

This Guidance Note 1 corresponds to Performance Standard 1. Please also refer to the Performance Standards 2-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. *Performance Standard 1 underscores the importance of managing social and environmental performance throughout the life of a project (any business activity that is subject to assessment and management). An effective social and environmental management system is a dynamic, continuous process initiated by management and involving communication between the client, its workers, and the local communities directly affected by the project (the affected communities). Drawing on the elements of the established business management process of “plan, implement, check, and act,” the system entails the thorough assessment of potential social and environmental impacts and risks from the early stages of project development, and provides order and consistency for mitigating and managing these on an ongoing basis. A good management system appropriate to the size and nature of a project promotes sound and sustainable social and environmental performance, and can lead to improved financial, social and environmental project outcomes.*

Objectives

- *To identify and assess social and environment impacts, both adverse and beneficial, in the project’s area of influence*
- *To avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment*
- *To ensure that affected communities are appropriately engaged on issues that could potentially affect them*
- *To promote improved social and environment performance of companies through the effective use of management systems*

G1. A Social and Environmental Management System is part of the client’s overall management system for the project. It includes the organizational structure, responsibilities, policies, procedures and practices, and resources, and is essential for successfully implementing the project-specific management program developed through the social and environmental assessment of a project. Performance Standard 1 underscores the importance of the on-going management of a project’s social and environmental performance throughout the life of the project. A good management system enables continuous improvement of the project’s social and environmental performance, and can lead to improved economic, financial, social and environmental project outcomes.

G2. Before IFC proceeds with an investment, IFC reviews the client’s social and environmental management system. For details on IFC’s process of social and environmental review, see the [Environmental and Social Review Procedure](#), and for further information on examples and benefits of improving sustainability performance, see [IFC’s sustainability resources](#) (listed in the References section below).

Scope of Application

2. *This Performance Standard applies to projects with social or environmental risks and impacts that should be managed, in the early stages of project development, and on an ongoing basis.*

Requirements

Social and Environmental Management System

3. *The client will establish and maintain a Social and Environmental Management System appropriate to the nature and scale of the project and commensurate with the level of social and environmental risks and impacts. The Management System will incorporate the following elements: (i) Social and Environmental Assessment; (ii) management program; (iii) organizational capacity; (iv) training; (v) community engagement; (vi) monitoring; and (vii) reporting.*

G3. The level of detail and complexity of the social and environment management system and the resources devoted to it will depend on the level of impacts and risks identified in the social and environmental assessment and the size and nature of the client's organization. A satisfactory Management System appropriate to the nature and scale of the project and commensurate with the level of social and environmental risks and impacts is a condition of IFC's investment. If the client does not have a satisfactory Management System at the time of IFC's appraisal of the project, one should be developed and implemented over a reasonable period of time agreed with IFC, and be in effect in time to manage project activities financed by IFC.

G4. At a minimum, a management system that meets the requirements of Performance Standard 1 should be in place at the level of the client's organization in which the funds from IFC's investment will be utilized (i.e., at the corporate or at the activity-specific level). In the case of project financing of specific operating units or activities, whether greenfield or existing, the system structure should address the social and environmental issues arising from the project being financed. In the case of corporate investments without specific project activities to be financed, this will often mean establishing, building on or maintaining a corporate level management framework.

G5. The Social and Environmental Management System requirements of Performance Standard 1 draw on the established dynamic business management process of "plan, implement, check, and act". In the context of accepted international frameworks for quality and environmental management systems (for examples, see the References section), this management process can be summarized as follows:

- Identification and review of the social and environmental impacts and risks of the operations
- Definition of a set of policies and objectives for social and environmental performance
- Establishment of a management program to achieve these objectives
- Monitoring performance against these policies and objectives

- Reporting of the results appropriately
- Review of the system and outcomes, striving for continuous improvement

G6. The effort needed to establish a Management System depends on the client's existing management practices. Production- and quality-based management systems operating within the client's organization can be used as a foundation on which to build the elements of a system consistent with Performance Standard 1 in the absence of an existing environmental, health and safety, human resource or social management system. Where a client has an existing environmental, health and safety, human resource and/or social management system, its elements may meet or can be appropriately modified or expanded to meet the requirements of Performance Standard 1. Where a client has developed and implemented a formal environmental, health and safety, and/or social management system consistent with an internationally accepted standard, the explicit incorporation of the applicable Performance Standards in the policy and objectives elements of such system(s) (in addition to the relevant laws and regulations applicable to their activities, and other corporate priorities and objectives) and implementation of an appropriate management program may be sufficient to meet the requirements of Performance Standard 1. Formal management systems certified under international standards are not required by Performance Standard 1. While certified systems are likely to meet IFC's requirements, they do not eliminate the need for IFC's due diligence of the elements of the system required by Performance Standard 1.

G7. Even though many formal management systems do not explicitly address it, community engagement is an important process element in managing social and environmental impacts and risks, and is specifically included in paragraphs 19 through 23 of Performance Standard 1. Community engagement normally involves the disclosure of information, consultation with affected communities (see guidance under paragraph G14 on Stakeholder Identification), and the establishment of a grievance mechanism. Community engagement should occur as an integral part of the Assessment and, in the case of projects that have significant impacts on communities, will normally continue on an ongoing basis during the life of a project. Community engagement is the responsibility of the client. IFC undertakes its own disclosure of information in accordance with IFC's Policy on Disclosure of Information.

Social and Environmental Assessment

4. 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. 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. Applicable laws and regulations of the jurisdictions in which the project operates that pertain to social and environmental matters, including those laws implementing host country obligations under international law, will also be taken into account.

5. Risks and impacts will be 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; (ii) associated facilities 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; (iii) areas potentially impacted 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; and (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. Risks and impacts will also be analyzed for the key stages of the project cycle, including pre-construction, construction, operations, and decommissioning or closure. Where relevant, the Assessment will also consider the role and capacity of third parties (such as local and national governments, contractors and suppliers), to the extent that they pose a risk to the project, recognizing that the client should address these risks and impacts commensurate to the client's control and influence over the third party actions. The impacts associated with supply chains will be 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. The Assessment will also consider potential transboundary effects, such as pollution of air, or use or pollution of international waterways, as well as global impacts, such as the emission of greenhouse gasses.

7. The Assessment will be an adequate, accurate, and objective evaluation and presentation of the issues, prepared by qualified and experienced persons. In projects with significant adverse impacts or where technically complex issues are involved, clients may be required to retain external experts to assist in the Assessment process.

8. Depending on the type of project and the nature and magnitude of its risks and impacts, 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. 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.

9. 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 feasible¹ alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed. In exceptional circumstances, a regional, sectoral or strategic assessment may be required.

10. 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.

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

12. *As part of the Assessment, the client will identify individuals and groups that may be differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status.² 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.*

¹ "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. "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.

² This 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, ethnicity, culture, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

Social and Environmental Assessment Process

General issues

G8. The process of Social and Environmental Assessment (the Assessment) addresses the social and environmental impacts and risks (including labor, health, and safety) of a proposed project. It is an important first step in managing and improving project social and environmental performance, as it helps the client to assess the potential impacts and risks associated with the project and identify any mitigation or corrective measures that will enable the project to meet the applicable requirements in Performances Standards 2 through 8, any applicable local laws and regulations, as well as any additional priorities and objectives for social or environmental performance identified by the client. For guidance on hard to address labor issues in the process of, or in addition to, the client's process of Assessment see paragraph G4 of Guidance Note 2. Integrating social and environmental considerations in the context of an overall assessment of the project will enable clients to articulate the overall project risks and benefits and inform the clients' decisions.

G9. The Assessment's key process elements generally consist of (i) project definition; (ii) (initial) screening of the project and the scoping of the Assessment process; (iii) stakeholder identification and gathering of social and environmental baseline data, where relevant; (iv) impact identification and analysis; and; (v) generation of mitigation or management measures and actions. The breadth, depth and type of analysis should be proportionate to the nature and scale of the proposed project's potential impacts as identified during the course of the Assessment process. The Assessment must conform to the requirements of the host country's environmental assessment laws and regulations, including the relevant disclosure of information and public consultation requirements.

G10. Clients can use in-house staff and/or external consultants or experts to carry out the Assessment work, provided that the applicable requirements of the Performance Standards are met. The in-house staff or external personnel conducting the Assessment must be in a position to do so adequately, accurately and objectively, as well as have the requisite qualifications and experience. For projects with issues that may pose significant adverse impacts and risks, clients should consider retaining external experts to assist in the conduct of all or part of the Assessment. These experts should have relevant and recognized experience in similar projects and operate independently from those responsible for design and construction. They should be engaged early in the project's development phase and, as necessary, in the various stages of project design, construction, and commissioning. In some high-risk cases, IFC may require a panel of external experts to advise the client and/or IFC. In addition, external experts are required in certain defined circumstances, on issues concerning biodiversity (as provided in paragraph 4 of Performance Standard 6), Indigenous Peoples (as provided in paragraph 11 of Performance Standard 7) and cultural heritage (as provided in paragraph 4 of Performance Standard 8).

G11. Early in IFC's engagement with the client on a prospective project, IFC will review the stage of development of the project and status of the client's social and environmental assessment process and documentation. In many cases, clients will have undertaken some level of such assessment to satisfy host country requirements or as part of their own corporate due diligence processes. For specific issues, such as labor and working conditions or the use of security personnel, the client may have conducted a separate labor assessment or risk assessment, respectively. These existing documents can be considered as part of the client's Assessment consistent with the requirements of Performance Standard 1, as long as key baseline data and assumptions have not materially changed by the time of IFC's review. Based on this review, IFC will identify and agree with the client on any additional assessment work that may be necessary to meet the requirements of Performance Standard 1, the parties responsible for such assessment, and the timeline for its completion.

Project Definition

G12. The project definition should include a concise description of the proposed project and its contexts to be assessed. The project description will normally address new facilities or business activities to be financed by IFC. These facilities are expected to meet the applicable requirements in Performance Standards 1 through 8 at the outset or, as agreed with IFC, over a reasonable period of time. If a proposed business activity to be financed by IFC relates to existing facilities (e.g., restructuring projects, expansions, modernizations, privatizations of such facilities), IFC will work with the client to develop a management program, including an Action Plan, that is technically and financially feasible and cost-effective for these facilities to meet the applicable Performance Standards within a reasonable time frame. An example of a detailed project description can be found in Annex A.

Initial Screening

G13. The initial screening of the project against the applicable local laws and regulations and the Performance Standards will indicate whether the project may pose social or environmental risks that should be further analyzed through additional Assessment process steps. It should identify the extent and complexity of potential impacts and risks in the project's area of

influence. If the initial screening indicates potential adverse impacts, the scope of the Assessment should be determined and further impact identification and analysis (based on relevant baseline data, if any, and considering identified stakeholders) will be necessary to ascertain the nature and scale of impacts, the affected communities, and possible mitigation measures. Where the initial screening process concludes that a project will have no or minimal potential adverse impacts, the client should document this screening process and its conclusions. No further Assessment or establishment of a Management System will be required.

Stakeholder Identification and Information Gathering

G14. Stakeholder identification broadly involves the determination of the various individuals or groups who may have an interest in the project or who may affect or be affected by the project. The process of stakeholder identification includes distinct steps, including: (i) identifying individuals, groups or local communities that may be affected by the project, positively or negatively, and directly or indirectly, making special effort to identify those who are directly affected, including those who are disadvantaged or vulnerable; (ii) identifying broader stakeholders who may be able to influence the outcome of the project because of their knowledge about the affected communities or political influence over them; (iii) identifying legitimate stakeholder representatives, including elected officials, non-elected community leaders, leaders of informal or traditional community institutions, and elders within the affected community; and (iv) mapping the impact zones by placing the affected groups and communities within a geographic area, which will help the client define or refine the project's area of influence (see paragraph 5 of Performance Standard 1, and paragraph G17 below).

G15. The baseline information gathering phase is an important and often a necessary step in the Assessment process to enable the determination of the potential impacts and risks of a project. Baseline information gathering should describe the relevant existing conditions, such as physical, biological and socio-economic. Analysis of project- and site-specific impacts should be based on current and verifiable primary information. Reference to secondary information on the project's area of influence is acceptable, but it may still be necessary to gather primary information from field surveys to establish baselines appropriate to the proposed project's potential impacts and risks. Accurate and up-to-date baseline information is essential, as rapidly changing situations, such as in-migration of people in anticipation of a project or development, or lack of data on disadvantaged or vulnerable individuals and groups within an affected community, can seriously affect the efficacy of social mitigation measures. Limitations on data, such as the extent and quality of available data, assumptions and key data gaps, and uncertainties associated with predictions, should be clearly identified.

Impacts and Risks

G16. Potential impacts and risks should be assessed and documented for each key stage of the project cycle including design and planning, construction, operations, and decommissioning or closure and for their short-term, long-term, and cumulative contexts, keeping in mind the dynamic and shifting nature of these impacts and risks.

G17. The size of a project's area of influence and the social and environmental impacts and risks within the area can vary considerably. Some of these impacts and risks, particularly those

described in the Performance Standards, may be attributable to third parties within the area of influence. The larger the area of influence, the more likely that third party action or non-performance could pose risks to projects. Where relevant, the Assessment includes these third party risks, particularly risks over which the client may have a degree of control or influence.

G18. In addition to adverse impacts and risks, the Assessment can assess potential positive or beneficial impacts of a project and propose measures to enhance them. These measures can be implemented through the client's social and environmental management program. If requested by clients, IFC can assist clients to enhance the positive outcomes of the project through various technical and financial assistance and programs.

Global Impacts

G19. While individual project impacts on climate change, ozone layer, biodiversity or similar environmental issues may not be significant, when taken together with impacts created by other human activities, they can become nationally, regionally or globally significant. When a project has the potential for large scale impacts that can contribute toward adverse global environmental impacts, the Assessment should consider these impacts. Specific requirements and guidance on greenhouse gases and ozone-depleting substances can be found in Performance Standard 3 and its accompanying Guidance Note, and on biodiversity, in Performance Standard 6 and its accompanying Guidance Note.

Transboundary Impacts

G20. Transboundary impacts are impacts that extend to multiple countries, beyond the host country of the project, but are not global in nature. Examples include air pollution extending to multiple countries and use or pollution of international waterways¹. If the Assessment determines that the potential transboundary impacts from the proposed project are significantly adverse, as confirmed by IFC, IFC will assist the client with notifying competent authorities of the affected countries. IFC's role in this regard is outlined in paragraph 40 of the IFC Policy on Social and Environmental Sustainability (Sustainability Policy). IFC's procedure for notification of competent authorities can be found in the Environmental and Social Review Procedure. Examples on regional systems of assessment and notification of transboundary impacts can be found in the References section.

Cumulative Impacts

G21. The combination of multiple impacts from existing projects, the proposed project, and/or anticipated future projects may result in significant adverse and/or beneficial impacts that would not be expected in case of a stand-alone project. The Assessment should identify cumulative impacts in the project area of influence and take them into account in proposing mitigation measures. The scope of a cumulative impact assessment should be commensurate with the extent of cumulative impacts anticipated.

¹ IFC defines an international waterway as: (a) any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more states, whether IFC members or not; (b) any tributary or other body of surface water that is a component of any waterway described in (a) above; and (c) any bay, gulf, strait, or channel bounded by two or more states or, if within one state, recognized as a necessary channel of communication between the open sea and other states--and any river flowing into such waters.

Human Rights

G22. A number of international agreements and conventions have established basic human rights (a list of these international instruments can be found in the References section of Guidance Note 2; other useful guidance supporting human rights can be found in the References section of Guidance Notes 3, 4, 5, and 7). While states are responsible for protecting these human rights, it is increasingly expected that private sector companies conduct their affairs in a way that would uphold these rights and not interfere with states' obligations under these instruments. In addition, business conduct that is inconsistent with these basic human rights can pose risks to business, and as a result, the Assessment process is a useful tool to analyze these risks and to consider management measures. Descriptions of some of these risks can be found in Performance Standards 2, 3, 4, 5 and 7.

Disadvantaged or Vulnerable Groups

G23. There may be individuals or groups within the project area of influence who are particularly vulnerable or disadvantaged and who could experience adverse impacts from the proposed project more severely than others, as described in footnote 2 of Performance Standard 1. Large scale projects with a large project area of influence and multiple affected communities are more likely to expose these individuals and groups to adverse impacts than smaller scale projects with site specific issues. Where it is anticipated that the project will impact one or more affected communities, the Assessment process should use accepted sociological methods to identify and locate vulnerable individuals or groups within the affected community population, collecting data on a disaggregated basis. Using this disaggregated information, the client should assess potential impacts, including differentiated impacts, on these individuals and groups and propose specific (and if necessary separate) measures in consultation with them to ensure that potential impacts and risks to them are appropriately avoided, mitigated or compensated. Vulnerable or disadvantaged individuals and groups should be able to benefit from project opportunities equally with the rest of the affected community; this may require that differentiated benefit-sharing processes and levels (such as ensuring that compensation for a house taken during resettlement is provided equally to the woman and man of the household, providing training for individuals or groups who might lack the necessary skills to find a job with the project, etc.) are available. Project monitoring should track these individuals or groups on a disaggregated basis. Specific considerations and measures for Indigenous Peoples are described in Performance Standard 7 and the accompanying Guidance Note. Clients should exercise discretion in gathering personal data and information and should treat such data or information as confidential (except where disclosure is required by law). Where Performance Standard 1 requires disclosure of plans based on personal info or data collected, (such as a resettlement action plan) the client should ensure that any personal data or information cannot be associated with particular individuals.

Gender

G24. A project may have different impacts on women and men, due to their differentiated socioeconomic roles and their varying degrees of control over and access to assets, productive resources, and employment opportunities. There may be norms, societal practices, or legal barriers that impede the full participation of persons of one gender (usually women, but potentially men) in consultation, decision-making, or sharing of project benefits. These legal

and societal norms and practices may lead to gender discrimination or inequality. Gender-differentiated impacts should be assessed and the Assessment should propose measures designed to ensure that one gender is not disadvantaged relative to the other in the context of the project. This may include providing opportunities to enhance full participation and influence in decision-making through separate mechanisms for consultation and grievances, and developing measures that allow both women and men equal access to project benefits (such as land titles, compensation, and employment).

Third Party Impacts including Supply Chain Considerations

G25. The client may have limited or no leverage on third parties, such as a government agency in charge of controlling in-migration in the project area, or an illegal logging operation taking advantage of project access roads through forests. Nonetheless, the project description in the Assessment report should encompass facilities and activities by third parties that are essential for the successful operation of the project, and the Assessment process for a project with a large area of influence should identify the roles of third parties and the potential impacts and risks from their actions or non-performance. Clients should collaborate with third parties and take action to the extent of their influence or control over them. IFC will work with the client on a case-by-case basis to have the client and, where feasible, third parties develop appropriate mitigation strategies.

G26. Among these third parties are operators of associated facilities (see item (ii) in paragraph 5 of Performance Standard 1) that may have a particularly close relationship with the project. Because of this relationship, the client will normally have some commercial leverage on the operators of such facilities. Where such leverage allows, undertakings can be secured from these operators to operate their facilities consistent with the applicable Performance Standards. In addition, the client should identify its own actions, if any, that will support or supplement the actions of the associated facilities.

G27. As with the third party impacts and risks described above, projects' relationships with supply chains could pose a particular challenge in certain sectors. The Assessment should identify the roles, impacts and risks of key suppliers in relation to labor issues and ecologically sensitive resources, as described in paragraph 6 of Performance Standard 1. Generally, where the client has commercial leverage over its suppliers, IFC will expect the client to work with its suppliers to propose mitigation measures proportionate to identified risks on a case-by-case basis, while recognizing that assessing and addressing supply chain implications beyond the first or the second tier suppliers would not be practical or meaningful to the client or the supplier. Additional information on addressing labor issues of the client's key suppliers, particularly those related to child labor and forced labor, can be found in paragraph 18 of Performance Standard 2 and the accompanying guidance. For biodiversity issues in the supply chain, see Performance Standard 6 and the accompanying Guidance Note.

Regional, Sectoral or Strategic Assessments

G28. In exceptional circumstances, regional, sectoral, or strategic social and environmental assessment may be required in addition to the social and environmental impact assessment. Regional assessment is conducted when a project or series of projects are expected to have a significant regional impact or influence regional development (e.g., an urban area, a watershed,

or a coastal zone), and is also appropriate where the region of influence spans two or more countries, or where impacts are likely to occur beyond the host country. Sectoral assessment is useful where several projects are proposed in the same or related sector (e.g., power, transport, or agriculture) in the same country, either by the client alone or by the client and others. Strategic assessment examines impacts and risks associated with a particular strategy, policy, plan, or program, often involving both the public and private sectors. Regional, sectoral, or strategic assessment may be necessary to evaluate and compare the impact of alternative development options, assess legal and institutional aspects relevant to the impacts and risks, and recommend broad measures for future social and environmental management. Particular attention is paid to potential cumulative impacts of multiple activities. These assessments are typically carried out by the public sector, though they may be called for in some complex and high risks private sector projects.

G29. When the need for such assessments is indicated, IFC will work with the client to identify existing data and studies already carried out by other institutions, such as the World Bank, other multilateral financial institutions and/or national agencies. In the absence of such data or studies, IFC will assist the client to identify the appropriate terms of reference for such assessments, and will consider available technical and financial assistance mechanisms.

Mitigation Measures

G30. If the impact analysis confirms potential impacts and risks, clients should develop measures and actions to avoid, minimize, mitigate, compensate for, or offset potential adverse social and environmental impacts, or, in case of positive or beneficial impacts, to enhance them. As a general principle for adverse social and environmental impacts, the Assessment should focus on measures to prevent these from occurring in the first place, as opposed to minimization, mitigation, or compensation. At the same time, however, IFC recognizes this can pose challenges for projects, and that measures should be drawn from options that are technically and financially feasible (as defined in footnote 1 of Performance Standard 1) and cost effective (as defined in footnote 2 of Performance Standard 3). Where trade-offs between avoidance and mitigation/compensation are considered, these should be documented. The Assessment should consider economic, financial, environmental and social costs and benefits and identify to which parties these accrue. The costs and benefits may be expressed in qualitative or quantitative terms, and the analysis of the balance between costs and benefits should be explained. Where these impacts are within the client's capacity to control or influence, the client should capture the mitigation or corrective measures in a management program or the Action Plan (see paragraphs 13 through 16 of Performance Standard 1 and the accompanying Guidance Notes) and implement these through the Management System.

Documentation of Assessment Process

G31. The outcome of the Assessment process should be documented. The assessment process may result in one or more documents with separate analysis, particularly when the client engages various experts to address multiple Performance Standards.

G32. Projects with limited adverse impacts and risks, both new projects and those involving existing facilities (the type of projects likely to be considered as Category B projects by IFC),

need documentation on the screening process, impacts analysis, proposed mitigation measures, and the process of disclosure of information, and community engagement (if there are affected communities). At a minimum, clients should have one or more documents or analysis that describe:

- The project and its social and environmental aspects
- Maps and drawings of the project and a delineation or description of its area of influence
- Compliance with the legal and regulatory framework, the applicable Performance Standards and the environmental and health and safety performance levels established for the project
- Key potential impacts and risks, including the identification of the affected communities
- Planned mitigation and any areas of concern that need to be further addressed
- The process of community engagement

G33. If early analysis for the Assessment identifies potentially significant adverse social and environmental impacts and risks that are diverse, irreversible, or unprecedented (the type of projects likely to be considered as Category A projects by IFC), a formal social and environmental impact assessment report will be prepared in accordance with accepted international practice, and consistent with Annex A. For these projects, summaries of analyses should explain findings clearly and objectively, and be understandable to laypersons. For those projects with potentially significant adverse impacts predominantly in the social area (e.g., involuntary resettlement), the Assessment process should largely focus on generating appropriate social baseline data, impacts analysis, and mitigation measures (e.g., Resettlement Action Plan).

G34. These projects will normally need to conduct an alternatives analysis as part of the social and environmental assessment. The purpose of alternative analysis is to improve project design, construction, and operation decisions based on feasible project alternatives. This analysis may facilitate the consideration of social and environmental criteria at the early stages of project development and make decisions based on the differences between real choices. The alternatives analysis should be conducted as early as possible in the Assessment process and examine feasible alternatives such as alternative project locations, designs or operational processes, or alternative ways of dealing with social and environmental impacts. The analysis is subject to the disclosure and consultation requirements of the Assessment. Additional information regarding the analysis of alternatives is provided in Annex A.

G35. When projects involve existing facilities, environmental and social audit reports and hazard/risk assessment reports should be prepared in accordance with accepted international practice and follow the table of contents provided in Annex B.

Management Program

13. ***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 program of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts (the management program).***

14. *Management programs consist of a combination of operational policies, procedures and practices. The program may apply broadly across the client's organization, or to specific sites, facilities, or activities. The measures and actions to address identified impacts and risks will favor the avoidance and prevention of impacts over minimization, mitigation, or compensation, wherever technically and financially feasible. 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 program and the priority of the identified measures and actions will be commensurate with the project's risks and impacts.*

15. *The program will define desired outcomes 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. Recognizing the dynamic nature of the project development and implementation process, the program will be responsive to changes in project circumstances, unforeseen events, and the results of monitoring (see paragraph 24 below).*

G36. The level of detail and complexity of the management program should be commensurate with the project's anticipated impacts and risks. Where a Social and Environmental Impact Assessment format is required as described in paragraph 9 of Performance Standard 1, the management program should include an Action Plan as described in paragraph 16 of Performance Standard, and contain the measures listed under the heading "Management Program" in Annex A. For projects with limited potential impacts, the management program should address those limited impacts, and are likely to be less elaborate. In the case of existing facilities, the management program is likely to include corrective measures and an Action Plan to address areas of improvement identified in the social and environmental audit. As part of the management program, the client may wish to establish its own internal performance measures so as to enhance positive project impacts and the desired outcomes as measurable events to the extent possible. These include measures such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, to ensure continuous improvement of performance in these areas.

G37. The management program should be implemented through the client's Social and Environmental Management System (see paragraph 3 of Performance Standard 1 and the accompanying guidance), so that it will enable the client to determine adequate allocation of financial resources and designation of responsible personnel within the client's organization, and to implement as part of overall site, project or corporate management.

Action Plan

16. *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. The Action Plan may range from a brief description of routine mitigation measures to a series of specific plans.³ 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 affected communities (see paragraph 26); and (v) describe the schedule and mechanism for external reporting on the client's implementation of the Action Plan.

³ 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.

G38. Taking the result of the Social and Environmental Assessment process, including the result of consultation during this process (see paragraphs 19 through 23 of Performance Standard 1 and the accompanying Guidance Notes), the client should prepare its Action Plan, which is a part of the management program focusing on the measures and actions necessary for the client to comply with applicable national laws and regulations and to meet the requirements of the applicable Performance Standards. It can exclude information that is of an internal nature, such as proprietary information, cost data, information that would compromise project site security and safety, and detailed procedures, business processes, and instructions for workers (which should be included in the management program). As part of its ongoing engagement with affected communities, the client is required to disclose its Action Plan in advance of project implementation to affected communities and stakeholders, and provide updates throughout the life of the project as mitigation measures are adjusted and upgraded, reflecting the feedback from the affected communities.

Organizational Capacity

17. The client will establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the management program, 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 to the relevant personnel and to the rest of the 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.

G39. The successful implementation of the management program, including the Action Plan, calls for the commitment of management and workers of the client's organization. Accordingly, the client should designate specific in-house personnel, including management representative(s), with clear lines of responsibility and authority for social and environmental issues. If functions are outsourced to contractors, the client's agreement with the contractors should include actions and measures necessary for the parties to perform the agreement consistent with the management program. In large or complex organizations multiple personnel or operational units may be designated. In small or medium-sized enterprises, these responsibilities may be undertaken by one individual. It is also important that the key social and environmental responsibilities are well defined and communicated to the relevant personnel and the rest of the organization. Appropriate human and financial resources should be allocated to those designated as responsible for the implementation of the management program and any additional performance measures. Annex C contains a series of questions that may be useful for clients to pose to assess adequacy of its capacity and process.

Training

18. *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. Training will also address the specific measures and actions required under the management program, including the Action Plan, and the methods required to perform the action items in a competent and efficient manner.*

G40. The management program should identify the knowledge and skills necessary for its implementation, including implementation of the Action Plan. These should be considered in personnel selection, training, skills development, on-going education, and new recruitment if necessary. Training programs typically have the following elements:

- Identification of training needs for employees
- Development of a training plan to address defined needs
- Verification of training programs to ensure consistency with organizational requirements
- Training of target employees
- Documentation of training received
- Evaluation of training received

G41. Training relevant to implementing specific action items in the management program may be necessary. Training designed to help the employees gain appropriate knowledge base and skills to perform their work may include current knowledge of host country regulatory requirements, the applicable requirements of Performance Standards 2 through 8, the material impacts predicted through the Assessment process, the content of the management program, including the Action Plan, and the methods required to perform the action items in a competent and efficient manner. When a project is likely to impact vulnerable or disadvantaged individuals or groups within affected communities, employees who will interact with such individuals or groups should be trained so that they understand the specific issues related to such individuals or groups.

G42. When specific aspects of the project or the implementation of the management program are outsourced to contractors, the client should also ensure that these contractors have the requisite knowledge, skills, and training to perform the work in accordance with the management program and the requirements of Performance Standards 2 through 8, consistent with the guidance in paragraph G41 above.

Community Engagement

19. *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.

Disclosure

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

Consultation

21. *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.*

22. *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.*

Grievance Mechanism

23. *The client will respond to communities' concerns related to the project. If the client anticipates ongoing risks to or adverse impacts on affected communities, the client will establish a grievance mechanism to receive and facilitate resolution of the affected communities' concerns and grievances about the client's environmental and social performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project. It 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. The mechanism should not impede access to judicial or administrative remedies. The client will inform the affected communities about the mechanism in the course of its community engagement process.*

G43. The purpose of community engagement is to establish and maintain a constructive relationship with affected communities over the life of the project. In some industry sectors, this engagement is considered as an important process that enables the client to obtain and maintain its “social license to operate.” An effective engagement process allows the community’s views, interests and concerns to be heard, understood, and taken into account in project decisions and creation of development benefits. Depending on the nature of the project, its risks and potential impacts, the size and characteristics of the affected communities, and the stage of the project cycle, engagement may entail varying degrees of interaction between the company and affected communities. Engagement should reflect the specific needs of the individuals and groups within the community, including those who are disadvantaged or vulnerable (see paragraph 12 and footnote 2 of Performance Standard 1 and the accompanying guidance).

G44. If the Assessment process indicates that there may be potential impacts and risks to the communities within the project’s area of influence, companies should seek early engagement with these affected communities. Engagement should be based on the timely dissemination of relevant project information, including the social and environmental impacts and risks of the project identified in the Assessment and proposed mitigation measures, in languages and methods preferred by the affected communities. In cases where the Assessment has been completed prior to IFC involvement in a project, IFC reviews the process of community engagement carried out by the client. If necessary, IFC and the client will agree on a supplemental community engagement program.

Disclosure of Information

G45. Information disclosure involves delivering information about the project to the affected communities and other stakeholders. The information should be in appropriate language(s). It should be made accessible and understandable to the various segments of the affected communities, in ways appropriate to the community. For example, information can be made available in city halls, public libraries, in the local print media, over the radio, or in public meetings. The timing and the method of disclosure will vary depending on national law requirements, the type of Assessment involved, and the stage of the project’s development or operation. As a minimum, the client should disclose the final Assessment document and the Action Plan prior to the commencement of construction or other implementation activities. In some cases, disclosure of information will occur earlier in the Assessment process. For projects with potential adverse impacts to communities, timely disclosure of information should occur after the initial screening, and should include 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. Such disclosure may be achieved by disclosing a draft Assessment document. In addition, it may also be appropriate for the client to disclose a draft Action Plan so that the measures proposed by the client to mitigate the identified risks and impacts can be explained. Disclosure of information will be the basis of the client’s consultation process (see paragraphs 21 and 22 of Performance Standard 1 and the accompanying guidance).

G46. Disclosure of information is normally expected as part of the Assessment process, but if the project is expected to create ongoing impacts and risks to the affected communities, the client should continue to provide information about the project during the life of the project. The client’s reporting requirements to the affected community are addressed in paragraph 26 of

Performance Standard 1 and the accompanying guidance. The client may disclose information on non-financial issues or opportunities for enhancing social and environmental impacts through sustainability reports, as described in paragraph G63 below.

G47. In the extractive industries and infrastructure sectors in particular, where a project can have potentially broader implications for the public at large, disclosure of information is an important means to manage governance risks. Accordingly, clients should be aware that IFC has sector-specific initiatives on disclosure of project-related information, as described in paragraphs 21 through 23 of IFC's Sustainability Policy. Further guidance on the Extractive Industries Transparency Initiative and how the private sector can support this initiative can be found in the References section.

Consultation

G48. Consultation involves two-way communication between the client and the affected communities. Effective consultation provides opportunities for the client to learn from the experience, knowledge, and concerns of the affected communities, as well as to manage community expectations by clarifying the extent of its responsibilities and resources so that misunderstandings and unrealistic demands can be avoided. For the consultation process to be effective, project information needs to be disclosed and explained to the communities, and sufficient time should be allocated for them to consider the issues. Consultation should be inclusive of various segments of the affected community, including both women and men, and accessible to the disadvantaged and vulnerable groups within the community. Based on an earlier preliminary stakeholder analysis, the client's representatives should meet with the affected communities and explain the project information, answer questions and listen to comments and suggestions. In addition to community meetings open to members of the affected communities, the client should identify community leaders and any formal or informal existing decision-making mechanisms so that their input can be sought.

G49. Some projects may not require a process of consultation, unless community members seek to engage with the client on disclosed project information or raise grievances. Consultation should be undertaken in most situations where the project presents a specific but limited number of potential adverse impacts to affected communities. In these cases, the client should consult with the affected communities during the process of Assessment after the risks and impacts have been identified and analyzed. In the case of projects with significant adverse impacts on affected communities, and projects with adverse impacts on Indigenous Peoples, the process of free, prior, and informed consultation and informed participation is required (see paragraph G50 below). In addition to the requirements in Performance Standard 1, requirements on consultation can be found in Performance Standards 5, 6, 7, and 8

Free, Prior, and Informed Consultation

G50. For projects with significant potential adverse impacts to the affected communities, the client's consultation process will include their free, prior and informed consultation and informed participation. Such consultation should be "free" (free of intimidation or coercion), "prior" (timely disclosure of information) and "informed" (relevant, understandable and accessible information), and should continue through the entire life of the project and not only during the early stages of the project. Consultation with affected communities should be part of the early scoping process

that establishes the terms of reference for the Assessment process, which includes an inventory of risks and impacts to be assessed. Informed participation entails organized and iterative consultation on issues concerning potential impacts to the affected communities, so that the client can incorporate into their decision-making process their views on these issues. Free, prior, and informed consultation and informed participation are also required for projects with potential adverse impacts to Indigenous Peoples (see Performance Standard 7). The client should document specific actions, measures or other instances of decision-making that have been influenced by or resulted directly from the input of those who participated in the consultation. Annex D describes the type of information IFC will seek from its client during its social and environmental review to ascertain that the client's process of community engagement involves the free, prior, and informed consultation of the affected communities.

Broad Community Support

G51. As outlined in paragraphs 19 and 20 of the IFC Sustainability Policy, IFC will review the client's community engagement process and, through its own investigation, assure itself that there was free, prior, and informed consultation and informed participation, leading to broad community support for the project by the affected communities. IFC will make this investigation when a project may pose significant adverse impacts to local communities, or in the case of communities of Indigenous Peoples, adverse impacts on such communities. Broad community support is a collection of expressions by the affected communities, through individuals and their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project. IFC's inquiry on the existence of free, prior and informed consultation and broad community support is an inquiry on the overall engagement process of the client. This inquiry is not intended to establish any consent or veto right for the affected communities. Environmental and Social Review Procedure describes the type of information IFC will seek to ascertain that the client's process of free, prior, and informed consultation led to the broad community support for the project within the affected communities. After the Board approval of the project, IFC will continue to monitor the client's community engagement process as part of its portfolio supervision.

Broader Stakeholder Engagement

G52. IFC encourages clients with high-risk projects to also identify and engage with other stakeholders, beyond those who will be affected by the project, such as local government officials, community leaders and civil society organizations, particularly those who work in or with the affected communities. While these groups may not be directly affected by the project, they may have the ability to influence or alter the relationship of the client with affected communities, and in addition may play a role in identifying risks, potential impacts and opportunities for the clients to consider and address in the Assessment process.

Ongoing Engagement

G53. Throughout the life of the project, clients should build upon the channels of communication and engagement with affected communities established during the Assessment process. In particular, clients should use the appropriate community engagement practices described in Performance Standard 1 to disclose information and receive feedback on the

effectiveness of the implementation of the mitigation measures in the Action Plan as well as the affected communities' on-going interests and concerns about the project.

Grievance Mechanism

G54. Grievance mechanisms should be appropriate to respond to community concerns around risks and potential adverse impacts of the project. In smaller projects with relatively straightforward issues, the client should consider designating a point of contact, such as a community liaison officer, to whom project-related views and concerns of the affected community can be addressed. The responsibility for receiving and responding to grievances should be handled by experienced and qualified personnel within the client organization. In addition, suggestion boxes and periodic community meetings and other communication methods to receive feedback may be helpful. In larger projects, the client should establish an organizational structure with authority and responsibilities for the community liaison function. Maintaining consistency in the personnel who interact with members of the affected communities improves the quality of interaction and can help build trust over time. In addition, the client should establish a procedure for receiving, addressing, and recording/documenting complaints. This procedure should clearly define who can raise complaints, and ensure that the confidentiality of the persons raising the complaint is protected. It should also be easily accessible and understandable to the members of the affected community and should be communicated to the affected community. The client may wish to seek solutions to complaints in a collaborative manner with the involvement of the affected communities. If the project is unable to solve a complaint, it may be appropriate to enable complainants to have recourse to external experts. Clients should be aware of judicial and administrative mechanisms available in the country for resolution of disputes, and should not impede access to these mechanisms. Grievances received and responses provided should be documented and reported back to the affected communities periodically. In addition to the requirements in Performance Standard 1, specific requirements for grievance mechanisms can be found in Performance Standards 2, 5, and 7.

Monitoring

24. As an element of its Management System, the client will establish procedures to monitor and measure the effectiveness of the management program. In addition to recording information to track performance and establishing relevant operational controls, the client should use dynamic mechanisms, such as 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 should be adjusted according to performance experience and feedback. The client will document monitoring results, and identify and reflect the necessary corrective and preventive actions in the amended management program. The client will implement these corrective and preventive actions, and follow up on these actions to ensure their effectiveness.

G55. Monitoring is the client's primary means for tracking and evaluating progress towards the implementation of action items specified in the Action Plan and other aspects of the management program. Clients should establish a system for measuring and monitoring

consisting of: (i) the key impacts of the project on workers, communities and the natural environment as identified by the Assessment; (ii) compliance with laws and regulations; and (iii) monitoring progress with the implementation of the management program. The extent of monitoring should be commensurate with the potential impacts and risks of the project as identified by the Assessment, and as specified in the management program. In addition, depending on the project, it may be appropriate for the client to establish, track and measure key indicators and other performance measures over time to improve the project's performance.

G56. Social monitoring programs may be established to enhance the effective follow-up of social issues identified in the Assessment and to respond to on-going issues from operations identified through assessment of these issues. As part of the monitoring programs established in the management program, it would be appropriate for the client to establish key social development measurements and indicators, quantitative and qualitative measures of success, or community engagement practices included in the Action Plan in order to improve performance on social issues identified in the Assessment process.

G57. The factors to be considered in establishing an environmental monitoring program include engineering estimates, environmental modeling, pollutant source, noise, ambient water, and air and workplace contaminant measurements. The focus and extent of the monitoring should be commensurate with the risk of the pollutant releases as related to the sensitivity of the surrounding areas, taking into account the affected community's perception of project risks to their health and environment. Appropriate processes should also be in place to ensure the reliability of data, such as calibration of instruments, test equipment, and software and hardware sampling. Specific environmental monitoring measures comprise the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and the definition of thresholds that signal the need for corrective actions.

G58. Monitoring results should be documented, and the necessary corrective and preventive actions identified. Clients should also ensure that these corrective and preventive actions have been implemented and that there is a systematic follow-up to ensure their effectiveness. The client should normally carry out the monitoring using its internal resources, as part of its management program. For projects with significant adverse impacts that are diverse, irreversible, unprecedented, the client will retain qualified and experienced external experts to verify its monitoring information. Participatory monitoring (i.e. involvement of affected communities and other stakeholders) should be considered for large, high-risk projects. In these cases, the client should evaluate the capacity of those participating in the monitoring and provide periodic training and guidance as appropriate.

G59. The outcome of monitoring may indicate that the mitigation measures in the management program should be adjusted or upgraded. As part of on-going maintenance of its Management System, the client should update the management program from time to time, so that it can adequately address the change in the social or environmental risks arising from any change in the client's business or circumstances.

Reporting

Internal Reporting

25. *Senior management in the client organization will receive periodic assessments of the effectiveness of the management program, 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 and other applicable project requirements.*

External Reporting on Action Plans

26. *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 program 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.*

G60. The results of social and environmental monitoring should be evaluated and documented. Periodic reporting of progress and monitoring results should be made to the senior management of the client's organization, as a function of the client's management system. Reports should furnish the information and data needed to determine compliance with relevant host country legal requirements and progress on implementing the management program. The format of these reports can vary according to the nature of the organization, but should include summary of findings and recommendations. This information should also be made available broadly within the client's organization and the relevant workers as appropriate.

G61. As part of IFC's ongoing review of portfolio projects, IFC requires its clients to submit Monitoring Reports on social and environmental performance pursuant to the project's management program, including the Action Plan and any other key social and environmental criteria. The format and frequency of the Monitoring Reports to IFC will be initially agreed with the client. Reporting formats can vary according to project circumstances, and can be based on the existing formats used by the client to prepare internal or external reports. Monitoring reports will normally be on an annual basis unless IFC and the client agree otherwise. The Monitoring Reports should contain sufficient data and descriptive information to enable IFC to track the project's progress on implementing the management program and the Action Plan. IFC's procedural requirements in relation to the Monitoring Reports can be found in the ESRP. The client will also establish in discussion with IFC appropriate project specific performance indicators to ascertain ongoing compliance of the project with the applicable Performance Standards and to improve its performance over time. The suggested performance indicators can be found in the Environmental and Social Review Procedure. The client should also report to IFC all amendments (subject to IFC's consent) and updates to the Action Plan as part of its Monitoring Report.

G62. The client should provide periodic updates to the affected communities at least annually on the implementation and progress on the specific items in the Action Plan that involve ongoing

risks to or impacts on affected communities. As appropriate, where amendments and updates to the Action Plan materially change impacts to affected communities, the client will also disclose this to communities. In addition, information should be made available to affected communities in response to community feedback or grievance and as a means to further involve the affected community in the social and environmental performance of the project.

G63. Clients may wish to consider using sustainability reports to report on the financial, environmental and social aspects of its operations, including areas of success of its performance measures and positive project impacts that are being enhanced, as well as any unsuccessful outcomes and the lessons learned. Reporting initiatives, guidelines, including sector-specific guidelines, and good practices are rapidly emerging in this area. The most notable is the Global Reporting Initiative as included in the References section. IFC can work with clients to develop appropriate sustainability report formats upon request.

Annex A
Content of a Social and Environmental Impact Assessment (SEIA) Report

A social and environmental impact assessment (SEIA) report focuses on the significant issues of a project. The report's scope and level of detail should be commensurate with the project's potential impacts and risks. The SEIA report typically includes the following items (not necessarily in the order shown):

- *Non-technical executive summary.* Concisely discusses significant findings and recommended actions in lay language.
- *Policy, legal, and administrative framework.* Discusses the policy, legal, and administrative framework within which the Assessment is carried out, including host country regulations, including obligations implementing relevant international social and environmental treaties, agreements, and conventions, IFC Performance Standards, as well as any additional priorities and objectives for social or environmental performance identified by the client. Explains the environmental requirements of any co-financiers.
- *Project description.* Concisely describes the proposed project and its geographic, ecological, social, and temporal context, including any related facilities that may be required (e.g., dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Encompasses facilities and activities by third parties that are essential for the successful operation of the project. Normally includes maps showing the project site and the project's area of influence.
- *Baseline data.* Assesses the dimensions of the study area and describes relevant physical, biological, socioeconomic, and labor conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project location, design, operation, or mitigation measures. The section indicates the accuracy, reliability, and sources of the data.
- *Social and Environmental impacts.* Predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for enhancement. Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention. Evaluates impacts and risks from associated facilities and other third party activities. Examines global, transboundary, and cumulative impacts as appropriate.
- *Analysis of Alternatives.* Compares reasonable alternatives to the proposed project site, technology, design, and operation in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital

and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.

- *Management Program.* Consists of the set of mitigation and management measures to be taken during implementation of the project to avoid, reduce, mitigate, or compensate for adverse social and environmental impacts, in the order of priority, and their timelines. May include multiple policies, procedures, practices, and management plans and actions. Describes the desired outcomes as measurable events to the extent possible, such as performance indicators, targets or acceptance criteria that can be tracked over defined time periods, and indicates the resources, including budget, and responsibilities required for implementation. Where the client identifies measures and actions necessary for the project to comply with applicable laws and regulations and to meet the Performance Standards, the management program will include an Action Plan, which is subject to disclosure to the affected communities and ongoing reporting and updating.
- *Appendixes:*
 - List of SEIA report preparers – individuals and organizations.
 - References – written materials, both published and unpublished, used in study preparation.
 - Record of interagency and consultation meetings, including consultations for obtaining the informed views of the affected communities and other stakeholders. The record specifies any means other than consultations (e.g., surveys) that were used to obtain the views of affected groups.
 - Tables presenting the relevant data referred to or summarized in the main text.
 - Associated reports, audits, and plans (e.g., Resettlement Action Plan or Indigenous Peoples/ Natural Resource Dependent Community plan).
 - Action Plan that (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, and (iv) describes the schedule for communicating with affected communities when on-going disclosure or consultation is expected.

Annex B
Content of an Environmental Audit Report

An environmental audit report focuses on: (i) compliance of existing facilities and operations with relevant laws and regulations, and applicable IFC Performance Standards; and (ii) the nature and extent of significant adverse environmental impacts, including contamination of soils, surface and ground water, and structures as a result of historical activities. The environmental audit report typically includes the following items (not necessarily in the order shown):

- *Executive Summary:* A concise discussion of all environmental and occupational health and safety areas of concern, recommended mitigation measures and their priority, the cost of mitigation, and a schedule for compliance.
- *Facilities Description:* A concise description of the project facilities, including both past and current operations. The description should focus on aspects or components with potential environmental and occupational health and safety impacts.
- *Regulatory Setting:* Tabular summary of host country, local and any other applicable environmental and occupational health and safety laws, regulations, guidelines, and policies as they may directly pertain to the facilities.
- *Audit and Site Investigation Procedure:* Brief overview of the approach used to conduct the audit. A discussion of the records review, site reconnaissance, and interview activities; a description of the site sampling plan and chemical testing plan; a description of field investigations, environmental sampling and chemical analyses and methods.
- *Findings and Areas of Concern:* Detailed discussion of all environmental and occupational health and safety areas of concern. The areas of concern should be discussed in terms of both existing facilities and operations and contamination or damages due to past activities, including the affected media and its quality and recommendations for further investigation and remediation. Areas of concern should be prioritized into one of three categories: immediate action; mid-term action; and long-term action.
- *Corrective Action Plan, Costs and Schedule (CAP):* For each area of concern, provide specifics on the appropriate corrective actions to mitigate the areas of concern and why they are necessary. Indicate priorities for action. Provide estimates of the cost of implementing the corrective actions and a schedule for their implementation. Schedules should be recommended within the context of any planned capital expenditure for the facility. Each site CAP should be formatted as a table with columns for area of concern, corrective action, priorities, schedule, and cost estimates.
- *Annexes:* These should include references, copies of interview forms, any details regarding the audit protocol not already included, and data obtained during the audit but not included directly above.

Annex C

Useful questions to assess Management Capacity and Process:

Client's social and environmental management organization and capacity:

- *How does the client's organization identify and allocate the human, technical, and financial resources, including external experts, necessary to manage social and environmental performance?*
- *How has social and environmental management been integrated into the overall business management process?*
- *What is the process for balancing and resolving conflicts between social, environmental and other business objectives and priorities?*
- *What are the responsibilities and accountability of personnel who manage, perform, and verify work effecting social and environmental issues, and are these well defined and documented?*
- *How has top management established, reinforced and communicated organizational commitment?*
- *Is there a process for periodic review of the management program in the event of changed project circumstances?*

Training:

- *How does the client's organization identify social and environmental training needs?*
- *How are training needs of specific job functions analyzed?*
- *Is training needed for contractors?*
- *Is training developed and reviewed and modified as needed?*
- *How is the training documented and tracked?*

Monitoring:

- *How is social and environmental performance regularly monitored?*
- *Have specific quantitative and/or qualitative performance indicators been established that relate to the clients compliance requirements and management program, and what are they?*
- *What control processes are in place to regularly calibrate and sample environmental measuring and monitoring equipment and systems?*
- *What social monitoring methods are in place to track social impacts and assess progress toward mitigation and development outcomes?*
- *What is the process to periodically evaluate compliance with laws and regulations, and to meet the applicable Performance Standards?*

Reporting:

- *What social and environmental information is reported to client's senior management, IFC, and communities?*
- *How is this information managed?*
- *Is information made available to those who need it when they need it?*

Annex D
An example of Indicators and Validation Methods for Ascertaining the Process of Free, Prior and Informed Consultation

The determination (scores) for these considerations will be made against the scaling system used by the Environment and Social Development Department for project supervision.

Material Consideration	Examples of Validation Methods
<p>1. Company Strategy, Policy, or Principles on Engagement Strategy, policy, or principles for on-going engagement with explicit mention of project-affected persons and/or communities.</p>	<p>Client's strategy, policy or principles or other supporting documents.</p>
<p>2. Stakeholder Identification and Analysis As part of the Social and Environmental Assessment process, identification of all project-affected communities, their disaggregation (numbers, locations) in terms of different levels of vulnerability to adverse project impacts and risks, and an analysis of the effect of adverse project impacts and risks on each group. Part of the Social and Environmental Assessment process, this analysis should also look at communities and individuals that will benefit from the project.</p>	<p>Stakeholder analysis document as part of SEIA or SEA. Client's planning documentation for community engagement, e.g. communications strategy, consultation plan, Public Consultation and Disclosure Plans, and stakeholder engagement plan.</p>
<p>3. Community Engagement A process of consultation that is ongoing during the project planning process (including the process of Environmental and Social Assessment), such that: (a) affected communities have been engaged in: (i) identifying potential impacts and risks; (ii) assessing the consequences of these impacts and risks for their lives; and (iii) providing input into the proposed mitigation measures, the sharing of development benefits and opportunities and implementation issues; and that (b) new impacts and risks that have come to light during the planning and assessment process have also been consulted upon.</p>	<p>Client's schedule and record of community engagement. Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of sub-groups (e.g., women, minorities).</p>
<p>4. Information Disclosure Timely disclosure by the client of project information by the client to all project-affected communities about the purpose, nature and scale of the project; the duration of proposed project activities; and expected risks, impacts and development benefits that directly affect them. Disclosure should be in a form that is understandable and meaningful.</p>	<p>Client's materials prepared for disclosure and consultation. Client's record of discussions with recognized community representatives; respected key informants; and legitimate representatives of sub-groups.</p>

Material Consideration	Examples of Validation Methods
<p>5. Consultation</p> <p>a) Free Evidence from the communities adversely affected by the project that the client or its representatives have not coerced, intimidated or unduly incentivized the affected population to be supportive of the project.</p> <p>b) Prior Consultation with affected communities must be sufficiently early in the project planning process: (i) to allow time for project information to be interpreted and comments and recommendations formulated and discussed; (ii) for the consultation to have a meaningful influence on the broad project design options (e.g., siting, location, routing, sequencing, and scheduling); (iii) for the consultation to have a meaningful influence on the choice and design of mitigation measures, the sharing of development benefits and opportunities, and project implementation.</p> <p>c) Informed Consultation with affected communities on project operations and potential adverse impacts and risks, based on adequate and relevant disclosure of project information, and using methods of communication that are inclusive (i.e., accommodating various levels of vulnerability), culturally appropriate, and adapted to the communities' language needs and decision-making, such that members of these communities fully understand how the project will affect their lives.</p>	<p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's record of discussions with recognized community representatives; respected key informants; and legitimate representatives of sub-groups.</p>
<p>6. Informed Participation Evidence of the client's organized and iterative consultation, leading to the client's specific decisions to incorporate the views of the affected communities on matters that affect them directly, such as the avoidance or minimization of project impacts, proposed mitigation measures, the sharing of project benefits and opportunities, and implementation issues.</p>	<p>Client's schedule and record of community engagement.</p> <p>The client's documentation of measures taken to avoid or minimize risks to and adverse impacts on affected communities in response to community feedback received during consultation.</p> <p>Drafts of Action Plan.</p>

Material Consideration	Examples of Validation Methods
<p>7. Vulnerable Groups – Consultation and Mitigation</p> <p>Evidence that individuals or groups particularly vulnerable to adverse project impacts and risks have been party to effective prior, free and informed consultation as well as informed participation, and evidence that the potential impacts and specific or exacerbated risks to them will be mitigated to the satisfaction of these parties.</p>	<p>Stakeholder analysis as part of SEIA or SEA or socio-economic baseline data.</p> <p>Client’s record of community engagement, including record of discussions with legitimate representatives of vulnerable groups.</p> <p>Client’s documentation of measures taken to avoid or minimize risks to and adverse impacts on vulnerable groups in response to feedback received during consultation.</p> <p>Drafts of Action Plan.</p>
<p>8. Grievance Mechanism – Structure, Procedure, and Application</p> <p>An effective grievance mechanism procedure that is fully functioning: (i) throughout the process of environmental and social assessment; and (ii) that is suitable for the operational phase of the project to receive and address the affected communities’ concerns about the client’s social and environmental performance. The mechanism should be culturally appropriate, readily accessible to all segments of the affected communities, and available to affected communities at no cost and without retribution.</p>	<p>Client’s organizational structure and responsibilities, and procedures for managing grievances.</p> <p>Client’s record of grievances received about the project and addressed, including expressions in support or dissent.</p> <p>Client’s record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p>
<p>9. Feedback to affected communities</p> <p>Documentation that the client provided the results of consultation to the project-affected communities, and either: (i) demonstrated how the comments and recommendations made by the project-affected communities have been accommodated in the project design, mitigation measures, and/or sharing of development benefits and opportunities; or (ii) provided a rationale why these comments and recommendations have not been accommodated.</p>	<p>Client’s record of community engagement.</p> <p>Client’s documentation of measures taken to avoid or minimize risks to and adverse impacts on affected communities.</p> <p>Discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client’s ongoing reporting on implementation of Action Plan.</p> <p>Revised management program or Action Plan.</p>

The client may also use perception surveys to pose questions to affected communities and solicit their responses

References

Several of the requirements set out in the Performance Standard are based on principles expressed in the following international agreements and the related guidelines:

- *Espoo Convention* – Convention on Environment Impact Assessment in a Transboundary Context (UNECE, 1991), lays down the general obligation of states to notify and consult each other on all major projects under consideration that are likely to have a significant adverse environmental impact across boundaries.
<http://www.unece.org/env/eia/eia.htm>
- *Guidelines on Environmental Impact Assessment in a Transboundary Context in the Caspian Sea Region* (UNEP & Caspian Environment Programme, 2003) – provides a regional based framework for implementation of EIA in a transboundary context in the Caspian region. http://www.caspianenvironment.org/report_technical.htm

Additional international agreements are referred to at the end of other Guidance Notes.

IFC and the World Bank have published a number of resource materials:

- *IFC's Environmental and Social Review Procedure* (IFC, 2006), gives direction to IFC officers in implementing the Sustainability Policy and reviewing compliance and implementation by private sector projects.
<http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/ESRP>
- *IFC's Policy on Disclosure of Information* (IFC, 2006) defines IFC's obligations to disclose information about itself as an institution and its activities
<http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/Disclosure>
- *Good Practice Note: Addressing the Social Dimensions of Private Sector Projects* (IFC, 2003) – A practitioner's guide to undertaking social impact assessment at the project level for IFC-financed projects. <http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/Publications>
- *Doing Better Business through Effective Public Consultation and Disclosure: A Good Practice Manual* (IFC, 1998) provides advice on managing the expectations of local communities, tailoring consultation to a private sector context, and encouraging consultation between companies and their local stakeholders throughout a project's lifecycle.
[http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_pubconsult/\\$FILE/PublicConsultation.pdf](http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_pubconsult/$FILE/PublicConsultation.pdf)
- *The World Bank's Environmental Assessment Sourcebook and Updates* (World Bank, 2001) provides assistance for advisory tasks, through discussions of fundamental environmental considerations; summaries of relevant Bank policies; and analyses of other topics that affect project implementation <http://www.worldbank.org/>
- *World Bank's Operational Policy 7.50 International Waterways* (World Bank, 2001) World Bank's policy for projects that may involve the use or pollution of international waterways.
<http://Inweb18.worldbank.org/ESSD/sdvext.nsf/52ByDocName/InternationalWaterways>

The following are examples of accepted international standards for formal environmental, health and safety and social management systems:

- *ISO 14001* - Environmental Management Systems (International Organization of Standardization, 2004) details the requirements for an environmental management system, to enable an organization to develop a policy and objectives taking into account legislative requirements and information about significant environmental impacts. <http://www.iso.org/iso/en/iso9000-14000/index.html>
- *Technical Committee on Environmental Management* - Technical Committee 207 (ISO 14001) Committee under which ISO 14000 series on Environmental Management standards are being developed. Provides useful information on the standardization of Environmental Management. <http://www.tc207.org/faq.asp>
- *EMAS* - Eco-Management and Audit Scheme (European Commission, 1995) - EU voluntary instrument which acknowledges organizations that improve their environmental performance on a continuous basis. http://europa.eu.int/comm/environment/emas/index_en.htm
- *OHSAS 18001* - Occupational Health and Safety Zone - an international occupational health and safety resource that specifies policies and procedures to minimize risks to employees and improve OH&S management systems. <http://www.ohsas-18001-occupational-health-and-safety.com/>
- *SA8000* - Social Accountability International – a standard and verification system that assures humane workplaces and provides standards and guidance on protecting the basic human rights of workers. <http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=473>

Additional guidance published by the following organizations provides useful information:

- *IFC Sustainability Resources* (IFC) – examples and benefits of improving sustainability performance. <http://www.ifc.org/sustainability>
- *GRI Guidelines and Sector Supplements* – (Global Reporting Initiative) provides a framework for reporting and organization's sustainability performance. <http://www.globalreporting.org/>
- *DIHR Human Rights Quick Check* (Danish Institute for Human Rights) - a diagnostic self-assessment tool designed to detect human rights risks in business operations. <https://hrca.humanrightsbusiness.org/>
- *EITI Source book* (Extractives Industries Transparency Initiative – 2005) the initiative supports improved governance in resource-rich countries through the full publication and verification of aggregated company payments and government revenues from oil, gas and mining. <http://www.eitransparency.org/>