climate change impacts may impede economic and social- development efforts. IFC works towards the reduction of greenhouse gases (GHG) emissions by supporting the adoption of new and appropriate technologies, processes, practices, and products. IFC believes that the private sector

needs to implement risk-appropriate climate adaptation measures and that it should play an important role in mitigating GHG emissions. A key aspect to IFC's approach to climate change is the provision of AS to its clients on the risks of climate change, including options for developing mitigation measures and fostering knowledge-sharing among public and private sector entities.

~~21.10.~~ IFC also recognizes that the roles and responsibilities of the private sector in respecting human rights. Although it is well understood that states have the primary duty to protect human rights, companies meet their responsibility to respect human rights by undertaking due diligence in order to identify adverse human rights risks, and by avoiding or addressing them as appropriate. In addition, meeting the responsibility to respect human rights means creating access to an effective grievance mechanism that can facilitate early identification of and prompt remediation for those who believe they have been harmed by a company's actions. IFC's Performance Standards support this responsibility of the private sector.

11. IFC believes that women have a crucial role in achieving sound economic growth and poverty reduction. They are an essential part of private sector development. IFC expects its clients to minimize gender-related project risks and unintended gender differentiated impacts. Recognizing that women are often prevented from realizing their economic potential because of gender inequity, IFC is committed to creating opportunities for women both through its financing activities as well as AS.

12. IFC also seeks to provide accurate and timely information regarding its activities, and discloses information related to its own institutional and investment activities in accordance with its Policy on Disclosure of Information.

~~22.13.~~ In order to accomplish its mission and achieve its commitments, IFC endeavors to collaborate with business partners who identify and manage social and environmental risks and who pursue social and environmental opportunities and outcomes in their business activities with a view to continually improve their sustainability performance. IFC recognizes the relationship between a strong culture of corporate integrity and governance, and sustainable performance, and that a company's management and board of directors play important roles in driving risk management and sustainable growth. IFC believes that this approach helps promote the long-term profitability of investments in developing countries, creates sustainability value and public goods, and enhances the public trust in its operations.

Section 3: IFC Roles and Responsibilities

~~5-14.~~ In its operations, IFC requires expects clients to assess and manage the social and environmental risks and impacts of their business activities projects. This entails the client's assessment of these risks and impacts, and client implementation of measures to meet the requirements of the Performance Standards. An important component of the client's management of its social and environmental performance is the client's engagement with the affected communities Stakeholders through disclosure of relevant project information, consultation, and informed participation, as stated in accordance with Performance Standard 1.

~~6-15.~~ IFC assumes several roles and responsibilities under this Policy. It conducts a due diligence review of the business activity to be financed against requirements of the Performance Standards. IFC (i) assesses the client's social and environmental management system to verify its appropriateness in accordance with the nature and scale of the business activity and level of social and environmental risks and impacts; (ii) assists the client in developing measures to avoid, reduce,

restore or compensate/offset for social and environmental impacts; (iii) categorizes the proposed business activity based on potential social and environmental risks and impacts; (iv) identifies risks and potential environmental and/or social impacts and defines conditions under which IFC financing for the business activity could proceed; and (v) monitors and supervises clients' ongoing performance in relation to those conditions throughout the life of IFC's investment.

~~7. IFC's role is to review the client's assessment; to assist the client in developing measures to avoid, minimize, mitigate or compensate for social and environmental impacts consistent with the Performance Standards; to categorize the project in order to specify IFC's institutional requirements to disclose to the public project-specific information; to help identify opportunities to improve social and environmental outcomes; and to monitor the client's social and environmental performance throughout the life of IFC's investment. IFC also discloses information relating to its own institutional and investment activities in accordance with its Policy on Disclosure of Information. IFC implements these process requirements through its Environmental and Social Review Procedure.~~

~~8. The foregoing general approach applies to IFC's direct investments at both the corporate and project levels, including equity investments. Investments through financial intermediaries and advisory work have separate procedures for applying the Performance Standards (see paragraphs 27 through 30 below). IFC's internal procedure for the application of these Performance Standards through its different types of investments and operations are set out in the Environmental and Social Review Procedure.~~

Social and Environmental ~~Review~~ Due Diligence

Overall Approach

~~9.16. When a project is proposed for financing, IFC conducts a social and environmental review of the project as part of its overall due diligence. due diligence applies to the full spectrum of IFC investment activities. This review is appropriate to the nature and scale of the project, and commensurate with the level of social and environmental risks and impacts. IFC reviews any new business activity that is being considered for IFC financing, whether in the pre-construction, construction, or operational stage. The scope of the review may be expanded to other business activities of the client as part of IFC's risk management considerations. Where there are significant historical social or environmental impacts associated with the project, including those caused by others, IFC works with its client to determine possible remediation measures~~

~~10. The effectiveness and efficiency of the social and environmental review depend partly on the timing of IFC's involvement. When this involvement occurs in the early stages of project design, IFC is able to support the client more effectively in anticipating and addressing specific risks, impacts and opportunities, and help build its capacity to manage these throughout the life of the project.~~

~~11. The social and environmental review includes three key components: (i) the social and environmental risks and impacts of the project as assessed by the client; (ii) the commitment and capacity of the client to manage these expected impacts, including the client's social and environmental management system; and (iii) the role of third parties in the project's compliance with the Performance Standards. Each of these components helps IFC to ascertain whether the project can be expected to meet the Performance Standards. In the case of projects with significant adverse impacts on affected communities, IFC also assures itself that there is broad community support for the project within the affected communities~~

~~(see paragraphs 19 and 20 below). IFC bases its review on the client's Social and Environmental Assessment. In cases where such Assessment does not meet the requirements of Performance Standard 1, IFC requires the client to undertake additional Assessment or, where appropriate, to commission Assessment by external experts.~~

~~12.17. IFC's social and environmental due diligence reviews integrated into IFC's overall assessment of the project, including the assessment of due diligence of the business activity under consideration, including the review of financial and reputational risks. IFC also considers whether and how its investment can be expected to contribute to the development of the host country and to broadly benefit its relevant constituencies-stakeholders in economic, social, and/or environmental terms. Through weighing IFC weighs the these costs and benefits, of proposed business activities and IFC articulates its rationale and project-specific conditions for the proposed investment. These are provided to IFC's Board of Directors when the project is presented for approval.~~

~~13.~~

~~IFC does not finance new business activity that cannot be expected to meet the Performance Standards over a reasonable period of time. In addition, there are several types of activities that IFC does not finance. A list of these activities can be found in the Exclusion List in the Environmental and Social Review Procedure.~~

~~14.18. There are several types of activities that IFC does not support, either through its investment activities or AS. These activities are set out in the IFC Exclusion List. IFC only finances business activities that are expected to meet the requirements of the Performance Standards within a reasonable period of time. Persistent delays in meeting these requirements can lead to loss of financial support from IFC.~~

~~15.19. At times, the client's ability to achieve social or environmental outcomes consistent with the Performance Standards will be dependent on third party activities. A third party may be a government agency as a regulator or contract party, a principal contractor or supplier with whom the project business activity has a substantial involvement, or an operator of an associated facility (as defined in Performance Standard 1). In addition, the client will have to consider the risk of being complicit in third party's acts or omissions, including by knowingly supporting, endorsing, or benefiting from third party's human rights violation. IFC expects its clients to identify these risks through appropriate due diligence, taking into account the local context, its influence and control over the third party, and any benefit the clients may derive from third party acts or omissions. IFC as part of its own due diligence process will review clients' identification of risks, and will determine whether such risks are manageable, and if so under what conditions, so as to create outcomes consistent with the Performance Standards. Certain risks, such as the risk of being complicit in gross human rights violations, may require IFC to refrain from financing the business activity.~~

~~16.20. IFC's legal agreements pertaining to the financing of clients' activities include specific provisions with which clients undertake to comply. These include complying with the requirements of relevant Performance Standards and project-specific conditions such as action plans, as well as relevant provisions for social and environmental reporting, and supervision visits by IFC staff or representatives, as appropriate. If the client fails to comply with its social and environmental commitments as expressed in the legal agreements, IFC works with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, IFC will exercise its rights and remedies as appropriate.~~

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Direct Investments

~~17-21.~~ IFC conducts a social and environmental due diligence of the business activity to be financed ~~project~~ as part of its overall investment review process. ~~due diligence. This review due diligence is appropriate to the nature, and scale, and stage of the project~~ business activity, and commensurate with the level of social and environmental risks and impacts. IFC conducts due diligence of reviews any all new business activities that are being considered for IFC financing, whether in the pre-construction design, construction, or operational stage. The scope of the review social and environmental due diligence may be expanded to other business activities of the client as part of IFC's risk management considerations. Where there are significant historical social or environmental impacts associated with the project business activity, including those caused by others, IFC works with its client to determine possible remediation measures.

~~18-22.~~ IFC investment timing in relation to a client's business activity varies from transaction to transaction. IFC's engagement ~~, often,~~ occurs well after the business activity is conceived, with the site selected and development started. IFC's approach is, whenever possible, to take full consideration of the environmental and social management system already in place, as well as the social and environmental assessment undertaken by the client and/or any third party before IFC's consideration of the investment. When IFC's involvement occurs in the early stages of business activity design, IFC is able to support the client more effectively in anticipating and addressing specific risks, impacts, and in identifying opportunities, and in managing these throughout the life of the investment.

~~19-23.~~ The social and environmental due diligence typically includes three key components: (i) review of the social and environmental risks and impacts of the business activity as assessed by the client; (ii) review of the commitment and capacity of the client to manage risks and impacts, including the client's social and environmental management system; and (iii) review of the potential role of third parties to meet the requirements of the Performance Standards. Each of these components helps IFC to ascertain whether the proposed business activity can be expected to meet the Performance Standards. IFC typically initiates its due diligence through a review of the outcome of the client's risks and impacts identification process. In cases where such identification does not meet the requirements of Performance Standard 1, IFC requires the client to undertake additional studies or, where appropriate, commission additional studies by external experts, which may lead to additional requirements in the Environmental and Social Action Plan (ESAP).

~~20-24.~~ In addition, where the business activity to be financed is likely to generate potential significant adverse impacts on communities located in the project's geographical area of influence, IFC expects clients to engage in a process of Free, Prior, and Informed Consultation (FPIC) as stated in Performance Standard 1. In addition, through its own investigation, IFC assures itself that the client's community engagement is one that involves FPIC and enables the informed participation of the Affected Stakeholders, leading to Broad Community Support (BCS) for the business activity within the Affected Stakeholders, before presenting it for approval to IFC's Board of Directors. BCS is a collection of expressions by the Affected Stakeholders, through individuals or their recognized representatives, in support of the business activity. There may be BCS even if some individuals or groups object to the business activity.¹ IFC discloses the rationale for its determination of a BCS in the Board Paper. After the Board approval of the business activity, IFC continues to monitor the client's community engagement process as part of its portfolio supervision.

¹ IFC's methodology on determining BCS is included in the Environment and Social Review Procedure.

Financial Intermediaries

~~21.25.~~ IFC is committed to supporting sustainable capital market and financial sector development. ~~and has a significant program of investment that is implemented through financial intermediaries (FIs). To this end, it has developed a significant program of indirect investments that is implemented through FIs.~~ Through this program, IFC helps strengthen domestic capital and financial markets that support economic development, especially at a scale of company enterprise that is smaller than would be possible through direct IFC investments. IFC's FI clients are engaged in a diverse range of activities, including project finance; lending to large, medium, and small businesses; microfinance; leasing; trade finance; guarantees; housing finance; consumer finance; and private equity, each with its own social and environmental risk profile.

~~22.26.~~ Through its engagement with FIs, IFC helps build the capacity of the banking and financial sector, including the development and implementation of a social and environmental management systems. This capacity building is achieved through the experience gained by FIs in implementing IFC-supported investments and the day-to-day management of operational risks, including social and environmental risk. IFC delegates to FIs the responsibility for individual transaction appraisal and monitoring as well as overall portfolio management. Social and environmental risk management is part of the responsibilities delegated to FIs. IFC monitors on an ongoing basis whether the social and environmental risks associated with the FI's business activities are being adequately addressed.

~~23.27.~~ In order to appropriately manage the social and environmental risks related to FI investments, IFC conducts due diligence of the business portfolio of its FI clients to identify activities where the FIs and IFC could be exposed to risks as a result of their investments, and defines requirements for managing these risks. IFC reviews implementation capacity of FIs as well as their social and environmental management systems, as required by Performance Standard 1. These systems should be commensurate with the level of social and environmental risks associated with their business activities and type of investment made with IFC financing. IFC also requires FI clients to apply Performance Standard 2 to its workers.

24.28.

IFC's requirements for FI clients are proportional to the level of risk in the FI's entire business portfolio:

- FIs with current and/or prospective business activities that have minimal or no adverse social or environmental risks will ~~be considered Category C projects and need not apply any specific requirements~~ the Exclusion List and follow respective national laws.
- All other FIs will apply the Exclusion List, follow respective national laws, and where the activity financed presents some social or environmental risks, they will apply the Performance Standards.
- ~~In addition to the Exclusion List, FIs providing long-term corporate finance or project finance will require the recipient of such finance to:~~
 - (i) ~~follow national laws where the activity financed presents limited social or environmental risks; and~~
 - (ii) ~~apply the Performance Standards where the activity financed presents significant social or environmental risks~~

29. Where IFC is financing a credit line or other targeted finance facility, IFC requirements will apply to all subprojects financed using IFC funds. Where IFC provides equity, quasi-equity, or general purpose financing to an FI, its requirements will apply to the FI's entire portfolio of commercial subprojects originated from the time IFC became a shareholder or investor.

~~25-30.~~ IFC monitors FI client performance on an ongoing basis. Additionally, to determine the effectiveness of an FI's social and environmental management system, IFC may review the results of the social and environmental due diligence review conducted by the FI for sub-project investments under credit lines or other targeted— finance facility.

Social and Environmental Categorization of Projects

~~26-31.~~ As part of the review of a project's expected social and environmental risks and impacts, IFC uses a process of social and environmental categorization to reflect the magnitude of risks and/or impacts ~~understood as a result of the client's Social and Environmental Assessment, and, It also specifies~~ IFC's institutional requirements for disclosure ~~to the public project specific information prior to presenting projects to its Board of Directors for approval in accordance with Section 12 of the Disclosure Policy~~ in accordance with IFC's Policy on Disclosure of Information. These categories are:

Category A Projects: Business activities ~~Projects~~ with potential significant adverse social or environmental risks and/or impacts that are diverse, irreversible, or unprecedented.

~~1.~~

Category B Projects: Business activities ~~Projects~~ with potential limited adverse social or environmental risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Category C Projects: Business activities ~~Projects~~ with minimal or no adverse social or environmental risks and/or impacts.

~~3.~~ ~~—, including certain financial intermediary (FI) projects with minimal or no adverse risks~~

Category FI Projects: ~~Business activities involving investments in financial intermediaries or through delivery mechanisms involving financial intermediation. This category is further divided into "High," "Medium," or "Low," reflecting the relative portfolio risk profile.~~

32. IFC recognizes that the different business activities it considers for financing have different levels of information available at the time of IFC's due diligence. In some cases the use of proceeds from IFC's investment is known and fully understood, as is typical in traditional project finance. In many other cases however, IFC's investment is not directed at specific physical assets (such as working capital finance and some types of equity investments) or will lead to future investments (such as some FI operations or investment facilities) and the use of proceeds therefore is largely indeterminate at the time of IFC's decision to invest.

~~27-33.~~ Where the use of proceeds of IFC financing is known at the time of the decision to invest, IFC will determine the business activity's social and environmental category based on its potential social and environmental risks and/or impacts. For an existing operation, this will include its known operational impacts. Where the use of proceeds of IFC financing is not directed toward specific physical assets, or where the specific use of proceeds of IFC financing is not specified at the time of

IFC due diligence. IFC will determine the category based on risks inherent to the particular sector and setting. For FI investments, IFC will determine social and environmental category based on inherent sector risks related to the financed activity (e.g., credit line) or, where appropriate, based on inherent risk related to the entire project portfolio (e.g., equity funds). The portfolio risk profile of the FI will also serve as an input to the determination of the "High," "Medium," or "Low" designation.

Community Engagement and Broad Community Support

~~46. Effective community engagement is central to the successful management of risks and impacts to the affected communities. Through the Performance Standards, IFC requires clients to engage with affected communities through disclosure of information, consultation, and informed participation, in a manner commensurate with the risks to and impacts on the affected communities.~~

~~48. IFC is committed to working with the private sector to put into practice processes of community engagement that ensure the free, prior, and informed consultation of the affected communities. Building on this commitment, when clients are required to engage in a process of free, prior, and informed consultation, IFC reviews the client's documentation of the engagement process. In addition, through its own investigation, IFC assures itself that the client's community engagement is one that involves free, prior, and informed consultation and enables the informed participation of the affected communities, leading to broad community support for the project within the affected communities, before presenting the project for approval by IFC's Board of Directors. Broad community support is a collection of expressions by the affected communities, through individuals or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project. After the Board approval of the project, IFC continues to monitor the client's community engagement process as part of its portfolio supervision.~~

Monitoring and Supervision

~~28.34.~~ After IFC financing is committed and disbursed, IFC carries out the following actions to monitor its investments as part of its portfolio supervision program:

- Develop and implement an annual program of supervision for ~~of certain projects~~ projects with social and environmental risks and/or impacts² in accordance with the requirements of the Environmental and Social Review Procedure.

~~1. All FI projects excluding those that are Category C projects (see paragraphs 27 through 29 below)~~

~~Require the project to submit periodic Monitoring Reports on its social and environmental performance as agreed with IFC~~

~~Review project performance on the basis of the client's commitments in the Action Plan, as reported by the client's Monitoring Reports, and, where relevant, review with the client any performance improvement opportunities~~

~~If changed project circumstances would result in adverse social or environmental impacts, work with the client to address them~~

~~If the client fails to comply with its social and environmental commitments, as expressed in the Action Plan or legal agreement with IFC, work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, exercise remedies when appropriate~~

² Includes visits to high risk sub-projects in the case of select FIs to determine effectiveness of their social and environmental management system.

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~~Encourage the client to report publicly on its social, environmental and other non-financial aspects of performance, in addition to reporting on the Action Plan as required by Performance Standard 1~~

- Review implementation performance, as reported in the client's Monitoring Report and updates on the ESAP to IFC,³ against the social and environmental conditions for investment and the client's commitments, and, where relevant, identify and review opportunities for further improving client performance on the sustainability front.
- If changed business activity circumstances would result in altered or adverse social or environmental impacts, work with the client to address them.
- If the client fails to comply with its social and environmental commitments, as expressed in the social and environmental conditions for financing, work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, exercise remedies as appropriate.
- Review the client's disclosure and public reporting on its social, environmental and other non-financial aspects of performance.

Sector-Specific Initiatives on Governance and Disclosure

~~29.~~35. In the extractive industries and infrastructure sectors in particular, where a project can have potentially broader implications for the public at large, IFC recognizes the importance of assessment of governance risks and disclosure of information as a means to manage governance risks.

Accordingly, subject to applicable legal restrictions, IFC has the following sector-specific initiatives on disclosure of project-related information, in addition to the disclosure requirements specified in Performance Standard 1.

Extractive Industry Projects

~~30.~~36. When IFC invests in extractive industry projects (oil, gas, and mining projects), IFC assesses the governance risks to expected benefits from these projects. In the case of significant projects (those expected to account for ten percent or more of government revenues), risks are appropriately mitigated, and for smaller projects, the expected net benefits of projects and the risks to these from weak governance are reviewed. Where the balance of benefits and risks is not acceptable, IFC does not support such projects. IFC also promotes transparency of revenue payments from extractive industry projects to host governments. Accordingly, IFC requires that ~~(i)~~ for significant new extractive industries projects, clients publicly disclose their material project payments to the host government (such as royalties, taxes, and profit sharing), and the relevant terms of key agreements that are of public concern, such as host government agreements (HGAs) and intergovernmental agreements (IGAs); ~~and in addition, (ii) from January 1, 2007, e~~ clients of all IFC-financed extractive industry projects publicly disclose their material payments from those projects to the host government(s).

Infrastructure Projects

~~31.~~37. When IFC invests in projects involving the final delivery of essential services, such as the retail distribution of water, electricity, piped gas, and telecommunications, to the general public under monopoly conditions, IFC encourages the public disclosure of information relating to household tariffs and tariff adjustment mechanisms, service standards, investment obligations, and the form and extent of any ongoing government support. If IFC is financing the privatization of such distribution services, IFC also encourages the public disclosure of concession fees or privatization proceeds.

³ Not all projects have environmental and social reporting requirements (e.g., Category C projects).

Such disclosures may be made by the responsible government entity (such as the relevant regulatory authority) or by the client.

Advisory Services

~~38. These services that range from advice in connection with large-scale industry privatizations to grass-roots support for small enterprises. IFC funds some of these services directly, and in other cases leverages funds from donor-funded facilities. IFC AS products provide advice, problem solving, and training to companies, industries and governments from developing countries. This work includes advising national and local governments on how to improve the investment climate and strengthen infrastructure as well as helping firms and financial institutions sharpen their competitive edge, improve corporate governance, and become more sustainable. AS can be provided alongside or independent of IFC investment services. All advice is provided within the context of national laws and regulations. For all AS activities, IFC reviews the overall social and environmental risks associated with the AS activity and screens clients for potential social and environmental risks, as well as against the IFC Exclusion List. Should the review result in the identification of environmental and/or social risks, reference is made to the Performance Standards as a framework of good international practice in social and environmental risk management.~~

~~39. In addition, one of IFC's AS business lines provides advice on environment and social sustainability and works to promote the large-scale adoption of business models that are both profitable and good for the environment and social development. Activities in this area focus on: (i) addressing climate change; (ii) leveraging labor and social capital; and (iii) preventing biodiversity loss. IFC advises clients on improving their industrial processes, reducing consumption of energy, water and raw materials; improving employee performance and productivity; and developing social and environmental standards for the private sector. Meeting these standards enables businesses to reduce their risk, gain access to markets, use resources more efficiently, strengthen supply chain security, and increase their brand value. IFC also supports investors in their efforts to adopt low-carbon portfolio strategies by developing investment tools and products that help mitigate climate change.~~

Section 4: Collaboration with Partners

IFC Client Support and Funding Programs for Social and Environmental Sustainability

~~52. In conjunction with its financing of projects, IFC can mobilize in-house capacity to provide hands-on support to clients that seek to improve their social and environmental performance, particularly those with limited capacity and resources, including small and medium enterprises. Where needed, IFC is also prepared to work closely with international financial institutions and the private sector on project and policy issues related to sustainability. In addition, IFC may make funding available to support its clients' social and environmental initiatives and programs.~~

Client Support Services

~~54. IFC provides client support, capacity building, and value-adding services in the social and environmental area, subject to its assessment of the client's capacity and available resources. These services include assistance with Social and Environmental Assessment for small and medium-size clients; assistance with identifying opportunities to enhance social and environmental outcomes; discussion with national environmental protection agencies or other relevant regional, national or~~

local agencies on project-specific issues at the request of the client; mobilization of IFC's network of external consultants and experts; and advice on good practice to improve project performance.

56. IFC provides support for training of FI clients to facilitate the adoption and consistent application of a Social and Environmental Management System, and to enhance their social and environmental performance. The training includes programs to: (i) raise awareness of social and environment risks that the client may face; (ii) establish a Social and Environmental Management System appropriate to the client's business; and (iii) help clients identify business opportunities, for example, through market identification and new financial products.

Funding for Social and Environmental Initiatives

58. IFC may make financial assistance available to support its clients' social and environmental initiatives and programs. This may include helping clients improve their social and environmental performance beyond the requirements of the Performance Standard; financing innovative projects that promote local environmental benefits; supporting innovative projects with global environmental benefits, including conservation of biodiversity; and purchasing carbon credits from projects in emerging markets that reduce greenhouse gas emissions.

Collaboration and Liaison with Public and Private Sector Institutions

32.40. IFC, as part of its position as an arm of the World Bank Group, focusing on the private sector, and together with its extensive network among private sector and international financial institutions (private and public as well as financial and non-financial), collaborates enables IFC to liaise with public and private sector stakeholders to promote a broader dialogue on sustainable private sector financing in emerging markets development in developing countries. The following are examples of IFC collaboration and liaison role: include:

- Identification and dissemination of private sector best good international practices in the area of social and environmental risk management; area
- Promotion of sustainable financial markets in developing countries through a dialogue with Central Banks and Regulatory bodies on creating an enabling the environment for social and environmental risk management by financial institutions as well as the engagement with individual financial institutions on the benefits of social and environmental risk management;
- Promotion of sustainable financial markets in developing countries through a dialogue and engagement with Equator Principles Financial Institutions and financial market participants, the Equator Principles, and through engaging private equity managers and financial analysts, and using other financial market mechanisms;
- Playing Leading the role of the lead bank on social and environmental matters in syndicated loans and joint projects with other international financial institutions, and promoting close coordination and harmonization among the participating institutions;
- Liaison and coordination with the World Bank on country systems as well as on the social and/or environmental aspects of national policy and/or enforcement and monitoring issues;
- Liaison with relevant international financial institutions and/or national agencies on strategic, regional, and/or sectoral environmental assessment, where appropriate, for private sector projects with significant social or environmental issues; and

~~Liaison and coordination with external partners and initiatives, such as the UN Global Compact, to enhance the social and environmental sustainability of private sector projects~~

- Formal notification to countries potentially affected by the transboundary effects of proposed project activities, to help those countries determine whether the proposed project has the potential for causing adverse effects through air pollution or deprivation of water from, or pollution of international waterways.

Additional Reference and Supporting Documents for Policy Implementation

~~60.41.~~ In addition to the Performance Standards, IFC ~~uses~~ refers to other policy, procedure, directive, guidelines, and guidance materials to assist its staff and clients with the implementation of the requirements of the Sustainability Policy and Performance Standards including, in achieving social and environmental sustainability in projects in emerging markets. ~~F~~for example:

- IFC's Policy on Disclosure of Information, which details IFC's institutional requirements for disclosure of information; ~~will be carried out pursuant to IFC's Policy on Disclosure of Information~~
- IFC's Environmental and Social Review Procedures, which documents internal procedures to address social and environmental issues through different types of investment and advisory services for social and environmental due diligence can be found in the Environmental and Social Review Procedures
- The Guidance Notes, accompanying documents ~~corresponding~~ to the Performance Standards, which offer helpful guidance on the requirements contained in the Performance Standards ~~(, including reference materials), as well as and on~~ good sustainability practices to improve project performance;
- The World Bank Group's Environmental, Health and Safety Guidelines ~~guidelines~~ on sector and industry practices and performance levels consistent with Performance Standard 3; and can be found in the IFC's Environmental, Health and Safety Guidelines
- Good practice notes, ~~—and~~ handbooks, and other materials that provide disseminate examples of good practice and reference information about these practices.

The above-referenced guidance materials ~~se documents~~ are available at: www.ifc.org/enviro
Resources on IFC's approach to sustainability are available at: www.ifc.org/sustainability

Section 4 5: Compliance Advisor/Ombudsman

~~33.42.~~ IFC supports its clients in addressing social and environmental issues arising from their business activities by requiring them to set up and administer appropriate mechanisms and/or procedures to address related grievances and complaints from people in affected communities. In addition to these mechanisms and procedures, the role of administrative and/or legal procedures available in the host country should also be considered. Nonetheless, there may be cases where grievances and complaints from those affected by IFC-financed business activities are not fully resolved at the activity level or through other established mechanisms.

~~34.43.~~ Recognizing the importance of accountability and that the concerns and complaints of ~~project~~ affected people should be addressed in a manner that is fair, objective, and constructive, a mechanism has been established through the Compliance Advisor/Ombudsman (CAO) to enable

individuals and communities affected by IFC ~~projects~~ investments to raise their concerns to an independent oversight authority.

~~35.44.~~ 35.44. The CAO is independent of IFC management and reports directly to the President of the World Bank Group. The CAO responds to complaints from those affected by IFC-financed ~~projects~~ business activities and attempts to resolve them through a flexible problem-solving approach, and to enhance the social and environmental outcomes of ~~projects~~ business activities. In addition, the CAO oversees audits of IFC's social and environmental performance, particularly in relation to sensitive ~~project~~ business activities, to ascertain compliance with policies, guidelines, procedures, and systems.

~~36.45.~~ 36.45. Complaints may relate to any aspect of IFC-financed ~~project~~ business activities that is within the mandate of the CAO. They can be made by any individual, group, community, entity, or other party affected or likely to be affected by the social or environmental impacts of an IFC-financed ~~project~~ business activity. Complaints should be submitted to the CAO in writing to the address below:

Compliance Advisor/Ombudsman
International Finance Corporation
2121 Pennsylvania Avenue NW
Room F11K-232
Washington, DC 20433 USA

Tel: 1 202 458 1973

Fax: 1 202 522 7400

E-mail: cao-compliance@ifc.org

The CAO receives and addresses complaints in line with the criteria set out in its Operational Guidelines for the CAO which are available at the following web site: www.cao-ombudsman.org

Introduction

1. Performance Standard 1 underscores the importance of managing the social and environmental performance associated with a client's business activities during the project life-cycle (design, construction, operation, and decommissioning or closure, where applicable) throughout the life of a project (any business activity that is subject to assessment and management). An effective social and environmental assessment and management system is a dynamic and continuous process initiated and supported by management, and involving meaningful communication between the client and its stakeholders¹—workers,² Affected Stakeholders,³ and other stakeholders.⁴ ~~its employees, workers, and the local communities directly affected project (the affected communities)~~ Drawing on the elements of the established business management process of “plan, ~~implement do~~, check, and act,” the management system entails a methodological approach to managing ~~the thorough assessment of potential~~ social and environmental ~~impacts and risks~~ and impacts in a structured way on an ongoing basis. ~~from the early stages of project development, and provides order and consistency for mitigating and managing these~~ A good management system appropriate to the size and nature of a the project activity⁵ promotes sound and sustainable social and environmental performance, and can lead to improved financial, social, and environmental ~~project~~ outcomes.

~~1.2. At times, the assessment and management of certain social and environmental risks and impacts may be the responsibility of the government or other third parties over which the client does not have control or influence.⁶ Examples of where this may happen include: (i) when early planning decisions are made by the government or third parties which affect the project site selection and/or design; and/or (ii) when specific actions directly related to the project are carried out by the government or third parties such as providing land for a project which may have previously involved the resettlement of communities or individuals and/or land clearing of biodiversity. While the client cannot control or often even influence these government or third party actions, an effective management system should identify the different entities involved and the roles they play, and the corresponding risks they present to the client in order to help achieve environmental and social outcomes that are consistent with the Performance Standards.~~

Objectives

- To identify and ~~evaluate assess~~ social and environmental risks and impacts ~~both adverse and beneficial, in the project's area of influence~~ of the project

¹ “Stakeholders” includes workers, Affected Stakeholders, and other Stakeholders.

² Workers are defined as workers employed by the client, as well as other workers directly contracted by the client to carry out work on the project.

³ Affected Stakeholders are people, groups, or communities, who are subject to actual or potential project-related risks and/or adverse impacts on their physical environment, health, or livelihoods and who are often located in the project's near geographical proximity, particularly those contiguous to the existing or proposed project facilities.

⁴ Other stakeholders are defined as those people or groups that are not located in the project's geographical area of influence and have an interest in a project and/or ability to influence its outcomes.

⁵ Recognizing the fact that the Performance Standards are used by financiers, insurers, and investors in connection with financing and guarantees of specific or general business activities, and by companies generally for compliance assessment and ongoing guidance, the term “project” as used in the Performance Standards does not necessarily imply project finance or specific physical boundaries of business activities under consideration. Instead, each user of the Performance Standards should define the business activity to which the Performance Standards should apply, and build its approach to assessment and management of social and environmental risks and impacts, consistent with this Performance Standard.

⁶ Contractors retained by, or acting on behalf of the client(s), are not considered third parties for the purposes of this Performance Standard.

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- To adopt a mitigation hierarchy to avoid, or where avoidance is not possible, ~~minimize, reduce, mitigate~~ restore, or compensate/offset for risks and adverse impacts to ~~on workers, affected communities~~ Stakeholders, and the environment
- To promote improved social and environmental performance of ~~companies~~ clients through the effective use of management systems
- To ensure that relevant environmental and social information related to the project is accessible to Affected Stakeholders and other interested parties
- To build constructive relationships and to ensure that ~~a~~ Affected communities Stakeholders are appropriately engaged throughout the project life-cycle, on issues that could potentially affect them
- To ensure that projects manage communications and grievances from Affected Stakeholders and other parties

Scope of Application

2.3. This Performance Standard applies to projects with social and/or environmental risks and impacts that should be managed, from ~~in~~ the early stages of project development, and on an ongoing basis during the project life-cycle.

Requirements

Social and Environmental Assessment and Management System

3.4. The client, in coordination with other responsible government agencies and third parties as appropriate, will conduct a process of social and environmental assessment and establish and maintain a ~~Social and Environmental m~~ Management system appropriate to the nature and scale of the project and commensurate with the level of its social and environmental risks and impacts. The ~~m~~ Management s System will incorporate the following elements: (i) ~~Policy~~ Social Statement and Environmental Assessment; (ii) Identification of Risks and Impacts (social and environmental assessment);management system); (iii) Management Systems, Plans and Agreements; ~~organizational capacity~~; (iv) Organizational Capacity and Competency training; (v) Emergency Preparedness and Response ~~community engagement~~; (vi) Stakeholder Engagement; ~~monitoring~~; and (vii) Monitoring and Review.
~~reporting~~

Policy Statement

4.5. The client will ~~conduct a process of Social and Environmental Assessment that will consider in an integrated manner the potential social and environmental (including labor, health, and safety) risks and impacts of the project~~ provide an overarching Policy Statement of the social and environmental objectives and principles to guide the project and achieve sound social and environmental performance. The Policy Statement provides a framework for the social and environmental assessment and management process, and will specify that the project will comply with the ~~Applicable laws and regulations of the jurisdictions in which they project operates that pertain to social and environmental matter, are being undertaken,~~ including those laws implementing host country obligations under international law ~~will be taken into account.~~ The Policy Statement should be consistent with the principles of the Performance Standards. Under some circumstances, clients may also subscribe to other internationally-recognized standards, certification schemes, or codes of practice and these too should be included in the Policy Statement. The Policy Statement will indicate who, within the client's organization, will ensure conformance with the Policy Statement and be

~~responsible for its execution (with reference to an appropriate responsible government agency or third party, as necessary). The client must ensure that the Policy Statement is properly communicated to all levels of the client's organization. The Assessment process will be based on current information, including an accurate project description, and appropriate social and environmental baseline data. The Assessment will consider all relevant social and environmental risks and impacts of the project, including the issues identified in Performance Standards 2 through 8, and those who will be affected by such risks and impacts.~~

Risks and Impacts Identification

6. ~~The Client will identify the social and environmental risks and impacts of the project.⁷ The type, scale, and location of the project guides the scope and level of effort devoted to the risks and impacts identification process. The scope of the risks and impacts identification process will be consistent with good international industry practice,⁸ and will determine the appropriate and relevant methods and assessment tools. ~~the~~ The Assessment may comprise a full-scale social and environmental impact assessment, a limited or focused environmental or social assessment, or straightforward application of environmental siting, pollution standards, design criteria, or construction standards. When the project involves existing business activities, social and/or environmental audits may need to be performed to determine any areas of concern or in other situations a risk/hazard assessment. The risks and impacts identification process will be based on recent social and environmental baseline data at an appropriate level of detail.⁹ The process will consider all relevant social and environmental risks and impacts of the project, including the issues identified in Performance Standards 2 through 8, and communities or people who are likely to be affected by such risks and impacts. ~~The Assessment process will also consider potential transboundary effects, such as pollution of air, or use or pollution of international waterways, as well as the emissions of impacts, such as the of, as well as global impacts, such as the emission of~~ greenhouse gasses.~~

~~5.7.~~ Risks and impacts will be identified ~~analyzed~~ in the context of the project's area of influence. This area of influence encompasses, as appropriate:

~~i) the primary project site(s) and related facilities that the client (including its contractors) develops or controls, such as power transmission corridors, pipelines, canals, tunnels, relocation and access roads, borrow and disposal areas, construction camps~~

- The client's activities, assets, and facilities that are directly owned, operated, or managed (including by contractors) and that are related to the project;¹⁰
- ~~(ii)~~ Associated facilities are defined as those facilities that would not be constructed if the client's project did not exist and where the client's project would not be viable without the other facility.¹¹ Associated facilities may be funded, owned, constructed

⁷ Relevant risks and impacts to consider and identify if reasonably expected to be significant include, among others, those relating to climate change, human health, human rights, gender differences, ecosystem functions, and access to water resources.

⁸ Defined 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.

⁹ An example of an appropriate level of detail is ~~This includes~~ accounting for projected variability in climatic and environmental conditions due to potentially significant climate change that could occur over the life of ~~over~~ the project which may require some level of adaptation where this is practical. Practicality will depend upon the location of the project, and the availability of data at a scale that is relevant ~~business activities.~~ ~~An example would be to consider using recently updated historical data in the design of applicable associated infrastructure.~~

¹⁰ Examples include power transmission corridors, pipelines, canals, tunnels, relocation and access roads, borrow and disposal areas, construction camps, and contaminated land (e.g., soil, groundwater, surface water, and sediments).

¹¹ Examples include railways, roads, power plants or transmission lines, pipelines, utilities, warehouses, and logistics terminals.

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~~and operated separately: that are not funded as part of the project (funding may be provided separately by the client or by third parties including the government), and whose viability and existence depend exclusively on the project and whose goods or services are essential for the successful operation of the project;~~

- ~~Areas potentially affected impacts~~ by cumulative impacts from further planned development of the project, any existing project or condition, and other ~~project-related~~ developments that are realistically defined at the time ~~the Social and Environmental Assessment is undertaken~~ of the risks and impacts identification process.¹²
- Areas potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location.
- The area of influence does not include potential impacts that would occur without the project.
- ~~(iv) Areas potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location. The area of influence does not include potential impacts that would occur without the project or independently of the project~~

~~6.8.~~ Risks and impacts will ~~also~~ be analyzed for the key stages of the project life-cycle, including ~~pre-construction~~ design, construction, operations, and decommissioning or closure, as appropriate. Where relevant, the ~~the identification of risks and impacts Assessment~~ will also consider the role and capacity of third parties (such as local and national governments, and contractors and suppliers), to the extent that they pose a risk to the project, recognizing that the client should address these risks and impacts in a manner that is commensurate to the client's control and influence over the third party actions.

9. The impacts associated with supply chains will be considered where the resource utilized by the project is ecologically sensitive (refer to Performance Standard 6), or in cases where there is a high risk of child labor, forced labor, or significant occupational, health and safety issues. ~~low labor cost is a factor in the competitiveness of the item supplied~~ (refer to Performance Standard 2).¹³

7-10. The identification of risks and impacts will take into account the findings and conclusions of related and applicable plans, studies, or assessments prepared by relevant government authorities that are directly related to the project. These include master economic development plans, regional plans, feasibility studies, alternatives analyses, and cumulative, regional, sectoral, or strategic environmental assessments where relevant. The risks and impacts will reflect the outcomes of consultation with Affected Stakeholders.

~~The types of issues, risks and impacts to be assessed, and the scope of the community engagement (see paragraphs 19 through 23 below) can also vary considerably, depending on the nature of the project, and its size, location, and stage of development. Projects with potential significant adverse impacts that are diverse, irreversible, or unprecedented will have comprehensive social and environmental impact assessments. This assessment will include an examination of technically and financially feasible¹⁴ alternatives to the source of such impacts, and documentation of the rationale~~

¹² Other developments may, based on specific conditions, include any combination of planned, proposed, or permitted developments.

¹⁴ ~~"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, demography, infrastructure, security, governance, capacity and operational reliability.~~

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~~for selecting the particular course of action proposed. In exceptional circumstances, a regional, sectoral or strategic assessment may be required.~~

~~Narrower scopes of Assessments may be conducted for projects with limited impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures.~~

~~8. Projects with minimal or no adverse impacts will not be subject to further assessment beyond their identification as such.~~

~~9-11.~~ As part of the process of identifying risks and impacts Assessment, the client will identify ~~individuals and~~ groups and communities that may be directly and differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status.¹⁵ Where groups are identified as disadvantaged or vulnerable, the client will propose and implement differentiated measures so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities.

~~12.~~ The process of identification of risks and impacts Assessment will be consist of an adequate, accurate, and objective evaluation and presentation ~~of the issues~~, prepared by qualified and experienced ~~individuals persons.~~ For in projects posing with potentially significant adverse impacts or where technically complex issues are involved, clients may will involve be required to retain external experts to assist in the risks and impacts identification Assessment process and to verify its monitoring information.

Management System, Plans, and Agreements

~~10-13.~~ Consistent with the client's Policy Statement and the objectives and principles described therein, the client, ~~s4~~ Taking into account the relevant findings of the Social and Environmental Assessment and the result of consultation with affected communities, the client will establish and manage a management system of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts of the project. ~~(the management program system).~~

~~11-14.~~ Depending on the nature of the project, ~~m~~ Management systems will consist of some a combination, duly documented, of operational ~~policies, procedures, and practices,~~ plans, and related supporting documents that are managed in a systematic way. The management system, ~~plans and agreements may~~ may apply broadly across the client's organization, which includes contractors and primary suppliers¹⁶ over which they have management control, or to specific sites, facilities, or activities. In certain cases, some of the measures and actions will include those imposed by financiers or investors as conditions of financing based on their independent evaluation of the project's ability to meet the requirements of Performance Standards 1 through 8.¹⁷ The mitigation hierarchy measures and actions to address identified ~~impacts and risks~~ and impacts will favor the

~~"Financial feasibility" is based on commercial considerations, including the relative magnitude of the incremental cost of adopting such measures and actions compared to the project's investment, operating and maintenance costs and whether this incremental cost could make the project nonviable to the client.~~

¹⁵ This disadvantaged or vulnerable status may stem from an individual's or group's race, color, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status. The client should also consider factors such as gender, age, ethnicity, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

¹⁶ Primary suppliers are those first-tier suppliers who are providing goods or materials essential for the core business function.

¹⁷ As a result of any independent due diligence of the project conducted by financiers, additional measures and actions (supplemental action plans) may be identified beyond those previously identified in the client's management system, and will be included as part of the overall management system.

avoidance ~~and prevention~~ of impacts over ~~minimization, mitigation~~ reduction, restoration, or compensation/offset, wherever technically¹⁸ and financially feasible.¹⁹

~~12.15.~~ Where risks and impacts cannot be avoided ~~or prevented~~, mitigation measures and actions will be identified so that the project operates in compliance with applicable laws and regulations, and meets the requirements of Performance Standards 1 through 8 ~~(see paragraph 16 below)~~. The level of detail and complexity of this management system and the priority of the identified measures and documented actions and plans will be commensurate with the project's risks and impacts and will reflect the outcome of any relevant consultation with Affected Stakeholders.

~~13.16.~~ The management system will define desired outcomes and actions to address the issues raised in the risks and impacts identification process.²⁰ as measurable events to the extent possible, with elements such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, and with estimates of the resources and responsibilities for implementation. As appropriate, it shall the management system will recognize and incorporate the role of relevant actions and events controlled by third parties to address identified risks and impacts. Recognizing the dynamic nature of the project, ~~development and implementation process~~, the management system will be responsive to changes in project circumstances, unforeseen events, and the results of monitoring and review. ~~(see paragraph 24 below)~~

Action Plan

~~14.17.~~ Where the client identifies specific mitigation measures and actions necessary for the project to ~~comply with applicable laws and regulations and to~~ meet the requirements of Performance Standards ~~1 through 8~~, the client will prepare an Action Plan. These measures and actions will reflect the outcomes of consultation on social and environmental risks and ~~adverse~~ impacts and the proposed measures and actions to address these, consistent with the requirements under paragraph ~~21~~22. The Action Plan may range from a brief description of routine mitigation measures to a series of specific plans.²¹ The Action Plan will: (i) describe the actions necessary to implement the various sets of mitigation measures or corrective actions to be undertaken; (ii) prioritize these actions; (iii) include the time-line for their implementation; (iv) be disclosed to the ~~a~~ Affected communities Stakeholders (see paragraph 26 below); and (v) describe the schedule and mechanism for external reporting on the client's implementation of the Action Plan.

Organizational Capacity and Competency

~~15.18.~~ The client, in collaboration with appropriate and relevant third parties, will establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the management system ~~including the Action Plan~~. Specific personnel, including management representative(s), with clear lines of responsibility and authority should be designated. Key social and environmental responsibilities should be well defined and communicated

¹⁸ Technically feasible 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, demography, infrastructure, security, governance, capacity, and operational reliability.

¹⁹ Financial feasibility is based upon the ability to apply sufficient financial resources to install the measures and maintain them in operation in the long term.

²⁰ For example, the risks and impacts identification process may result in various plans such as Resettlement Action Plans, Biodiversity Action Plans, Water Resource Management Plans, Community Safety Plans, Community Development Plans or Indigenous Peoples Development Plans. The plans will likely contain actions that then need to be implemented through the management system.

²¹ For example, Resettlement Action Plans, Biodiversity Action Plans, Hazardous Materials Management Plans, Emergency Preparedness and Response Plans, Community Health and Safety Plans, and Indigenous Peoples Development Plans.

to the relevant personnel and to the rest of the client's organization. Sufficient management sponsorship and human and financial resources will be provided on an ongoing basis to achieve effective and continuous social and environmental performance.

16. Training

~~17-19.~~ Personnel within the client's organization with direct responsibility for the project's social and environmental performance will ~~The client will train employees and contractors with direct responsibility for activities relevant to the project's social and environmental performance so that they~~ have the knowledge and skills necessary to perform their work, including current knowledge of the host country's regulatory requirements and the applicable requirements of Performance Standards 1 through 8. Personnel training will also possess the knowledge and skills to implement ~~address~~ the specific measures and actions required under the management ~~program~~ system ~~including the Action Plan~~, and the methods required to perform the actions ~~items~~ in a competent and efficient manner.

Emergency Preparedness and Response

~~18-20.~~ An important element of the management system will be to establish an emergency preparedness and response system so that the client, in collaboration with appropriate and relevant third parties, will be prepared to respond to accidental and emergency situations associated with the project in a manner appropriate to prevent and mitigate any harm to people and/or the environment. This preparation will include the identification of areas where accidents and emergency situations may occur, communities and individuals that may be impacted, response procedures, provision of equipment and resources, designation of responsibilities, communication, including that with potentially Affected Stakeholders and periodic training to ensure effective response.

~~19-21.~~ Where applicable, the client will also assist and collaborate with the potentially Affected Stakeholders (refer to Performance Standard 4) and the local government agencies in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to ensure effective response. If local government agencies 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. The client will document its emergency preparedness and response activities, resources, and responsibilities, and will provide appropriate information to potentially Affected Stakeholders and relevant government agencies.

~~*Community Engagement*~~ Community engagement is an on-going process involving the client's disclosure of information. When local communities may be affected by risks or adverse impacts from a project, the engagement process will include consultation with them. The purpose of community engagement is to build and maintain over time a constructive relationship with these communities. The nature and frequency of community engagement will reflect the project's risks to and adverse impacts on the affected communities. Community engagement will be free of external manipulation, interference, or coercion, and intimidation, and conducted on the basis of timely, relevant, understandable and accessible information.

Stakeholder Engagement

~~20-22.~~ Stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of a project's social and environmental impacts.²² Stakeholder engagement is an on-going process which may involve ~~ing~~ disclosure of information disclosure to, consultation with, and participation of stakeholders, particularly those who ~~when local communities~~ may be directly affected by risks or adverse impacts from the

²² Requirements regarding engagement of workers are found in Performance Standard 2.

project (Affected Stakeholders). ~~The purpose of community engagement is to build and maintain over time a constructive relationship with these communities~~ The nature, frequency and level of effort of stakeholder engagement may vary considerably and will be commensurate with the project's risks and adverse impacts on the Affected Stakeholders and the project's phase of development. Stakeholder engagement will (i) start as early as possible in the project cycle; (ii) continue throughout the life of the project; (iii) will be free of external manipulation, interference, ~~or~~ coercion, or intimidation; (iv) enable community members to freely convene and express their views, including objections to the project; (v) be conducted on the basis of timely, relevant, understandable, and accessible information in a culturally appropriate format.

Stakeholder Analysis and Engagement Planning

~~—~~ As part of the process of identification of project's risks and impacts, the client will identify the project's key stakeholders and will prioritize those who may be affected by project risk and impacts. In projects with potentially significant adverse impacts, the client may identify a broader set of relevant stakeholders who should be engaged, such as local authorities or neighboring projects.
21-23.

24. Based on the stakeholder analysis, the client may or may not need to develop and implement a Stakeholder Engagement Plan covering the requirements of this Performance Standard. This engagement process will be commensurate with the project risks and impacts, and development stage, and tailored to the characteristics and interests of the Affected Stakeholders. Projects with no Affected Stakeholders do not need an engagement plan; projects with a few stakeholders will need a limited engagement plan, and projects with potentially significant impacts to Affected Stakeholders will need a comprehensive engagement plan. This process should be part of the project's management system and results of this engagement should help inform the client's senior management as well as its board of directors or an equivalent body. The Stakeholder Engagement Plan will reflect relevant stakeholder engagement-related requirements in other Performance Standards, as appropriate. Where applicable, this Plan will also include differentiated measures to ensure the effective participation of those identified as disadvantaged or vulnerable, to ensure their active and effective participation in the engagement process. When the stakeholder engagement process depends substantially on stakeholder representatives,²³ the client will make every reasonable effort to verify that such persons do in fact represent the views of Affected Stakeholders and that they can be relied upon to faithfully communicate the results of consultations to their constituents.

25. In cases where the exact location of the project is not known, but it is reasonably expected to have significant impacts on stakeholders, the client will prepare a Stakeholder Engagement Framework, as part of its management system, outlining general principles and a strategy to identify Affected Stakeholders and plan for an engagement process compatible with this Performance Standard that should be implemented once the physical location of the ~~project~~ project is known.

~~Disclosure~~ Disclosure of relevant project information helps affected communities understand the risks, impacts and opportunities of the project. Where the client has undertaken a process of Social and Environmental Assessment, the client will publicly disclose the Assessment document. If communities may be affected by risks or adverse impacts from the project, the client will provide such communities with access to information on the purpose, nature and scale of the project, the duration of proposed project activities, and any risks to and potential impacts on such communities. For projects with adverse social or environmental impacts, disclosure should occur early in the

²³ For example, community and religious leaders, local government representatives, civil society representatives, politicians, school teachers, and others representing one or more affected stakeholder groups.

Social and Environmental Assessment process and in any event before the project construction commences, and on an ongoing basis (see paragraph 26 below).

Access to Information

26. Disclosure Access to information of relevant project information helps Affected Stakeholders communities understand the risks, impacts and opportunities of the project. Where the client has conducted a social and environmental assessment and/or developed a management system, the client will publicly disclose the corresponding relevant document Assessment document.²⁴ If stakeholders communities may be affected by risks or adverse impacts from the project, the client will provide such communities Affected Stakeholders with (i) access to information on the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities stakeholders and relevant elements of the management system; (iv) the envisaged stakeholder engagement; and (v) the grievance redress mechanism. For projects with adverse social or environmental impacts, disclosure should occur early in the process of identification of Ssocial and Eenvironmental risks and impacts, Assessment process and in any event before the project construction commences, and on an ongoing basis. The information provided should be transparent, objective, meaningful, easily accessible, in culturally appropriate local language(s) and format, and understandable to all Affected Stakeholders.

Consultation

If affected communities may be subject to risks or adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the affected communities with opportunities to express their views on project risks, impacts, and mitigation measures, and allows the client to consider and respond to them. Effective consultation: (i) should be based on the prior disclosure of relevant and adequate information, including draft documents and plans; (ii) should begin early in the Social and Environmental Assessment process; (iii) will focus on the social and environmental risks and adverse impacts, and the proposed measures and actions to address these; and (iv) will be carried out on an ongoing basis as risks and impacts arise. The consultation process will be undertaken in a manner that is inclusive and culturally appropriate. The client will tailor its consultation process to the language preferences of the affected communities, their decision-making process, and the needs of disadvantaged or vulnerable groups.

For projects with significant adverse impacts on affected communities, the consultation process will ensure their free, prior and informed consultation and facilitate their informed participation. Informed participation involves organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the affected communities on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the affected communities.

22-27. The extent and degree of engagement required by the consultation process should be commensurate with the project's risks and adverse impacts and with the concerns raised by the Affected Stakeholders. Effective consultation is a two-way process that (i) should begin early in the process of identification of social and environmental risks and impacts, and will (i) be documented; (ii) should be based on the prior disclosure of relevant and adequate information, including, draft documents and plans; (iii) should begin early in the Ssocial and Eenvironmental Assessment process; (iv) will focus on the social and environmental risks and adverse impacts, and the measures and actions to address these; (iii) prioritize those directly affected; and (vi) will be carried out on an

²⁴ Depending on the scale of the project and significance of the risks and impacts, relevant document(s) could range from full Environmental and Social Assessments and Action Plans (i.e., Stakeholder Engagement Plan, Resettlement Action Plans, Biodiversity Action Plans, Hazardous Materials Management Plans, Emergency Preparedness and Response Plans, Community Health and Safety Plans, and Indigenous Peoples Development Plans, etc.) to easy-to-understand summaries of key issues and commitments.

ongoing basis as risks and impacts arise. The consultation process will be undertaken in a manner that is inclusive of various segments of the Affected Stakeholders²⁵ and culturally appropriate. The client will tailor its consultation process to the language preferences of the Affected Stakeholders, their decision-making process, and the needs of disadvantaged or vulnerable groups.

~~28. For projects with limited risks and adverse impacts on Affected Stakeholders, if affected communities may be subject to risks or adverse impacts from a project, the client will undertake the a~~ process of consultation in a manner that provides the Affected Stakeholders with opportunities to express their views on project risks, impacts, and proposed management system mitigation measures, and allows the client to consider and respond to them.

29. For projects with significant adverse impacts on Affected Stakeholders, the consultation process will ensure their free, prior, and informed consultation and facilitate their informed participation. Informed participation involves a more in-depth exchange of views and information, and an organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the Affected Stakeholders on matters that affect them directly, such as the proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the Affected Stakeholders. Free, prior, and informed consultation and informed participation are also required for projects with potential adverse impacts to Indigenous Peoples (see Performance Standard 7).

Reporting to Affected Stakeholders on Action Plans

~~23-30. The client will disclose the Action Plan to the affected communities.~~ The client will provide periodic reports to the Affected Stakeholders that describe progress with implementation of the project Action Plan on issues that involve ongoing risk to or impacts on Affected Stakeholders and on issues that the consultation process or grievance mechanisms has identified as of concern to those communities. If the management ~~program-system~~ results in material changes in, or additions to, the mitigation measures or actions described in the Action Plan on issues of concern to the Affected Stakeholders, the updated relevant mitigation measures or actions will ~~also be disclosed-communicated to Affected Stakeholders.~~ These reports will be in a format accessible to the Affected Stakeholders. The frequency of these reports will be proportionate to the concerns of Affected Stakeholders but not less than annually. In addition, clients are encouraged to publish periodic reports accessible to all stakeholders on their environmental and social performance.

Grievance Mechanism

~~31. 19. The client will respond to communities' concerns related to the project. If the client anticipates ongoing risks to or adverse impacts on affected communities, it~~ The client will establish and maintain a procedure for handling, at a minimum, external communications associated with the environmental and social performance of its project with Affected Stakeholders and other interested parties. This procedure will include a grievance redress mechanism to receive and facilitate resolution of the affected communities' concerns and grievances about the client's environmental and social scaled to the project's identified risks and adverse impacts ~~of the project,~~ focusing on Affected Stakeholders. The mechanism should include methods to (i) receive and register enquiries, concerns, grievances, and complaints from Affected Stakeholders; (ii) screen and

²⁵ Such as men, women, the elderly, youth, displaced persons, and vulnerable and disadvantaged persons or groups.

assess the issues raised by the enquiry or complaint and determine how to address the issues raised; (iii) develop and implement procedures and timelines for providing responses; and (iv) track and document response. In some cases, the design of the grievance mechanism may be based on feedback and suggestions from Affected Stakeholders.

~~32. 20-It~~ The grievance mechanism should address concerns promptly, using an understandable and transparent process that is culturally appropriate and readily accessible ~~to all segments of the affected communities,~~ and at no cost and without retribution to the party that originated the issue or concern. The mechanism should not impede access to judicial or administrative remedies. The client will inform the ~~a~~ Affected communities-Stakeholders about the mechanism in the course of its stakeholdercommunity engagement process. The implementation of the grievance mechanism should allow for the continual improvement of the project's management system. In some cases, due to project-specific circumstances, the client may need to involve an independent third party as part of its grievance redress process.

~~24.~~

Private Sector Responsibilities Under Government-Led Stakeholder Engagement

33. Where stakeholder engagement is the responsibility of the host government, the client will collaborate with the responsible government agency, to the extent permitted by the agency, to achieve outcomes that are consistent with the objectives of this Performance Standard. In addition, where government capacity is limited, the client will play an active role during the stakeholder engagement planning, implementation, and monitoring. If the process conducted by the government does not meet the relevant requirements of this Performance Standard, the client will conduct a complementary process and prepare a supplemental Stakeholder Engagement Plan.

Monitoring and Review

~~34. As an element of its Management System, the client~~ The client, in collaboration with appropriate and relevant third parties, will establish procedures to monitor and measure the effectiveness of the management ~~program-system, as well as compliance with any related legal and/or contractual obligations and regulatory requirements.-~~ Where appropriate, clients will consider involving representatives from Affected Stakeholders to complement or verify monitoring activities. The client's monitoring program should be overseen by the appropriate level in the organization.²⁶

~~25-35.~~ In addition to recording information to track performance and establishing relevant operational controls, the client should use dynamic mechanisms, such as internal inspections and audits, where relevant, to verify compliance and progress toward the desired outcomes. For projects with significant impacts that are diverse, irreversible, or unprecedented, the client will retain qualified and experienced external experts to verify its monitoring information. The extent of monitoring should be commensurate with the project's risks and impacts and with ~~the project's~~ compliance requirements. Monitoring will normally include recording information to track performance and comparing this against the previously established benchmarks or requirements in the management system, plans and legal agreements. Monitoring should be adjusted according to performance experience ~~and feedback, actions requested by relevant regulatory authorities, and should~~ The client will document monitoring results, and identify and reflect feedback from Affected Stakeholders and other stakeholders, as appropriate. The client will document monitoring results and identify and reflect the necessary corrective and preventive actions in the amended management system and plans. The client, in collaboration with appropriate and relevant third parties, will implement these corrective and preventive actions, and follow up on these actions in upcoming monitoring cycles to ensure their effectiveness.

²⁶ For example, participatory water monitoring.

~~26. Reporting~~

~~27. Internal Reporting~~

~~28.36.~~ Senior management in the client organization will receive periodic performance reviews ~~assessments~~ of the effectiveness of the management ~~program~~ system, based on systematic data collection and analysis. The scope and frequency of such reporting will depend upon the nature and scope of the activities identified and undertaken in accordance with the client's management ~~program~~ system and other applicable project requirements. Based on results within these performance reviews, senior management will take the necessary and appropriate steps to ensure the intent of the client's Policy Statement is met, that procedures, practices, and plans are being implemented, and are seen to be effective.

External Reporting on Action Plans

~~29. The client will disclose the Action Plan to the affected communities. In addition, the client will provide periodic reports that describe progress with implementation of the Action Plan on issues that involve ongoing risk to or impacts on affected communities, and on issues that the consultation process or grievance mechanism has identified as of concern to those communities. If the management results in material changes in, or additions to, the mitigation measures or actions described in the Action Plan on issues of concern to the affected communities, the updated mitigation measures or actions will also be disclosed. These reports will be in a format accessible to the affected communities. The frequency of these reports will be proportionate to the concerns of affected communities but not less than annually.~~

Introduction

1. Performance Standard 2 recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with the protection of ~~for basic rights of~~ workers' rights. For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient to the sustainability of ~~the a enterprise company~~. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention, and can jeopardize a project. Conversely, through a constructive worker-management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of their operations.

2. The requirements set out in this Performance Standard have been in part guided by a number of international conventions and instruments, including those of ~~negotiated through~~ the International Labour Organization (ILO) and the United Nations (UN).¹

Objectives

- To protect workers' rights and to establish, maintain, and improve the worker-management relationship
- To promote ~~the fair treatment, non-discrimination and equal opportunity of workers, and~~ compliance with national employment and labor laws
- To promote due diligence in areas in which labor risks exist, such as migrant workers, workers procured by third parties, and workers in the client's supply chain
- To protect the workforce by addressing child labor and forced labor
- To promote safe and healthy working conditions, and to protect and promote the health of workers

Scope of Application

3. The applicability of this Performance Standard is established during the ~~S~~social and ~~e~~environmental risks and impacts identification ~~Assessment~~ process, while the implementation of the actions necessary to meet the requirements of this Performance Standard ~~are~~ managed through the client's ~~s~~social and ~~e~~environmental ~~m~~management ~~S~~system. The assessment and management system requirements are outlined in Performance Standard 1.

4. This Performance Standard applies ~~, the term "" is used to refer to employees—~~workers² employed or directly contracted by ~~of the client, as well as to certain types of non-employee workers~~

¹ These conventions are:

ILO Convention 87 on Freedom of Association and Protection of the Right to Organize

ILO Convention 98 on the Right to Organize and Collective Bargaining

ILO Convention 29 on Forced Labor

ILO Convention 105 on the Abolition of Forced Labor

ILO Convention 138 on Minimum Age (of Employment)

ILO Convention 182 on the Worst Forms of Child Labor

ILO Convention 100 on Equal Remuneration

ILO Convention 111 on Discrimination (Employment and Occupation)

~~United Nations~~ Convention on the Rights of the Child, Article 32.1

² Throughout this Performance Standard the term "worker" is used to describe an individual providing work under an employment relationship with the client, contractor or subcontractor. Employment relationship can be either temporary or permanent.

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~~described in paragraph 17. The application of this Performance Standard will vary depending on the type of workers, as follows: engaged~~

5. In respect of workers hired by third parties to work on the site or to support the project, the client will follow the steps outlined in paragraphs 22 and 23 of this Performance Standard.

~~4. Throughout **Employees**: All the requirements of this Performance Standard, except for the requirements under paragraphs 17 and 18, apply~~

~~**Non-Employee Workers**: The requirements of paragraph 17 apply~~

~~6. ⁵ Supply chain issues are addressed in paragraph 18.~~

6. For primary suppliers,⁴ the client will take the steps outlined in paragraph 24 of this Performance Standard.

Requirements

Working Conditions and Management of Worker Relationship

Human Resources Policies and Procedures

7. The client will adopt and implement a human resource policies and procedures appropriate to its size and workforce that set out its approach to managing workers ~~employees~~ consistent with the requirements of this Performance Standard and national law.

8. ~~Under the policy,~~ the client will provide workers ~~employees~~ with documented information regarding their rights under national labor and employment law and any applicable collective agreements, including their rights related to hours of work, wages, overtime, compensation, and benefits.

Working Relationship

~~The client will document and communicate to all employees and workers directly contracted by the client their working conditions and terms of employment, including their entitlement to wages and any benefits.~~

Working Conditions and Terms of Employment

9. Where the client is a party to a collective bargaining agreement with a workers' organization, such agreement will be respected. Where such agreements do not exist, or do not address working conditions and terms of employment,⁵ ~~(such as wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation or holiday)~~ the client will provide reasonable working conditions and terms of employment that, at a minimum, comply with national law.

10. Where migrant workers are engaged, they should be engaged on comparable terms and conditions to non-migrant workers when engaged in similar work.~~This policy will be clear and~~

³ ~~Supply chain refers to both labor and material inputs for the life-cycle of a good or service.~~

⁴ Primary suppliers are those first-tier suppliers who are providing goods or materials essential for the core business function.

⁵ Working conditions and terms of employment examples are wages and benefits; wage deductions; hours of work; overtime arrangements and overtime compensation; breaks; rest days; and leave for illness, maternity, vacation or holiday.

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~~understandable to employees and will be explained or made accessible to each employee upon taking employment.~~

11. Where the client or other third parties working on the project directly or indirectly provide accommodation to workers covered by the scope of this Performance Standard, the client will put in place and implement policies on the quality and management of the accommodation and provision of basic services including water, sanitation, and, in certain cases, availability of medical care. The services will be provided in a manner consistent with the principles of non-discrimination and equal opportunity.

Workers' Organizations

~~11.12.~~ 12.12. In countries where national law recognizes workers' rights to form and to join workers' organizations of their choosing without interference and to bargain collectively, the client will comply with national law. Where national law substantially restricts workers' organizations, the client will ~~enable alternative means for~~ not restrict workers from developing alternative means to express their grievances and protect their rights regarding working conditions and terms of employment. The client should not seek to unduly influence or control these means.

~~12.13.~~ 13.13. In either case described in paragraph ~~9~~12 of this Performance Standard, and where national law is silent, the client will not discourage workers from forming or joining workers' organizations of their choosing or from bargaining collectively, and will not discriminate or retaliate against workers who participate, or seek to participate, in such organizations and bargain collectively. In accordance with national law, the client will engage with such workers' representatives and workers' organizations and provide them with information needed for meaningful negotiation in a timely manner. Workers' organizations are expected to fairly represent the workers in the workforce.

Non-Discrimination and Equal Opportunity

14. The client will not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements. The client will base the employment relationship on the principle of equal opportunity and fair treatment, and will not discriminate with respect to any aspects of the employment relationship, ~~including~~ such as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and ~~discipline~~ disciplinary practices. The client will take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women. The principles of non-discrimination apply to migrant workers.

~~13.15.~~ 15.15. In countries where national law provides for non-discrimination in employment, the client will comply with national law. When national laws are silent on non-discrimination in employment, the client will meet this Performance Standard. In circumstances where national law is inconsistent with this Performance Standard, the client is encouraged to carry out their operations consistent with the intent of paragraph 13 above without contravening applicable laws. Special measures of protection or assistance to remedy past discrimination or selection for a particular job based on the inherent requirements of the job or promoting local employment, particularly those individuals or communities that are directly affected, will not be deemed discrimination, provided they are consistent with national law.

Retrenchment

~~14.16.~~ ⁶Where the client proposes to implement collective dismissals, an analysis for alternatives to retrenchment will be conducted. If the analysis does not identify alternatives to retrenchment, a ~~will develop a retrenchment plan~~ will be developed and implemented to mitigate the adverse impacts of retrenchment on ~~workers~~ employees, ~~if it anticipates the elimination of a significant number of jobs or a layoff of a significant number of employees.~~ The retrenchment plan will be based on the principle of non-discrimination and will reflect the client's consultation with ~~workers~~ employees, their organizations, and, where appropriate, the government. The client will comply with all legal and contractual requirements related to notification of public authorities, provision of information to and consultation with workers and their organization.

17. The client should ensure that all workers receive severance payments mandated by law and collective agreements in a timely manner, and that all outstanding back pay and social security benefits and pension contributions and benefits are paid to the workers on or before dismissal.

Grievance Mechanism

18. The client will provide a grievance mechanism for workers (and their organizations, where they exist) to raise reasonable workplace concerns. The client will inform the workers of the grievance mechanism at the time of recruitment/hire, and make it easily accessible to them. The mechanism should 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 retribution. The mechanism should not impede access to other judicial or administrative remedies that might be available under the law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements. The client should also ensure that workers procured by third parties, covered in paragraphs 22 and 23 of this Performance Standard, have access to an appropriate grievance mechanism.

Protecting the Work Force

Child Labor

~~15.19.~~ The client will not employ children in any manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. Where national laws have provisions for the employment of minors, the client will follow those laws applicable to the client. Children under/below the age of 18-years will not be employed in dangerous-hazardous work. All work of persons under the age of 18 will be subject to an appropriate risk assessment and regular monitoring of health, working conditions, and hours of work.

Forced Labor

20. The client will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor, or similar labor-contracting arrangements. The client will not knowingly employ trafficked persons.⁷ Women and children are particularly vulnerable to trafficking.

⁶ Collective dismissals cover all multiple dismissals that are a result of an economic, technical, or organizational reason; or other reasons that are not related to performance or other personal reasons.

⁷ Trafficking in persons is defined as the recruitment, transportation, transfer, harboring, or receipt of persons, by means of the threat or use of force or other forms of coercion, abduction, fraud, deception, abuse of power, or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.

Occupational Health and Safety

~~16.21.~~ The client will provide ~~the~~ workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas, including physical, chemical, biological, ~~and~~ radiological hazards. The client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, ~~seas~~ far as reasonably practicable, the causes of hazards. In a manner consistent with good international industry practice ~~(GHP)~~,⁸ (as reflected in various internationally recognized sources including the World Bank Group Environmental, Health and Safety Guidelines), the client will address areas ~~, including that include :~~ the (i) identification of potential hazards to workers, particularly those that may be life-threatening; (ii) provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; (iii) training of workers; (iv) documentation and reporting of occupational accidents, diseases, and incidents; and (v) and emergency prevention, preparedness, and response arrangements. For additional information related to emergency preparedness and response refer to Performance Standard 1.

~~Non-Employee~~ Workers Procured by ~~Third~~ Parties

~~17.22.~~ In respect of workers procured by third parties to work directly on or to support the project, the client will ascertain that the contractors, subcontractors, or intermediaries who procure these workers are reputable and legitimate enterprises and have appropriate management systems to operate in a manner consistent with the requirements of this Performance Standard, except for paragraphs ~~15, 16, 17, 23,~~ and 24.

~~18.~~ ~~For purpose of this Performance Standard, "non-employee workers" refers to workers who are: (i) directly contracted by the client, or contracted through contractors or other intermediaries; and (ii) performing work directly related to core functions essential to the client's products or services for a substantial duration. When the client contracts non-employee workers directly, the client will use commercially reasonable efforts to apply the requirements of this Performance Standard, except for paragraphs 6, 12, and 18. With respect to contractors or other intermediaries procuring non-employee workers, the client will use commercially reasonable efforts to: (i) ascertain that these contractors or intermediaries are reputable and legitimate enterprises; and (ii) require that these contractors or intermediaries apply the requirements of this Performance Standard, except for paragraphs 6, 12, and 13.~~

~~19.23.~~ The client will establish policies and procedures for managing these contractors, subcontractors, and intermediaries, and monitor their performance in relation to the requirements of this Performance Standard. In addition, the client will incorporate these requirements in contractual agreements with its contractors, subcontractors, and intermediaries.

Supply Chain

~~24.~~ The adverse impacts associated with supply chains will be considered where there is a high risk of child labor, forced labor, or significant occupational, health, or safety issues, ~~low labor cost is a factor in the competitiveness of the item supplied.~~ The client will inquire about and address child labor and forced labor in its supply chain, consistent with paragraphs ~~149~~ and ~~1520~~ above.

⁸ Defined 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.

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25. Additionally, the client will use reasonable efforts to ensure that primary suppliers are taking steps to prevent or to correct eminent danger of death or serious life-threatening harm to its workers.

Introduction

1. Performance Standard 3 recognizes that increased ~~industrial~~economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels.¹ ~~On the other hand, along with international trade, in recent years, there has also been a growing consensus that the current and projected atmospheric concentration of greenhouse gases (GHG) threatens the public health and welfare of current and future generations. At the same time, more efficient and effective resource use and pollution prevention² and control and GHG mitigation technologies and practices have become more accessible and achievable in virtually all parts of the world. These are often implemented through continuous improvement methodologies similar to those used to enhance quality or productivity, and which are generally well known to most industrial, agricultural, and service sector companies.~~

~~1.2.~~ This Performance Standard outlines a project approach to resource efficiency and pollution prevention ~~and abatement~~ in line with internationally disseminated technologies and practices. In addition, this Performance Standard promotes the private sector's ability to integrate such technologies and practices as far as their use is technically and financially feasible ~~and cost effective~~ in the context of a project that relies on commercially available skills and resources.

Objectives

- To avoid or ~~minimize~~reduce adverse impacts on human health and the environment by avoiding or ~~minimizing~~reducing pollution from project activities
- To promote more sustainable use of resources, including energy and water
- To ~~promote the~~reduction of project-related GHG emissions ~~that contribute to climate change~~

Scope of Application

~~2.3.~~ The applicability of this Performance Standard is established during the social and environmental risks and impacts identification Assessment process, while the implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and environmental management System. The assessment and management system requirements are outlined in Performance Standard 1.

Requirements

General Requirements

4. During the ~~design, construction, operation and decommissioning of the project (the~~ project life-cycle), the client will consider ambient conditions and apply resource efficiency and pollution prevention ~~and control technologies and practices (principles and techniques)~~ that are best suited

¹ For the purposes of this Performance Standard, the term "pollution" is used to refer to both hazardous and non-hazardous chemical pollutants in the solid, liquid, or gaseous phases~~forms~~, and is intended to include other forms such as pests, pathogens, thermal discharge to water, GHG emissions, nuisance odors, noise, vibration, radiation, electromagnetic energy, and the creation of potential visual impacts including light.

² For the purpose of this Performance Standard, the term "pollution prevention" does not mean absolute elimination of emissions, but the avoidance at source and subsequent minimization of pollution to the extent that the Performance Standard objectives are satisfied.

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to avoid ~~or, and if not possible, where avoidance is not feasible,~~ minimize ~~or~~ reduce adverse impacts on human health and the environment, ~~while remaining technically and financially feasible and cost effective.~~³ The ~~principles and techniques~~ ~~project-specific pollution prevention and control techniques~~ applied during the project life-cycle will be tailored to the hazards and risks associated with ~~the nature of the~~ project ~~emissions~~ and consistent with good international industry practice (GIIP),⁴ as reflected in various internationally recognized sources, including ~~IFC's~~ the World Bank Group Environmental, Health and Safety Guidelines (~~the~~ EHS Guidelines).

~~3.5. The client will refer to the current most recent version of the EHS Guidelines when evaluating and selecting pollution prevention and control techniques for the project. These EHS Guidelines contain the performance levels and measures that are normally acceptable and applicable to projects. When host country regulations differ from the levels and measures presented in the EHS Guidelines, clients will be required to achieve whichever is more stringent. If less stringent levels or measures than those provided in the EHS Guidelines are appropriate in view of specific project circumstances, the client will provide full and detailed justification for any proposed alternatives through the social and environmental risks and impacts identification process. This justification must will demonstrate that the choice for any alternate performance levels is consistent with the overall requirements of this Performance Standard.~~

Resource Efficiency ~~Greenhouse Gas Emissions~~

~~4. The client will promote the reduction of project-related greenhouse gas (GHG) emissions in a manner appropriate to the nature and scale of project operations and impacts.~~

~~5.6. The client will evaluate and implement technically and financially feasible and cost effective⁵ measures for improving efficiency in its consumption of energy, water, as well as other resources and material inputs, especially in areas that are considered core business activities. Such measures will integrate the principles of cleaner production into product design and production processes with the objective of conserving raw materials, energy, and water. Where benchmarking data is available, the client will make a comparison of efficiency.~~

Energy Use and Greenhouse Gases

~~6.7. The type and quantity of energy utilized will determine the level of GHG emissions associated with energy consumption. Energy efficiency measures often represent significant opportunities for achieving resource efficiency and productivity outcomes. The client should demonstrate that measures to reduce project-related GHG emissions are evaluated during the design and operation of the project and will implement measures that are technically and financially feasible and cost effective.~~

³ "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, demography, infrastructure, security, governance, capacity and operational reliability, and "Financial feasibility" ~~are defined in Performance Standard 4~~ is based upon the ability to apply sufficient financial resources to install the measures and maintain them in operation in the long term. ~~Cost effectiveness is based on the effectiveness of reducing emissions relative to the additional cost required to do so.~~

⁴ Defined 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 and originally. The circumstances that skilled and experienced professionals may find when evaluating the range of pollution prevention and control techniques available to a project may include, but are not limited to, varying levels of environmental degradation and environmental assimilative capacity, as well as varying levels of financial and technical feasibility.

⁵ Cost-effectiveness is determined according to the capital and operational cost and also financial benefits of the measure considered over the life of the measure.

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~~7-8. For projects that are expected to or currently produce more than 20,000 tons of CO₂-equivalent annually,⁶ significant quantities of GHGs⁷ the client will quantify direct emissions from the facilities owned or controlled within the physical project boundary,⁸ as well as ~~and~~ indirect emissions associated with the off-site production of energy⁹ power used by the project. Quantification and monitoring of GHG emissions will be conducted by the client annually in accordance with internationally recognized methodologies and good practice.¹⁰ In addition, the client will evaluate technically and financially feasible and cost-effective options to reduce or offset project-related GHG emissions during the design and operation of the project. These options may include, but are not limited to, carbon financing, energy efficiency improvement, the use of renewable energy sources, alterations of project design, emissions offsets, and the adoption of other mitigation measures such as the reduction of fugitive emissions and the reduction of gas flaring.~~

Water Consumption

~~9. When the project is a potentially significant consumer of water, in addition to applying the resource efficiency requirements of this Performance Standard, the client shall adopt measures that avoid or reduce water usage so that the project's water consumption does not have significant adverse impacts upon others. These measures include, but are not limited to, the use of additional technically feasible water conservation measures within the client's operations, the use of alternative water supplies, water consumption offsets to reduce total demand for water resources to within the available supply, and evaluation of alternative project locations.~~

~~Pollution Prevention, Resource Conservation and Energy Efficiency~~

~~The client will avoid the release of pollutants or, when avoidance is not feasible, minimize or control the intensity or load of their release. This applies to the release of pollutants due to routine, non-routine or accidental circumstances with the potential for local, regional, and transboundary impacts.¹¹ In addition, the client should examine and incorporate in its operations resource conservation and energy efficiency measures, consistent with the principles of cleaner production.~~

~~Wastes~~

~~The client will avoid or minimize the generation of hazardous and non-hazardous waste materials as far as practicable. Where waste generation cannot be avoided but has been minimized, the client will recover and reuse waste; where waste can not be recovered or reused, the client will treat, destroy, and dispose of it in an environmentally sound manner. If the generated waste is considered hazardous,¹² the client will explore commercially reasonable alternatives for its environmentally sound disposal considering the limitations applicable to its transboundary movement.¹³ When waste disposal is conducted by third parties, the client will use contractors that are reputable and legitimate enterprises licensed by the relevant regulatory agencies.~~

⁶ ~~The quantification of emissions should consider all significant sources of greenhouse gas emissions, including non-energy related sources such as methane and nitrous oxide, among others.~~

⁷ ~~The significance of a project's contribution to GHG emissions varies between industry sectors. The threshold for this Performance Standard is 100,000 tons CO₂-equivalent per year for the aggregate emissions of direct sources and indirect sources associated with purchased electricity for own consumption. This or similar thresholds will apply to such industry sectors or activities as energy, transport, heavy industry, agriculture, forestry, and waste management in order to help promote awareness and reduction of emissions.~~

⁸ ~~Project-induced changes in soil carbon content, or above ground biomass may contribute to direct emissions sources and shall be included in this emissions quantification.~~

⁹ ~~Refers to off-site generation by others of electricity, and heating and cooling energy used in the project.~~

¹⁰ ~~Estimation methodologies are provided by the Intergovernmental Panel on Climate Change (IPCC), various international organizations, and relevant host country agencies.~~

¹¹ ~~In reference to transboundary pollutants, including those covered under the Convention on Long-range Transboundary Air Pollution.~~

¹² ~~As defined by local legislation or international conventions.~~

¹³ ~~Consistent with the objectives of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes.~~

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~~Hazardous Materials~~

~~The client will avoid or, when avoidance is not feasible, minimize or control the release of hazardous materials resulting from their production, transportation, handling, storage and use for project activities. The client will avoid the manufacture, trade, and use of chemicals and hazardous 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,¹⁴ and consider the use of less hazardous substitutes for such chemicals and materials.~~

~~Emergency Preparedness and Response~~

~~The client will be prepared to respond to process upset, accidental, and emergency situations in a manner appropriate to the operational risks and the need to prevent their potential negative consequences. This preparation will include a plan that addresses the training, resources, responsibilities, communication, procedures, and other aspects required to effectively respond to emergencies associated with project hazards. Additional requirements on emergency preparedness and response are found in paragraph 12 of Performance Standard 4.~~

~~8. ---~~

~~Technical Guidance~~

~~The client will refer to the current version of the EHS Guidelines when evaluating and selecting pollution prevention and control techniques for the project. These Guidelines contain the performance levels and measures that are normally acceptable and applicable to projects. When host country regulations differ from the levels and measures presented in the EHS Guidelines, clients will achieve whichever is more stringent. If less stringent levels or measures are appropriate in view of specific project circumstances, the client will provide full and detailed justification for any proposed alternatives. This justification will demonstrate that the choice for any alternate performance levels is consistent with the overall requirements of this Performance Standard.~~

~~Ambient Considerations~~

~~9. To address adverse project impacts on existing ambient conditions,¹⁵ the client will: (i) consider a number of factors, including the finite assimilative capacity¹⁶ of the environment, existing and future land use, existing ambient conditions, the project's proximity to ecologically sensitive or protected areas, and the potential for cumulative impacts with uncertain and irreversible consequences; and (ii) promote strategies that avoid or, where avoidance is not feasible, minimize or reduce the release of pollutants, including strategies that contribute to the improvement of ambient conditions when the project has the potential to constitute a significant source of emissions in an already degraded area. These strategies include, but are not limited to, evaluation of project location alternatives and emissions offsets.~~

~~Greenhouse Gas Emissions~~

~~10. The client will promote the reduction of project related greenhouse gas (GHG) emissions in a manner appropriate to the nature and scale of project operations and impacts.~~

¹⁴ Consistent with the objectives of the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer. Similar considerations will apply to certain World Health Organization (WHO) classes of pesticides.

¹⁵ Such as air, surface and groundwater, and soils.

¹⁶ The capacity of the environment for absorbing an incremental load of pollutants while remaining below a threshold of unacceptable risk to human health and the environment.

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~~11. During the development or operation of projects that are expected to or currently produce significant quantities of GHGs,¹⁷ the client will quantify direct emissions from the facilities owned or controlled within the physical project boundary and indirect emissions associated with the off-site production of power used by the project. Quantification and monitoring of GHG emissions will be conducted annually in accordance with internationally recognized methodologies.¹⁸ In addition, the client will evaluate technically and financially feasible and cost-effective options to reduce or offset project-related GHG emissions during the design and operation of the project. These options may include, but are not limited to, carbon financing, energy efficiency improvement, the use of renewable energy sources, alterations of project design, emissions offsets, and the adoption of other mitigation measures such as the reduction of fugitive emissions and the reduction of gas flaring.~~

Pollution Prevention, Resource Conservation and Energy Efficiency

Pollution Prevention

~~12. The client will avoid the release of pollutants or, when avoidance is not feasible, reduce and/minimize or control the intensity or load and mass flow of their release so as to avoid adverse impacts to human health and the environment. This applies to the release of pollutants to air, water, and land due to routine, non-routine, and/or accidental circumstances with the potential for local, regional, and transboundary impacts.¹⁹ In addition, the client should examine opportunities to, and incorporate in its operations resource conservation and energy efficiency measures, consistent with the principles of cleaner production. Where historical pollution such as land or ground water contamination exists, the client will seek to determine whether it is responsible for mitigation measures. If it is determined that the client is legally responsible, then these liabilities will be resolved in accordance with national law, or where this is silent, with GIIP.²⁰~~

~~13. To address potential adverse project impacts on existing ambient conditions,²¹ the client will: (i) consider relevant a number of factors, including, for example (i) the finite assimilative capacity²² of the environment; (ii) existing and future land use; (iii) existing ambient conditions; (iv) the project's proximity to areas of importance to biodiversity; ecologically sensitive or protected areas, and (v) the potential for cumulative impacts with uncertain and/or irreversible consequences. In addition to applying resource efficiency and pollution control measures as required in this Performance Standard, ; and (ii) promote strategies that avoid or, where avoidance is not feasible, minimize or reduce the release of pollutants, including strategies that contribute to the improvement of ambient conditions when the project has the potential to constitute a significant source of emissions in an already degraded area, the client will consider strategies and adopt measures that~~

~~¹⁷ The significance of a project's contribution to GHG emissions varies between industry sectors. The threshold for this Performance Standard is 100,000 tons CO₂ equivalent per year for the aggregate emissions of direct sources and indirect sources associated with purchased electricity for own consumption. This or similar thresholds will apply to such industry sectors or activities as energy, transport, heavy industry, agriculture, forestry, and waste management in order to help promote awareness and reduction of emissions.~~

~~¹⁸ Estimation methodologies are provided by the Intergovernmental Panel on Climate Change (IPCC), various international organizations, and relevant host-country agencies.~~

~~¹⁹ In reference to transboundary pollutants, including those covered under the Convention on Long-Range Transboundary Air Pollution.~~

~~²⁰ This may require coordination with national and local government, communities, and other contributors to the encountered contamination and that any assessment follows a risk-based approach consistent with GIIP as presented in the World Bank Group Environmental, Health and Safety Guidelines.~~

~~²¹ Such as air, surface and groundwater, and soils.~~

~~²² The capacity of the environment for absorbing an incremental load of pollutants while remaining below a threshold of unacceptable risk to human health and the environment.~~

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avoid or reduce ambient effects. These strategies include, but are not limited to, evaluation of project location alternatives and emissions offsets.

Wastes

14. The client will avoid or ~~minimize~~reduce the generation of hazardous and non-hazardous waste materials as far as practicable. Where waste generation cannot be avoided ~~but has been minimized~~, the client will reduce the generation of waste, and recover and reuse waste in a manner that is safe for human health and the environment. ~~Where waste can not be recovered or reused, the client will treat, destroy, and/or dispose of it in an environmentally sound manner, including the appropriate control of emissions and residues resulting from the handling and processing of the waste material. If the generated waste is considered hazardous,~~²³ the client will ~~explore~~adopt commercially reasonable alternatives for its environmentally sound disposal while adhering to ~~considering~~ the limitations applicable to its transboundary movement.²⁴ When hazardous waste disposal is conducted by third parties, the client will use contractors that are reputable and legitimate enterprises licensed by the relevant government regulatory agencies, and obtain chain of custody documentation to the final destination. The client should ascertain whether licensed disposal sites are being operated to acceptable standards and where they are, the client will use these sites. Where this is not the case, clients should reduce waste sent to such sites and consider alternative disposal options, including the possibility of developing their own recovery or disposal facilities at the project site.

Hazardous Materials Management

15. Hazardous materials are sometimes used as raw material or produced as product by the project. The client will avoid or, when avoidance is not possible ~~feasible~~, minimize, reduce and/or control the use and/or generation ~~release~~ of hazardous materials ~~resulting from their~~ as far as feasible. In this context, the production, transportation, handling, storage, and use of hazardous materials for project activities should be assessed. The client will consider less hazardous substitutes where hazardous materials are intended to be used. The client will avoid the manufacture, trade, and use of chemicals and hazardous materials subject to international bans or phase-outs²⁵ including where their high toxicity to living organisms, environmental persistence, potential for bioaccumulation, or potential for depletion of the ozone layer,²⁶ and consider the use of less hazardous substitutes for such chemicals and materials.

Pesticide Use and Management

Pesticide Use and Management

~~43.~~16. The client will formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach for pest management activities including malaria control. The client's IPM and IVM program will entail coordinated use of pest and environmental information along with available pest control methods, including cultural practices, biological, genetic, and, as a last resort, chemical means to prevent unacceptable levels of pest damage or risk to worker and public health.

²³ As defined by national conventions or local legislation, ~~or international conventions~~

²⁴ Transboundary movement of hazardous materials should be cConsistent with ~~the objectives of~~ the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes, and the London Convention for Ocean Disposal.

²⁵ Included in, for example, the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer.

²⁶ Consistent with the objectives of the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer. Similar considerations will apply to certain World Health Organization (WHO) classes of pesticides.

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~~14.17.~~ When pest management activities include the use of pesticides, the client will select pesticides that are low in human toxicity, that are known to be effective against the target species, and that have minimal effects on non-target species and the environment. When the client selects pesticides, the selection will be based on whether the pesticides are packaged in safe containers, are clearly labeled for safe and proper use, and have been manufactured by an entity currently licensed by relevant regulatory agencies.

~~15.18.~~ The client will design its pesticide application regime to ~~minimize~~ reduce damage to natural enemies of the target pest, and prevent the development of resistance in pests. In addition, pesticides will be handled, stored, applied, and disposed of in accordance with the Food and Agriculture Organization's International Code of Conduct on the Distribution and Use of Pesticides or other GIIP.

~~16.19.~~ The client will not use, manufacture, or trade in products that fall in World Health Organization Recommended Classification of Pesticides by Hazard Class Ia (extremely hazardous) ~~and~~ --- Ib (highly hazardous); or Class II (moderately hazardous), if the project host country lacks restrictions on distribution and use of these chemicals, or if they are likely to be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly.

Introduction

1. Performance Standard 4 recognizes that project activities, equipment, and infrastructure often bring benefits to communities, including employment, services, and opportunities for economic development. However, projects can also increase the potential for community exposure to risks and impacts arising from ~~equipment accidents, structural failures, and releases of hazardous materials~~ project activities. ~~Communities may also be affected by impacts resulting from lack of access to public buildings, impacts to natural resources that they use, exposure to diseases, and from the misuse of security personnel.~~ Communities that are already subjected to impacts from climate change may experience an acceleration of impacts due to project activities. While acknowledging the public authorities' role in promoting the health, safety, and security of the public, this Performance Standard addresses the client's responsibility to avoid or ~~minimize~~ reduce the risks and impacts to community health, safety, and security that may arise from project activities.

2. The level of risks and impacts described in this Performance Standard may be greater in projects located in conflict and post-conflict areas where the need and potential impact from use of security forces may be greater.

Objectives

- To avoid or ~~minimize~~ reduce risks to and impacts on the health and safety of the Affected community Stakeholders during the project ~~life~~ life-cycle from both routine and non-routine circumstances
- To ensure that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or ~~minimize~~ reduces risks to the Affected community's Stakeholder's safety and security

Scope of Application

3. The applicability of this Performance Standard is established during the Ssocial and eEnvironmental risks and impacts identification Assessment process, while the implementation of the actions necessary to meet the requirements of this Performance Standard are managed through the client's Ssocial and eEnvironmental mManagement system. The ~~assessment risks and impacts identification process~~ and management system requirements are outlined in Performance Standard 1.

4. This Performance Standard addresses potential risks and impacts to the aAffected community Stakeholders from project activities. Occupational health and safety ~~standards requirements for workers~~ are ~~found in paragraph 16 of~~ Performance Standard 2, and environmental standards to ~~prevent~~ avoid impacts on human health and the environment due to pollution are found in Performance Standard 3.

Requirements

Community Health and Safety Requirements

General Requirements

5. The client will evaluate the risks and impacts to the health and safety of the aAffected community Stakeholders during the ~~design, construction, operation, and decommissioning of the~~ project life-cycle and will establish preventive and control measures consistent with good

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international industry practice (GIIP) as described in the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) to address them in a manner commensurate with the identified risks and impacts. These measures will favor the ~~prevention or~~ avoidance of risks and impacts over ~~minimization and~~ reduction.

~~6. Where the project poses risks to or adverse impacts on the health and safety of affected communities the client will disclose the Action Plan and any other relevant project related information to enable the affected communities and relevant government agencies to understand these risks and impacts, and will engage the affected communities and agencies on an ongoing basis consistent with the requirements of Performance Standard 1. In a high risk project, where the affected communities are expected to bear the burden of adverse impacts from the project, Community Development Plans may be required to document how project benefits may be shared with the communities to achieve their development goals over the life of the project.~~

Infrastructure and Equipment Design and Safety

~~7.6.~~ The client will design, construct, ~~and~~ operate, and decommission the structural elements or components of the project in accordance with ~~good international industry practice~~ GIIP to avoid injuries to persons. ~~and will give particular consideration to potential exposure to natural hazards, especially where the structural elements are accessible to members of the affected community or where their failure could result in injury to the community. When new buildings and structures will be accessed by members of the public, the client will give particular consideration to potential exposure to natural hazards.~~ Structural elements will be designed and constructed by qualified and experienced professionals, and certified or approved by competent authorities or professionals. When structural elements or components, such as dams, tailings dams, or ash ponds, are situated in high-risk locations, and their failure or malfunction may threaten the safety of communities, the client will engage one or more qualified experts with relevant and recognized experience in similar projects, separate from those responsible for the design and construction, to conduct a review as early as possible in project development and throughout the stages of project design, construction, and commissioning. For projects that operate moving equipment on public roads and other forms of infrastructure, the client will seek to ~~prevent~~ avoid the occurrence of incidents and ~~accidents~~ injuries associated with the operation of such equipment.

Hazardous Materials Management and Safety

~~8.7.~~ The client will ~~prevent~~ avoid or ~~minimize~~ reduce the potential for community exposure to hazardous materials that may be released by the project. Where there is a potential for the community (including workers and their families) to be exposed to hazards, particularly those that may be life-threatening, the client will exercise special care to avoid or ~~minimize~~ reduce their exposure by modifying, substituting, or eliminating the condition or substance causing the hazards. Where hazardous materials are part of existing project infrastructure or components, the client will exercise special care when conducting decommissioning activities in order to ~~prevent~~ avoid exposure to the community. In addition, the client will exercise commercially reasonable efforts to control the safety of deliveries of raw materials and of transportation and disposal of wastes, and will implement measures to avoid or control community exposure to pesticides in accordance with the requirements ~~outlined in paragraphs 6 and 12 through 15~~ of Performance Standard 3.

Environmental and Natural Resource Issues

~~9.8.~~ Changes resulting from the project's use of natural resources or from alteration of natural resources, which may be potentially compounded by climate change, can result in adverse impacts to communities. The client will avoid or minimize the Such impacts might include an exacerbation of ~~impacts caused by the effects of~~ natural hazards, such as landslides or floods, ~~that could arise from~~

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~~land use changes due to or a community's diminished enjoyment of ecosystem services such as water. The client will avoid these impacts that result from~~ project activities.

~~The client will avoid or minimize the exacerbation of impacts caused by natural hazards, such as landslides or floods~~

~~10. The client will also avoid or minimize adverse impacts due to project activities on soil, water, and other natural resources in use by the affected communities~~

Community Exposure to Disease

~~11.9.~~ The client will ~~prevent~~avoid or ~~minimize~~reduce the potential for community exposure to water-borne, water-based, water-related, vector-borne diseases, and other communicable diseases that could result from project activities, taking into consideration exposure to and high impact on vulnerable groups (particularly the very young and the very old and women in their role as caretakers). Where specific diseases are endemic in communities in the project area of influence, the client is encouraged to explore opportunities during the project ~~life~~life-cycle to improve environmental conditions that could help reduce their incidence.

~~12.10.~~ The client will ~~avoid~~prevent or ~~minimize~~reduce transmission of communicable diseases that may be associated with the influx of temporary or permanent project labor.

Emergency Preparedness and Response

~~13.11. The client will assess the potential risks and impacts from project activities and inform affected communities of significant potential hazards in a culturally appropriate manner. In addition to the emergency preparedness and response requirements described in Performance Standard 1,~~ the client will also assist and collaborate with the Affected community Stakeholders and ~~the~~ local government agencies in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to respond to such emergency situations. If local government agencies 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. The client will document its emergency preparedness and response activities, resources, and responsibilities, and will disclose appropriate information ~~in the Action Plan or other relevant document~~ to a~~Affected communities Stakeholders~~ and relevant government agencies.

Security Personnel Requirements

~~14.12.~~ When the client directly retains employees or contractors to provide security to safeguard its personnel and property, it will assess risks ~~to those within and outside the project site~~ posed by its security arrangements to those within and outside the project site. In making such arrangements, the client will be guided by the principles of proportionality, ~~and good international practices~~ GIIP in ~~relation to terms of~~ hiring, rules of conduct, training, equipping, and monitoring of such ~~personnel~~employees or contractors, and ~~by~~ applicable national laws as well as international human rights principles and humanitarian law in all relevant matters. The client will make reasonable inquiries to ~~satisfy itself~~ensure that those providing security are not implicated in past human rights abuses; ~~it~~ will train them adequately in the use of force (and where applicable, firearms) and appropriate conduct toward workers and the ~~local~~Affected community Stakeholders; and require them to act within the applicable law. The client will not sanction any use of force except when used for preventive and defensive purposes in proportion to the nature and extent of the threat. A grievance mechanism should allow the ~~a~~Affected community Stakeholders to express concerns about the security arrangements and acts of security personnel.

~~15.13. If government security personnel are deployed to provide security services for the client,~~ ~~it~~ The client will assess risks arising from ~~such the project's use of government security personnel~~ deployed to provide security services. The client will seek to ensure that the security personnel will

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act in a manner consistent with paragraph ~~14-12~~ above, and encourage the relevant public authorities to disclose the security arrangements for the client’s facilities to the public, subject to overriding security concerns.

~~16.14.~~ The client will investigate any credible allegations of unlawful or abusive acts of security personnel, take action (or urge appropriate parties to take action) to prevent recurrence, and report unlawful and abusive acts to public authorities when appropriate.

Introduction

1. Performance Standard 5 recognizes that project-related land acquisition can have adverse impacts on persons and communities that use this land. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets¹ or access to assets that leads to loss of income sources or other means of livelihood²) as a result of project-related land acquisition³ and/or restrictions on land use. Resettlement is considered involuntary when affected ~~individuals~~ persons or communities do not have the right to refuse land acquisition or restrictions on land use that results in physical or economic displacement. This occurs in cases of: (i) lawful expropriation or temporary or permanent restrictions⁴ on land use ~~based on eminent domain~~⁵ and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

2. Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for the affected persons and communities, as well as environmental damage and adverse socio-economic impacts in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided ~~or at least minimized.~~ However, where ~~it~~ involuntary resettlement is unavoidable, it should be reduced and appropriate measures to mitigate adverse impacts on displaced persons and host communities⁶ should be carefully planned and implemented. Experience demonstrates that the direct involvement of the client in resettlement activities can result in more cost-effective, efficient, and timely implementation of those activities, as well as in the introduction of innovative approaches to improving the livelihoods of those affected by resettlement. The government often plays a central role in the land acquisition and resettlement process, including the determination of compensations, and is therefore an important third party in many situations.

3. Negotiated settlements help avoid expropriation and eliminate the need to use governmental authority to ~~remove people forcibly~~ enforce relocation. Negotiated settlements can usually be achieved by providing fair and appropriate compensation and other incentives and/or benefits to affected persons or communities, and by mitigating the risks of asymmetry of information and bargaining power. Clients are encouraged to acquire or gain access to land ~~rights~~ through negotiated settlements wherever possible, even if they have the legal means to acquire land ~~gain access to the land~~ without the seller's consent.

Objectives

- To avoid or at least ~~minimize~~ reduce involuntary resettlement displacement, wherever feasible, by exploring alternative project designs

¹ Including ownership and access to communal property and to natural resources. Disruption of access to mineral deposits by artisanal miners is covered by Performance Standard 1.

² The term "livelihood" refers to the full range of means that individuals, families and communities utilize to make a living, such as wage-based income, agriculture, fishing, petty trade, foraging, and bartering.

³ Land acquisition includes both outright purchases of property and purchases or leasing of access rights, such as rights of way.

⁴ Such restrictions may result from the acquisition of easements or rights of way, as well as the establishment of legally designated buffer zones and nature conservation areas on land not being acquired by the client.

⁵ ~~Such restriction may include restrictions of access to legally designated nature conservation areas.~~

⁶ A host community is any community receiving displaced persons. Host communities are those who are receiving project-affected resettled people on their land or in their geographical area of influence.

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- To mitigate adverse social and economic impacts from land acquisition or restrictions on ~~affected persons' use of~~ land use by: (i) providing compensation for loss of assets or access to assets at replacement cost;⁷ and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected
- To improve, or ~~at least restore,~~ the livelihoods and standards of living of displaced persons
- To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure⁸ at resettlement sites

Scope of Application

4. ~~The applicability of this Performance Standard is established during the~~ Ssocial and Eenvironmental risks and impacts identification process. ~~Assessment process,~~ while the implementation of the actions necessary to meet the requirements of this Performance Standard ~~is~~ are managed through the client's Ssocial and Eenvironmental Mmanagement Ssystem. The assessment and management system requirements are outlined in Performance Standard 1.

~~4.~~

5. This Performance Standard applies to physical and/or economic displacement resulting from the following types of land transactions in private sector projects:

- ~~Type I: Land rights for a private sector project or land use rights~~ acquired through expropriation or other compulsory procedures in accordance with the legal system of the host country;
- ~~Type II: Land rights for a private sector project or land use rights~~ acquired through negotiated settlements with property owners or those with legal rights to the land, including customary or traditional rights recognized or recognizable under the laws of the country, if expropriation or other sanctioned compulsory process would have resulted upon the failure of negotiation procedures resulted from failed negotiations⁹ ~~Paragraph 18 and part of paragraph 20 below apply to displaced persons with no recognizable legal right or claim to the land they occupy.~~

6. Project-related land acquisition and/or restrictions on land use may result in the physical displacement of people as well as their economic displacement. Consequently, requirements of this Performance Standard in respect of physical displacement and economic displacement may apply simultaneously.

⁷ Replacement cost is defined as the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. Market value is defined as the value required to allow affected persons and communities to replace lost assets with new assets of similar value. The valuation method for determining replacement cost should be documented and included in applicable Resettlement and/or Compensation plans (see paragraphs 18 and 22).

⁸ ~~A resettlement site offers~~ Security of tenure if it protects the means that resettled individuals or communities are resettled to a site that they can legally occupy and from which they are protected from the risk of forced eviction. resettled persons from forced evictions.

⁹ Including customary or traditional rights recognized or recognizable under the laws of the host country, and if expropriation or other compulsory processes would have resulted upon the failure of negotiation. These negotiations can be carried out by the private sector company acquiring the land or by an agent of the company. In the case of private sector projects in which land rights are acquired by the government, the negotiations may be carried out by the government or by the private company as an agent of the government.

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7. This Performance Standard also applies to certain project situations not involving land transactions, where losses may occur when a community or groups within a community have gained their livelihoods from resource use in areas where they do not have ownership, but where they have had traditional or recognizable usage rights. This may include project-related restrictions on access resulting from the creation of biodiversity offset areas or legally designated buffer zones, and restrictions on freshwater and marine environments.¹⁰

~~7.8.~~ This Performance Standard does not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures sanctioned by the legal system of the host country if negotiations fail). In the event of adverse economic, social, or environmental impacts from project activities other than land acquisition (~~e.g., loss of access to assets or resources or restrictions on land use~~), such impacts will be avoided, ~~minimized, reduced, mitigated~~ restored, or compensated for through the social and environmental risks and impacts identification process ~~the process of Social and Environmental Assessment~~ under Performance Standard 1. If these impacts become significantly adverse at any stage of the project with resulting physical and/or economic displacement, the client should consider applying the requirements of Performance Standard 5, even where no initial land acquisition or land use restriction was involved.

Requirements

General Requirements

Project Design

~~8.9.~~ The client will consider feasible alternative project designs to avoid or ~~at least minimize~~ reduce physical and/or economic displacement, while balancing environmental, social, and financial costs and benefits.

Compensation and Benefits for Displaced Persons

~~9.10.~~ When displacement cannot be avoided, the client will offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance¹¹ to help them improve or ~~at least~~ restore their standards of living or livelihoods, as provided in this Performance Standard. Standards for compensation will be transparent and ~~consistent within the project~~ applied consistently to all persons and communities affected by the displacement. Where livelihoods of displaced persons are land-based,¹² or where land is collectively owned, the client will, where feasible,¹³ offer the displaced land-based compensation ~~where feasible~~. The acquisition of land and related assets may happen only after compensation has been paid and, where applicable, resettlement sites and moving allowances have been provided to the displaced persons.¹⁴ The client

¹⁰ Paragraph 19 and part of paragraph 22 below apply to displaced persons with no recognizable legal right or claim to the land they occupy.

¹¹ As described in paragraphs 19 and 21.

¹² The term “land-based” includes livelihood activities such as subsistence cropping and grazing of livestock as well as the harvesting of natural resources.

¹³ Refer to paragraph 23 of this Performance Standard for further requirements.

¹⁴ Unless government-managed resettlement is involved, and where the client has no direct influence over the timing of compensation payments. Such cases should be handled in accordance with paragraphs 24–26 of this Performance Standard. Staggered compensation payments may be made where once-off cash payments would demonstrably undermine social and/or resettlement objectives, or where there are ongoing impacts to livelihood activities.

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will also provide opportunities to displaced persons and communities to derive appropriate development benefits from the project.

Consultation

~~10.11. Following disclosure of all relevant information, t~~The client will consult with and facilitate the informed participation of affected persons and communities, including host communities, in decision-making processes related to resettlement and livelihood restoration. ~~Consultation-Disclosure of all relevant information and participation of affected persons and communities~~ will continue during the planning, implementation, monitoring, and evaluation of compensation payments, livelihood restoration activities, and resettlement to achieve outcomes that are consistent with the objectives of this Performance Standard. Affected persons and communities will be consulted^{15,16} on all key aspects of the process including compensation packages, eligibility requirements, resettlement assistance, the suitability of proposed resettlement sites and associated infrastructure where applicable, and the proposed timing of resettlement. Additional provisions are applicable with regards to consultations with Indigenous Peoples, in accordance with Performance Standard 7.

Grievance Mechanism

~~11.12.~~ The client will establish a grievance mechanism consistent with Performance Standard 1 as early as possible in the project development phase. This will allow the client to receive and address specific concerns about compensation and relocation ~~that are~~ raised by displaced persons or members of host communities in a timely fashion, including a recourse mechanism designed to resolve disputes in an impartial manner.

Resettlement and Compensation Planning and Implementation

~~12.13.~~ Where involuntary resettlement is unavoidable, the client will carry out a census ~~with to~~ collect appropriate socio-economic baseline data to identify the persons who will be displaced by the project, ~~to~~ determine who will be eligible for compensation and assistance,¹⁷ and ~~to discourage inflow of people who are prevent~~ ineligible persons, such as opportunistic settlers, from claiming benefits. In the absence of host government procedures, the client will establish a cut-off date for eligibility. Information regarding the cut-off date will be well documented and disseminated throughout the project area.

~~13. In the case of Type I transactions (acquisition of land rights through the exercise of eminent domain) or Type II transactions (negotiated settlements) that involve the physical displacement of people, the client will develop a resettlement action plan or a resettlement framework based on a Social and Environmental Assessment that covers, at a minimum, the applicable requirements of this Performance Standard regardless of the number of people affected. The plan or framework will be designed to mitigate the negative impacts of displacement, identify development opportunities, and~~

¹⁵ Targeted measures are generally required to ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation (in particular in respect of the key aspects listed in paragraph 11). Addressing livelihood impacts may require intra-household analysis in cases where men's and women's livelihoods are affected differently. Women's and men's preferences in terms of compensation mechanisms, such as compensation in kind rather than in cash, should be explored. Examples of appropriate consultation measures include the use of female enumerators during social surveys, holding of women-only meetings, and establishment of women's focus groups during the consultation process.

¹⁶ Additional provisions shall apply to consultations involving individuals belonging to vulnerable groups (refer to Performance Standard 1).

¹⁷ Documentation of ownership or occupancy and compensation arrangements should be issued in the names of both spouses or head of households, and other resettlement assistance, such as skills training, access to credit, and job opportunities, should be equally available to women and adapted to their needs. Where national law and tenure systems do not recognize the rights of women to hold or contract in property, measures should be considered to provide women as much protection as possible with the objective to achieve equity with men.

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~~establish the entitlements of all categories of affected persons (including host communities), with particular attention paid to the needs of the poor and the vulnerable (see Performance Standard 1, paragraph 12). The client will document all transactions to acquire land rights, as well as compensation measures and relocation activities. The client will also establish procedures to monitor and evaluate the implementation of resettlement plans and take corrective action as necessary. A resettlement will be considered complete when the adverse impacts of resettlement have been addressed in a manner that is consistent with the objectives stated in the resettlement plan or framework as well as the objectives of this Performance Standard.~~

~~In the case of Type II transactions (negotiated settlements) involving economic (but not physical) displacement of people, the client will develop procedures to offer to the affected persons and communities compensation and other assistance that meet the objectives of this Performance Standard. The procedures will establish the entitlements of affected persons or communities and will ensure that these are provided in a transparent, consistent, and equitable manner. The implementation of the procedures will be considered complete when affected persons or communities have received compensation and other assistance according to the requirements of this Performance Standard.~~

14. In cases where affected persons reject compensation offers that meet the requirements of this Performance Standard and, as a result, expropriation or other legal procedures are initiated, the client will explore opportunities to collaborate with the responsible government agency, and, if permitted by the agency, play an active role in ~~resettlement~~ planning, implementation, and monitoring.

15. The client will establish procedures to monitor and evaluate the implementation of Resettlement and/or Compensation Plans (see paragraphs 17 and 21) and take corrective action as necessary. ~~A resettlement will be considered complete when~~ Such plans will be considered completed when the adverse impacts of resettlement have been addressed in a manner that is consistent with the objectives stated in the Resettlement or Compensation plan-Plan as well as the objectives of this Performance Standard. It may be necessary¹⁸ for the client to commission an external completion audit of the Resettlement or Compensation Plan to assess whether the provisions have been met, depending on the scale and/or complexity of physical and economic displacement associated with a project. The completion audit should be undertaken once all mitigation measures have been substantially completed and once displaced persons are deemed to have been provided adequate opportunity, and assistance to sustainably restore their livelihoods.

~~15-16.~~ Where the exact nature or magnitude of the land acquisition related to a project with potential to cause physical and/or economic displacement is unknown due to the stage of project development, the client will develop a Resettlement and/or Compensation Framework outlining general principles compatible with this Performance Standard. Once the individual project components are defined and the necessary information becomes available, such a Framework must be expanded into specific Resettlement and/or Compensation Plans and procedures in accordance with paragraphs 17 and 21 below.

Displacement

~~16-17.~~ Displaced persons may be classified as persons: (i) who have formal legal rights to the land they occupy; (ii) who do not have formal legal rights to land, but have a claim to land that is

¹⁸ This will be determined in consultation with project financier(s) and other key stakeholders.

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recognized or recognizable under the national laws;¹⁹ or (iii) who have no recognizable legal right or claim to the land they occupy or use. The census will establish the status of the displaced persons.

~~17. Land acquisition for the project may result in the physical displacement of people as well as their economic displacement. As a result, requirements for both physical displacement and economic displacement may apply.~~

Physical Displacement

~~18. In the case of physical displacement,²⁰ the client will develop a Resettlement Plan that covers, at a minimum, the applicable requirements of this Performance Standard regardless of the number of people affected. The Plan will be designed to mitigate the negative impacts of displacement; identify development opportunities; develop a resettlement budget and schedule; and establish the entitlements of all categories of affected persons (including host communities), with particular attention paid to the needs of the poor and the vulnerable. The client will document all transactions to acquire land rights, as well as compensation measures and relocation activities.~~

~~19. If people living in the project area ~~must~~ are required to move to another location, the client will: (i) offer displaced persons choices among feasible resettlement options, including adequate replacement housing or cash compensation where appropriate; and (ii) provide relocation assistance suited to the needs of each group of displaced persons, with particular attention paid to the needs of the poor and the vulnerable. ~~Alternative housing and/or cash compensation will be made available prior to relocation.~~ New resettlement sites built for displaced persons ~~will~~ must offer improved living conditions. The displaced persons' preferences with respect to relocating in preexisting communities and groups will be taken into consideration. Existing social and cultural institutions of the displaced persons and any host communities will be respected.~~

~~18.20.~~ In the case of physically displaced persons under paragraph 17 (i) or (ii), the client will offer the choice of replacement property of equal or higher value, security of tenure, equivalent or better characteristics, and advantages of location, or cash compensation at full replacement value where appropriate.²¹

~~19.21.~~ In the case of physically displaced persons under paragraph 17 (iii), the client will offer them a choice of options for adequate housing with security of tenure so that they can resettle legally without having to face the risk of forced eviction. Where these displaced persons own and occupy structures, the client will compensate them for the loss of assets other than land, such as dwellings and other improvements to the land, at full replacement cost, provided that these people occupy the project area prior to the cut-off date for eligibility. Compensation in kind will be offered in lieu of cash compensation where feasible. Based on consultation with such displaced persons, the client will provide relocation assistance sufficient for them to restore their standards of living at an adequate

¹⁹ Such claims could be derived from adverse possession or from customary or traditional law tenure arrangements.

²⁰ Where a project results in both physical and economic displacement, the requirements of paragraphs 22 and 23 (Economic Displacement) should be incorporated into the Resettlement Plan or Framework (i.e., there is no need to have a separate Resettlement Plan and Compensation Plan).

²¹ Payment of cash compensation for lost assets may be appropriate where: (a) livelihoods are not land-based; (b) 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 (c) active markets for land, housing, and labor exist, displaced persons use such markets, and there is sufficient supply of land and housing. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.

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alternative site.²² The client is not required to compensate or assist those who encroach on the project area after the cut-off date [for eligibility](#).

~~20. Where communities of Indigenous Peoples are to be physically displaced from their communally held traditional or customary lands under use, the client will meet the applicable requirements of this Performance Standard, as well as those of Performance Standard 7 (in particular paragraph 14).~~

Economic Displacement

~~22. In the case of projects involving economic displacement only, the client will develop a Compensation Plan to compensate affected persons and/or communities and offer other assistance that meet the objectives of this Performance Standard. The Compensation Plan will establish the entitlements of affected persons and/or communities and will ensure that these are provided in a transparent, consistent, and equitable manner. The mitigation of economic displacement will be considered complete when affected persons or communities have received compensation and other assistance according to the requirements of the Compensation Plan and this Performance Standard, and are deemed to have been provided with adequate opportunity to reestablish their livelihoods.~~

~~23. If land acquisition for the project causes or restrictions on land use result in~~ loss of income or [other means of livelihood](#), regardless of whether or not the affected people are physically displaced, the client will meet [one or more of](#) the following requirements, [as applicable](#):

~~21.~~

- Promptly compensate economically displaced persons for loss of assets or access to assets at full replacement cost.
- In cases where land acquisition affects commercial structures, compensate the affected business owner for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery, or other equipment
- Provide replacement property (e.g., agricultural or commercial sites) of equal or greater value, or cash compensation at full replacement cost where appropriate, to persons with legal rights or claims to land which are recognized or recognizable under ~~the national laws~~ (see paragraph 17 (i) and (ii)).
- [For persons whose livelihoods are land- and/or natural resource-based, provide land-based compensation as a matter of priority where the replacement land has a combination of productive potential, locational advantages, access to natural resources,²³ and/or other factors at least equivalent to that being lost. If circumstances prevent the client from offering suitable replacement land to such persons, the client must provide verification that such is the case. Under such circumstances, the client will provide non land-based income-earning opportunities over and above cash compensation²⁴ to enable affected persons to restore their](#)

²² Relocation of informal settlers in urban areas often has trade-offs. For example, the relocated families may gain security of tenure, but they may lose advantages of location.

²³ [The loss of direct use of natural resources, referred to in Performance Standard 6, cannot be easily evaluated or compensated for in monetary terms. The client will demonstrate efforts to avoid such impacts, or where avoidance is not feasible, meet the requirements of paragraph 23 of this Performance Standard. Where appropriate, benefits and compensation provided may be collective in nature rather than directly oriented towards individuals or households.](#)

²⁴ [Payment of compensation only through cash may be appropriate where \(i\) livelihoods are land-based but the land taken for the project is a small fraction of the affected asset and the residual is economically viable; \(ii\) active markets for land, housing, and labor exist, displaced persons use such markets, and there is sufficient supply of land and housing; or \(iii\) where livelihoods are not land-based. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.](#)

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livelihoods and standards of living to levels equivalent to, or better than, those maintained at the time of displacement:

- Compensate economically displaced persons who are without legally recognizable claims to land (see paragraph 17 (iii)) for lost assets ~~(such as crops, irrigation infrastructure and other improvements made to the land)~~ other than land ~~(such as crops, irrigation infrastructure and other improvements made to the land)~~, at full replacement cost. The client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date for eligibility
- Provide additional targeted assistance (e.g., credit facilities, training, or job opportunities) and opportunities to improve, or at least restore, their means of income-earning capacity, production productivity levels, and standards of living to economically displaced persons whose livelihoods or income levels are adversely affected
- Provide transitional support 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

~~22. Where communities of Indigenous Peoples are economically displaced (but not relocated) as a result of project-related land acquisition, the client will meet the applicable requirements of this Performance Standard, as well as those of Performance Standard 7 (in particular paragraphs 12 and 13).~~

Private Sector Responsibilities ~~under~~ Under Government-Managed Resettlement

~~23.24.~~ Where land acquisition and resettlement are the responsibility of the ~~host~~ government, the client will collaborate with the responsible government agency, to the extent permitted by the agency, to achieve outcomes that are consistent with ~~the objectives of~~ this Performance Standard. In addition, where government capacity is limited, the client will play an active role during resettlement planning, implementation, and monitoring, as described below ~~in paragraphs 23 through 25.~~

~~24.25.~~ In the case of ~~Type I transactions (acquisition of land rights or access to land through expropriation or other legal procedures) involving physical compulsory means or economic displacement, and Type II transactions (negotiated settlements)~~ involving physical displacement, the client will identify and describe²⁵ government resettlement measures. If these measures do not meet the relevant requirements of this Performance Standard, the client will prepare a Supplemental Resettlement Plan (or a framework) that, together with the documents prepared by the responsible government agency, will address the relevant requirements of this Performance Standard (the General Requirements, ~~except for paragraph 13,~~ and requirements for Physical Displacement and Economic Displacement above). The client may will need to include in its Supplemental Resettlement Plan, at a minimum (i) an identification of affected people and impacts; (ii) a description of regulated activities, including the entitlements of displaced persons provided under applicable national laws and regulations; (iii) the supplemental measures to achieve proposed to bridge any gaps between such entitlements and the requirements of this Performance Standard as described in paragraphs 17 through 23 in a way that is permitted by responsible agency and implementation time schedule; and (iv) the financial and implementation responsibilities of the ~~government agency and/or the client~~ in the execution of its Supplemental Resettlement Plan.

²⁵ Government documents, where available, may be used to identify such measures.

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~~25.26.~~ In the case of ~~Type II transactions (negotiated settlements)~~ projects involving economic ~~(but not physical)~~ displacement only, the client will identify and describe the ~~procedures~~ measures that the responsible government agency plans to use to compensate affected persons and communities. If these ~~procedures~~ measures do not meet the relevant requirements of this Performance Standard ~~(the General Requirements, except for paragraph 12, and requirements for Economic Displacement above)~~, the client will ~~develop its own procedures~~ develop a Supplemental Compensation Plan to ~~supplement~~ complement government action.

~~26.~~ If ~~permitted by the responsible government agency, the client will, in collaboration with such agency:~~ (i) ~~implement its plan or procedures established in accordance with paragraph 23 or 24 above;~~ and (ii) ~~monitor resettlement activity that is undertaken by the government agency until such activity has been completed.~~

Performance Standard 6 – Rev 0.1

Biodiversity Conservation and Sustainable Natural Resource Management

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Introduction

1. Performance Standard 6 recognizes that protecting and conserving biodiversity, the maintenance of ecosystem services, and the sustainable management of natural resources are ~~the variety of life in all its forms, including genetic, species and ecosystem diversity—and its ability to change and evolve, is~~ fundamental to sustainable development. ~~The components of biodiversity, as defined in the Convention on Biological Diversity, is the variability among living organisms from all sources including, 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. include ecosystems and habitats, species and communities, and genes and genomes, all of which have social, economic, cultural and scientific importance.~~ This Performance Standard reflects the objectives of the Convention on Biological Diversity to conserve biological diversity and promote the use of renewable natural resources in a sustainable manner. This Performance Standard addresses how clients can avoid, reduce, restore, and offset or mitigate impacts on ~~threats to~~ biodiversity arising from their operations as well as sustainably manage renewable natural resources and ecosystem services.¹

Objectives

- To protect and conserve biodiversity
- To ensure the continuance of benefits arising from ecosystem services
- To promote the sustainable management ~~and use~~ of natural resources through the adoption of practices that integrate conservation needs and development priorities

Scope of Application

~~1.2.~~ The applicability of this Performance Standard is established during the sSocial and eEnvironmental Assessment risks and impacts identification process, while the implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's sSocial and EEnvironmental Mmanagement Ssystem. The assessment and management system requirements are outlined in Performance Standard 1.

~~2.3.~~ Based on the ~~Assessment of~~ risks and impacts identification process on ~~and the vulnerability of~~ the biodiversity and ~~the~~ natural resources present, the requirements of this Performance Standard are applied to projects (i) located in all habitats, regardless of whether or not those habitats have been modified² or not, or previously disturbed and whether or not they are legally protected or designated areas or not; (ii) in areas providing critical ecosystem services³ to Affected Stakeholders and/or to the project; and (iii) whose objective includes the extraction of natural resources (e.g., forestry, fisheries).

Requirements

General

~~3.4.~~ In order to avoid, and if avoidance is not possible then to or reduce minimize and restore adverse impacts to biodiversity and ecosystem services in the project's area of influence (see Performance Standard 1), paragraph, the

¹ Ecosystem services are defined as provisioning services (such as food, freshwater, shelter, and timber), regulating services (such as surface water purification, carbon storage and sequestration, climate regulation, and protection from natural hazards), and natural cultural services (such as cultural heritage and sacred sites), which are linked to biodiversity.

² As a general rule, modified habitat does not include urban areas, industrial, and other brownfield sites.

³ Critical ecosystem services are defined as those provisioning services necessary for sustaining the project or the survival, sustenance, livelihood, or primary income source of Affected Stakeholders.

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client will assess the significance of project impacts on all levels of biodiversity and ecosystem services as an integral part of the social and environmental risks and impacts identification process. The risks and impacts identification process should consider direct and indirect project-related impacts on biodiversity and ecosystem services and identify residual impacts.

5. The Assessment will take into account the differing values attached to biodiversity by specific stakeholders, as well as identify impacts on ecosystem services. The Assessment risks and impacts identification process will focus on the major threats to biodiversity and priority ecosystem services, such as which include habitat loss, degradation and fragmentation, destruction and invasive alien species, overexploitation, water scarcity, nutrient loading, pollution, and climate change. The Assessment risks and impacts identification process will take into account the differing values attached to biodiversity and ecosystem services by specific stakeholders, as well as identify impacts on ecosystem services. Where requirements of paragraphs 14–17 of this Performance Standard are applicable, the client will retain qualified and experienced external experts to assist in conducting the Assessment risks and impacts identification process, which should consider project-related impacts across the potentially affected landscape or seascape.

6. Where there is a loss or diminution of an ecosystem service upon which the project depends, or where the company's project-related impacts are likely to negatively impact the availability of an ecosystem service to Affected Stakeholders,⁴ the client will identify and prioritize those services as part of the risks and impacts identification process. Adverse impacts on priority ecosystem services should be avoided, and if these impacts are unavoidable, the client will meet the following requirements:

- Reduce adverse impacts and implement restoration measures that aim to maintain the value and functionality of such services.
- Where the loss or diminution of a critical provisioning service is experienced by Affected Stakeholders as a result of project implementation, that loss/diminution will be addressed through Performance Standards 1 and 5.
- Where the loss or diminution of a critical cultural service is experienced by Affected Stakeholders, that loss/diminution will be addressed under Performance Standard 8.

4.—

Protection and Conservation of Biodiversity

General

7. Habitat is defined as a terrestrial, freshwater, or marine geographical unit or an airway passage that supports complexities of living organisms and their interactions with the non-living environment.— For the purposes of implementation of this Performance Standard, hHabitats are can be divided into modified, natural, and critical.

5.—For protection and conservation of the biodiversity, the mitigation hierarchy⁵ includes biodiversity offsets.⁶
8.—

In order to avoid or minimize adverse impacts to biodiversity in the project's area of influence (see Performance Standard 1, paragraph 5), the client will assess the significance of project impacts on all levels of biodiversity as an integral part of the Social and Environmental Assessment process. The Assessment will take into account the differing values attached to biodiversity by specific stakeholders, as well as identify impacts on ecosystem services. The Assessment will focus on the major threats to biodiversity, which include habitat destruction and invasive alien

⁴ As defined in Performance Standard 1.

⁵ As defined in Performance Standard 1, the mitigation hierarchy is to avoid adverse impacts, reduce significant impacts when avoidance is not possible, restore significant impacts when both avoidance and minimization is not possible, and offset significant residual impacts as a last resort.

⁶ Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant adverse biodiversity impacts arising from project development and persisting after appropriate avoidance, minimization and restoration measures have been taken. Generally, these are not within the project site.

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~~species. When requirements of paragraphs 9, 10, or 11 apply, the client will retain qualified and experienced external experts to assist in conducting the Assessment.~~

Habitat

~~1. Habitat destruction is recognized as the major threat to the maintenance of biodiversity. Habitats can be divided into natural habitats (which are land and water areas where the biological communities are formed largely by native plant and animal species, and where human activity has not essentially modified the area's primary ecological functions) and modified habitats (where there has been apparent alteration of the natural habitat, often with the introduction of alien species of plants and animals, such as agricultural areas). Both types of habitat can support important biodiversity at all levels, including endemic or threatened species.~~

~~6.~~

Modified Habitat

~~7-9. Modified habitats are those that may contain a large proportion of plant and/or animal species of non-native origin, or where human activity has substantially modified the area's primary ecological functions.⁷ Modified habitats include agricultural areas, forest plantations, reclaimed coastal zones, and wetlands.~~

~~—Modified Habitat~~

~~8-10. In areas of modified habitat, the client will exercise care to minimize-reduce any additional conversion or degradation of such habitat, and will, depending on the nature and scale of the project, identify opportunities to enhance habitat and protect and conserve biodiversity as part of their operations.~~

Natural Habitat

~~11. Natural habitats are those (i) composed of viable assemblages of plant and/or animal species of largely native origin, and/or (ii) where human activity has not essentially modified the area's primary ecological functions.~~

~~9-12. In areas of natural habitat, the client will not significantly convert or degrade⁸ such habitat, unless the following could be demonstrated conditions are met:~~

- ~~▪ No other viable alternatives within the region exist for development of the project on modified habitat~~
- ~~▪ Adequate conservation measures will be implemented within the project site, which may include the identification and protection of set-asides⁹~~
- ~~▪ There are no technically and financially feasible alternatives~~
- ~~▪ The overall benefits of the project outweigh the costs, including those to the environment and biodiversity~~
- Any conversion or degradation is appropriately mitigated according to the mitigation hierarchy

~~10-13. Mitigation measures will be designed to achieve no net loss of biodiversity where feasible, and may include a combination of actions, such as:~~

- ~~▪ Post-operation restoration of habitats~~
- ~~▪ Implementation of biodiversity offsets, such as -of losses through- the creation of ecologically comparable area(s) that are managed for biodiversity¹⁰~~
- ~~▪ Investment in a relevant and credible offset banking scheme~~
- ~~▪ Implementation of measures to reduce habitat fragmentation, such as biodiversity corridors~~

⁷ This excludes habitat that has been converted in anticipation of the project.

⁸ Significant conversion or degradation is: (i) the elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (ii) modification of a habitat that substantially reduces the habitat's ability to maintain viable population of its native species.

⁹ Set-asides are land areas within the project site that are excluded from development and are targeted for the implementation of conservation enhancement measures. Set-asides will likely contain biodiversity attributes and/or provide ecosystem services of significance at the national and/or regional level.

¹⁰ During offset development, clients will respect the ongoing usage of proposed offset sites such biodiversity by Indigenous Peoples or traditional communities.

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~~• Compensation to direct users of biodiversity~~

Critical Habitat

~~11.14.~~ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value,¹¹ including areas with the following criteria: (i) habitat of significant importance to ~~required for the survival of~~ critically Endangered and/or Endangered species;¹² areas having special significance for endemic and/or restricted-range species; ~~and sites that are critical for the survival of migratory species; areas supporting~~ globally significant concentrations of migratory species, and/or or numbers of individuals of congregatory species; (ii) areas with regionally unique and/or highly threatened ecosystems; and (iii) areas assemblages of species or ~~which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities.~~

~~12.15.~~ In areas of critical habitat, the client will not implement any project activities unless the following requirements are met:

- There are no measurable adverse impacts on the criteria for which the critical habitat was designated and on the ecological processes supporting that criteria ~~the ability of the critical habitat to support the established population of species described in paragraph 9 or the functions of the critical habitat described in paragraph 9~~
- The project is not anticipated to lead to a net ~~There is no~~ reduction in the global or national/regional population of any ~~recognized~~ Critically Endangered or Endangered species ~~over time~~¹³
- ~~Any lesser impacts are mitigated in accordance with paragraph 8~~
- The client has implemented a robust biodiversity monitoring program
- All other impacts are mitigated in accordance with the mitigation hierarchy

16. In areas of critical habitat, biodiversity offsets will be designed to achieve net positive gain of the relevant criteria described in paragraph 14 of this Performance Standard.

Legally Protected and Designated Areas

~~13.17.~~ In circumstances where a proposed project is located within a legally protected area,¹⁴ or an internationally designated¹⁵ area, the client, in addition to the applicable requirements of paragraphs 12, 13 and 15¹⁶~~10~~ above, will ~~meet the following requirements:~~

- Demonstrate that any proposed development in such areas is legally permitted
- Act in a manner consistent with any government recognized ~~defined protected area~~ management plans for such areas
- Consult protected area sponsors and managers, local communities, Indigenous Peoples and other key stakeholders on the proposed project, as appropriate

¹¹ Such as areas that meet the criteria of the World Conservation Union (IUCN) classification.

¹² As defined by the IUCN Red List of Threatened Species—available at www.iucnredlist.org—or as defined in any national legislation.

¹³ As defined by the IUCN Red List of Threatened Species or as defined in any national legislation.

¹⁴ An area may be designated as legally protected for different purposes. This Performance Standard refers to legally protected areas designated for the protection or conservation of biodiversity, including includes areas proposed by governments for such designation.

¹⁵ This includes UNESCO World Heritage Site, UNESCO Man and the Biosphere Reserves, Key Biodiversity Areas (KBAs) and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).

¹⁶ If the primary management objectives of the legally protected or designated area are comparable with the management objectives as described for IUCN Management Categories Ia, Ib and Category II when these areas are designated for the protection or conservation of biodiversity.

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- Implement additional programs, as appropriate, to promote and enhance the conservation aims and effective management of the protected or designated area

Invasive Alien Species

~~14.18.~~ Intentional or accidental introduction of alien, or non-native, species of flora and fauna into areas where they are not normally found can be a significant threat to biodiversity, since some alien species can become invasive, spreading rapidly and out-competing native species.

19. The client will not intentionally introduce any new alien species (not currently established in the country or region of the project) unless this is carried out in accordance with the existing regulatory framework for such introduction, if such framework is present. All introductions of alien species will be, or is subject to a risk assessment (as part of the client's sSocial and eEnvironmental ~~Assessment~~risks and impacts identification process) to determine the potential for invasive behavior. The client will not deliberately introduce any alien species with a high risk of invasive behavior or any known invasive species ~~and will exercise diligence to prevent.~~ The client will implement measures to avoid the potential for accidental or unintended introductions including transportation of substrates and vectors (such as soil, ballast, and plant materials) which may harbor invasive alien species. ~~-(as part of the client's Social and Environmental Assessment).~~

~~15.20.~~ Where invasive alien species are already established in the country or region of the proposed project, the client will exercise diligence in not spreading them into areas in which they have not already been established, and, as practicable, eradicating such species from the natural habitats in which the client has management control.

Management and Use of Renewable Natural Resources

21. Renewable natural resources are broadly defined to include natural and plantation forests, soil-based agriculture for annual and perennial crops, aquaculture, and capture fisheries.¹⁷ The client will manage renewable natural resources in a sustainable manner. ~~Where possible, the client will demonstrate the sustainable management of the resources through an appropriate system of independent certification.~~ available, the client will verify sustainable management practices through independent certification to an internationally-recognized standard. Applicable international standards are those developed that are objective and achievable, are founded on a continuous consultative process with relevant stakeholders, and are applied through independent and accredited certifying bodies.¹⁸

~~16.22.~~ In particular, plantations, forests and aquatic systems are principal providers of natural resources, and need to be managed as specified below.

Natural and Plantations and Natural Forests

~~17.23.~~ Clients involved in any plantation development, including forest plantations, or in natural forest harvesting or plantation development will not cause any conversion or degradation of critical habitat or areas identified as High Conservation Value (HCV).¹⁹ Where feasible, the client will locate plantation projects on modified habitat unforrested land or land already converted (excluding land that is converted in anticipation of the project). Clients will respect cut-off dates for conversion of natural habitats established by applicable standards and certification systems. In addition, the client will ensure that all natural forests and forest plantations over which they have management control employ

¹⁷ Renewable natural resources includes only "living" or "biotic" resources. It does not include solar, wind or water resources, for example.

¹⁸ An appropriate certification system would be one which is independent, cost-effective, based on objective and measurable performance standards and developed through consultation with relevant stakeholders, such as local people and communities, indigenous peoples, civil society organizations representing consumer, producer, and conservation interests. Such a system has fair, transparent, independent decision-making procedures that avoid conflicts of interest.

¹⁹ HCV areas are land areas identified using internationally recognized guidelines as provided by the HCV Resource Network.

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~~sustainable management practices that are verified through~~ are ~~independently~~ certificateioned as in meeting ~~performance standards conditions~~ compatible with internationally accepted principles and criteria for sustainable forest management.²⁰ ~~Where a pre-assessment determines that the operation does not yet meet the requirements of such an independent forest certification system, the client will develop and adhere to a time-bound, phased action plan for achieving such certification.~~

Freshwater and Marine Systems

~~18.24.~~ Clients involved in the production and harvesting of fish populations or other aquatic species must demonstrate that their activities are being undertaken in a sustainable manner, as verified through independent certification to an ~~through application of an~~ internationally accepted standard ~~system of independent certification~~, if available, or through appropriate studies carried out in conjunction with the s Social and e Environmental a Assessment process.

Supply Chain

25. Where the resource utilized is ecologically sensitive, clients should give preference to purchasing products, including renewable natural resources, from primary suppliers²¹ that have verified sustainable management practices. The adverse impacts associated with ecologically sensitive supply chains will be considered where there is a potential risk that primary suppliers are overexploiting areas of critical habitat or HCV.

²⁰ See footnote 7.

²¹ Primary suppliers are first-tier suppliers who are providing goods or materials essential for the core business function.

Introduction

1. Performance Standard 7 recognizes that Indigenous Peoples, as social groups with identities that are distinct from dominant groups in national societies, are often among the most marginalized and vulnerable segments of the population. Their economic, social, and legal status often limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. They are particularly vulnerable if their lands and resources are transformed, encroached upon by outsiders, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also be under threat. These characteristics expose Indigenous Peoples to different types of risks ~~and severity of impacts and~~ potentially more severe impacts, including loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and diseases.
2. Private sector projects may create opportunities for Indigenous Peoples to participate in, and benefit from project-related activities that may help them fulfill their aspiration for economic and social development. In many countries, governments play a central role in the management of Indigenous Peoples' issues and clients must therefore collaborate with the responsible authorities. In addition, this Performance Standard recognizes that Indigenous Peoples may play a role in sustainable development by promoting and managing activities and enterprises as partners in development.

Objectives

- To ensure that the development process fosters full respect for the human rights and the dignity, aspirations, cultures, and natural resource-based livelihoods of Indigenous Peoples
- To avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not feasible, to ~~minimize~~reduce, ~~mitigate~~restore, and/or compensate for such impacts
- To provide opportunities for benefit sharing and sustainable development ~~outcomes~~benefits, in a culturally appropriate manner
- To establish and maintain an ongoing relationship with the Indigenous Peoples affected by a project throughout the ~~life of the project's~~ life-cycle
- To foster good faith negotiation¹ with, and informed participation of, Indigenous Peoples when projects (i) are to be located on ~~traditional or~~ lands under traditional or customary use by Indigenous Peoples; ~~-(ii) require relocation of Indigenous Peoples from traditional or customary lands;~~ (ii) require relocation of Indigenous Peoples from traditional or customary lands; (iii) or when projects involve commercial use of Indigenous Peoples cultural resources
- To respect and preserve the culture, knowledge, and practices of Indigenous Peoples

Scope of Application

3. The applicability of this Performance Standard is established during the Social and Environmental ~~risks and impacts identification Assessment~~ process, while the implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the

¹ Good faith negotiation involves (i) willingness to engage in a process and availability to meet at reasonable times and frequency; (ii) provision of information necessary for informed negotiation; (iii) exploration of key issues of importance; (iv) mutually acceptable procedures for the negotiation; (v) willingness to change initial position and modify others where possible; and (vi) provision of sufficient time to both parties for decision making.

client's ~~s~~Social and ~~e~~Environmental ~~m~~Management ~~S~~system. The assessment and management system requirements are outlined in Performance Standard 1.

4. There is no universally accepted definition of “Indigenous Peoples.” Indigenous Peoples may be referred to in different countries by such terms as “Indigenous ethnic minorities,” “aboriginals,” “hill tribes,” “minority nationalities,” “scheduled tribes,” “first nations,” or “tribal groups.”

5. In this Performance Standard, the term “Indigenous Peoples” is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others
- Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories
- Customary cultural, economic, social, or political institutions that are separate from those of the dominant society or culture
- An indigenous language, often different from the official language of the country or region

6. This Performance Standard applies to groups or communities of Indigenous Peoples who maintain a collective attachment to distinct habitats or ancestral territories and the natural resources therein. It may also apply to groups or communities that have lost collective attachment to distinct habitats or ancestral territories in the project area, occurring within the concerned group members' lifetime, because of forced severance, conflict, government resettlement programs, dispossession of their lands, natural disasters, or incorporation of such territories into an urban area.

~~6.7. The client may be required to seek inputs from one or more qualified experts to ascertain whether a particular group is considered as Indigenous Peoples for the purpose of this Performance Standard.~~may require technical judgement

Requirements

General Requirements

Avoidance of Adverse Impacts

~~7.8.~~ The client will identify through a ~~process of S~~Social and ~~e~~Environmental risks and impacts identification process ~~Assessment~~ all communities of Indigenous Peoples who may be affected by the project within the project's area of influence, as well as the nature and degree of the expected direct, indirect, and cumulative social, cultural (including cultural heritage²), and environmental impacts on them ~~and avoid adverse impacts whenever feasible.~~

~~8.9.~~ When avoidance is not feasible, the client will reduce, restore, minimize, mitigate and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the vulnerability of the affected Indigenous Peoples ~~in a culturally appropriate manner.~~ ~~culturally appropriate man~~ The client's proposed action will be developed with the informed participation of affected Indigenous Peoples and contained in a time-bound plan, such

² Additional requirements on protection of cultural heritage are set out in Performance Standard 8.

as an Indigenous Peoples Development Plan, or a broader community development plan with separate components for Indigenous Peoples consistent with the requirements of paragraph 10.³

Information Disclosure, Consultation, and Informed Participation

~~9-10.~~ The client will establish ~~an ongoing a~~ relationship with the affected communities of Indigenous Peoples from as early as possible in the project planning and maintain it throughout the ~~life of the project~~ life-cycle. In projects with adverse impacts on affected communities of Indigenous Peoples, the consultation process will ensure their free, prior, and informed consultation and facilitate their informed participation on matters that affect them directly, such as the project's direct and indirect adverse impacts, proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The process of community engagement will be culturally appropriate and commensurate with the risks and potential impacts to the Indigenous Peoples. In particular, the process will include the following ~~steps~~:

- Involve Indigenous Peoples' representative bodies and organizations (~~for example e.g.~~, councils of elders or village councils, ~~among others~~), as well as members from the communities of Indigenous Peoples
- Enable members of Indigenous Peoples' communities to become aware of, have access to, and understand project information (including the project's social and environmental impacts) and have the opportunity to engage with the client
- Be inclusive of both women and men and of various age groups in a culturally appropriate manner
- Provide sufficient time for Indigenous Peoples' collective decision-making processes
- Facilitate the Indigenous Peoples' expression of their views, concerns, and proposals in the language of their choice, without external manipulation, interference, or coercion, and without intimidation
- Ensure that the grievance mechanism established for the project, as described in Performance Standard 1, ~~paragraph 23~~, is culturally appropriate and accessible for Indigenous Peoples

Mitigation, Compensation, and Development Benefits

~~10-11.~~ The client ~~will seek to identify through~~ will ensure that a ~~will the~~ process of free, prior, and informed consultation is carried out. The client and the affected communities of Indigenous Peoples will identify mitigation and/or compensation measures as well as opportunities for culturally appropriate and sustainable development benefits.

12. Mitigation measures as well as the determination, delivery, and distribution of compensation and other benefit sharing measures to affected Indigenous Peoples will take account of the laws, institutions, and customs of the affected groups as well as their level of interaction with mainstream society. Eligibility for compensation can either be individually or collectively-based, or be a combination of both.⁴ Where compensation occurs on a collective basis, mechanisms that promote the effective delivery and distribution to all eligible members of the group will be defined and implemented.

³ The determination of the appropriate plan will require the input of a qualified expert. A community development plan may be appropriate in circumstances where Indigenous Peoples ~~are integrated form part of into~~ larger affected communities.

⁴ Where control of resources, assets and decision making are predominantly collective in nature, efforts will be made to ensure that benefits and compensation are collective where possible.

~~11.13.~~ The scale of project risks and client will seek to identify, through the process of free, prior, and informed consultation with and the informed participation of the affected communities of Indigenous Peoples, opportunities for culturally appropriate development benefits Such opportunities should be commensurate with the degree of projimpacts and the vulnerability of the affected Indigenous Peoples will determine the nature of the Indigenous Peoples development benefits supported by the project. Identified opportunities should aim to address the goals and preferences of the Indigenous Peoples including ~~, with the aim of~~ improving their standard of living and livelihoods in a culturally appropriate manner, and to fostering the long-term sustainability of the natural resources on which they depend. ~~The client will document identified development benefits consistent with the requirements of paragraph 8 and 9 above, and provide them in a timely and equitable manner.~~

Special Requirements

~~12.14.~~ Because Indigenous Peoples may be particularly vulnerable to the project circumstances described below, the following requirements will also apply, in the circumstances indicated, in addition to the General Requirements above. When any of these Special Requirements apply, the client will retain qualified and experienced external experts to assist in conducting the ~~Assessment risks and impacts identification process.~~

Impacts on Lands Subject to Traditional Ownership or Under Customary Use

~~13.15.~~ Indigenous Peoples are often closely tied to their lands and natural resources on these lands whether these lands are traditionally owned or under customary use. While these lands may not be under legal ownership pursuant to national law, use of these lands, including seasonal or cyclical use, by communities of Indigenous Peoples for their livelihoods, or cultural, ceremonial, or spiritual purposes that define their identity and community, can often be substantiated and documented. Paragraphs ~~156~~ and ~~167~~ below specify the requirements that the client will follow when traditional or customary lands are under use in a manner described in this paragraph.

~~14.16.~~ If the client proposes to locate the project on, or commercially develop natural resources ~~located within, traditional or customary lands under use, on lands traditionally owned by, or under the~~ customary use of Indigenous Peoples, and adverse impacts⁵ can be expected on the livelihoods, or cultural, ceremonial, or spiritual use that define the identity and community of the Indigenous Peoples, the client will respect their use by taking the following steps:

- The client will document its efforts to avoid or ~~at least minimize~~ reduce the size of land proposed for the project
- The Indigenous Peoples' land use will be documented by one or more experts in collaboration with the affected communities of Indigenous Peoples without prejudicing any Indigenous Peoples' land claim.⁶ The assessment of land and natural resource use should be gender inclusive and specifically consider women's role in the management and use of these resources.
- When purchasing or leasing land, the Client will identify all legitimate property interests and ensure that the seller/lessor of the property is the true owner of the land.

⁵ Such adverse impacts may include impacts from loss of access to assets or resources, or restrictions on land use, resulting from project activities.

⁶ While this Performance Standard requires substantiation and documentation of the use of such land, clients should also be aware that the land may already be under alternative use, as designated by the host government.

- The affected communities of Indigenous Peoples will be informed of their rights with respect to these lands under national laws, including any national law recognizing customary rights or use
- The client will offer affected communities of Indigenous Peoples ~~at least~~ compensation and due process ~~available to those with full legal title to land~~ in the case of commercial development of their land under national laws, together with culturally appropriate development opportunities; ~~land~~ Land-based compensation or compensation-in-kind will be offered in lieu of cash compensation where feasible. ~~The client will also consider the land passage and usage practices of local communities of Indigenous Peoples on land it owns or controls subject to overriding health, safety, and security considerations.~~
- The client will enter into good faith negotiation with the affected communities of Indigenous Peoples, and document their informed participation and the successful outcome of the negotiation

Relocation of Indigenous Peoples from *Lands Subject to Traditional Ownership or Under Customary Use*

~~15.17.~~ The client will consider feasible alternative project designs to avoid the relocation of Indigenous Peoples from their communally held⁷ traditional or customary lands under use. If such relocation is unavoidable the client will not proceed with the project unless it enters into a good faith negotiation with the affected communities of Indigenous Peoples, and documents their informed participation and the successful outcome of the negotiation. Any relocation of Indigenous Peoples will be consistent with the Resettlement Planning and Implementation requirements of Performance Standard 5. Where feasible, the relocated Indigenous Peoples should be able to return to their traditional or customary lands, should the reason for their relocation cease to exist.

Cultural Resources

~~16.18.~~ 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 national law; (ii) the scope and nature of the proposed commercial development; and (iii) the potential consequences of such development. The client will not proceed with such commercialization unless it: (i) enters into a good faith negotiation with the affected communities of Indigenous Peoples; (ii) documents their informed participation and the successful outcome of the negotiation; and (iii) provides for fair and equitable sharing of benefits from commercialization of such knowledge, innovation, or practice, consistent with their customs and traditions.

Private Sector Responsibilities ~~#~~ Under Government Indigenous Peoples Management Systems

~~17.19.~~ Where government is responsible for the management of Indigenous Peoples issues, 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 Performance Standard. In addition, where government capacity is limited, the client will play an active role during planning, implementation, and monitoring of activities to the extent permitted by the agency.

⁷ Typically ~~Indigenous Peoples claim rights, access, and use of land and resources through traditional or customary systems, many of which entail communal property rights. These traditional claims to land and resources may not be recognized under national laws.~~ Where members of the affected communities of Indigenous Peoples individually hold legal title, or where the relevant national law recognizes customary rights for individuals, the requirements of Performance Standard 5 will apply, rather than the requirements under ~~this heading~~ paragraph 17 of this Performance Standard.

~~18.20.~~ The client will prepare a plan that, together with the documents prepared by the responsible government agency, will address the relevant requirements of this Performance Standard. The client may need to include: (i) the plan, implementation, and documentation of the process of stakeholder engagement and Good Faith Negotiation where relevant; (ii) a description of the entitlements of affected Indigenous Peoples; (iii) the measures proposed to bridge any gaps between such entitlements, and the requirements of this Performance Standard; and (iv) the financial and implementation responsibilities of the government agency and/or the client.

Introduction

1. Performance Standard 8 recognizes the importance of cultural heritage for current and future generations. Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage, this Performance Standard aims to protect irreplaceable cultural heritage and to guide clients on protecting cultural heritage in the course of their business operations. In addition, the requirements of this Performance Standard on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.

Objectives

- To protect cultural heritage from the adverse impacts of project activities and support its preservation
- To promote the equitable sharing of benefits from the use of cultural heritage in business activities

Scope of Application

2. The applicability of this Performance Standard is established during the ~~S~~social and ~~E~~environmental ~~Assessment~~ risks and impacts identification process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's ~~s~~Social and ~~e~~Environmental ~~m~~Management ~~S~~system. The impact and risk identification process~~assessment~~ and management system requirements are outlined in Performance Standard 1.

3. For the purposes of this Performance Standard, cultural heritage refers to tangible forms of cultural heritage, such as tangible property and sites having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values, as well as unique natural environmental features that embody cultural values, such as sacred groves. However, for the purpose of paragraph ~~13~~4 below, intangible forms of culture, such as cultural knowledge, innovations and practices of communities embodying traditional lifestyles, are also included. The requirements of this Performance Standard apply to cultural heritage regardless of whether or not it has been legally protected or previously disturbed.

Requirements

4. During the project life-cycle, the client will consider potential project impacts to cultural heritage and will apply the provisions of this Performance Standard. Where paragraphs 9–13 are not applicable, the client will apply a mitigation hierarchy that favors avoidance. Where avoidance is not feasible, the client will seek to (in the following order):

- Reduce adverse impacts and implement restoration measures that aim to maintain the value and functionality of the cultural heritage, including maintaining or restoring any ecosystem services needed to support it;
- Restore the functionality of the cultural heritage, including the ecosystem services needed to support it, perhaps in a different location; and
- Compensate for loss/diminution of the cultural heritage.

Protection of Cultural Heritage in Project Design and Execution

~~Internationally Recognized Practices~~ General Requirements

5. In addition to complying with relevant national law on the protection of cultural heritage, including national law implementing the host country's obligations under the Convention Concerning the Protection of the World Cultural and Natural Heritage and other relevant international law, the client will protect and support cultural heritage by undertaking internationally recognized practices for the protection, field-based study, and documentation of cultural heritage. If the requirements of paragraphs ~~9–13~~, ~~8, 9, 10 or 11~~ apply, the client will retain qualified and experienced experts to assist in the ~~A~~assessment.

~~5.6. Where the client's project site contains cultural heritage or prevents access to previously accessible cultural heritage sites, the client will allow access to the cultural site or will provide an alternative access route, subject to overriding health, safety, and security considerations.~~

~~6.~~ Chance Find Procedures

7. The client is responsible for siting and designing a project to avoid significant ~~damage~~ adverse impacts to cultural heritage. The social and environmental risks and impacts identification process should determine ~~W~~when the proposed location of a project is in areas where cultural heritage is expected to be found, either during construction or operations, ~~As part of the client's management system,~~ the client will implement cultural heritage chance find procedures in the event that cultural heritage is discovered. ~~established through the Social and Environmental Assessment.~~ The client will not disturb any chance finds further until an ~~A~~assessment by a competent specialist is made and actions consistent with the requirements of this Performance Standard are identified.

Consultation

8. Where a project may affect cultural heritage, the client will consult with affected communities within the host country who use, or have used within living memory, the cultural heritage for long-standing cultural purposes to identify cultural heritage of importance, and to incorporate into the client's decision-making process the views of the ~~a~~Affected ~~communities~~ Stakeholders on such cultural heritage. Consultation will also involve the relevant national or local regulatory agencies that are entrusted with the protection of cultural heritage.

Removal of Cultural Heritage

9. Most cultural heritage is best protected by preservation in its place, since removal is likely to result in irreparable damage or destruction of the cultural heritage. The client will not remove any cultural heritage, unless the following conditions are met:

- There are no technically or financially feasible alternatives to removal
- The overall benefits of the project outweigh the anticipated cultural heritage loss from removal
- Any removal of cultural heritage is conducted by the best available technique

Critical Cultural Heritage

10. Critical cultural heritage consists of (i) the internationally recognized heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

11. The client will not significantly alter, damage, or remove any critical cultural heritage. In exceptional circumstances, where a project may significantly ~~impact~~~~damage~~ critical cultural heritage, and its damage or loss may endanger the cultural or economic survival of communities within the host country who use the cultural heritage for long-standing cultural purposes, the client will (i) meet the requirements of ~~P~~paragraph ~~6–8~~ above; and (ii) conduct a good faith negotiation with and document the informed participation of the affected communities and the successful outcome of the negotiation. In addition, any other impacts on critical cultural heritage must be appropriately mitigated with the informed participation of the affected communities.

12. Legally protected cultural heritage areas are important for the protection and conservation of cultural heritage, and additional measures are needed for any projects that would be permitted under the applicable national laws in these areas. In circumstances where a proposed project is located within a legally protected area or a legally defined buffer zone, the client, in addition to the requirements for critical cultural heritage cited above in ~~P~~paragraph ~~119~~, will meet the following requirements:

- Comply with defined national or local cultural heritage regulations or the protected area management plans
- Consult the protected area sponsors and managers, local communities and other key stakeholders on the proposed project
- Implement additional programs, as appropriate, to promote and enhance the conservation aims of the protected area

Project's Use of Cultural Heritage

13. Where a project proposes to use the cultural resources, knowledge, innovations, or practices of local communities embodying traditional lifestyles for commercial purposes, the client will inform these communities 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 not proceed with such commercialization unless 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 for fair and equitable sharing of benefits from commercialization of such knowledge, innovation, or practice, consistent with their customs and traditions.

ANNEX C

Mark up of Draft Policy on Disclosure of Information (Against April 30, 2006 Version)

Track Changes References:

Insertions: Double Underline

Deletions: ~~Strikethrough~~

International Finance Corporation

April 14, 2010

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Policy on Disclosure of Information¹

Section I. PURPOSE

1. This document sets out the policy (Policy) of the International Finance Corporation (IFC) regarding the scope of information that it makes available to the public either as a routine matter or upon request. IFC believes that transparency and accountability are fundamental to fulfilling its development mandate and to strengthening public trust in IFC and its clients. This Policy reaffirms and reflects IFC's commitment to enhance transparency about its activities and promote good governance.
2. This Policy is effective as of ~~April 30, 2006~~, April 30, 2010, and supersedes the IFC Disclosure of Information Policy (~~September 1998~~April 2006) in its entirety.² This Policy is not an express or implied waiver of IFC's privileges and immunities under its Articles of Agreement, international conventions, or any applicable law, nor does it provide any contractual or other rights to any party.

Section II. BACKGROUND

3. IFC is an international financial institution established in 1956 by its member countries. Its mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC is a member of the World Bank Group³ and is headquartered in Washington, D.C., United States of America.
4. IFC seeks to provide accurate and timely information regarding its activities to its clients, partners and stakeholders (including affected communities), and to other interested parties.
5. The Policy reflects the various capacities in which IFC operates, the nature of the information that it receives and prepares in connection with those diverse activities, and the level of disclosure applicable to different types of information. In particular:
 - (a) As an organization owned by its member countries, IFC is accountable for the use and management of its resources in a manner consistent with its mandate and has an obligation to be responsive to the questions and concerns of its shareholders. In addition as a development organization, IFC reports regularly and systematically to the public on its activities.
 - (b) In carrying out its mandate to promote the growth of private enterprise in its member countries, IFC receives from its clients and other parties information that is not publicly available for the purpose of enabling IFC to assess business opportunities, or to monitor and evaluate existing investments or ~~technical assistance and~~ advisory services. IFC respects the confidentiality of any such information.
 - (c) IFC provides ~~technical assistance and advisory services~~ advice to private entities and governments, ~~either directly or through donor-supported facilities,~~ in support of private sector development. ~~Public dissemination of information relating to these initiatives, such as~~

¹ An electronic version of this Policy is posted on IFC's Web site and includes links to relevant sites referred to herein.

² Documents prepared by IFC before ~~April 30, 2006~~, April 30, 2010, or delivered to IFC pursuant to agreements entered into before ~~April 30, 2006~~, April 30, 2010, will continue to be subject to the IFC Disclosure of Information Policy in effect at the time of such preparation or agreement.

³ The World Bank Group consists of IFC, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).

~~the results of pertinent studies or research undertaken or supported by IFC or such facilities, or IFC's advisory services are partially funded by donor governments and other partners. As part of its advisory services activities, IFC publishes a number of good practices or lessons learned reports which aim to~~ enhance the development impact of these initiatives.

- (d) IFC raises the monies necessary to fund loans to its borrowers by issuing securities in its own name in international markets. Accordingly, IFC discloses information concerning its financial condition and operations to purchasers of its securities and to the international markets in general.

6. IFC encourages its clients to be more transparent about their businesses to help broaden understanding of their specific projects and of private sector development in general. In addition, IFC believes that when clients are committed to transparency and accountability they help promote the long-term profitability of their investments. Accordingly, as part of the process of managing the risks and impacts of their projects, IFC requires its clients to engage with communities affected by their projects, including through the disclosure of information, in a manner that is consistent with IFC's Policy on Social and Environmental Sustainability (the Sustainability Policy) and IFC's Performance Standards on Social and Environmental Sustainability (the Performance Standards).

7. Information referred to in this Policy as being "publicly available" or "routinely" disclosed by IFC is posted on IFC's Web site (www.ifc.org). Such information and other information covered by this Policy is also available upon request. Please refer to Section IV of this Policy (*Access to Information*) for details on how to obtain publicly available information or how to request information from IFC. Section IV also describes a mechanism for addressing complaints from members of the public who believe that their requests for information have been unreasonably denied.

Section III. INFORMATION MADE AVAILABLE BY IFC

A. GENERAL PRINCIPLES

8. Taking into account its roles and responsibilities, IFC makes available information concerning its activities that would enable its clients, partners and stakeholders (including affected communities), and other interested members of the public, to understand better, and to engage in informed discussion about, IFC's business activities, the overall development and other impacts of its activities, and its contribution to development. The information IFC makes available in accordance with these principles can be categorized as:

- (a) institutional information about IFC, which includes information described in Section III. F (*Institutional Information*); ~~and~~
- (b) information regarding activities supported by IFC. While most of the responsibility for disclosing information about IFC-supported activities rests with the relevant IFC client pursuant to the Sustainability Policy and Performance Standards, IFC makes available certain investment-specific information, including as described in Section III. C (*Investment-related Information*)
- (c) ~~and Section III. D (Technical Assistance and~~ information regarding Advisory Services provided by IFC. While IFC does not disclose information on each Advisory Services project (because of the high volume of small projects), IFC makes available information about its general strategy of Advisory Services by disclosing the information on each Advisory Services program and on certain Advisory Services projects, as described in Section III. D (Advisory Services-related Information).

9. There is a presumption in favor of disclosure with respect to the information described in paragraph 8 above, absent a compelling reason not to disclose such information. In determining whether any particular information is to be made available by IFC as a routine matter or upon

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request, IFC first considers whether such information falls within the scope of paragraph 8 and, if so, then determines whether there is any compelling reason not to disclose all or any part of such information. In making its determination, IFC takes into account the general considerations described below (which are not exhaustive):

- (a) Consistent with the practice of commercial banks and of most public sector financial institutions (for their private sector investments), IFC does not disclose to the public financial, business, proprietary or other non-public information provided to IFC by its clients or other third parties. To do so would be contrary to the legitimate expectations of its clients, who need to be able to disclose to IFC detailed information without fear of compromising the confidentiality of their projects or other proprietary information in a highly competitive marketplace. Similarly, IFC does not disclose legal documentation or correspondence pertaining to ~~IFC-financed projects~~ IFC investments or advisory services, including documents or information relating to negotiations between IFC and its ~~client clients~~ or other third parties relating to ~~a projectsuch investments or advisory services~~.
- (b) There is a need to preserve the integrity of the deliberative process and to facilitate and safeguard the free and candid exchange of ideas between IFC and its member countries, as well as other entities with whom IFC cooperates (such as other international organizations or bilateral agencies). Accordingly, IFC does not disclose any documents, memoranda, or other communications that are exchanged with member countries, with other organizations and agencies, or with or between members of IFC's Board of Directors (or the advisers and staff of IFC's Board members), where these relate to the exchange of ideas between these groups, or to the deliberative or decision-making process of IFC, its member countries, its Board of Directors or other organizations, agencies or entities with whom IFC cooperates.
- (c) The principles set forth in paragraph 9(b) relating to the preservation of the integrity of the deliberative process and the free and candid exchange of ideas also apply to IFC's own decision-making processes and related internal documents, memoranda and other communications that are prepared for, exchanged in connection with, or derived from IFC's deliberative or decision-making processes. Accordingly, IFC does not disclose any internal documents, memoranda, or other communications that are issued by or between members of IFC's Board of Directors, the advisers and staff of IFC's Board members, members of IFC management, IFC staff, or IFC's consultants, attorneys, or agents.
- (d) In limited circumstances, IFC may delay the disclosure of certain information that it would otherwise make publicly available because of market conditions ~~or~~ timing requirements, or legal or other regulatory requirements such as conditions relating to securities offerings ~~or~~ equity investments in publicly listed companies, purchases of shares in a private placement or connected with a commercially sensitive transaction involving, for example, a financial restructuring.
- (e) IFC may decline to disclose any documents or records that are subject to attorney-client privilege or other applicable legal privileges.
- (f) IFC does not disclose information if such disclosure would violate applicable law (such as restrictions imposed by securities or banking laws) or would contravene its Articles of Agreement.
- (g) IFC may decline to disclose information if such disclosure might prejudice an investigation or any legal or regulatory proceedings, or subject IFC to an undue risk of litigation.
- (h) The World Bank Group Principles of Staff Employment require IFC to maintain appropriate safeguards to respect the personal privacy of staff members and to protect the confidentiality of personal information about them. Thus, individual staff records and personal medical information, as well as proceedings of internal appeal mechanisms, are

not disclosed outside the World Bank Group, except to the extent permitted by the Staff Rules.

- (i) IFC does not disclose information relating to arrangements for preserving the safety and security of individuals working with, or for, IFC or to arrangements related to its corporate records and information systems.

B. EXCEPTIONAL CIRCUMSTANCES

10. In exceptional circumstances, IFC reserves the right to disclose information that it would ordinarily not release to third parties. IFC may exercise this right if, in connection with a project in which IFC has invested, IFC's senior management determines that the disclosure of certain non-public information would be likely to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts on the environment. Any such disclosure by IFC would be on the most restricted basis necessary to achieve the purpose of the disclosure, such as notice to the appropriate regulatory authorities. If the non-public information has been provided by or relates to an IFC client, IFC would make such disclosure only after informing the client of IFC's concerns and considering the client's plans to address and mitigate the potential harm involved.

C. INVESTMENT-RELATED INFORMATION

11. **IFC's Investment Cycle**. General information describing how IFC processes an investment (e.g., loan, equity, quasi-equity, guarantee) may be found on IFC's Web site.

12. [IFC makes publicly available information about an investment while it is still under consideration by IFC and also provides periodic updates on the investment, once made:](#)

~~In accordance with the Sustainability Policy and the Performance Standards, IFC requires its clients to engage with affected communities, including through the disclosure of information, in a manner commensurate with the risks and impacts their projects pose to such communities. Prior to presenting a project (a) _____ Prior to presenting an investment to IFC's Board of Directors (or other relevant internal authority)⁴ for its consideration, IFC makes publicly available the information described in paragraphs 13 (a) and (b) (Social and Environmental Information) and 14 (Summary b) through (e) (Summary of Proposed Investment Information) below. IFC publicly releases this information once it has assured itself that the client can be expected to undertake the project in a manner consistent with the Performance Standards and that the client has undertaken its disclosure obligations and, where applicable, conducted an effective consultation process consistent with the Performance Standards.~~

[\(b\) IFC makes periodic updates to the information referred to in paragraph 12 \(a\) above to reflect revised or additional information prior to approval by IFC's Board of Directors \(or other relevant internal authority\) as described in paragraphs 13 \(c\) \(Social and Environmental Information\) and 14 \(f\) \(Summary of Investment Information\).](#)

[\(c\) IFC makes periodic updates to the information referred to in paragraph 12 \(a\) above to reflect additional information after the approval by IFC's Board of Directors \(or other relevant internal authority\) as described in paragraphs 13 \(d\) and \(e\) \(Social and Environmental Information\) and 14 \(g\), \(h\), \(i\) and \(j\) \(Summary of Investment Information\).](#)

13. **Social and Environmental Information**. [In accordance with the Performance Standards, IFC requires its clients to engage with affected stakeholders, including through the disclosure of information, in a manner commensurate with the risks and impacts their projects pose to such](#)

⁴ Different IFC authorities have responsibility for approving certain types of projects, including IFC's Board of Directors, Management, Department Directors, etc.

[stakeholders. For such investments, IFC, where possible, releases the information prepared by IFC client even before IFC has completed, or in some cases even started, its environmental and social assessment of the investment.](#)

IFC makes publicly available the following social and environmental information:

Pre-Investment Disclosure

- (a) For each proposed investment (other than investments expected to have minimal or no social and environmental adverse impacts, or investments in financial intermediary (FI) projects⁵), IFC issues a brief summary of its review findings and recommendations: the Environmental and Social Review Summary (ESRS). The ESRS includes the rationale for IFC's categorization⁶ of a project, a description of the main social and environmental risks and impacts of the project, and the key measures identified to mitigate those risks and impacts, specifying any actions that will need to be implemented to undertake the project in a manner consistent with the Performance Standards and are accordingly included in the client's Action Plan.⁷ Along with the ESRS, IFC will make available electronic copies of, and where available, Web links to, any relevant social and environmental impact assessment documents prepared by or on behalf of the client, including the Action Plan. The ESRS is released no later than sixty days, in the case of Category A projects, and thirty days, in the case of Category B projects, prior to consideration of the proposed investment for approval by IFC's Board of Directors (or other relevant internal authority).
- (b) Before IFC releases the ESRS, the IFC client reviews its content to verify the factual accuracy of information relating to the client and the project.
- (c) After its initial disclosure to the public, social and environmental review information may be updated prior to consideration by IFC's Board of Directors (or other relevant internal authority) in order to reflect revised or additional information. Any such revised or additional information will be made publicly available. Such updating shall not restart the time periods referred to in paragraph 13(a) above, unless IFC determines that the previously disclosed ESRS would be materially deficient without the additional information.

Ongoing Disclosure

- (d) [When IFC makes a determination of Broad Community Support \(BCS\), IFC will disclose a summary of the process outlining how this determination was made.](#)
- (e) [For direct investments with potential significant adverse social or environmental risks and/or impacts, IFC discloses an annual update of the Action Plan, including a summary of key actions that have been taken to implement the Action Plan.](#)

⁵ For investments in FI projects, the summary of any recommendation in relation to the social and environmental management system of the FI is found in the [SPISII](#), as described in paragraph 14(b)(xi) (*Summary of Proposed Investment Information*).

⁶ As part of IFC's review of a project's expected social and environmental [risks and](#) impacts, IFC assigns a social and environmental category (A, B, C, or FI) that is intended to reflect (i) the magnitude of [risks and/or](#) impacts posed by the project and (ii) IFC's [institutional requirements for](#) social and environmental disclosure [requirements](#) as specified in this Policy. Details of IFC's review and categorization process can be found in IFC's [Sustainability Policy on Social and Environmental Sustainability](#) and the Environment and Social Review Procedure (ESRP), which is posted on IFC's Web site.

⁷ The Action Plan is a plan prepared by the client, which may range from a brief description of routine mitigation measures to a series of specific plans and (i) describes the actions necessary to implement the various sets of mitigation measures or corrective actions to be undertaken, (ii) prioritizes these actions, (iii) includes the time-line for their implementation, (iv) is disclosed to the affected communities, and (v) describes the schedule and mechanism for external reporting on the client's implementation of the Action Plan. More details about the Action Plan may be found in the Performance Standards.

14. Summary of ~~Proposed~~ Investment Information

- (a) ~~Prior to For~~ each ~~proposed IFC~~ investment, IFC makes publicly available a Summary of ~~Proposed~~ Investment Information (SPI/SII). The ~~SPI-SII~~ is intended to make available information about ~~the each proposed~~ investment to interested parties while it is still under consideration by IFC, and to provide periodic updates on the investment, once made by IFC.

Pre-Investment Disclosure

- (b) ~~An SPI~~An SII is made publicly available once the relevant IFC department has determined that there is reasonable certainty that an investment will be forwarded to IFC's Board of Directors (or other relevant internal authority) for consideration.
- (c) The ~~SPI-SII for a proposed investment~~ provides a brief factual summary of the main elements of the project and potential investment, and includes the following information:
- (i) the identity of the project company;
 - (ii) information about the shareholders of the project company;
 - (iii) the total project cost, where applicable;
 - (iv) the location of the project;
 - (v) a brief description of the project and its purpose;
 - (vi) the amount and nature of IFC's investment in the project;
 - (vii) the projected date for a decision on the project by IFC's Board of Directors (or other relevant internal authority);
 - (viii) the anticipated development impact of the project, including development outcome indicators, pursuant to paragraph 14 (i) below,⁸
 - (ix) IFC's expected development contribution;
 - (x) IFC's categorization of the project for social and environmental purposes and, for Category C projects, a brief statement of the rationale for such categorization;⁹
 - (xi) reference to the social and environmental information available for the project, including to any ESRS released pursuant to paragraph 13 (Social and Environmental Information), or, in the case of an investment in an FI project, a brief summary of any key enhancements to be made to the FI's social and environmental management system;
 - (xii) a confirmation that the client has locally disclosed IFC's potential participation in the proposed investment, and a brief description of the method used for such notification;

⁸ In addition, in the case of a project involving the extractive industries (*i.e.*, oil, gas, and mining), IFC assesses the governance risks to the anticipated project benefits and summarizes its assessment in the SPI/SII.

⁹ For category A and B projects, this rationale will be in the relevant ESRS described in paragraph 13 (*Social and Environmental Information*).

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- (xiii) guidance on how and where information about the proposed project can be obtained locally; and
 - (xiv) contact information as to where inquiries and comments about the project should be addressed *i.e.*, for project-related information, details of the contact person at the project company, including address, telephone number, fax and e-mail address, and for information related to IFC, contact details for IFC's Corporate Relations Unit (which will liaise, as necessary, with the relevant IFC department).
- (d) Before IFC releases the ~~SPI~~SII, the IFC client reviews its content to verify the factual accuracy of information relating to the client and the project.
- (e) IFC makes the ~~SPI~~SII publicly available no later than sixty days, in the case of Category A projects, and thirty days, in the case of all other projects, prior to consideration of the investment for approval by IFC's Board of Directors (or other relevant internal authority). There may be some limited circumstances in which market conditions or timing requirements prevent the observance of these time periods and the time periods set forth in paragraph 13~~(a)~~ (a) (*Social and Environmental Information*) above. In such cases, the Board would be informed of any delay in the release of the ~~SPI~~SII and the relevant social and environmental information.
- (f) Before the date upon which IFC's Board of Directors is to consider the investment, IFC, in consultation with the client, updates the ~~SPI~~SII as necessary to reflect any significant changes to the project or to IFC's investment since the ~~SPI's~~SII's initial posting on IFC's Web site. Any such revised or additional information will be made publicly available. Such updates shall not restart the time periods referred to in paragraph ~~14(d)~~14(e) above, unless IFC determines that the changes could have a material adverse effect on the project's anticipated development impact, or could materially reduce IFC's expected development contribution or, in the case of changes related to the summary of any key enhancements to be made to the FI's social and environmental management system as described in paragraph ~~14(b)(xi)~~14(c)(xi), the previously disclosed information would be materially deficient without the additional information.

Ongoing Disclosure

- (g) IFC ~~will add adds~~ to the ~~SPI~~SII the respective dates of approval of the investment, the signing of the legal documentation relating to the investment and the first disbursement of the IFC investment as such events occur.
- (h) Throughout the life of each investment, IFC updates the SII as necessary to ensure the continued accuracy of the information disclosed pursuant to paragraph 14 (c) (v and vi) above.
- (i) Throughout the life of each IFC direct investment with potential significant adverse social or environmental risks and/or impacts, IFC annually updates the SII with the investment's development outcome, including development outcome indicators, as agreed with the client, that were identified in the SII.¹⁰
- (j) Every year, IFC evaluates a random sample of IFC operations that have reached early operating maturity and prepares an Expanded Project Supervision Report (XPSR) for each such operation. This sample is drawn by, and the evaluations are reviewed by, IFC's Independent Evaluation Group (IEG). After evaluations are completed, IFC updates the SII with a Summary of Evaluative Information, prepared on the basis of the relevant XPSR.

¹⁰ More information about IFC's Development Outcome Tracking System (DOTS) and the type of indicators IFC typically tracks is available on IFC's Web site, at www.ifc.org/results.

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Before IFC releases the Summary of Evaluative Information, the IFC client reviews its content to verify the factual accuracy of information relating to the client and the project, and to ensure that it does not contain any confidential information.

D. ~~TECHNICAL ASSISTANCE AND ADVISORY SERVICES-RELATED INFORMATION~~

15. ~~Donor contributions.~~ General information regarding IFC's ~~technical assistance and partnership with donor governments, foundations and other entities, as well information on donor contributions to advisory services (TAAS) activities is available on IFC's Web site. Additional information~~ may be found ~~on the respective Web pages of individual donor-supported facilities. IFC's contributions to TAAS activities are listed in its IFC's annual Budget and Business Plan (see paragraph 23(b)).~~ 21 (b) (IFC Strategies, Budget and Policies).

~~IFC makes publicly available an annual report to the donor community, which describes IFC's TAAS activities for a given fiscal year and contains information about contributions to donor-supported TAAS activities.~~

~~In cases where IFC prepares annual reports for its donors on the activities of a particular facility, IFC makes such annual reports publicly available, subject to the consent of the relevant donors.~~

~~IFC encourages the disclosure of the results of, or reports prepared in connection with, studies or research funded either directly by IFC or through donor-supported facilities, subject to the consent of any relevant donors and, where relevant, of the client for which the report was undertaken.~~

16. Launch or renewal of global or regional Advisory Services programs. No later than thirty days after IFC's Board of ~~Directors (or other relevant internal authority) approves~~ Director's approval the establishment ~~and funding of a new TAAS program or facility or the or~~ renewal of such a an advisory services program or facility, IFC ~~will issue issues~~ a brief summary of the main elements of the program ~~or facility~~, including the following information:

- (a) the anticipated size of the program ~~or facility~~;
- (b) a brief description of the program ~~or facility~~ and its purpose, including any regional focus;
- (c) the amount and nature of IFC's contribution to the program ~~or facility~~;
- (d) the anticipated development impact of the program ~~or facility~~; and
- (e) IFC's expected development contribution; ~~and~~.

17. ~~contact information regarding where at IFC inquiries and comments in connection with the program or facility should be addressed.~~ Advisory Services Projects. For advisory services projects with a value over certain threshold amount, as decided from time to time by relevant IFC internal authority:¹¹:

- (a) no later than thirty days after the approval of each such project by IFC's Board of Directors (or other relevant internal authority), IFC discloses a project summary information;
- (b) throughout the life of each such project, IFC updates the information disclosed pursuant to paragraph 17 (a) above, annually, with the project's development outcome, [including the standard indicators of the project], as provided in IFC's Development Outcome Tracking System (DOTS); and

¹¹ At the date of this Policy, such threshold amount is defined as \$2,000,000.

- (c) [upon the project completion, for those projects that were evaluated by IFC as a random sample, for which an Expanded Project Supervision Report \(XPSR\) was prepared and the evaluation of which was reviewed by IEG, IFC updates the information disclosed pursuant to paragraph 17 \(a\) above with a Summary of Evaluative Information, prepared on the basis of the relevant XPSR. \[Before IFC releases the Summary of Evaluative Information, the IFC client reviews its content to verify the factual accuracy of information relating to the client and the project, and to insure that it does not contain any confidential information.\]](#)

E. HISTORICAL INFORMATION

18. The same general principles that apply to proposed and existing investments (see Section III. A (*General Principles*)) will apply to information held by IFC about projects in which IFC's investment has been repaid, sold or otherwise concluded.

19. IFC does not disclose information about projects that IFC considered but in which it ultimately did not invest.

F. INSTITUTIONAL INFORMATION

20. Corporate Governance Information.

- (a) The Articles of Agreement and By-Laws of IFC are publicly available.
- (b) IFC's Annual Report, which is publicly available, lists its member countries and the Governors representing them. It also includes IFC's directors, the countries appointing or electing them, and their respective voting power.
- (c) Minutes of formal meetings of IFC's Board of Directors (other than Executive Sessions) are publicly available after the Board has approved them. Material in such minutes that is deemed by IFC's Board of Directors to be confidential or sensitive will be redacted before disclosure. The minutes typically contain the following information: (1) names of the persons present at the meeting, (2) record of the approval of the minutes of previous formal Board meetings, (3) titles of agenda items, (4) agreements and decisions reached, and (5) names of Directors wishing to be recorded as abstaining or objecting. The Corporate Secretariat of the World Bank Group prepares these minutes.
- (d) Proceedings of IFC's Board of Directors (including its committees) are otherwise confidential under the Board's Rules of Procedure. Accordingly, transcripts and Summaries of Discussions of meetings of IFC's Board of Directors (including its committees) are not disclosed.
- (e) Documents prepared for the consideration of, or review and approval by, IFC's Board of Directors are not disclosed unless expressly specified in this Policy or otherwise authorized for disclosure by the Board. Furthermore, Board papers relating to specific investment projects are not disclosed because they contain confidential client information.

21. **IFC Strategies, Budget and Policies**

- (a) IFC makes publicly available its Strategic Directions Paper, which describes IFC's strategic priorities and/or provides an update on their implementation, after discussion by IFC's Board of Directors. This disclosure is subject to redaction of any budgetary or other information that at the time of disclosure has yet to be considered or approved by the Board.
- (b) IFC's Budget and Business Plan includes IFC's administrative budget and is based on the Strategic Directions Paper. It is publicly available after IFC's Board of Directors has approved the budget, subject to the redaction of any confidential or sensitive information.
- (c) Country Assistance Strategies prepared jointly with the World Bank⁴⁹¹² are disclosed in accordance with the World Bank's Policy on Disclosure of Information. See the World Bank's Web site for more information.
- (d) This Policy and the Policy and Performance Standards on Social and Environmental Sustainability are publicly available. Other policies that are approved by IFC's Board of Directors will be publicly available after their approval unless the Board decides that disclosure may have an adverse impact on the financial condition or business interests of IFC.
- (e) If a policy to be approved by IFC's Board of Directors is likely to have a broad impact on IFC's operations or a direct impact on communities affected by IFC's investments and operations, the Board may approve a process for external consultation on such policy. The external consultation process would take place before the policy is approved by the Board, and may include the disclosure to the public of one or more drafts of such policy.

22. **Financial Information.** As an organization conducting business on the world's financial markets, IFC maintains sound financial management practices, including prudent policies for the disclosure of financial information about IFC. Documents related to public offerings by IFC are released when the laws or regulations governing the market require that they be filed with a governmental agency. Set forth below is a description of the financial information that IFC discloses publicly on a routine basis:

- (a) Annual audited financial statements as of IFC's fiscal year-end appear in IFC's Annual Report and in IFC's annual Information Statement. The annual audited financial statements include balance sheets as of the end of the current and previous fiscal years, as well as statements of income, comprehensive income, cash flows, changes in capital stock (as of the end of the current and previous fiscal years), and capital stock and voting power (as of the end of the current fiscal year). Notes to the financial statements include information on all significant accounting policies and other disclosures that are required for financial statements prepared in conformity with the accounting principles specified in the Annual Report.
- (b) A Management's Discussion and Analysis (MD&A) is included in IFC's Annual Report and summarized in IFC's annual Information Statement.
- (c) IFC's Annual Report and annual Information Statement.
- (d) Quarterly financial statements. In interim quarters during a fiscal year (September, December, and March), IFC produces interim unaudited financial statements, which are reviewed by IFC's external auditors.

⁴⁹¹² The "World Bank" refers to IBRD and IDA, collectively.

23. **Development Effectiveness Reporting.** In addition to its financial reporting, IFC will report on its development effectiveness at least annually.⁴⁴¹³ IFC's development effectiveness reporting will include information regarding the focus of IFC's investments and ~~TAAS~~ [advisory services](#) activities, the results of those activities and the steps IFC is taking to enhance its development contribution. IFC will report on its performance as a whole and provide results for its various areas of activity. This information will be made publicly available on IFC's Web site.

24. **IEG-IFC Products.** The Independent Evaluation Group-IFC (IEG-IFC) is responsible for the independent evaluation of IFC's operations. IEG-IFC's functions and staff are organizationally independent from IFC's operational and policy departments, as well as its decision-making. IEG-IFC's work encompasses:

- (a) evaluating operational program and activities, including investment and ~~TAAS~~ [advisory services](#) activities, and the strategies, policies and procedures that relate to them, with particular attention to the achievement of agreed objectives for private sector development and the effects of investment activity;
- (b) assessing the quality and usefulness of IFC's evaluation processes and products, and participating in the formulation and continuous improvement of appropriate evaluation policies, practices and instruments; and
- (c) identifying and disseminating lessons and making recommendations drawn from evaluation findings to contribute to improved operational performance, accountability for results, and corporate transparency.

IEG-IFC makes information publicly available in accordance with its policy on disclosure of information, which is consistent with this Policy and can be found on IFC's Web site. IEG-IFC evaluation reports that are publicly available may also be found on IFC's Web site.

25. **CAO Reports.** The Office of the Compliance Adviser/Ombudsman (CAO) has three roles with respect to IFC:

- (a) to respond to complaints by people affected by IFC-financed projects, in a manner that is fair, objective and constructive;
- (b) to oversee audits of IFC's overall social and environmental performance, particularly in relation to sensitive projects, to ensure compliance with IFC's social and environmental policies, guidelines, procedures and systems; and
- (c) to provide a source of independent advice to the President of the World Bank Group and IFC management on social and environmental policies, guidelines, procedures and resources.

The CAO is organizationally independent from IFC's operational and policy departments. Information held by the CAO that relates to IFC or its activities (including investments) is subject to IFC's Policy on Disclosure of Information and the World Bank Group Staff Rules, which require that information be treated with discretion and not disclosed improperly. Within these parameters, the CAO is committed to transparency with respect to its processes and the outcomes of its interventions and, accordingly, makes details of its activities available to the public through its Web site. Additional information about the CAO's roles can be found in the CAO Operational Guidelines, which are available on the CAO's and IFC's Web sites.

26. **Fraud and Corruption Reports.** The World Bank's ~~Department of Institutional~~ Integrity [Vice Presidency](#) (INT) is responsible for investigating allegations of fraud and corruption in World Bank

⁴⁴¹³ The first reporting is expected to cover 2006.

Group operations ~~and allegations of misconduct against World Bank Group staff~~. To ensure the independence of INT's activities, the ~~Director~~ Vice President of INT reports directly to the President of the World Bank Group. The World Bank publishes an annual report describing its overall integrity activities, including statistics reflecting investigations and sanctions ~~as well as staff misconduct~~. The report is available on the World Bank's Web site.

27. **General Staff Information.** The Staff Manual for IFC and the World Bank includes the Principles of Staff Employment and the Staff Rules for these organizations. The Principles and Staff Rules describe the terms and conditions of World Bank and IFC employment, including policies on, among other things, compensation and conflict resolution. Information about these and certain other World Bank Group staff matters, including the annual staff compensation paper, are available from the World Bank, subject to the World Bank Policy on Disclosure of Information. Information about IFC's organization and management is included in IFC's Annual Report.

Section IV. ACCESS TO INFORMATION

28. General information about IFC and its activities may be obtained online at IFC's Web site, www.ifc.org. As IFC is part of the World Bank Group, information about IFC that is identified as being "publicly available" may also be obtained through the World Bank InfoShop. The InfoShop is located at 701 18th Street, N.W., Washington D.C., 20433 USA., and may be accessed online at <http://worldbank.org/infoshop>. This information is also available through public area computers available at the Public Information Centers (PICs), which are situated around the world in World Bank member countries. A list of the PICs is available on the InfoShop Web site.

29. Information that IFC routinely discloses pursuant to this Policy, such as the ~~SPI-SII~~ for a particular proposed investment or IFC's Annual Report (including IFC's annual audited financial statements), is publicly available on IFC's Web site. IFC also discloses information by other appropriate means, depending on the nature of the information and the intended recipients.

30. Information that is not readily available from IFC's Web site, the InfoShop, or the PICs may also be requested in writing (by e-mail, mail, or fax) from IFC.⁴²¹⁴ Information may be requested by contacting the Corporate Relations Unit of IFC through ~~the Web site at www.ifc.org/contacts and the e-mail addresses provided therein~~ its Disclosure Portal <http://www.ifc.org/disclosure>, by telephone at +1 (202) 476-3800, by fax at +1 (202) 974-4384, or by mail at 2121 Pennsylvania Avenue, N.W., Washington, D.C., 20433, USA. IFC's Corporate Relations Unit serves as a contact point for persons seeking to obtain documents in accordance with this Policy that are not routinely disclosed by IFC on its Web site. Information routinely disclosed by IFC as described in this Policy may also be requested from the relevant IFC department, with a copy of the request to the Corporate Relations Unit.

31. Requests for information must identify the specific information requested; blanket requests for information will not be accepted. Requests for information may use blank forms ~~—~~ which are available on IFC's Web site. There may be a standard charge for hard-copy documents or for documents on CD-ROM, other than an ~~SPI-SII~~ or an ESRS.

32. In responding to requests for information, the relevant investment or other department determines whether information requested may be made available in accordance with this Policy and responds to such request (or if appropriate may refer the requester to IFC's client). As necessary, staff from the Corporate Relations Unit provides guidance to other departments on the interpretation of the Policy in responding to requests for information.

⁴²¹⁴ Information held by IFC that was provided or prepared by another member institution of the World Bank Group is subject to that institution's policy on the disclosure of information. IFC will direct requesters to such other institution, if relevant.

33. English is the working language of IFC, and IFC will respond to requests for information in English. However, to the extent that IFC receives requests in other languages, IFC will endeavor to be responsive in the relevant language.

34. IFC endeavors to respond to requests within thirty calendar days of receipt of a written request for information, unless additional time is required because of the scope or complexity of the information requested. If additional time is necessary, IFC will contact the requester and explain the reasons for the delay and, if possible, will provide an estimated time frame for its response. In its response to a request, IFC will either provide all or part of the requested information or give reasons why the request has been delayed or denied, in whole or in part. If IFC receives numerous requests for the same information, IFC may post a response on its Web site rather than responding to each individual request.

35. If a requester believes that a request for information from IFC has been unreasonably denied, or that this Policy has been interpreted incorrectly, a complaint may be submitted to IFC's Disclosure Policy Advisor, who reports directly to IFC's Executive Vice President. The Disclosure Policy Advisor will review the complaint and endeavor to respond to the requester within thirty calendar days of receipt of the complaint, unless additional time is required because of the scope or complexity of the complaint. The Disclosure Policy Advisor will advise the requester and IFC of his/her conclusions in writing and will explain the reasons for such conclusions. The Disclosure Policy Advisor's review will focus on whether the requested information falls within the scope of paragraph 8 of this Policy and, if so, whether IFC has a reasonable basis for determining that there is a compelling reason not to disclose such information pursuant to paragraph 9. The Disclosure Policy Advisor's authority does not extend to paragraph 10, the application of which is solely within IFC senior management's discretion, nor to complaints from people affected by IFC-financed projects and who receive consideration by the CAO as described in paragraph [2725 \(CAO Reports\)](#). In conducting his/her review, the Disclosure Policy Advisor may, if he/she deems it necessary or appropriate, consult with third parties including IFC's client.

36. [A requester, who receives a negative decision from the Disclosure Policy Advisor may appeal to the independent Disclosure Appeals Panel¹⁵ within \[thirty\] calendar days of the Disclosure Policy Advisor's decision. The Disclosure Appeals Panel will only consider appeals when the requester has established a *prima facie* case that IFC had no reasonable basis for determining that there is a compelling reason not to disclose the information pursuant to paragraph 9 and the scope of its review will have the same limitations as the Disclosure Policy Advisor's review set forth in paragraph 35. The Disclosure Appeals Panel will endeavor to respond to the requester within \[ninety\] days of receipt of the appeal, unless additional time is required because of the scope or complexity of the appeal. The Disclosure Appeals Panel will either uphold or reverse the Disclosure Policy Advisor's decision. The Disclosure Appeals Panel's decision will be final.](#)

37. [Appeals must be submitted to by contacting the Corporate Relations Unit of IFC through the Web site at \[www.ifc.org/contacts\]\(http://www.ifc.org/contacts\) and the e-mail addresses provided therein, by telephone at +1 \(202\) 476-3800, by fax at +1 \(202\) 974-4384, or by mail at 2121 Pennsylvania Avenue, N.W., Washington, D.C., 20433, USA.](#)

Section V. MONITORING AND REVIEW

38. IFC's Corporate Relations Unit will, on an ongoing basis, monitor and report to IFC senior management on the implementation of this Policy, including the types of information being requested or accessed by the public and the general responsiveness of IFC staff to requests for information. In

¹⁵ [The Disclosure Appeals Panel comprises three outside experts on \[access to information in a commercial setting\]. The Disclosure Appeals Panel members are nominated by IFC's Executive Vice President and endorsed by IFC's Board of Directors.](#)



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In addition, after a period of time not to exceed five years from the effective date of this Policy, IFC will conduct an overall review of the implementation of this Policy and its ongoing effectiveness in meeting IFC's commitment to transparency and accountability.