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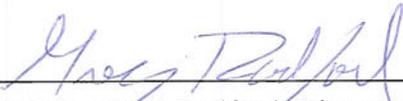
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# IFC ENVIRONMENTAL AND SOCIAL REVIEW PROCEDURES

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## KEY TERMS AND ACRONYMS

TERM	DESCRIPTION
ACS	Administrative Client Support assigned to a unit to provide administrative support.
Action Plan (ESAP)	The Environmental and Social Action Plan as defined in Performance Standard 1.
Additionality	The development impact that will be achieved because of IFC's participation in a project. This is articulated in the Board paper.
Advisory Assignment	A financial or policy advisory assignment where IFC proposes to carry out an activity for a fee.
AIS	Appraisal Information Sheet.
AMR	The Environmental and Social Annual Monitoring Report.
Applicable Performance Requirements	<p>The elements of the IFC Performance Standards (PS) that are applicable to a specific project as determined by a review of the project in general, including specific elements that are identified during the review of the project, as well as all applicable provisions of the national laws and regulations.</p> <p>In the case of Financial Intermediaries (FI), this may be the combination of an exclusion list, the national laws and regulations, and the elements of the IFC PS in general, including specific elements of the IFC PS that are identified during the review, and that are applicable to sub-projects supported by the FI and implemented through the FI's Environmental and Social Management System.</p>
Area of Influence	The Area of Influence as defined in Performance Standard 1.
AS	Advisory Services.
BCS	Broad Community Support, a collective expression by the affected communities, through individuals and/or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project.
BTO	Back to Office report.
CAO	The Office of the Compliance Advisor/Ombudsman, which provides a mechanism to enable individuals and communities affected by IFC projects to raise their concerns to an independent oversight authority.
Categorization	Assigning category A, B or C to investment projects.
Category A	Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
Category B	Projects with potential limited adverse social or environmental impacts that are few in number, site-specific, largely reversible, and readily addressed through mitigation measures.
Category C	Projects with minimal or no adverse social or environmental impacts.
Category FI	Investments in a financial institution or other legal entity whose primary business activity is to provide loans, equity, guarantee products, or other

	financing to third parties that may engage in activities which have potential social and environmental impacts.
CES	IFC's Environment and Social Development Department.
CESI	The Investment Support Group of CESI which is responsible for the E&S due diligence for IFC's investments.
CESI Specialist	A staff member of CES who supports the project team.
CFN	IFC's Private Equity and Investment Funds Department.
CGF	IFC's Global Financial Markets Department.
COC	Corporate Operations Committee.
COD	Conditions of Disbursement.
Commitment	The stage in the IFC project cycle once the legal agreements have been signed.
Corporate Investment	A transaction in which: (i) the use of proceeds is not limited to specific assets and the application of which is at the discretion of company management; (ii) the proceeds are for specific corporate activities (e.g., restructuring, financial engineering, long-term strategic support, or corporate-wide investments); or (iii) IFC is making a subscription for shares in a private company.
DFO	Donor-funded operations, specifically IFC-managed operations that are funded by donors.
Direct Investment (Classification)	Investment made by IFC in a company or other legal entity where the investment proceeds are utilized by that company or legal entity or their subsidiaries and/or affiliates.
Director CES	Director of IFC's Environment and Social Development Department.
DOTS	Development Outcome Tracking System which tracks the overall development outcome of IFC projects by assessing the following components throughout the project life cycle: (i) financial performance; (ii) economic performance; (iii) social and environmental performance; and (iv) broader private sector development impacts.
E&S	Environmental and Social (including Health and Safety).
E&S Category	The environmental and social serves as an indication of the nature and extent of potential E&S impacts that the project is expected to have and indicates the IFC institutional disclosure requirements.
EHS Guidelines	Environmental Health and Safety Guidelines.
ESCM	The Environmental and Social Clearance Memorandum that is prepared by the Lead Specialist for Category A and B projects.
ESMS	The Environmental and Social Management System. The documented or implemented assessment and management elements that enable the client to meet the requirements of the IFC PS, including policy and procedure, E&S assessments and implementation, organization structure, E&S Management program, technical and management capacity, training, community relationships, financial resources, E&S monitoring, and reporting.

	In the case of FIs, this refers to the elements of the ESMS, and includes FI E&S policies and review procedures, E&S organization structure, financial and human resources, and internal and external E&S reporting that are required to apply IFC PS1 and PS2 to the FI's internal operations and the Applicable Performance Requirements effectively in sub-projects.
ESMS Action Plan	The Supplemental Actions to be taken by an FI client according to a timetable to develop or upgrade its ESMS consistent with the Applicable Performance Requirements.
ESRD	The Environment and Social Review Document that covers project review, analysis, and decision-making from the early review stage through supervision until the project is closed. The ESRD will include social and environmental ratings of the Performance Standards and tracking of project attributes; a subset of this will be incorporated in the DOTS.
ESRP	Environmental and Social Review Procedures.
ESRR	Environmental and Social Risk Rating. A tool used by IFC to estimate the potential social and environmental risk of projects. ESRR includes in its computation an element of performance and risk. The computation methodology varies between the Direct Investment and Financial Intermediary projects.
ESRS	Environmental and Social Review Summary, the document through which IFC publicly discloses how a project was reviewed and the rationale for IFC deciding to invest. It includes a description of the main social and environmental risks and impacts of the project, and the key measures identified to mitigate those risks and impacts, specifying any actions that will need to be implemented to undertake the project in a manner consistent with the Performance Standards and that will be included in the client's Action Plan. The ESRS is written for a general public audience.
External Expert	An expert appointed by the client to assist with its assessment or other tasks, or by IFC to help with its review or supervision activities.
FI	Financial Intermediary or Financial Institution.
FIAS	Foreign Investment Advisory Services.
Financing Agreement	The legal agreement that IFC enters into with the client, which defines the terms of financing. This may include loan and equity agreements.
FMS	The Financial Markets Sustainability team, which works on sustainability and value-add financing within IFC's Global Financial Markets Department.
FMTAAS	Funding Mechanism for Technical Assistance and Advisory Services.
FPIC	Free Prior and Informed Consultation.
GEF	Global Environment Facility.
GEM	Gender Entrepreneurship Markets program.
GPOBA	Global Partnership for Output-Based Aid.
iDocs	The integrated and Web-enabled workspace for IFC operations; serves as

	the electronic repository of IFC's project records and documents.
IEG	Independent Evaluation Group.
IFC-Managed Advisory Services Facilities	Facilities or activities that are managed by IFC and that are set up with or use some combination of donor funding, IFC grant funding, or third-party funding to support specific regional or sectoral activities. Activities include providing technical assistance, special financing, advisory services, and training. AS Facilities include all the Private Enterprise Partnerships and Project Development Facilities within IFC, as well as all donor-funded facilities set up to support business in specific areas such as Carbon Finance.
InfoShop	The World Bank InfoShop, which allows interested parties to request and obtain publicly available information about IFC's investments. The InfoShop deals only with requests for specific documents (including ESRs, SPIs and E&S reports), not with blanket requests for information related to the World Bank Group.
IRM	Investment Review Meeting. After completion of project appraisal, the Director of an IFC Investment Department chairs this meeting, which is the basis for IFC management approval of the project. The full project team attends the IRM as appropriate.
Lead Specialist	The social and environmental specialist responsible for leading and managing the social and environmental review of a proposed investment in collaboration with other social and environmental specialist(s) on the project team.
Manager CESI	The Manager of the CES Investment Support Group.
Market Instrument	A financial instrument where the instrument holder has limited influence, or none, over the operations of the issuer of the instrument. This may include listed equity, commercial paper, bonds, and other debt or equity instruments that are traded in the market.
MOR	Monthly Operations Report included in the PSD-ER.
NOP	No Opinion Possible.
PDS-ER	Project Data Sheet—Early Review.
PDS-IR	Project Data Sheet—Investment Review.
Peer Review Meeting (PRM)	A Peer Review Meeting is typically held during the early stages of appraisal for all Category A projects and for Category B projects that have unique or difficult issues. The purpose of a Peer Review Meeting is to achieve consistency in professional judgment and to learn from one another.
Project Attributes	Project information and indicators collected for all investments in order to determine the social and environmental characteristics and footprint of the portfolio. This information is then used to track issues over time and to communicate the S &E impacts and outcomes of our investments.
Project Data Sheet (PDS)	A document prepared by the project team that contains a project description, and details of the potential investment, highlights any policy

	issues and potential deal-breakers, reviews IFC's role in the project and development impact, and outlines issues and policy concerns (including project categorization). The PDS is continually updated during project appraisal and is a key decision document for the Investment Review Meeting.
Policy	IFC's policy on social and environmental sustainability.
PSR	Project Supervision Report.
PS	IFC's Performance Standards on Social and Environmental Sustainability.
Retail Operations	For an FI where the financing or financial service is provided only to individuals, such as credit cards, personal loans, home loans, vehicle leasing.
SEPR	The E&S Performance Report provided by an FI client.
SPI	Summary of Proposed Investment, a document prepared by the Investment Department and publicly disclosed in accordance with IFC's Disclosure Policy.
Standalone AS	Facilities or activities that are managed by IFC and that are set up with or use some combination of donor funding, IFC grant funding, or third-party funding to support specific regional or sectoral activities. Activities include providing technical assistance, special financing, advisory services, and training but that are not in conjunction with a Direct Investment project.
Supplemental Actions	Additional or corrective actions to be taken by the client, to be incorporated in the Action Plan to address any gaps in the project meeting the IFC performance requirements or as a result of new information.
Team Leader (Industry/Regional)	The leaders of teams within CESI who are responsible for the CES specialists working with specific Industry Departments.
Technical Discussions	Similar to a Peer Review Meeting but focused on a narrow issue with selected experts on that particular issue(s).
ToR	Terms of Reference.
Transaction Leader	The representative of the Investment Department of IFC who is responsible for managing the overall transaction for an investment or advisory project.
Transboundary Issues	Environmental issues, such as air pollution and abstraction of water from, or pollution of, international waterways.
XPSR	Expanded Project Supervision Report which is a five year retrospective review of IFC's investment.

## INTRODUCTION

A fundamental part of IFC's mission is its commitment to environmental and social sustainable development. IFC's Policy and Performance Standards on Social and Environment Sustainability and IFC's Policy on Disclosure of Information provide the basis of this commitment. Specifically, the Social and Environmental Sustainability and the Disclosure Policies define the outcomes that IFC must achieve while the Performance Standards (PSs) stipulate the outcomes that IFC clients must achieve.

This document sets out the IFC's Environment and Social Review Procedures (ESRP). The ESRP outline management-approved steps for proposed investments, thereby supporting compliance with the IFC commitment to environmentally and socially sustainable development. These procedures complement the IFC Operational Procedures and are aligned with the typical investment cycle.

The ESRP apply to the full range of IFC's investment activities (e.g., direct lending to private enterprises including corporate and project finance; lending to financial intermediaries; minority equity/shareholding in companies, financial institutions, and other entities; structured finance products such as guarantees, securitizations; municipal finance; and, advisory services).

The ESRP encompass IFC's review and supervision responsibilities for environmental and social (E&S) performance throughout the investment life cycle. Application of the PS varies according to the client's business (e.g., industrial companies versus financial institutions) and the nature of IFC's intervention. The ESRP also describe the application methodology to implement IFC's institutional disclosure requirements in accordance with the Disclosure Policy.

IFC investment timing in relation to a client's business activities and project implementation vary from project to project. IFC does not control the timing of its entry into a project; IFC's engagement, more often than not, occurs well after the project is conceived, with the site selected and development started. IFC's approach is, whenever possible, to take full advantage of assessment work undertaken by the client before IFC's entry into the transaction thereby minimizing additional processing burdens. Of particular importance is the adequacy of the client's Environmental and Social Management System (ESMS).

IFC has and continues to develop a range of tools to assist its clients improve environmental and social management performance and outcomes. Other sources of information that complement the PS include the Guidance Notes for the Performance Standards; IFC Environmental Health and Safety Guidelines, which provide specific benchmark criteria in line with good international industry practice; and, a diverse range of best practice materials. The ESRP therefore do not include technical guidance for specific social and environmental issues. The ESRP constitute structured, parametric guidance to continuously improve consistency and quality of its review process and ensure that policy gaps are identified and closed. The ESRP thus help to fulfill the Corporation's commitment to sustainable development. IFC's advisory services are used to influence and improve performance whenever possible.

The ESRP include an amended investment categorization methodology. This approach entails provisional categorization during initial screening in accordance with potential adverse impacts. Subsequently, after IFC's review, when all outcome requirements of the client have been captured in the culmination of IFC's due diligence process, definitive categorization is assigned. Final categorization defines the severity of the potential E&S impacts and defines the commensurate IFC institutional and client disclosure activity.

IFC's environmental and social specialists (CESI) are integral to IFC's approach to optimizing outcomes. The ESRP are not intended as a substitute for their professional judgment and expertise. Conversely, the ESRP provide parameters to guide consideration and documentation of key issues and decisions that are made during the investment cycle. CESI's quality assurance process incorporates an information analysis and decision recording system, the environmental and social review document (ESRD). The ESRD facilitates the creation of a permanent record denoting findings and structuring of ameliorative measures.

Guidance in the ESRP is consistent with the chronology of events in the investment project cycle and is to be followed by all environmental and social specialists. Deviation from procedural guidance implies authorization by the Manager CESI and documentation in the ESRD. As IFC implements decentralized authority for decision making, roles and responsibilities are transitioning in accordance with Annex 1.5.1.

# **1 ENVIRONMENTAL AND SOCIAL TEAM ASSIGNMENT AND APPLICABLE PROCEDURES**

## **1.1 Purpose and Applicability**

1.1.1 This procedure describes the steps for determining the scope of the environment and social (E&S) review that IFC shall conduct for all investments and financial services. Advisory Services' (AS) projects are addressed in Environmental and Social Review Procedure (ESRP) 11.

## **1.2 Procedure**

1.2.1 The Transaction Leader arranges for an early concept review meeting with E&S participation. Classification (i.e., direct or financial intermediary (FI) investments) shall be confirmed at this meeting. Classification shall be based on the activity itself and not according to the department handling the transaction. For instance, the Sub-National Finance Department or other industry departments such as Global Manufacturing may have FI category projects.

1.2.2 The CES Team Leader is determined according to the Delegated Authority Matrix (Annex 1.5.1). The Team Leader or E&S specialist assigned by the Team Leader participates in the early concept meeting.

1.2.3 Once it is determined that a project will move forward, the Team Leader assigns the Lead Specialist, and additional social or environmental specialists as required, to support the Lead Specialist in the project review and appraisal. In high risk projects, the Team Leader should consult with the Manager CESI prior to assigning a team.

1.2.4 Ensure that the investment or service is not in contravention of IFC's "Exclusion List" (Annex 1.5.2)

1.2.5 For all Direct Investments, go to ESRP 2. For all FI investments go to ESRP 7.

1.2.6 Create an Environment and Social Review Document (ESRD) for the project and record general information about the investment under consideration.

## **1.3 Responsibilities**

- 1.3.1 The Transaction Leader is responsible for:
- a. Calling for an early concept review meeting;
  - b. Providing the Lead Specialist with the information necessary to determine the scope of the project's E&S review in accordance with this procedure; and
  - c. Entering the E&S team assigned by the Team Leader into iDesk.

- 1.3.2 The Team Leader is responsible for:
  - a. Either attending or assigning staff to participate in the early concept review meeting;
  - b. Assigning E&S project team; and
  - c. Complying with Annex 1.5.1
  
- 1.3.3 The Lead Specialist is responsible for:
  - a. Determining the requirement for further review, and its scope, in accordance with this procedure;
  - b. Creating the ESRD; and
  - c. Uploading available project information to iDocs.
  
- 1.3.4 The ACS is responsible for:
  - a. Assisting the Lead Specialist with the ESRD creation and uploading data to iDocs.
  
- 1.3.5 The Manager CESI is responsible for:
  - a. Advising the composition of E&S teams for high risk projects.
  
- 1.3.6 The AS officer is responsible for:
  - a. N/A.
  
- 1.3.7 The Manager of AS is responsible for:
  - a. N/A.
  
- 1.3.8 All AS DFOs and Departments are responsible for:
  - a. N/A.
  
- 1.3.9 The Portfolio Officer is responsible:
  - a. N/A.
  
- 1.3.10 The Portfolio Manager is responsible for:
  - a. N/A.
  
- 1.3.11 The Director CES is responsible for:
  - a. N/A.
  
- 1.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
  - a. N/A.
  
- 1.3.13 The VP Industry is responsible for:
  - a. N/A.

## 1.4 Records and Documentation

1.4.1 ESRD document.

1.4.2 Documents provided by client to be filed in iDocs.

## 1.5 Annexes

1.5.1 CES Delegated Authority Matrix for Implementation of the ESRP.

This matrix outlines the delegation of authority extended by the Director CES to CESI staff (namely Regional Team Leaders (RTL)) in response to the IFC's Regional Delegated Authority arrangements and procedures as they are designed and implemented across the different regions. This matrix also clarifies the role of the Industry Team Leader (ITL) with regards to non-delegated authority projects.

**Key Operating Principles:** In addition to the core objective of responding to the Delegated Authority procedures prevailing in each region, the CES delegated authority matrix has been prepared in consideration of the following principles:

- a. Responsible and pro-active social and environmental risk management;
- b. Active and consistent communication across the matrix, at both the pipeline, project, portfolio and strategic levels;
- c. Consistency with operational policy precedents and interpretation, in consultation and collaboration with the Managers CESI and Head, Policy and Standards Team;
- d. Optimization of human resource allocation to investment support activities in a way that results in the best possible deployment of staff and expertise; i.e., CES technical and operational support must continue to be of the highest quality—to have the “right team on the right deal”;
- e. Avoid conflict of interest for the purpose of ESRP clearance/sign-off requirements; and
- f. Consistent with the ITL Terms of Reference (ToR) and the RTL ToR.

**Delegated Authority Criteria:** Delegated Authority is extended for projects qualifying under Regional Delegated Authority (criteria and thresholds are determined for each region) except under the following conditions and/or circumstances:

- a. Any project that is high risk (i.e., triggers a significant/exceptional Performance Standard issue, requires a labor audit, or has a PS issue that either cannot be mitigated or will not be mitigated for a significant amount of time). This includes category B projects which meet the high risk definition and all projects with potentially significant impacts (Category A);
- b. Any project that requires assessment of Broad Community Support; and
- c. Financial Intermediary (CGF) or Funds (CFN) projects (Sections 7, 8 and 10 of the ESRP).

While authority is not extended in these circumstances, Managers CESI and RTL must be informed of project status through pipeline management reports and engaged as appropriate to ensure client relationship objectives.

The following activities will remain responsibilities of the Director CES and Managers CESI:

- a. The role of the Director CES in the ESRP will not be delegated; and
- b. Peer Review Meetings will be chaired by a Manager CESI in HQ.

## Lead Roles & Responsibility for Delegated and Non-Delegated Authority Projects

Activity	Industry Team Leader (ITL) Role & Responsibility for Non-Delegated Authority Projects	Regional Team Leader (RTL) Role & Responsibility for Delegated Authority Projects
<p><b>Quality Assurance and Clearance on Delegated Authority projects</b></p>	<p><b>Quality Assurance and Clearance on Non-Delegated Authority Projects.</b> The quality assurance area of responsibility relates to having oversight of a group of sector specific projects and ensuring consistent practice, quality in processing and documentation, risk management, recognizing trends and policy issues that are different from current interpretation/practice. It also includes ensuring that the specialists that process these projects fully implement the ESRP. For non-delegated authority projects, the ITL will:</p> <ul style="list-style-type: none"> <li>▪ Review key documents and provide clearance in accordance with ESRP (i.e., Category B ESRS/ESCM, Category A ESRS/ESCM in preparation for CESI Manager clearance);</li> <li>▪ Review adequacy of due diligence documentation in the ESRD on non-Delegated Authority projects as well as performance indicator and DOTS completion; and</li> <li>▪ Review quality of supervision activity on a random sample of portfolio, the size of the sample to be discussed and agreed with CESI managers.</li> <li>▪ Ensure consistent CESI approach to projects (i.e., analysis of project issues and development of mitigation measures), consulting with RTL to ensure desired outcome(s) when appropriate and necessary;</li> <li>▪ Provide CES input at the Concept Review Meeting (CRM) if the CRM of the project is not being processed under delegated authority and if a LESS has not yet been assigned or cannot be at the CRM.; and</li> <li>▪ Participate in pre-appraisal reviews as needed or requested and appraise projects;</li> <li>▪ Call for and participate in Peer Review Meetings.</li> </ul>	<p><b>Quality Assurance and Clearance on Delegated Authority projects</b> The quality assurance area of responsibility relates to having oversight of a group of regional projects and ensuring consistent practice, quality in processing and documentation, risk management, and recognizing positive and negative trends. It also includes ensuring that the specialists that process these projects fully implement the ESRP. For delegated authority projects the RTL will:</p> <ul style="list-style-type: none"> <li>▪ Review key documents and provide clearance in accordance with ESRP (i.e., Cat B ESRS/ESCM) unless a joint decision is made for the ITL to retain the clearance function (and as long as the ITL is not the LESS);</li> <li>▪ Review adequacy of due diligence documentation in the ESRD as well as performance indicator and DOTS completion;</li> <li>▪ Review quality of supervision activity on a random sample of portfolio, the size of the sample to be discussed and agreed with CESI Managers and</li> <li>▪ Transfer clearance authority to the ITL (or another RTL as appropriate) when the RTL is the Lead Specialist (LESS) on a project.</li> <li>▪ Projects outside the scope of delegated authority of the RTL should be brought to the attention of the relevant ITL as soon as possible for the assignment of LESS;</li> <li>▪ Oversee consistent CESI approach to projects (i.e., analysis of project issues and development of mitigation measures) in consultation with ITL to ensure desired outcome(s), when appropriate and necessary;</li> <li>▪ Provide CES input at the Concept Review Meeting (CRM) if the project is processed under delegated authority and if a LESS has not yet been assigned or cannot be at the CRM;</li> <li>▪ Participate in pre-appraisal reviews as needed and appraise projects; and</li> <li>▪ Call for and participate in Peer Review Meetings.</li> </ul>
<p><b>Portfolio Management</b></p>	<p><b>Supervision Management of Industry Portfolio.</b> As part of effective E&amp;S risk management, and in support of portfolio knowledge, efficient staff deployment and enhanced client relations, the ITL will:</p> <ul style="list-style-type: none"> <li>▪ Assist the RTL in planning the supervision program for each regional portfolio, assigning staff and delivering supervision of the portfolio (including XPSRs) with a goal of managing risk and reducing the E&amp;S knowledge gap.</li> </ul>	<p><b>Supervision Management of Regional Portfolio.</b> As part of effective E&amp;S risk management, and in support of portfolio knowledge, efficient staff deployment and enhanced client relations, the RTL will:</p> <ul style="list-style-type: none"> <li>▪ Oversee the delivery of the supervision program of the regional portfolio with the goal of managing the risk and reducing the E&amp;S knowledge gap;</li> <li>▪ Plan supervision for the year, including staff assignments, in conjunction with the ITLs, QA team and other RTLs where regional collaboration is</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Manage the process of identifying, contracting, on-boarding and ensuring quality outputs from the global roster of technical expert consultants;</li> <li>▪ Meet with the Industry portfolio manager, if based in D.C., once a quarter; and</li> <li>▪ Perform supervision(s) as needed.</li> </ul>	<p>feasible;</p> <ul style="list-style-type: none"> <li>▪ RTL will manage process of identifying, contracting, training and ensuring quality control from regionally based consultants with the support of both global and regional colleagues;</li> <li>▪ Inform CESI Manager and ITL on the status of supervision on a monthly basis;</li> <li>▪ Meet with the Regional portfolio cluster manager a minimum of once a quarter to ensure that the supervision plan represents the most up to date status;</li> <li>▪ Represent CESI at regional portfolio review meetings; and</li> <li>▪ Perform supervisions as needed.</li> </ul>
<p><b>Strategy &amp; Program Support</b></p>	<p><b>Industry Department Strategy and Program Support.</b> The ITL, along with responsible CESI Manager, will work with the investment and portfolio management staff of Investment and Regional Departments. ITL will:</p> <ul style="list-style-type: none"> <li>• Provide high level advice and support on strategy development as well as industry department inputs to corporate sustainability initiatives and programs;</li> <li>▪ Contribute to each regional pipeline and watch list and report on industry as well as strategic initiatives; and</li> <li>▪ Assume business development roles as requested by industry-based industry managers, as time permits.</li> </ul>	<p><b>Regional Department Strategy and Program Support.</b> The RTL will work with the investment and portfolio management staff of Regional Departments to:</p> <ul style="list-style-type: none"> <li>• Provide high level advice and support on strategy development as well as regional inputs to corporate sustainability initiatives and programs;</li> <li>▪ Maintain and report on regional pipeline, watch list and portfolio E&amp;S performance as well as strategic initiatives; and</li> <li>▪ Assume or delegate business development roles in collaboration with regionally based industry or business development managers, as time permits.</li> </ul>

### 1.5.2 Exclusion List

The IFC Exclusion List defines the types of projects that IFC **does not** finance.

IFC does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.<sup>1</sup>
- Production or trade in alcoholic beverages (excluding beer and wine).<sup>1</sup>
- Production or trade in tobacco.<sup>1</sup>
- Gambling, casinos and equivalent enterprises.<sup>1</sup>
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length. A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

**All financial intermediaries (FIs)**, except those engaged in activities specified below\*, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

\* When investing in **microfinance** activities, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

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<sup>1</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>2</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>3</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

\* **Trade finance projects**, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>

## 2 DIRECT INVESTMENTS: EARLY REVIEW AND PROJECT SCREENING

### 2.1 Purpose and Applicability

2.1.1 This procedure describes the environment and social (E&S) review process for the Project Data Sheet-Early Review (PDS-ER) stage. It includes an initial identification of potential E&S issues, applicable Performance Standards (PSs), provisional E&S categorization and their communication to the Transaction Leader.

### 2.2 Procedure

2.2.1 For projects in which IFC has an **existing investment**, and all the following conditions are met, no further review is generally required:

- a. IFC has previously conducted an E&S review that is consistent with the IFC PS;
- b. The existing investment has been supervised within the previous 12 months and its performance has been determined to be in compliance with the IFC PS, the Environmental and Social Action Plan (ESAP) and applicable Environmental Health and Safety (EHS) Guidelines; and
- c. The new investment will not result in any material change in the E&S impacts associated with the project. However, the covenants and reporting requirements will be extended to cover the proposed investment.

If all the above requirements are met, retain the E&S categorization of the initial investment and provide wording for the monthly operations report (MOR) (Annex 2.5.1) including the environmental and social risk rating (ESRR) of the existing investment and go to Procedure No. 3.2.14. However, if the above requirements are not met, conduct a supervision visit (ESRP 6).

2.2.2 For projects where IFC's proposed financing is aimed only at **improving the efficiency of capital** (e.g., financial restructuring) and will not be used for new or existing physical facilities or assets, or IFC will not be able to exercise direct influence on the operations of a project such as:

- a. IFC investment in a market instrument issued by the project; or
- b. Where the IFC investment proceeds will support a minority and non-controlling ownership stake in a company.

Review available information to determine if the underlying asset to be financed is expected to be implemented and operated in a manner that will meet the requirements of IFC PS, record the decisions and supporting analysis in the Environment and Social Review Document (ESRD), provide wording for MOR (Annex 2.5.1) and go to Procedure No. 3.2.14. However, if there is inadequate information to assess compliance with IFC PS then go to Procedure No. 2.2.5.

2.2.3 For projects where IFC's proposed financing is for **Rights Issues** where the subscription price for additional shares in each transaction exceeds ten million dollars (\$10,000,000), no review or public disclosure documents (Summary of Proposed Investment (SPI) and Environment and Social Review Summary (ESRS)) are necessary per IFC's Operational Procedures XI.2. This should be recorded in the comment section of ESRD of the original investment. The project categorization should be the same as the original investment categorization and should be entered in iDesk.

2.2.4 For investments involving **trade finance**, the environmental and social Categorization should reflect the risks of the prospective client company, its operations, holdings and activities. It is possible that the risks posed by a vertically integrated company, where the same company owns, or has direct influence upon, several levels (echelons) of the supply chain, are greater than the risks posed by a pure commodity trader who does not own or influence any levels of the supply chain and that all they do is trade or exchange of raw or primary products. Supplemental considerations affecting categorization include future proposed developments such as land acquisition, commodity pricing variations in the supply chain which potentially indicate a low wage labor situation, and known or potential social abuses.

2.2.5 For projects with **minimal adverse impact** (Category C), and therefore where limited elements of PS1 and/or PS2 may be applicable and IFC will potentially be able to exercise direct influence on a project's operations, follow the following steps:

- a. Document due diligence and rationale for categorization in the ESRD;
- b. Obtaining clearance in ESRD for Category C projects from the Team Leader;
- c. Enter the Category in iDesk;
- d. Provide E&S wording to the Transaction Leader for inclusion in the MOR wording as (Annex 2.5.1) and Mandate Letter (Annex 2.5.3) that lists the indicative conditions of IFC participation as well as the specific provisions of the IFC PS that would apply;
- e. Confirm that the Transaction Leader has provided the IFC PS to the client
- f. Ask the Transaction Leader to obtain E&S information needed to confirm the Category C.
- g. Provide wording for the Investment Review Meeting (IRM) and SPI (Annexes 3.5.3 and 4.5.1, respectively). Disclosure of the SPI must occur for no less than 30 days prior to consideration of the investment by IFC's Board of Directors/Management; and
- h. Provide input to the drafting of legal agreements. In addition to a general covenant requiring client compliance with the IFC PS, include requirement for client to report to IFC any serious accident.

Record findings in the ESRD and request ACS staff to list documents reviewed in ESRD and upload them in iDocs.

This ends the procedure for category C unless E&S reporting is required from client in which case follow procedure ESRP 6.

2.2.6 **For all other projects** obtain and review available assessment information, including the following:

- a. Previously prepared assessment reports;
- b. Planning and concept documents;
- c. Project-related environmental or social studies and plans;
- d. Technical documentation of pollution control plans and criteria;
- e. Applicable legal and regulatory frameworks;
- f. Community engagement activities (information disclosure, dissemination, consultation, and other participatory processes); and
- g. Information collected during discussions with the client.

2.2.7 Determine, to the extent possible:

- a. The potential environmental and social issues of concern;
- b. A preliminary indication of the client's E&S management capacity;
- c. The nature and magnitude of the potential impacts; and
- d. The specific IFC Performance Standards that would likely apply to the investment, based upon currently available information.

2.2.8 In coordination with the Transaction Leader, conduct a pre-appraisal site visit in cases where:

- a. The information provided is insufficient to prepare PDS-ER; and
- b. Where it is considered necessary by the Lead Specialist given the nature and complexity of the project or specific issues associated with it.

2.2.9 Record the key decisions and supporting analysis in the ESRD referencing the pre-appraisal Back to Office report (BTO) for the site visit (Annex 2.5.4).

2.2.10 Inform the Team Leader and the Manager CESI of projects that are not expected to meet the PS.

2.2.11 Where possible prior to appraisal, determine if IFC will want to retain an External Expert to support IFC's E&S review or will expect the client to engage one or more External Expert(s) for the clients assessment work, and notify the client accordingly.

2.2.12 Advise the Transaction Leader on key anticipated development impact of the project from E&S standpoint.

2.2.13 Provisionally classify the project as Category A or B and provide the wording for the MOR (Annex 2.5.1).

2.2.14 Enter the provisional Category in iDesk, and check that CESI project team members are correct, if not make necessary changes.

2.2.15 If a COC meeting is called:

- a. Brief the Manager CESI and the Director CES prior to the meeting on issues that present significant social and/or environmental concern, including reputational risk, projects that are likely to require a major commitment of CESI resources or projects that are likely to establish precedent in CESI practice; and
- b. Participate in COC meeting and respond to E&S inquiries from the Committee;

2.2.16 Provide E&S wording to the Transaction Leader for inclusion in the Mandate Letter (Annex 2.5.3), when deemed necessary, that lists the indicative conditions of IFC participation. Where possible, this should include:

- a. The performance requirements including the IFC PS and applicable EHS Guidelines; and
- b. Where determined, the need for one or more External Expert(s) to support IFC's review or the client's assessment process.

2.2.17 Confirm that the Transaction Leader has provided the IFC PS to the client.

2.2.18 For the steps conducted in this procedure, record findings in the ESRD and request ACS staff to list documents reviewed in ESRD and upload them in iDocs.

## 2.3 Responsibilities

2.3.1 The Transaction Leader is responsible for:

- a. Providing the Lead Specialist with information to determine the applicability of environmental and social review for the project in accordance with this procedure;
- b. Determining, in conjunction with the Lead Specialist, the need for a pre-appraisal trip;
- c. Providing IFC's indicative requirements to the client; and
- d. Entering key and anticipated development impacts into DOTS' "Expected Development Impact" section.

2.3.2 The Lead Specialist is responsible for:

- a. Determining the applicable performance requirements;
- b. Determining, in conjunction with the Transaction Leader, the need for a pre-appraisal trip and conducting it if required;
- c. Providing E&S wording for the MOR ensuring that the E&S risks are adequately addressed in the PDS-ER, and the client Mandate Letter;
- d. Obtaining clearance in ESRD for Category C projects from the Team Leader;

- e. Advising the Transaction Leader on key anticipated development impact(s) of the project from an E&S standpoint;
  - f. Informing the Team Leader and the Manager CESI of projects that are not expected to meet the PS; and
  - g. Informing ACS staff of documents to be uploaded in iDocs.
- 2.3.3 ACS staff is responsible for:
- a. Listing documents reviewed by project team in ESRD and uploading the same into iDocs.
- 2.3.4 The Team Leader is responsible for:
- a. Clearing Category C projects in ESRD; and
  - b. Complying with Annex 1.5.1.
- 2.3.5 The Manager CESI is responsible for:
- a. N/A.
- 2.3.6 The AS officer is responsible for:
- a. N/A.
- 2.3.7 The Manager of AS is responsible for:
- a. N/A.
- 2.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 2.3.9 The Portfolio Officer is responsible:
- a. N/A.
- 2.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 2.3.11 The Director CES is responsible for:
- a. N/A.
- 2.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. N/A.
- 2.3.13 The VP Industry is responsible for:
- a. N/A.

## **2.4 Records and Documentation**

- 2.4.1 MOR's E&S wording recorded in the ESRD.
- 2.4.2 ESRD containing:
  - a. Pre-appraisal findings; and
  - b. References to the pre-appraisal BTO and other documents reviewed.
- 2.4.3 Mandate letter E&S input filed in iDocs.
- 2.4.4 BTO (where a pre-appraisal site visit has been conducted) referenced in ESRD and filed in iDocs).

## **2.5 Annexes**

- 2.5.1 MOR/PDS-ER wording.  
*[Link provided for staff]*
- 2.5.2 PDS-IR wording.  
*[Link provided for staff]*
- 2.5.3 Outline for E&S inputs for client mandate letter.  
*[Link provided for staff]*
- 2.5.4 BTO template.  
*[Link provided for staff]*
- 2.5.5 SPI wording  
*[Link provided for staff]*
- 2.5.6 Board Paper wording  
*[Link provided for staff]*

### **3 DIRECT INVESTMENTS: APPRAISAL**

#### **3.1 Purpose and Applicability**

3.1.1 This procedure describes the environmental and social (E&S) appraisal process for Direct Investment projects following client approval of the Mandate Letter through the Investment Review Meeting.

#### **3.2 Procedure**

3.2.1 Review project assessment information.

- a. Evaluate quality, adequacy and relevance of information:
  - i. Evaluate the quality and adequacy of the scope of the assessment. In the case of assessments already completed, evaluate whether the information represents current conditions. Ensure that activities underway or completed prior to IFC's involvement are included.
  - ii. Ensure that the scope of the environmental assessment is consistent with the area of influence of the project, as described in PS1, including the identification of any associated facilities.
  - iii. Review the appropriateness of the timetable for implementation of the client's Action Plan.
- b. Review information on the client's Environmental and Social Management System (ESMS), focusing on:
  - i. The client's E&S policy and procedures;
  - ii. The current organization structure, staffing and funding;
  - iii. Performance monitoring procedures;
  - iv. Reporting of results to management;
  - v. The client's track record in E&S management to date; and
  - vi. The client's Environmental and Social Management Program, including an Action Plan for addressing gaps and issues.
- c. Request and review the information documenting the nature and extent of consultation and/or disclosure undertaken by the client for the project.

3.2.2 Confirm the complement of specialists needed to meet IFC's review requirements with the Team Leader (Annex 1.5.1), the Transaction Leader, and, where necessary, the Manager CESI.

3.2.3 If required, conduct an appraisal mission. This may include a visit to the client's headquarters, to one or more operating facilities, to associated facilities, and/or supply-chain operations. In certain situations, multiple appraisal missions may be required. Record findings in the Back to Office (BTO) section of the Environment and Social Review Document (ESRD).

- 3.2.4 Based on information reviewed and/or the appraisal mission, determine if:
- a. IFC will require the client to conduct additional assessments in order to determine the applicability of, or compliance with the IFC PS. Identify any additional studies that may be needed to address larger issues such as cumulative impacts and regional assessments (also the potential source of such studies for example, national governments, IBRD) if the work will not be the responsibility of the client.
  - b. The client will need to engage an External Expert. This support is required for E&S assessment in projects with: potentially significant impacts (PS1), certain structural element (PS4), critical habitat or legally protected areas (PS6), Indigenous Peoples Special Requirements (PS7), or cultural heritage issues (PS8). If so, notify the Team Leader and Transaction Leader of this determination, copying project file in iDocs.

3.2.5 Identify other support team members including External Experts, industry department specialists, or staff from IFC's regional offices and the Department of Partnerships and Advisory Services Operations. Where there are multiple support team members, develop, in coordination with the Transaction Leader, a timetable for interaction among the client and the various support team members to meet the client's needs. The appointment of and Terms of Reference for External Experts will be cleared by the Manager CESI.

3.2.6 Corporate capital investment clients may be engaged in a broad range of activities. The scope of the review of the representative set of projects will be guided by the nature of the corporate investment to be made by IFC. **For all corporate capital investments:**

- a. Identify all areas of business activity undertaken by the client. IFC's review should be extended to any activity by that entity that could reasonably be expected to present a risk to IFC's reputation by association with that activity, even if IFC is not financing it directly.
  - i. Where IFC is providing loans or other financing to a company operating in a range of business sectors but IFC's support is directed to a particular business sector or sectors, a robust analysis of IFC's investment is required with documentation in the ESRD. Unrelated business sectors will normally not be subject to review;
  - ii. In the case of corporate investments involving a regionally based company operating in several countries, where the IFC loan or other financing is directed to operations in a particular country or countries, then the review will normally be limited to the activities within that particular country or countries and to facilities that are connected or associated with these activities;
  - iii. In the case of corporate investments that are more general in nature, such as provision of working capital, equity or an investment in holding companies, IFC's review will take into account the full range

of operations undertaken by the legal entity in which IFC plans to invest, including any significant operations undertaken by its subsidiaries and companies for which it has management control.

- b. Review the adequacy of the client's ESMS to enable future projects' compliance with the IFC PS. To make this determination, review the client's ESMS or existing elements/practices of an ESMS and then review the social and environmental performance of a representative set of past projects and assess how they have been handled by the client's ESMS. An appraisal mission may be required for this.

3.2.7 For companies with indirect exposure to significant social and environmental risk through their contracted activity (e.g., construction, oil field service companies, and mining exploration, among others), appraisal should take account of this third party risk:

- a. Review historical information and new business opportunities with the IFC client to determine the nature of projects that the IFC client is likely to be involved in, and the likelihood of encountering third party PS or exclusion list issues.
- b. Ensure that the clients' ESMS includes a screening mechanism that would identify if there are significant non-compliances with IFC PS for sub-contracted activities.
- c. When the client has control or influence over the action or behavior of the third party, make best efforts to ensure that the client collaborates with the third party to achieve outcomes consistent with the PSs. Specific requirements and options will vary from case to case.

3.2.8 The Lead Specialist should determine the need for:

- a. A detailed technical review (encouraged for any projects where the project team can benefit from additional expertise); and/or
- b. A Peer Review Meeting (PRM).

3.2.9 A PRM will be conducted in the following cases:

- a. Where projects have, or may have, significant adverse E&S impacts that are diverse, irreversible, or unprecedented, and that can be only partially addressed through mitigation measures;
- b. For quality assurance where project issues are common to a number of projects and a common approach is needed;
- c. Where there is a complex project with an E&S issue that is uncommon or has not been encountered before and the Lead Specialist needs guidance from colleagues; or
- d. Any other situation where the Manager CESI indicates the need for CESI-wide review.

3.2.10 Follow the guidance on requesting, conducting, and recording a department wide PRM (Annex 3.5.2).

- 3.2.11 Review the project against the IFC PS and carry out the following steps:
- a. Confirm the applicable performance requirements and project categorization;
  - b. Determine how the client (or third party, as applicable) is performing against the requirements stipulated in the general and sector specific World Bank Group (WBG) Environmental Health and Safety (EHS) Guidelines;
  - c. Determine how the client will monitor performance on a continuing basis;
  - d. Determine how the client has met or will meet its disclosure and consultation obligations, as outlined in the IFC PS (including a non-technical summary, in English);
  - e. Where the client is required to conduct Free Prior Informed Consultation (FPIC), determine whether the project has Broad Community Support (BCS) (Annex 3.5.1). The Manager CESI should be consulted, and the Director CES should be provided with the outcome of the BCS review. Where BCS is confirmed, the Director CES must clear the outcome;
  - f. Identify any gaps between the client's assessment, the PS and EHS Guidelines in the Environmental and Social Review Summary (ESRS) (Annex 3.5.4), and where gaps exist, develop an Environmental and Social Action Plan (ESAP) (Annex 3.5.5) to close these gaps;
  - g. If there are any other Multilateral Investors, including IBRD and MIGA, coordinate the E&S Review with the other investors to determine opportunities to share information and avoid duplication or inconsistency; and
  - h. Determine whether there are any transboundary E&S issues, considering:
    - i. If the project entails activities that may cause adverse effects through air pollution or abstraction of water from or pollution of international waterways;
    - ii. If the affected countries and the host country have entered into any agreements or arrangements or have established any institutional framework regarding the potentially affected airshed, waterway, subsurface water, or other resources; and
    - iii. If there are any unresolved differences between the affected and host countries regarding the potentially affected resource, and the likelihood of a resolution.

3.2.12 Where transboundary conditions described above are present or anticipated, then carry out the following steps:

- a. Record transboundary issues in the ESRD and inform the Manager CESI;
- b. Provide technical documentation to the Transaction Leader for further communication to the members of IFC's Board of Directors representing countries that are likely to be impacted by the potential transboundary E&S issue. Provide the Transaction Leader with technical documentation including:
  - i. Copies or summaries of any existing agreements, arrangements, or institutional frameworks;
  - ii. A map of the transboundary region prepared and cleared by the client;

- iii. A copy of the IFC-prepared Environmental and Social Review Summary (ESRS);
- iv. Support the Transaction Leader in requesting any coordination with the World Bank, and ensure that the matter forms part of the IFC's disclosure of the project; and
- v. Identify if IFC may require one or more External Expert to review and/or analyze transboundary impacts; the Lead Specialist should make a determination on the need for such expertise and report to the Manager CESI.

3.2.13 If the client proposes alternative performance measures to the WBG Environmental, Health, and Safety Guidelines, review the justification for this and determine adequacy. The use of alternative criteria less stringent than the relevant guideline must be cleared by the Manager CESI, and any decision and supporting analysis must be recorded in the ESRD.

3.2.14 Assign an E&S Category in iDesk to the investment, based on the review conducted so far, that reflects the magnitude of the potential impacts posed by the investment.

3.2.15 Record the E&S Category and rationale for categorization in the ESRD and in the ESRS (Annex 3.5.4)

3.2.16 Provide requisite wording for the IRM (Annex 3.5.3). Specifically include in the IRM book, when applicable and available, the draft ESRS (Annex 3.5.4) when ready, and the following documents:

- a. The Action Plan that closes gaps discussed in ESRS (Annex 3.5.5);
- b. The Peer Review recommendations and action taken; and
- a. BCS information.

3.2.17 Present and discuss issues, risks, and impacts along with their mitigation measures at the IRM, as required. At the IRM, the Director Industry Department (and where applicable Regional Director) reviews the recommendation on whether BCS is verified. The Lead Specialist will ensure that the outcome of BCS consultations with the Director CES (in accordance with 3.2.11e) is communicated at the IRM.

### **3.3 Responsibilities**

3.3.1 The Transaction Leader is responsible for:

- a. Communicating technical documentation to the members of IFC's Board of Directors representing countries that are likely to be impacted by potential E&S transboundary issues; and
- b. Including the E&S wording in the Decision Book and the Term Sheet.

- 3.3.2 The Lead Specialist is responsible for:
- a. Ensuring that the E&S appraisal is conducted in accordance with this procedure and documented in the ESRD;
  - b. Identifying potential opportunities to help the client enhance E&S outcomes;
  - c. Updating appraisal mission field in iDesk and distributing the BTO report;
  - d. Requesting a PRM;
  - e. Providing the findings of the review to the Transaction Leader for inclusion in the Decision Meeting documents;
  - f. Assigning an E&S category to the project;
  - g. Providing to the Transaction Leader technical documentation regarding E&S transboundary issues;
  - h. Drafting the ESRS and defining PS gaps;
  - i. Drafting the Action Plan to close gaps described in the ESRS; and
  - j. Verifying BCS and providing written outcome of the BCS to the Manager CESI and obtaining clearance from the Director CES.
- 3.3.3 ACS staff is responsible for:
- a. Listing documents reviewed by project team in ESRD and uploading the same into iDocs (3.4.1).
  - b. Coordinating PRM logistics (Annex 3.5.2).
- 3.3.4 The Manager CESI is responsible for:
- a. Approving variations to IFC Environmental Health and Safety Guidelines;
  - b. Confirming the need for the PRM as requested by the Lead Specialist and ensuring that it is conducted according to provisions of this procedure (Annex 3.5.2);
  - c. Requesting a PRM; and
  - d. Approving the appointment and Terms for Reference for External Experts to be used by IFC.
- 3.3.5 The AS officer is responsible for:
- a. N/A.
- 3.3.6 The Manager of AS is responsible for:
- a. N/A.
- 3.3.7 All AS DFOs and Departments are responsible for:
- a. N/A.
- 3.3.8 The Portfolio Officer is responsible:
- a. N/A.
- 3.3.9 The Portfolio Manager is responsible for:
- a. N/A.

3.3.10 The Director CES is responsible for:

- a. Providing clearance to confirm that BCS has been achieved.

3.3.11 The Director Investment Department (and where applicable Regional Director) is responsible for:

- a. Approving, along with the Director CES, that BCS has been achieved.

3.3.12 The VP Industry is responsible for:

- a. N/A.

### **3.4 Records and Documentation**

3.4.1 Undertake, or request ACS staff, to list in ESRD and file in iDocs the following documents, where present, in support of the analysis provided:

- a. List of additional assessment activities that the client needs to conduct, where required, including the scope of any additional activities to be filed in iDocs and referenced in ESRD;
- b. Client information provided in response to a questionnaire, such as the AIS, and list of information needs;
- c. Minutes of the PRM, including actions taken to address recommendations;
- d. Material Project Assessment Information and Action Plan, including any Supplemental Actions agreed with the client, to ensure that the assessment documents are complete;
- e. Client justification for alternatives to guidelines, where required, and approval by Manager CESI;
- f. Approval of the terms of reference used for any External Expert; and
- g. BTO.

3.4.2 Record the following information in the ESRD:

- a. Record of the appraisal covering each Performance Standard, including;
- b. How the client will be meeting the requirements;
- c. The Supplemental Actions the client is required to take to address any gaps;
- d. The descriptive project attributes that are standard in the ESRD;
- e. Project Performance indicators for supervision;
- f. Record of any alternative emission levels or standards that have been accepted; and
- g. PDS-IR wording and Draft Term Sheet input, and the list of Supplemental Actions (or a reference to the same).

## 3.5 Annex

### 3.5.1 Free Prior and Informed Consultation (FPIC) and Broad Community Support (BCS).

#### Introduction

The purpose of this Annex is to clarify IFC's approach and explain policy provisions in the Performance Standards regarding the terms Free Prior Informed Consultation (FPIC) and Broad Community Support (BCS). In addition to the Performance Standards, the Extractive Industry Review (EIR) also includes a requirement to establish FPIC/BCS for extractive industry projects.

This Annex was developed to i) ensure consistency in approach and application of FPIC and BCS and ii) establish a common understanding regarding FPIC/BCS requirements under the Performance Standards and the EIR. The matrix *Review of Evidence of FPIC and BCS* also serves as accompanying guidance and support to specialists.

#### Policy Provisions on BCS and FPIC

According to IFC Sustainability Policy, Paragraph 20, Broad Community Support is defined as, *“a collective expression by the affected communities, through individuals and/or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project.”*

PS 1, Paragraph 22, states: *“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.”*

PS 7, Paragraph 9, states: *“In projects with adverse impacts on affected communities of Indigenous Peoples, the consultation process will ensure their free, prior and informed consultation and facilitate their informed participation.”* Further more, paragraph 8 states, the need for *“informed participation of IPs”*, and paragraphs 12, 13, 14 and 15 state the client's obligation to enter into a, *“...good faith negotiation with the affected communities of the Indigenous Peoples, and document their informed participation and successful outcome of the negotiation.”*

Annex 3.5 of ESRPv2, *A Focus on ‘Affected Communities’ - The requirement on BCS in the Sustainability Policy makes it clear that “broad community support is a collection of expressions by the affected communities, through individuals, and/or their recognized representatives, in*

*support of the project.” The affected communities are those within the project’s area of influence, who will most likely feel the direct impacts of the project. “...the analysis will also include those who will directly benefit from the project...” The affected communities are a subset of a broader group of project stakeholders located within the project’s area of influence, in the region, host country, or elsewhere. IFC’s judgment on BCS involves the views of this subset of project stakeholders.*

With regards to the determination of BCS, ESRP Section 4.2.16 and 4.2.17 require the Environmental and Social Clearance Memorandum (ESCM) and the Board Paper to document the decision that has been taken on BCS. As well, the ESRD records the verification information at Board and during supervision.

The Extractive Industry Review Section on protecting the rights of people affected by extractive industry projects states that, “...the Bank Group will require a process of free, prior and informed consultation with affected communities that leads to the affected community’s broad support for the project.”

### **1) Projects where FPIC and BCS are required**

- a) In any proposed project **with significant adverse impacts on affected communities**, i.e., in any project categorized ‘A’ by virtue of its predicted social impacts.
- b) In any proposed project where Indigenous People are directly affected. As well, there is an obligation for clients to enter into good faith negotiation with IPs as outlined in PS7.<sup>1</sup>

### **2) Projects where the need for FPIC and BCS are subject to assessment and Peer Review**

- a) In cases where a project is classified as Category A mainly in respect of environmental impacts, but where there are **limited adverse impacts** on communities (i.e., offshore oil exploration and production facility), the Lead CES Specialist will determine the need for FPIC/BCS (including justification for the approach) and obtain confirmation by a PRM.
- b) In projects which do not have significant adverse impacts on affected communities **but which are nonetheless associated with significant community concerns and where there is a need to build community support**, the Lead CES Specialist will determine the need for FPIC/BCS (including justification for the approach) and obtain confirmation by Peer Review. Examples include so-called “large Category B” projects involving legacy issues, cumulative impacts, incremental risks and other circumstances.

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<sup>1</sup> As well in PS8, for projects involving IPs and their cultural property, paragraphs 9 (and 11), state that, “the client will conduct a good faith negotiation with and document the informed participation of the affected community (not necessarily IPs) the successful outcomes of the negotiations.”

### **3) Extractive Industry Projects**

All extractive industry projects follow the provisions in the Performance Standards, as outlined in points 1 and 2 above.

#### **Review of Evidence of Free Prior and Informed Consultation & Broad Community Support**

##### **Project Country:/Project Name:/Project No:**

In accordance with IFC's Policy and Performance Standards on Social and Environmental Sustainability, the following matrix provides evidence of IFC's assessment of stakeholder consultation and the views of stakeholders toward the subject investment project. IFC's assessment has considered data, process and outcomes under two review streams:

**Stream 1** – Has the client conducted free, prior and informed consultation regarding the investment project, and enabled the informed participation of affected communities?

**Stream 2** – What is the level of support and dissent related to the project among the affected communities for the investment project?

The status of each benchmark used to assess the quality of consultation and the level of support for an investment is ranked in the following manner: Excellent, Satisfactory, Partially Unsatisfactory and Unsatisfactory.

In addition to its consideration data analysis from these two review streams, IFC will also take into account the project context including the development benefits of the investment project as well as public policy and the local, regional and national political considerations.

#### **Project Description**

**Review Stream 1 – Has the Client conducted Free, Prior and Informed Consultation and enabled the Informed Participation of Affected Communities?**

Material Consideration	Examples of Validation Methods	Conditions at appraisal	Scoring and/ or Comments
<p><b>1. Company Strategy, Policy, or Principles on Community Engagement</b></p> <p>Strategy, policy, or principles for on-going engagement with explicit mention of project-affected households /or communities.</p> <p>An effective grievance mechanism procedure</p>	<p>Client's strategy, policy or principles or other supporting documents.</p> <p>A mechanism that is fully functioning throughout the ESIA and is adequate to receive and address the affected communities' concerns about the client's social and environmental performance.</p> <p>Client's organizational structure and responsibilities, and procedures for managing grievances.</p>		
<p><b>2. Stakeholder Identification and Analysis</b></p> <p>As part of the Social and Environmental Assessment (SEIA) process, identification of all project-affected households/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 should be undertaken. This analysis should also consider households/ communities that will benefit from the project.</p>	<p>Stakeholder analysis document as part of SEIA, Public Consultation and Disclosure Plans (PCDPs)/Stakeholder Engagement Assessments(SEAs).</p> <p>Client's planning documentation for community engagement, e.g. communications strategy, PCDPs/SEAs</p>		

Material Consideration	Examples of Validation Methods	Conditions at appraisal	Scoring and/ or Comments
<p><b>3. Quality of Community Engagement and Information Disclosure</b></p> <p>A process of consultation that is ongoing during the project planning process (including the process of Environmental and Social Assessment), such that:</p> <ul style="list-style-type: none"> <li>▪ affected communities have been engaged in: (i) identifying potential impacts and risks; (ii) assessing the consequences of these impacts and risks to their lives and livelihoods; and (iii) providing input into the proposed mitigation measures, the sharing of development benefits and opportunities and discussion of implementation issues;</li> <li>▪ new impacts and risks that have come to light during the planning and assessment process have also been discussed in the consulted process and;</li> <li>▪ timely disclosure by the client of project information has been made 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.</li> </ul>	<p>Client's schedule, material, record of community engagement and disclosure.</p> <p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of sub-groups (e.g., women, youth, minorities).</p>		



Material Consideration	Examples of Validation Methods	Conditions at appraisal	Scoring and/ or Comments
<p><b>c) Informed Participation</b></p> <p>Consultation with affected communities on project operations and potential adverse impacts and risks must be based on adequate and relevant disclosure of project information, 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>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>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>	<p><b>c) Informed Participation</b></p>	
<p><b>5. Evidence of Good Faith Negotiations (see Performance Standards 7 and 8)</b></p> <p>A collection of expressions of support or dissent for the project have resulted from negotiations that contain the elements of good faith negotiation (see Guidance Note 7)</p>	<p>One-to-one interviews with those involved in the negotiations.</p> <p>Agreements reached with affected households or groups.</p> <p>Written agreements, MoUs, MoAs, Heads of Agreement, Letters of Intent, Joint Statement of Principles, Community Development Plan / Indigenous Peoples Development Plan, Benefits Sharing Agreement, Land Acquisition and Compensation Plans or other documents that capture the outcome of the good faith negotiations.</p>		
<p><b>6. Vulnerable Groups – Consultation and Mitigation</b></p> <p>Evidence that individuals/households or groups particularly</p>	<p>Client's record of community engagement, including record of discussions with legitimate</p>		

Material Consideration	Examples of Validation Methods	Conditions at appraisal	Scoring and/ or Comments
<p>vulnerable to adverse project impacts and risks have participated in effective prior, free and informed consultation and evidence that the potential impacts and specific or exacerbated risks to them will be addressed and mitigated.</p>	<p>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><b>7. Feedback to affected communities</b></p> <p>Documentation that the client provided the results of consultation to the project-affected communities, and either:</p> <p>(i) demonstrated how concerns/issues 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</p> <p>(ii) provided a rationale why these concerns/issues and recommendations have not been accommodated.</p> <p>Evidence of a mechanism to receive and address any ongoing concerns of the affected community about the client's social and environmental performance.</p>	<p>Client's record of community engagement with recognized community representatives, respected key informants, and legitimate representatives of subgroups</p> <p>Client's documentation of measures taken to avoid or minimize risks to and adverse impacts on affected communities.</p> <p>Client's ongoing reporting on implementation of Action Plan.</p> <p>Revised management program or Action Plan.</p> <p>Client's organizational structure, responsibilities, and procedures for managing community concerns.</p>		

**Review Stream 2 - What is the level of project support or opposition among the affected communities?**

The approach is to document the degree of support for, or against, a project based on an accumulation of "material considerations." These are factors considered by IFC to form a judgment whether or not there is broad community support. All evidence for each material consideration is taken into account. In addition, IFC will analyze the context of the project (see the context table below).

Material Consideration	Method of Validation	Conditions at Appraisal
<p><b>Key Evidence of Support or objection</b></p> <p>A collection of expressions of support for, or opposition to, the project that have: (i) arisen through existing, formal, institutional and/or democratic processes and discussions with recognized community representatives; and (ii) discussions or negotiations undertaken explicitly in relation to the project with informal or traditional institutions, non-elected community leaders or elders, and other informal representatives of the affected community</p> <p>Evidence of organized support or dissent for the project undertaken by project-affected communities, with high relative levels of participation by: (i) the affected community as a whole; or (ii) by sub-groups particularly affected by the project</p>	<p>Written agreements, MoUs, MoAs, Heads of Agreement, Letters of Intent, Joint Statement of Principles, etc.</p> <p>Client records, photographs, media reports, personal letters or third party accounts, etc., regarding events/demonstrations/other activities for the project undertaken by project-affected communities, with high relative levels of participation by: (i) the affected community as a whole: or (ii) by sub-groups particularly affected by the project.</p> <p>Results of IFC site visit</p>	

## Strategic Context

The following factors are also taken into account by IFC as part of its analysis of the project context. The Investment Departments and primarily the Investment Officers are to participate in preparation of this section

Material Consideration	Method of Validation	At Appraisal Conditions
<p><b>1. Net Benefits</b> Evidence that project-affected communities are in receipt of or can be expected to receive net benefits as a result of the project (disaggregated by subgroups, including vulnerable groups).</p>	<p>Qualitative or quantitative analysis of potential impacts and expected benefits, such as:</p> <ul style="list-style-type: none"> <li>• Improvement in living standards.</li> <li>• Employment opportunities accessible to affected-population (e.g., numbers, pay level, duration).</li> <li>• Community development commitments.</li> <li>• Special circumstances, e.g., resettlement, indigenous peoples, vulnerable groups.</li> </ul>	
<p><b>2. Legal Framework / Public Policy Considerations</b> Legal framework and/or public policy considerations that provide support or dissent to the project.</p>	<p>Approved development and land use plans.</p> <p>Local authority ordinances and bylaws.</p> <p>Public security policy.</p> <p>Economic policy at the local, regional, and/or national level.</p>	
<p><b>3. Local and National Political Considerations</b> Extent to which the opinions of communities are influenced by (i) local or national politics (e.g., the electoral cycle); or (ii) organizations and stakeholders external to the project area.</p>	<p>Discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups (e.g., women, youth, minorities).</p> <p>Media reports.</p> <p>Expressions of support or dissent for the project by national or regional NGOs, CBOs etc.</p> <p>Discussions with local or national chambers of commerce, religious leaders, relevant regulatory agencies, ministerial representatives, members of the legislature, etc.</p>	

### 3.5.2 Procedural Guidance on Requesting Peer Review Meetings

#### **Timing**

A PRM should be held at an early stage in the appraisal process. Timing should be carefully selected to achieve optimum benefit from the PRM. The Lead Specialist should ensure that sufficient information is available to present the project concept to attendees.

#### **Attendance**

Project team (including Investment Officer (s) and Industry Engineer), CES specialists, others as needed to support the review. CESI specialists should attend all PRMs as part of their professional obligation unless unable to do so due to prior commitments. The Director CES should be notified of all PRM.

#### **Format for requesting a PRM**

The Lead Specialist should send a request for a PRM to the Manager CESI and copy Quality Assurance (QA), as well as the unit ACS with a minimum of 3 business days notice stipulating the following:

- a. Objective of the peer review (state issue(s) for consideration)
- b. Project Description from the PDS-ER or if not available a short project description and a short description of the issue(s)

#### **Notification**

The Manager CESI will call for the PRM upon review of request provided by Lead Specialist and will notify the Lead Specialist if a PRM is warranted or not.

#### **Confidential Projects**

PRM for projects with security classification higher than “official use only” will require protection to ensure control of confidential information. As such the email notification should state that project is strictly confidential and should not include any attachments. Furthermore, all handouts will be collected at the conclusion of the meeting.

#### **Conducting and Recording the PRM**

##### **Responsibilities**

- a. The Manager CESI, or designee: Chair the meeting
- b. The Lead Specialist: provide briefing notes, Power Point presentations, or other materials prior to PRM that will at a minimum stipulate:
  - i. A summary of the proposed transaction including details of the location, client and type of transaction;
  - ii. Context of the project;
  - iii. Identify issues of concern;
  - iv. Describe areas where guidance is sought (where possible suggest solution to problems identified);
  - v. Provide a location map;

- vi. Designate a colleague to take notes of key issues and decisions emerging from the PRM;
  - vii. Obtain clearance of PRM notes from the Chair within three business days; and
  - viii. Follow up on status of action items until issues are closed.
- c. The QA team:
    - i. Post PRM notes on CESI workspace and send a notification to all specialists; and
    - ii. Update PRM database and iDesk timeline.
  - d. The ACS:
    - i. Send PRM invitation including the briefing notes and presentation, room location and dial in number two business days before the meeting;
    - ii. Book an adequate conference room (check if video conference will be required); and
    - iii. Organize required equipment (laptop, extra extension).

### **Time Management**

- a. Maximum 1.5 hours per project.
- b. The Lead Specialist and /or any other specialist assigned to the project will be expected to make a brief (15-20 minute) presentation of the key issues in the project and their proposal for addressing them.
- c. Last 10 minutes of the PRM should be allocated for summary of meeting and stipulation of key decisions as well as actions to be undertaken.

### **Recommendations Resulting from PRM**

The Lead Specialist will ensure that each of the Key Issues have been resolved and will update the PRM notes to reflect the status of each action prior to submitting the ESCM for approval.

3.5.3 Draft PDS-IR wording.

*[Link provided for staff]*

3.5.4 ESRS template.

*[Link provided for staff]*

3.5.5 Environmental and Social Action Plan (ESAP) template.

*[Link provided for staff]*

## 4 DIRECT INVESTMENTS: DISCLOSURE AND COMMITMENT

### 4.1 Purpose and Applicability

4.1.1 This procedure describes the E&S review process from disclosure through the signing of the legal agreements.

### 4.2 Procedure

4.2.1 Based on the analysis recorded in the ESRD and in accordance with IFC's Disclosure Policy (paragraphs 13 and 14). Complete the draft ESRS (Annex 3.5.4) and the Action Plan (Annex 3.5.5) and provide wording for the SPI (Annex 4.5.1) to the Transaction Leader. In cases where the client is required to conduct Free Prior Informed Consultation, the ESRS will make that clear, and the corresponding SPI will state that IFC will need to verify BCS (Annex 3.5.1).

4.2.2 Submit the draft ESRS and Action Plan for review by the Team Leader and the Transaction Leader. The Team Leader will not approve the ESRS unless it is accompanied by a completed ESRD. The Team Leader's ESRD review will focus on the quality and completeness of due diligence and documentation. Specifically, existing gaps between client performance and the requirements of the Environmental Health and Safety (EHS) Guidelines and the PS will be described in the ESRS and the remedial tasks required to close the gaps will be defined in the Action Plan (Annex 3.5.5). In cases where the Team Leader is also the Lead Specialist for the projects, the review and approval process will involve:

- a. For category B projects, a Principal Specialist not involved with the project;
- b. For Category A projects, the Manager CESI.

4.2.3 Once the ESRS and Action Plan are approved by the Team Leader, the Lead Specialist or the Transaction Leader should submit the ESRS and Action Plan to the client for review and obtain the client's written approval to publicly disclose the ESRS, the Action Plan and the SPI on IFC's Web site and the InfoShop (Annex 4.5.2).

4.2.4 If there are other multilateral investors, including IBRD and MIGA, ensure coordination of the client's disclosure requirements, including those of IFC and those of the other investors.

4.2.5 Submit the client-approved ESRS and Action Plan for final approval to the Team Leader before it is submitted for disclosure. The Manager CESI must clear the ESRS and Action Plan for Category A projects. The Team Leader will not approve the ESRS/ESAP for release without evidence that the ESRD has been adequately and fully completed.

4.2.6 Send approved ESRS and Action Plan, including links and attachments to relevant client project assessment information referenced in the ESRS, to IFC Corporate Relations

for disclosure on IFC's website and at the InfoShop. For category A projects request ACS staff to produce two CDs of SEIA for submission to Corporate Relations.

4.2.7 Verify and record in ESRD that the client has disclosed project assessment information locally in an appropriate manner. For projects where there are no significant adverse impacts to local communities, and the client does not have adequate E&S information in a form suitable for disclosure, the client may use the ESRS and Action Plan (removing references to IFC) to meet its disclosure requirement.

4.2.8 Disclosure of the SPI, ESRS and Action Plan, and any supporting documents must occur for no less than the time shown below prior to consideration of the investment by IFC's Board of Directors/Management:

- a. Sixty (60) days for Category A projects; and
- b. Thirty (30) days for Category B and C projects.

4.2.9 Additional material may be added to the public release for a project at any time during the life of IFC's investment. In cases where this is done after the ESRS, Action Plan or SPI has been released and before Board approval, and that involve new or relevant information in regard to a Performance Standard that would change the adverse risks or impacts described in the ESRS, or the anticipated development impacts of the investment, then the disclosure time (30 or 60 days) will be restarted in accordance with the Disclosure Policy to achieve a complete disclosure for the required time periods.

4.2.10 Relevant Cluster Vice President (VP) may issue a waiver of the required time period for disclosure of the SPI, ESRS and Action Plan in circumstances where the minimum time period cannot be met (such as market timing requirements, e.g., participation in an Initial Public Offering). In such cases, in accordance with IFC's Disclosure Policy, the VP Industry will inform the Board of Directors of any such deviation.

4.2.11 Environmental and Social inquiries or complaints raised during the disclosure period should be communicated to the Team Leader, the Manager CESI, and Corporate Relations for further action in accordance with the IFC Disclosure Policy.

4.2.12 Develop a customized E&S Annual Monitoring Report format for the client using Annex 4.5.3 as guidance. Tailor the format to address the applicable performance requirements, reporting on the status of the Action Plan and DOTS Monitorable Impacts (Annex 4.5.4). The AMR and reporting frequency need to be reviewed and agreed with the client. Where possible, IFC's reporting requirements should take advantage of any other reporting by the client.

4.2.13 For investments in market instruments and equity investments, and where the transaction structure precludes IFC from obtaining any special reports such as an AMR,

the Lead Specialist will document an alternative approach to supervision of such projects that will be cleared in the ESRD by the Manager CESI.

4.2.14 Prepare the ESCM (Annex 4.5.5):

- a. For Category B projects obtain clearance in iDesk from the Team Leader and copy the Manager CESI. For Category A projects, following review by the Team Leader, submit to the Manager CESI for approval before the project is submitted for Board/Management consideration;
- b. In cases where BCS is required, include in the ESCM the status of BCS verification;
- c. For projects that have been subject to Peer Review, ensure that the recommendations contained in the Peer Review Minutes have been taken into account in the ESCM where relevant.

4.2.15 Prepare E&S wording for the Board Paper (Annex 4.5.6):

- a. The E&S section of the Board Paper should describe the significant impacts and mitigations as well as anticipated key development outcome of the project.
- b. In cases where BCS is required, the Board Paper should include the recommendations on the status of BCS verification;
- c. Include E&S additionality language where warranted (Annex 4.5.7); and
- d. Provide support, as necessary, to the project team for project presentations and briefings to the Board.

4.2.16 Provide Transaction Leader with selected Development Impact indicators (Annex 4.5.4) for entry in DOTS under Monitorable Impact Section.

4.2.17 Provide E&S input to the drafting of legal agreement:

- a. The client's performance beyond compliance with the IFC PS are not normally covenanted unless they are considered to be conditions of IFC's support

4.2.18 For investments in market instruments and equity investments, where limited IFC influence exists, IFC's participation should be based on alternative means of ensuring PS compliance (such as side letter agreements) which can provide an assurance from the Company that for as long as IFC retains any shareholding, operations will be carried out in accordance with, for example, the Company's EHS and Community Development Policy and with the IFC PS and EHS Guidelines.

4.2.19 Environmental and Social Risk Ratings (ESRR) should not be provided until the first AMR is provided or the first supervision visit undertaken (see ESRP 6).

## 4.3 Responsibilities

- 4.3.1 The Transaction Leader is responsible for:
- a. Ensuring that the team lawyer incorporates the inputs from the Lead Specialist into the legal agreements;
  - b. Incorporating the E&S inputs provided by the Lead Specialist into the SPI, and disclosing the SPI in accordance with IFC's Disclosure Policy;
  - c. Communicating with the client and obtaining the client's permission to release the ESRS/SPI publicly;
  - d. Seeking, where required, a waiver of the disclosure requirements, from VP Industry; and
  - e. Responding to external inquiries.
- 4.3.2 The Lead Specialist is responsible for:
- a. Providing the Transaction Leader with the E&S wording for the SPI;
  - b. Determining the suitability of social and environmental assessment documentation for posting on the IFC Web site;
  - c. Determining whether the client has met the disclosure requirements as per the IFC PS;
  - d. Completing the ESRD prior to seeking Team Leader's approval of the ESRD and Action Plan;
  - e. Preparing and obtaining clearance for the ESRS and Action Plan for category A and B projects and disclosing it in accordance with IFC's Disclosure Policy;
  - f. Obtaining clearance from the Team Leader for Category B ESCM and from the Manager CESI for Category A ESCM;
  - g. Supporting the Transaction Leader in responding to external inquiries from NGOs and other affected stakeholders concerning IFC's E&S Review;
  - h. Providing inputs to the Board Paper and legal agreements;
  - i. Customizing the AMR template based on project impacts including DOTS Monitorable Impacts and other indicators; and
  - j. Entering Development Impact indicators in DOTS under Monitorable Impact Section.
- 4.3.3 ACS staff is responsible for:
- a. Listing documents reviewed by project team in ESRD and uploading the same into iDocs; and
  - b. Producing 2 CDs of the SEIA (for Category A projects) for Corporate Relations.
- 4.3.4 The Team Leader is responsible for:
- a. Ensuring that ESRD is complete prior to review of ESRS and Action Plan;
  - b. Clearing the Category B ESRS and ESCM;

- c. Reviewing Category A ESRS and ESCM; and
  - d. Alternative supervision requirements.
- 4.3.5 The Manager CESI is responsible for approving:
- a. Category A ESRS, Action Plan and ESCM approval; and
  - b. Approve alternative supervision requirements.
- 4.3.6 The AS officer is responsible for:
- a. N/A.
- 4.3.7 The Manager of AS is responsible for:
- a. N/A.
- 4.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 4.3.9 The Portfolio Officer is responsible:
- a. N/A.
- 4.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 4.3.11 The Director CES is responsible for:
- a. N/A.
- 4.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. N/A.
- 4.3.13 The VP Industry is responsible for:
- a. Waiving disclosure requirements; and
  - b. Informing the Board of Directors on any waiver of disclosure requirements.

#### **4.4 Records and Documentation**

4.4.1 The ESRS, and the list of Supplemental Actions or the updated Action Plan filed in iDocs and referenced in the ESRD.

4.4.2 Where required, the client's Project Assessment documents to be posted on the IFC Web site, uploaded in iDocs and referenced in the ESRD.

4.4.3 Client letter approving the ESRS and Action Plan to be filed in iDocs and referenced in the ESRD.

4.4.4 All external stakeholder communications to be filed in iDocs and referenced in the ESRD.

4.4.5 Board Paper E&S input to be referenced in the ESRD.

4.4.6 Investment Agreement to include the E&S wording referenced in the ESCM.

4.4.7 Project-specific AMR and Action plan where required, filed in iDocs and referenced in the ESRD.

## 4.5 Annexes

4.5.1 SPI E&S wording for Category A and B projects.

*[Link provided for staff]*

4.5.2 Client ESRS, Action Plan and SPI release letter template.

*[Link provided for staff]*

4.5.3 AMR template.

*[Link provided for staff]*

4.5.4 DOTS Monitorable Impacts.

*[Link provided for staff]*

4.5.5 ESCM template Category A and B.

*[Link provided for staff]*

4.5.6 Wording for Board Paper

*[Link provided for staff]*

4.5.7 Guidance on EHS Additionality.

The Board has requested that IFC improve the presentation of additionality and development impact in Board documents. The section on additionality should include environmental and social (E&S) information, where present.

The difference between additionality and role can be thought of as role being what we are going to be doing while additionality describes what benefits or value added we bring that an alternative funding source would not bring.

We need to think about E&S additionality in terms of:

- What is the E&S baseline of the client before the IFC intervention and then because of IFC actions, what is the major expected impact(s) on the E&S performance?
- "What is IFC bringing to the deal that another bank would not be bringing?"

The following guidance is provided to help CESI specialist determine what aspects of a project could be considered as "additionality" and which should not be used to support an additionality case. Not every project will contain E&S additionality. Examples provided below are not exhaustive but are illustrative.

**I. The type of additionality will vary from project to project but could include:**

- projects demonstrating a new practice or set of practices that can be applied across a sector in a specific country or globally;
- projects that demonstrate a high potential to address a pre-existing (our client is just entering in to the area and has not cause the existing situation) large community problem such as HIV-AIDS or an environmental problem such as soil or groundwater contamination;
- projects where the client has agreed to implement a practice beyond compliance with the PS (i.e., receiving certifications beyond our requirements);
- projects where IFC is doing an advisory services project related to the mainstream investment on an environmental, social, health or safety aspect that goes beyond compliance with the PSs.

**II. Application of Performance Standards as additionality:** Application of the PS will be viewed as additionality if there is a significant improvement in the baseline conditions. This improvement should be specifically and clearly articulated.

**III. Examples of additionality articulation:**

1. Poor articulation:

Design and implementation of the CAP to bring the Company into compliance with IFC environmental policies.

2. Improved articulation:

Because of IFC's intervention, the company will conduct detailed coastal surveys to determine where the most sensitive in-shore and on-shore habitats are located. This information will then be used to select the most appropriate types of oil spill prevention and clean up equipment in addition to making sensitivity maps and response equipment available to all operators in the bay.

3. Poor articulation:

The project will improve performance by lowering emissions to meet PS3.

4. Improved articulation:

Because of IFC's involvement, the project will reduce SO<sub>2</sub> emissions by 20 percent over the next two years. SO<sub>2</sub> is harmful to the environment and the human population as the primary component in acid rain.

5. Poor articulation:

Implementing an E&S Management System.

6. Improved articulation:

The client has agreed to design and implement a corporate wide E&S management system that for the first time will allow the corporation to compare and track E&S performance statistics across the organization and against key performance indicators. This system will allow management to track costs, efficiency, reduce waste and transfer knowledge between plant sites.

## **5 RESERVED FOR FUTURE USE**

### **5.1 Purpose and Applicability**

### **5.2 Procedure**

### **5.3 Responsibilities**

### **5.4 Records and Documentation**

### **5.5 Annexes**

## **6 DIRECT INVESTMENTS: SUPERVISION**

### **6.1 Purpose and Applicability**

6.1.1 This procedure describes the E&S review process during the supervision stage of the IFC project cycle for Direct Investment projects. It covers the period from first disbursement until the project is closed as an IFC investment.

### **6.2 Procedure**

- 6.2.1 Supervision includes the following actions and activities:
- a. Ensuring that any E&S CODs are met by the client prior to disbursements;
  - b. Conducting ongoing review of the E&S performance of the investment as per the conditions of the legal agreements;
  - c. Review of the AMR and Action Plan status report;
  - d. On-site supervision visits to review project performance;
  - e. Support to the Transaction Leader in responding to information or client notification of any serious incident or fatality related to the project;
  - f. Review of the client's implementation of the Action Plan including any Supplemental Actions;
  - g. Review of the client's E&S compliance, including public consultation, disclosure and monitoring requirements;
  - h. Review of the project's performance with reference to the project performance indicators and Monitorable Impacts;
  - i. Generation of Environmental and Social Risk Rating (ESRR);
  - j. Responding to any inquiries and complaints or requests for information;
  - k. Providing inputs to Project Supervision Reports (PSRs) and Expanded Project Supervision Reports (XPSRs);
  - l. Supporting CAO and IEG in the implementation of its work; and
  - m. Responding to shortfalls in project performance through revised Action Plans and other such actions.

6.2.2 After the legal agreements have been executed and where there are E&S CODs to be completed prior to certain disbursements, obtain requisite information from the Transaction Leader to determine the status of their fulfillment. Inform the Transaction Leader if there are any E&S CODs not complied with. Waivers of E&S CODs must be cleared by the Manager CESI and documented in the ESRD.

6.2.3 The Team Leader in conjunction with the Portfolio Manager determines which projects can be supervised and those that cannot be supervised. Portfolio projects that cannot be supervised shall be waived by the Portfolio Manager in accordance with Operational Procedures. The ACS will document in the ESRD the reason for waiving supervision. The Portfolio Manager is responsible for having the same documented in the

Compliance Tracking System remark section. Scenarios for waiving supervision could include:

- a. Where there is a dispute but it is considered temporary and resolvable by the Transaction Leader the project supervision may be considered for postponement; and
- b. Where the dispute is considered either permanent or irresolvable, the project supervision activities may be considered for postponement, suspension or termination.

6.2.4 Where the Portfolio Officer is requesting an ESRR score for the PSR and the project has not submitted an AMR and a site visit from CES has not been undertaken for over 2 years, prepare PSR language reflecting lack of reporting information and assign an ESRR rating of No Opinion Possible (NOP).

6.2.5 For all AMRs submitted for CESI review, ensure the following:

- a. There is an AMR cover sheet produced by the ACS staff;
- b. The information provided is adequate. If not, request additional information from the client through the Portfolio Officer. The ACS staff will log AMR follow up information in iDesk; and
- c. The report has been submitted according to the timeframes specified in the legal agreement. If the report has been submitted late, ask the Transaction Leader to communicate the need for timely reporting to the client.

6.2.6 For portfolio projects reviewed under the WBG Safeguard Policies, which preceded the PS, follow the steps below using the AMR review template in iDocs and the ESRR worksheet in the CES workspace instead of the ESRD. Review the AMR, focusing on:

- a. The client's performance against the requirements of the investment agreement in particular and the applicable WBG Policies in general;
- b. The status of the client's implementation of the E&S Action Plan;
- c. Key steps the client may need to take to improve its performance;
- d. Previous AMR reviews and ESRR scores;
- e. Serious incidents to confirm whether they were reported in accordance with the legal agreements and to determine whether a consistent pattern emerges and follow up action is required with the client; and
- f. Recommendations that may have been made by CAO and the status of their implementation.

6.2.7 For portfolio projects reviewed under the PSs, review the AMR and record the following information in the ESRD:

- a. The client's performance against the requirements of the investment agreement the IFC PS in general and applicable EHS Guidelines;
- b. The status of the client's implementation of the Action Plan, including any Supplemental Actions;

- c. The status of the client's Environmental and Social Management System (ESMS);
- d. The status of the client's community engagement process, including ongoing local disclosure of the ESRS and Action Plan content, consultation and any participatory monitoring or reporting obligations;
- e. The status of performance, based on the performance indicators as determined in ESRP 3.4.2e;
- f. Key performance gaps relating to the client's performance, the Action Plan including Supplemental Actions, or ESMS;
- g. Key steps the client may need to take to improve its performance;
- h. Previous AMR reviews and ESRR scores;
- i. Serious incidents to confirm whether they were reported in accordance with the legal agreements and to determine whether a consistent pattern emerges and follow up action is required with the client; and
- j. Recommendations that may have been made by CAO and the status of their implementation.

6.2.8 When the client reports serious incidents or fatalities to IFC, inform the Portfolio Officer and the Manager CESI and record them in ESRD. Follow up with the client to ensure that the root cause of the incident is being investigated and appropriate corrective action is taken to prevent recurrence.

6.2.9 In exceptional circumstances, where an AMR review, supervision visit, or information provided from other sources, indicates that the disclosure of certain non-public information would be likely to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts on the environment, immediately inform the client to take suitable action and record the findings in the ESRD. In the event that the client is unable to address the matter, inform the Portfolio Officer and consult with the Manager CESI, and prepare recommendations to the Director CES and the Director Investment Department (and where applicable Regional Director) for action in accordance with IFC's Disclosure Policy.

6.2.10 Review AMR in the ESRD (or complete iDocs template) and produce the ESRR and DOTS rating. Where a single AMR covers multiple IFC project numbers, record this in the AMR review. In addition, complete the AMR review sheet and return to the ACS staff for updating iDesk and the Computer Reference Database (CRD).

6.2.11 Based on the AMR review, submit E&S wording for the PSR to the Portfolio Officer (Annex 6.5.1). Describe any key deficiencies that need corrective action.

6.2.12 Communicate the key deficiencies to the client directly or through the Portfolio Officer, and request corrective action.

6.2.13 In iDesk, update the Monitorable Impacts sections in DOTS.

6.2.14 Determine the need for a supervision site visit based on the ESRR score and the following minimum criteria:

<b>Priority Supervision Field Visit</b>	<b>Minimum Frequency</b>
<ul style="list-style-type: none"> <li>➤ Category A projects in construction</li> <li>➤ Category A projects with ESRR of 3 &amp; 4</li> <li>➤ Category B projects with ESRR of 3 &amp; 4</li> </ul>	Annual
<ul style="list-style-type: none"> <li>➤ Category A projects with ESRR of 1 &amp; 2</li> </ul>	Every 2 years
<ul style="list-style-type: none"> <li>➤ Category B projects with ESRR 1 &amp; 2</li> </ul>	Every 3 years
<ul style="list-style-type: none"> <li>➤ Category C projects</li> </ul>	On risk basis, determined case by case

Other factors that could trigger a supervision mission outside of these criteria above include but may not be limited to reporting delinquencies, a catastrophic incident, NGO complaints, CAO investigations, an XPSR or an IEG visit. If a mission is initiated because of a circumstance such as this, it should be discussed with the Team Leader, Portfolio Officer and Manager CESI. Category C projects do not normally require supervision site visits, but may on a case-by-case basis.

6.2.15 Conduct a site visit and agree on Supplemental Actions with the client. For Category A projects, the client will retain qualified and experienced external expert(s) to verify its monitoring information. Record the key findings of the supervision visit in the ESRD, referencing the Back to Office report (BTO) or External Expert’s report and update the ESRR score. Provide the ACS staff with updated ESRR score information and the supervision mission date for updating into iDesk and CRD where applicable.

6.2.16 If the project is being evaluated by IEG and an XPSR is scheduled for this project, provide support to the project team as needed, recording all key findings, decisions, and supporting analysis in the ESRD. Complete this information in the XPSR template for portfolio projects following the WBG Safeguard Policies. Provide XPSR wording to the Portfolio Officer. IEG Guidance on environmental input to the XPSR may be found at <http://ideskintrprod.ifc.org/ifcint/oeg.nsf/Content/XPSR>.

6.2.17 If during the supervision phase of a project, a complaint is filed with and accepted by the CAO, inform the Director CES, the Manager CESI, and the Team Leader. In consultation with the Manager CESI, carry out the following steps:

- a. Cooperate with the CAO staff;
- b. Communicate the process to the Transaction Leader and the client and keep the client informed of the CAO’s investigation;

- c. Once the CAO has drafted a report, ask the Transaction Leader to coordinate with the project team and the client to review the report for accuracy, and to provide further information to the CAO as needed;
- d. Submit the draft response and comments to the Manager CESI for review, before it is submitted to the CAO and document this process in the ESRD; and
- e. The Transaction Leader should ask the CAO's office to post the IFC project team's response to the CAO's draft report on the CAO's Web site.

### **6.3 Responsibilities**

#### **6.3.1 The Portfolio Officer is responsible for:**

- a. Providing information to the Lead Specialist regarding any E&S CODs;
- b. Requesting from the client, obtaining, and providing the AMR to the Lead Specialist (ESRP 4 will include reference to specific Operational Procedures);
- c. Communicating to the client any data deficiencies and/or Supplemental Actions identified by the Lead Specialist;
- d. Incorporating E&S wording into the PSR and XPSR;
- e. Notifying the Lead Specialist, the Manager of the Investment Department and Corporate Relations, as needed, of any incidents;
- f. Notifying the client when the CAO has accepted a complaint;
- g. Coordinating a project team response to a CAO complaint; and
- h. Notifying the Lead Specialist if there is a change in the status of the legal agreement, including loan prepayment, assignment or sale of the loan to another party, or change in equity ownership.

#### **6.3.2 The Lead Specialist is responsible for:**

- a. Providing clearance on E&S CODs;
- b. Seeking approval from the Manager CESI to waive CODs or to add new CODs;
- c. Reviewing the AMR to determine E&S performance and documenting this in ESRD;
- d. Providing PSR and XPSR E&S wording to the Portfolio Officer;
- e. Conducting site visits or retaining a consultant to conduct these on IFC's behalf and update the ESRR score based on findings from the site visits;
- f. Notifying the Portfolio Officer, consulting with the Manager CESI and making a recommendation to the Director CES and the Director Investment Department (and where applicable Regional Director) in relation to action required in response to exceptional circumstances (paragraph 6.2.7);
- g. Notifying the Manager CESI of major incidents;
- h. Notifying the Manager CESI of complaints accepted by the CAO; and
- i. Providing input to the Portfolio Officer for responses to complaints accepted by the CAO.

- 6.3.3 ACS staff is responsible for:
  - a. Logging the AMRs in iDesk, producing the AMR cover sheet and distributing it to the Lead Specialist;
  - b. Updating ESRR score in iDesk and CRD after AMR review completion;
  - c. Updating the AMR review management field in iDesk;
  - d. Updating AMR follow up field in iDesk;
  - e. Entering Supervision data into iDesk;
  - f. Distributing AMR review to Portfolio Officer, Portfolio Assistant and Team Leader; and
  - g. Documenting in the ESRD reasons for waiving supervision.
  
- 6.3.4 The Team Leader is responsible for:
  - a. Interacting with the Portfolio Manager to determine a supervision plan; and
  
- 6.3.5 The Manager CESI is responsible for:
  - a. Reviewing and clearing waiver of E&S CODs;
  - b. Making recommendation to the Director CES and the Director Investment Department (and where applicable Regional Director) in relation to action required in response to exceptional circumstances (paragraph 6.2.7); and
  - c. Reviewing CES input for responses to CAO investigations.
  
- 6.3.6 The AS officer is responsible for:
  - a. N/A.
  
- 6.3.7 The Manager of AS is responsible for:
  - a. N/A.
  
- 6.3.8 All AS DFOs and Departments are responsible for:
  - a. N/A.
  
- 6.3.9 The Portfolio Officer is responsible:
  - a. Requesting E&S input for PSR and XPSR language; and
  - b. Obtaining additional information from client when requested by Lead Specialist
  
- 6.3.10 The Portfolio Manager is responsible for:
  - a. Interacting with the Team Leader to determine a supervision plan;
  - b. Waiving supervision for projects that cannot be supervised; and
  - c. Documenting in the Compliance Tracking System remark section reason for waving supervision.

6.3.11 The Director CES is responsible for:  
a. Making a determination, in conjunction with the Director Investment Department (and where applicable Regional Director) if a disclosure should be made because of an exceptional circumstance.

6.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:  
a. Making a determination, in conjunction with the Director CES, if a disclosure should be made because of an exceptional circumstance.

6.3.13 The VP Industry is responsible for:  
a. N/A.

## **6.4 Records and Documentation**

6.4.1 AMR submitted by client to be filed in iDocs.

6.4.2 AMR review to be recorded in the ESRD.

6.4.3 Where conducted, submit the site visit BTO in ESRD copying project file in iDocs.

6.4.4 XPSR E&S performance review wording, if required.

6.4.5 Consultant ToR, request for proposal, and consultant report, if required.

6.4.6 (Optional) Corrective Action documentation.

## **6.5 Annexes**

6.5.1 PSR wording  
*[Link provided for staff]*

## **7 FINANCIAL INTERMEDIARY INVESTMENTS: EARLY REVIEW AND APPRAISAL**

### **7.1 Purpose and Applicability**

7.1.1 This procedure specifies the E&S review process for Financial Intermediary (FI) Investments leading up to the IRM.

### **7.2 Procedure**

7.2.1 The CES Team Leader is determined according to the Delegated Authority Matrix (Annex 1.5.1). The Team Leader will determine with other Industry or Regional Team Leader(s) on the assignment of Lead Specialist where the FI investment involves multiple industry departments.

7.2.2 Obtain preliminary information on the FI's portfolio and Environmental and Social Management System (ESMS), including its labor practices, from the Transaction Leader (Annex 7.5.1). Participate in the project's early concept review meeting, responding to E&S inquiries and gathering additional information about the project and potential E&S risks and opportunities.

7.2.3 For FI Investments that support business activities without any material adverse E&S impact potential, classify these projects as Category C and no further review is required. Examples include:

- a. Where the FI's financing is aimed only at improving the efficiency of capital (e.g., financial restructuring) and will not be used for physical facilities or assets; or
- b. The FI funds activities with minimal or no adverse impacts, such as activities that produce no significant wastes or emissions to the environment.

Record the decision and the rationale in ESRD; provide wording for MOR, PDS-IR, and SPI (Annex 7.5.5). Obtain the Team Leader's clearance in ESRD and go to Procedure No. 8.2.1.

7.2.4 For FI investments where IFC has an existing investment and the following conditions apply, the new FI investment will retain the E&S category of the existing investment, with the requirements being extended to cover the tenor of the proposed investment:

- a. IFC has previously conducted an E&S review that is consistent with the Applicable Performance Requirements;
- b. The existing investment has been supervised within the previous 12 months, with its performance determined to be largely in compliance with the Applicable Performance Requirements; and

- c. The new investment will not result in any material change in the potential E&S impacts associated with the FI portfolio that is being supported by IFC and IFC is not expected to be exposed to any new portfolio activities not evaluated under the existing investments.

Provide language for the MOR including the current ESRR, PDS-IR, and the supervision requirements as per Annex 7.5.2 and go to Procedure No. 8.2.1.

7.2.5 For FI investments where IFC is considering an investment in a market instrument issued by the FI, review available information to determine whether the underlying FI portfolio is expected to meet the Applicable Performance Requirements. Based on this review, proceed as follows:

- a. If the FI portfolio is expected to meet the Applicable Performance Requirements, record the decisions and supporting analysis in the ESRD, classify the project as Category FI, provide language for the MOR and PDS-IR as per Annex 7.5.3. and go to Procedure No. 8.2.1;
- b. If the FI portfolio is not expected to meet the IFC PS as applicable to FIs from the outset, inform the Team Leader, the Manager CESI and the Transaction Leader about the status and provide MOR language to the Transaction Leader as indicated in Annex 7.5.4 and record findings in ESRD;
- c. If the information provided is inadequate, request additional information from the Transaction Leader and repeat this procedure until adequate information is available.

7.2.6 For FI investments where the FI is engaged only in Retail Operations and has no plans to engage in any other business in the future, or IFC's financing to the FI is intended only for Retail Operations: Categorize the project as a Category C investment, record the decision and supporting analysis in the ESRD, notify the Transaction Leader, provide language for the MOR and PDS-IR to the Transaction Leader as indicated in Annex 7.5.5, inform the Team Leader for clearance in ESRD, and go to Procedure No. 8.2.1.

7.2.7 For FI investments where:

- a. IFC is supporting a trade finance transaction through the Trade Unit, classify the transaction as a Category C project and IFC's Trade Unit will need to apply the trade finance Exclusion List for all activities supported under the transaction;
- b. The FI is engaged in supporting only microfinance, or IFC's financing is intended only to support the FI's investments in this area, classify the project as Category FI requiring the FI to develop an ESMS to ensure the application of IFC Microfinance Exclusion List;

Record the decision and supporting analysis in the ESRD, provide language for the MOR, as indicated in Annex 7.5.6 and go to Procedure No. 8.2.1.

7.2.8 For FI investments where the FI is engaged in providing equity, loans, leasing, guarantee products, or other financing to corporate or legal entities other than individuals, or for other activities that are expected to have potential E&S impacts:

- a. Categorize the project as Category FI, and require the FI to develop an ESMS to ensure application of the FI Exclusion List, applicable national E&S regulations and possibly the IFC PS; record the decision and supporting analysis in the ESRD; and provide language for the MOR as indicated in Annex 7.5.7.
  - i. For FIs where there are potential significant E&S risks associated with their financing activities (e.g., large infrastructure or extractive sector projects) or where IFC is more directly exposed to the E&S risks of their financing activities (e.g., private equity fund operations), apply the requirement that IFC will reserve the rights to review the FIs' first few financing activities in such areas to ensure the FIs' ESMS implementation is robust, in addition to other applicable performance requirements.

7.2.9 For FI investments where the IFC supported FI is engaged in financing or investing in market instruments for activities with E&S risk and where the FI has little or no leverage or no capacity to carry out a reasonable review of the project's risk (such as with distressed asset pools), apply the FI Exclusion List and a reputation risk screen in addition to any other Applicable Performance Requirements as can be reasonably implemented in the scope of the transaction. Record any unaddressed E&S risks that would remain on account of the limited leverage in the investment decision documents for the management and Board information and decision. Record the decision and supporting analysis in the ESRD; and provide language for the MOR as indicated in Annex 7.5.7.

7.2.10 If requested, provide E&S language to the Transaction Leader to include in the mandate letter and/or Term Sheet that lists the conditions of IFC participation. This should include:

- a. Expected Applicable Performance Requirements; and
- b. The need for the FI to establish an ESMS and capacity to implement the same requirements.

7.2.11 If requested, brief Manager CESI and/or Director CES on key E&S issues of the project or participate in the COC and other review or decision meetings and respond to E&S inquiries.

7.2.12 For all FI investments other than those defined in Procedure No. 7.2.8 go to Procedure No. 7.2.15. For projects meeting the requirements outlined in Procedure No. 7.2.8:

- a. Obtain further information regarding the FI's portfolio either using the Financial Intermediary Portfolio Questionnaire (Annex 7.5.8) and/or similar portfolio information available from the Investment Department.

7.2.13 Determine the significance of business activities that have potential E&S impact by reviewing the portfolio and sectoral information. Determine the Applicable Performance Requirements as outlined below:

- a. All FIs will ensure that their financing and investments are not in contravention of an IFC Exclusion List;
- b. In addition, review the tenor, transaction sizes and the industrial sectors where the FI is investing:
  - i. Where the portfolio review indicates that the FI's investments are expected to have limited E&S impact, the FI will ensure that its sub-projects meet the applicable national E&S laws and regulations;
  - ii. Where the portfolio review indicates that the FI's investments could have potentially significant E&S impact, the FI will ensure that its sub-projects meet the relevant elements of the IFC PS in addition to applicable national E&S laws and regulations.

7.2.14 Peer review (with another colleague) the determination for limited E&S impact, and transmit this decision to the Transaction Leader for communication to the client. Where the Applicable Performance Requirements include the IFC PS, obtain the Team Leader's clearance, and ensure that the Transaction Leader has provided a copy of the IFC PS to the client and notify the Team Leader. Record the decision on the Applicable Performance Requirements and any supporting analysis in the ESRD.

7.2.15 Request and obtain information about the client's ESMS as provided in questionnaire 7.5.9.

7.2.16 Where the Applicable Performance Requirements, as determined in Procedure No. 7.2.13, includes the IFC PS, and where it is considered necessary to review further the client's ESMS or existing sub-projects, discuss with the Team Leader and communicate with the Transaction Leader and the client on the need to carry out an appraisal visit to the FI.

7.2.17 Review the client's ESMS, considering its adequacy to implement the Applicable Performance Requirements. Consider the following aspects of the client's system, as relevant:

- a. E&S policies and procedures;
- b. The current organizational structure and staffing;
- c. Skills and competencies in E&S areas;
- d. Training and awareness of the client's investment, legal, and credit officers on the organization's E&S requirements and the ESMS;
- e. Performance monitoring procedure;

- f. Reporting of results to management; and
- g. Track record to date in ESMS implementation.

7.2.18 Identify any ESMS actions that the client would need to undertake to address gaps in these areas to ensure compliance with the Applicable Performance Requirements. The suggested approach is outlined below:

- a. Gaps in the ESMS of FIs which are engaged in projects with either potentially significant E&S risks or risk exposure more directly to IFC must be closed to ensure compliance with the Applicable Performance Requirements before IFC commitment or as a condition of IFC disbursement;
- b. Gaps in the ESMS of FIs with either relatively low E&S risks or no immediate financing activities in such risky areas must be closed according to a time-bound ESMS Action Plan to be included in the legal agreements and approved by the Team Leader.

Record the decision and supporting analysis in the ESRD and provide language for the PDS-IR to the Team Leader or another specialist within the CESI FI team for clearance before submitting it to the Transaction Leader.

7.2.19 Obtain clearance from Manager CESI if a waiver or change of certain part of the Applicable Performance Requirements or ESMS Action Plan has been requested by the Transaction Leader and approved the Industry or Regional Department.

7.2.20 Ask the Manager CESI to call for a Peer Review Meeting (PRM) in instances where:

- a. There are project issues that are common to a number of projects and that need a common approach for quality assurance; or
- b. There is a complex project E&S issue that is uncommon or has not been encountered before.

7.2.21 The Lead Specialist should determine the appropriate type of peer review required. Guidance on conducting and recording a PRM is provided in Annex 3.5.2.

7.2.22 Determine and score the applicable performance indicators that will be used to supervise the project performance going forward. Record these in the ESRD.

7.2.23 Record all material decisions and supporting analysis in the ESRD and complete required entries in the ESRD in order to generate the ESRR.

7.2.24 Where required, identify the need to engage an External Expert to support IFC's supervision, provide the scope of work where applicable, record the decision in ESRD, and communicate this information to the Transaction Leader.

7.2.25 If required, participate in the IRM and respond to any queries.

7.2.26 Request ACS to list documents reviewed in ESRD and upload the same in iDocs.

### 7.3 Responsibilities

- 7.3.1 The Transaction Leader is responsible for:
- a. Ensuring the involvement of the CES specialist as early as possible and updating the team in iDesk as per communicated work allocations;
  - b. Providing all required client information about the client's business and its portfolio as provided in Annex 7.5.8, and 7.5.9, to the Lead Specialist;
  - c. Arranging the site visit if requested by the Lead Specialist; and
  - d. Communicating the Applicable Performance Requirements and the IFC PS to the client.
- 7.3.2 The CES Team Leader is responsible for:
- a. Determining on the assignment of Lead Specialist;
  - b. Clearing Category C projects
  - c. Clearing FI projects with ESMS Action Plans;
  - d. Clearing FI projects where IFC PS is applicable; and
  - e. Approving the need for field appraisal visit.
- 7.3.3 The Lead Specialist is responsible for:
- a. Reviewing the project information;
  - b. Determining the Applicable Performance Requirements and ESMS Action Plan;
  - c. Assigning E&S category to the project;
  - d. Attending CRM, COC, IRM and other review or decision meetings where required;
  - e. Peer reviewing (with another colleague) projects with limited impacts;
  - f. Consulting Team Leader regarding the need for appraisal visit;
  - g. Requesting a PRM, when required; and
  - h. Providing the requisite language for the MOR and PDS-IR, the mandate letter and the Term Sheet as requested, ensuring that the E&S risks are adequately addressed.
- 7.3.4 The ACS is responsible for:
- a. Coordinating PRM logistics as per Annex 3.5.2; and
  - b. Listing documents reviewed by the Lead Specialist in ESRD and uploading the same into iDocs.
- 7.3.5 The Manager CESI is responsible for approving:
- a. The need for a PRM as requested by the Lead Specialist and ensuring that it is conducted according to provisions of this procedure;

- b. The appointment and Terms of Reference of External Experts to be used by IFC; and
  - c. The waiver request for any part of the Applicable Performance Requirements and ESMS Action Plan.
- 7.3.6 The AS officer is responsible for:
- a. N/A.
- 7.3.7 The Manager of AS is responsible for:
- a. N/A.
- 7.3.8 All AS DFOs and Departments are responsible for:
- a. N/A.
- 7.3.9 The Portfolio Officer is responsible:
- a. N/A.
- 7.3.10 The Portfolio Manager is responsible for:
- a. N/A.
- 7.3.11 The Director CES is responsible for:
- a. N/A.
- 7.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
- a. N/A.
- 7.3.13 The VP Industry is responsible for:
- a. N/A.

## **7.4 Records and Documentation**

7.4.1 Request ACS to list in the ESRD and file in iDocs any relevant supporting appraisal documents.

7.4.2 In addition, any communication or information not recorded in the ESRD system needs to be filed in iDocs and referenced in the ESRD.

## **7.5 Annexes**

7.5.1 Preliminary questionnaires on Financial Intermediary's portfolio, ESMS and labor practices [Link provided for staff]

7.5.2 Suggested MOR, PDS-IR and SPI language for repeat investments.

*[Link provided for staff]*

7.5.3 Suggested MOR, PDS-IR and SPI language for investment in market instruments by FIs expected to meet IFC PS.

*[Link provided for staff]*

7.5.4 Suggested MOR, PDS-IR and SPI language for investment in market instruments issued by FIs, not expected to meet IFC PS.

*[Link provided for staff]*

7.5.5 Suggested MOR, PDS-IR and SPI language for FIs classified as Category C.

*[Link provided for staff]*

7.5.6 Suggested language for FIs that only need to apply an exclusion list.

*[Link provided for staff]*

7.5.7 Suggested MOR, PDS-IR and SPI language for FIs that would need to apply the applicable national E&S regulations and possibly the IFC PS.

*[Link provided for staff]*

7.5.8 Financial Intermediary Portfolio questionnaire.

*[Link provided for staff]*

7.5.9 ESMS Questionnaire.

*[Link provided for staff]*

## **8 FINANCIAL INTERMEDIARY INVESTMENTS: IFC DISCLOSURE AND COMMITMENT**

### **8.1 Purpose and Applicability**

8.1.1 This procedure describes the E&S review process for Financial Intermediary Investments, during the negotiation stage of the IFC project cycle, through the signing of the legal agreements.

### **8.2 Procedure**

8.2.1 Provide the E&S language for the SPI as per Annex 8.5.1 to the Transaction Leader, who will obtain the client's written acceptance of it for factual accuracy and approval for public release to the InfoShop no later than 30 days prior to the IFC Board's consideration of the investment.

8.2.2 The Lead Specialist will clear the SPI workflow in iDesk.

8.2.3 Relevant Cluster Vice President (VP) may issue a waiver of the required time period for disclosure of the SPI in circumstances where the minimum time period cannot be met (such as market timing requirements, e.g., participation in an Initial Public Offering). In such cases, in accordance with IFC's Disclosure Policy, the relevant Cluster VP will inform the Board of Directors of any such deviation.

8.2.4 Where there are inquiries or complaints raised during the disclosure period, support the Transaction Leader in providing a response, and communicate them to the Team Leader and the Manager CESI for further action. The Transaction Leader is responsible for preparing the response to the request for information but may seek guidance from Corporate Relations in applying IFC's Disclosure Policy. Record of these inquiries or complaints should be logged in the ESRD.

8.2.5 Prepare E&S language for the Board Paper. Provide support, as necessary, to the project team for presentations to the Board. Upon request, provide technical briefings to members of IFC's Board of Directors.

8.2.6 Determine the reporting and supervision requirements, including:

- a. SEPR as per Annex 8.5.2, including any requirements for reporting at the sub-project level;
- b. Whether the E&S reporting needs to be separate or part of the general reporting to IFC;
- c. The frequency of reporting;
- d. Where possible IFC's reporting requirements should take advantage of any other reporting by the client. Discuss with the client any opportunities for

publicly available non-financial reporting and document the same in the ESRD; and

- e. IFC's right to review the first few investment activities prior to their investment for FIs as discussed in 7.2.8.a.i.

8.2.7 Upon request by the Transaction Leader, provide inputs for the drafting of legal agreements where the standard E&S covenants requires modifications. Where significant alteration of the standard covenants is requested by the client, consult with Manager CESI.

### **8.3 Roles and Responsibilities**

8.3.1 The Transaction Leader is responsible for:

- a. Incorporating into the SPI the E&S inputs provided by the Lead Specialist;
- b. Requesting and incorporating into the legal agreements the E&S inputs provided by the Lead Specialist (in collaboration with the project team lawyer);
- c. Communicating with the client;
- d. Seeking VP Industry waiver of disclosure requirements, where required; and
- e. Responding to external inquiries.

8.3.2 The Lead Specialist is responsible for the following steps outlined in this procedure:

- a. Providing E&S language for the SPI to the Transaction Leader;
- b. Providing inputs to the Transaction Leader for the Board documents and the legal agreements;
- c. Providing E&S language for the investment agreements on request to the Transaction Leader;
- d. Supporting Transaction Leader in responding to external inquiries; and
- e. Approving SPI workflow in iDocs.

8.3.3 The ACS is responsible for:

- a. N/A.

8.3.4 The Team Leader is responsible for:

- a. N/A.

8.3.5 The Manager CESI is responsible for:

- a. Providing advice when alteration of the standard E&S covenants is requested by the client.

8.3.6 The AS officer is responsible for:

- a. N/A.

- 8.3.7 The Manager AS is responsible for:
  - a. N/A.
- 8.3.8 All AS DFOs and Departments are responsible for:
  - a. N/A.
- 8.3.9 The Portfolio Officer is responsible:
  - a. N/A.
- 8.3.10 The Portfolio Manager is responsible for:
  - a. N/A.
- 8.3.11 The Director CES is responsible for:
  - a. N/A.
- 8.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:
  - a. N/A.
- 8.3.13 The VP Industry is responsible for:
  - a. Waiver of disclosure requirements; and
  - b. Informing the Board of Directors on any waiver of disclosure requirements.

#### **8.4 Records and Documentation**

- 8.4.1 The following documents, where present, need to be filed in iDocs and referenced in the ESRD in support of the analysis provided:
  - a. Language for the SPI.

#### **8.5 Annexes**

- 8.5.1 SPI language.  
*[To be provided]*
- 8.5.2 SEPR template.  
*[To be provided]*

## **9 RESERVED FOR FUTURE USE**

### **9.1 Purpose and Applicability**

### **9.2 Procedure**

### **9.3 Responsibilities**

### **9.4 Records and Documentation**

### **9.5 Annexes**

## **10 FINANCIAL INTERMEDIARY INVESTMENTS: SUPERVISION**

### **10.1 Purpose and Applicability**

10.1.1 This procedure describes the E&S review process for Financial Intermediary Investments from disbursement until the project is closed as an IFC investment.

### **10.2 Procedure**

10.2.1 Once an FI project moves to portfolio, the Team Leader shall discuss with the other Industry or Regional Team Leader(s) (RTL) on the assignment of the Lead Specialist for supervising the project going forward under the delegated authority matrix.

10.2.2 After the legal agreements have been executed the Transaction Leader or the Portfolio Officer will be responsible for identifying and seeking the Lead Specialist clearance for E&S CODs. When such a clearance is sought, obtain and review information as required to evidence the same and provide the clearance. Inform the Team Leader and the Transaction Leader if there are any E&S CODs not complied with, based on the above review. Waivers of E&S CODs must be cleared by the Manager CESI and documented in the ESRD.

10.2.3 For projects which require IFC review of the first few subprojects as per Procedure No. 7.2.8.a.i, the Lead Specialist reviews the E&S due diligence received from the client on such projects according to the pre-agreed time frame as defined in the investment agreements. The Lead Specialist should consult with other specialists, as needed.

10.2.4 The Portfolio Officer is responsible for ensuring that the client obligations including SEPR reporting are fulfilled. Where a client has not submitted an SEPR and is in a financial, legal, or administrative dispute with IFC that may impair IFC's ability to access the information required for supervision of the project, obtain confirmation of this from the Transaction Leader or the Portfolio Officer. Determine whether the project supervision should be postponed or terminated, as indicated below, and record the information in ESRD:

- a. Where the dispute is considered temporary and resolvable by the Portfolio Officer, the project supervision may be considered for postponement;
- b. Where the dispute is considered either permanent or irresolvable, the project supervision activities may be considered for termination, or supervision recommendations should be made to the Manager CESI and the Investment Department Portfolio Manager for a decision to postpone, suspend or terminate supervision by IFC.

10.2.5 Record any waivers and additional conditions negotiated with the client in the ESRD.

- 10.2.6 When a SEPR is submitted by the client, ensure the following:
- a. The report has been submitted as per the timeframes specified in the legal agreement. If the report has been submitted late, ask the Portfolio Officer to communicate the need for timely reporting to the client;
  - b. The information provided is adequate. If not, ask the Portfolio Officer to obtain additional information from the client and ask regional Portfolio Assistant to leave “date received by IFC” blank in the Compliance Tracking System until IFC receives SEPR in appropriate format/content;
  - c. Upon receipt of appropriate SEPR and notification, CES ACS prepares the SEPR for review.

- 10.2.7 Review the SEPR, focusing on:
- a. The client’s performance against the Applicable Performance Requirements as determined during project review and appraisal;
  - b. The status of the client’s implementation of the Environmental and Social Management System (ESMS) Action Plan and timeline if relevant;
  - c. Performance against the performance indicators as determined in Procedure No. 7.2.22;
  - d. Previous SEPR reviews and ESRR scores;
  - e. Key performance or information gaps relating to the client’s performance and ESMS;
  - f. Key steps the client may need to take to improve performance; and
  - g. Advising the Portfolio Officer on the pending issues to follow up with the client.

- 10.2.8 Ascertain whether:
- a. The nature of the client’s business has changed significantly to attract different performance requirements from IFC;
  - b. There is sufficient evidence that the client is operating the ESMS as envisaged at the time of appraisal;
  - c. There is sufficient evidence that the client has applied the Applicable Performance Requirements to their sub-projects; and
  - d. Any possible sustainability investment opportunities to be passed on to IFC FMS team or the investment departments.

10.2.9 Where it is considered necessary to further review the client’s performance and verify its compliance with the Applicable Performance Requirements, communicate with the client or carry out a supervision visit to the FI and/or its subprojects in coordination with the Portfolio Officer. Supervision priority should be given to FI projects with high potential risks or poor ESRR ratings or issues that are common to a number of projects.

10.2.10 In exceptional circumstances, where an SEPR review or supervision visit, or information provided from other sources indicates that the disclosure of certain non-

public information would be likely to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts on the environment, immediately inform the client to take suitable action and record the findings in the ESRD. In the event that the client is unable to address the matter, inform the Portfolio Officer and consult with the Manager CESI, and prepare recommendations for the Director CES and the Director Investment Department (and where applicable Regional Director) in accordance with IFC's Disclosure Policy.

10.2.11 The Portfolio Officer should inform the Lead Specialist if the client is expected to or has changed their business. If the client reports a plan to enter into a new business line, evaluate the E&S implications on the FI portfolio of any proposed change in business. Based on this evaluation, determine whether there would be any change in the applicable performance requirements that the FI would need to apply to its portfolio. If there is a change in the performance requirements, inform the Portfolio Officer for further consideration and action.

10.2.12 Complete the SEPR review, recording all key findings, decisions, and supporting analysis in the ESRD, generate the ESRR rating in ESRD, and assign the DOTS E&S rating in iDesk. For portfolio projects following WBG Safeguard Policies, undertake SEPR review using SEPR review template (Annex 10.5.1) in iDocs and ESRR score sheet in CES workspace. Once the SEPR review is completed, the ACS will provide the Portfolio Officer with the PSR language and ESRR score, and file them in iDesk. If there are gaps in the client's performance or other issues of concern, alert the Portfolio Officer for timely follow-up by the Portfolio Department. In coordination with the Portfolio Officer, the Lead Specialist should provide timely and clear explanations to the clients on the actions needed to address these performance gaps or other issues of concern.

10.2.13 For Category FI projects with reporting requirement but no SEPR provided to IFC and no E&S site visit undertaken for over two years, flag this project as an E&S Knowledge Gap project and notify the Portfolio Officers of the same for immediate follow-up.

10.2.14 CES will provide to the Portfolio Department quarterly FI portfolio E&S compliance reports that address the compliance status of each client and request Portfolio Officers of clients with compliance issues to follow up with the clients and involve the Lead Specialist as necessary to resolve outstanding issues.

10.2.15 If the project is being evaluated as part of IFC's XPSR program, provide written input to the XPSR report. The Portfolio Officer should provide an advance notice to the Lead Specialist for the input requested. If the project XPSR is being evaluated by IEG, provide support to the project team as needed, recording all key findings, decisions, and supporting analysis in the ESRD.

10.2.16 If during project supervision, a complaint is filed and accepted by the CAO, inform the Manager CESI and, in consultation with the Manager CESI, carry out the following steps:

- a. Assist the CAO in obtaining information and in liaising with the client on the CAO's behalf, if needed;
- b. Communicate the process to the client and keep them informed of the CAO's investigation;
- c. Once the CAO has drafted a report, ask the Transaction Leader or Portfolio Officer to coordinate with the project team and with the client to review the report for accuracy, and to provide further information to the CAO as needed;
- d. Submit the draft response and comments to the Manager CESI for review before it is submitted to the CAO;
- e. The Transaction Leader or Portfolio Officer should ask the CAO's office to post the IFC project team's response to the CAO's draft report on the CAO's web site; and
- f. Record the complaint and the implementation steps to be taken in the ESRD.

10.2.17 For projects for which a supervision waiver is requested by the portfolio department, for example, projects which have no enforceable reporting requirements or are in liquidation, consult and obtain Manager CESI's approval for such a waiver.

### **10.3 Roles and Responsibilities**

10.3.1 The Transaction Leader or Portfolio Officer is responsible for:

- a. Seeking the Lead Specialist clearance for E&S CODs;
- b. Managing the overall communication with the client;
- c. Receiving the SEPRs and following up on any questions about the adequacy of information;
- d. Conveying to the Lead Specialist any material change in business line or incident as reported by the client;
- e. Following up with the client on non-technical issues as identified regarding the FI's compliance with IFC's policy requirements; and
- f. Facilitating direct conversation/field visits for the CES specialist to carry out supervision.

10.3.2 The CES Team Leader, as per Procedure No. 7.3.2, is responsible for:

- a. Determining, in consultation with other Industry or RTL(s), the assignment of Lead Specialist for supervising projects that have moved to portfolio.

10.3.3 The Lead Specialist is responsible for:

- a. Informing the Team Leader and Transaction Leader or Portfolio Officer of any E&S CODs not complied with;
- b. Checking the SEPR for adequacy and asking the Transaction Leader or Portfolio Officer to obtain any information still needed;

- c. Reviewing the SEPR and other matters reported pertaining to E&S issues, assigning an ESRR score, and suggesting through the Portfolio Officer corrective and follow-up actions with the client as required;
- d. Communicating with the client and conducting a field visit as required to carry out supervision;
- e. Informing the Portfolio Officer, consulting with the Manager CESI and preparing recommendations for the Director CES and the Director Investment Department (and where applicable Regional Director) about exceptional circumstances.

10.3.4 The ACS staff is responsible for:

- a. Checking that SEPR is logged in iDesk, producing the SEPR cover sheet and distributing it to the Lead Specialist;
- b. Updating timeline in iDesk: specifying the date SEPR was received by CES, SEPR review due date and name of the review Specialist;
- c. Updating ESRR score in iDesk and CRD after SEPR review completion;
- d. Closing timeline in iDesk specifying date review was completed;
- e. Updating SEPR follow up field in iDesk;
- f. Updating Development Impact Tab in iDesk with management score and rationale;
- g. Entering Supervision data into iDesk; and
- h. Distributing SEPR review results to Portfolio Officer, Portfolio Assistant and Team Leader for follow-up actions.

10.3.5 The Manager CESI is responsible for:

- a. Considering and clearing waiver of E&S CODs as deemed appropriate;
- b. Reviewing exceptional circumstances;
- c. Approving the supervision waiver as needed; and
- d. Making recommendation to the Director CES in relation to action required in response to exceptional circumstances.

10.3.6 The AS officer is responsible for:

- a. N/A.

10.3.7 The Manager of AS is responsible for:

- a. N/A.

10.3.8 All AS DFOs and Departments are responsible for:

- a. N/A.

10.3.9 The Portfolio Officer is responsible:

- a. See Procedure 10.3.1.

10.3.10 The Portfolio Manager is responsible for:

- a. N/A.

10.3.11 The Director CES is responsible for:

- a. Making a determination, in conjunction with the Director Investment Department (and where applicable Regional Director) if a disclosure should be made because of an exceptional circumstance.

10.3.12 The Director Investment Department (and where applicable Regional Director) is responsible for:

- a. Making a determination, in conjunction with the Director CES, if a disclosure should be made because of an exceptional circumstance.

10.3.13 The VP Industry is responsible for:

- a. N/A.

#### **10.4 Records and Documentation**

10.4.1 The following should be recorded in the ESRD:

- a. SEPR review; and
- b. List of follow-up actions for the client.

#### **10.5 Annexes**

10.5.1 SEPR review format.

*[Link provided for staff]*

## **11 SOCIAL AND ENVIRONMENTAL REQUIREMENTS FOR IFC MANAGED ADVISORY SERVICES**

### **11.1 Purpose and Applicability**

11.1.1 To create procedures and guidance that incorporate E&S risk management considerations into all advisory work as appropriate. This procedure applies to all Advisory Services projects, i.e., those which are related to IFC Direct Investments and those which are unrelated to IFC Direct Investments ('Standalone AS').

The IFC Exclusion List that defines the types of projects that IFC does not finance applies to all AS projects as well.

### **11.2 Procedure—AS projects with an IS link**

11.2.1 AS projects linked to existing IFC IS clients/transactions.

11.2.2 For all AS projects where the recipient or beneficiary of the AS is an existing IFC client, the E&S requirements will be determined by the E&S standing of the client. The AS TL will coordinate with the Investment officer/portfolio officer and the CESI specialist to ensure that the client is in good standing, i.e., project(s) have an ESRR score of 1 or 2. If the client is deficient in their E&S performance, i.e., project(s) with an ESRR score of 3 or 4, the AS will not be initiated until corrective actions have been initiated to address the ESRR problem areas, to the satisfaction of the responsible CESI specialist.

11.2.3 Exceptions to the rule described in the point above to be approved in writing by the relevant Manager CESI.

11.2.4 AS projects being processed concurrently with IS transactions.

11.2.5 For projects where the AS project is being processed at the same time as the IS transaction, any AS-specific requirements will be determined at the same time as IS transaction requirements. Should the AS project precede the IS transaction, all the E&S requirements associated with the AS will be incorporated into the AS agreements. If this is not possible, the Unit Line Manager (ULM)/Unit Manager (UM) may permit the AS transaction to be treated as a standalone AS project to be processed as indicated below.

### **11.3 Procedure—Standalone AS projects**

11.3.1 For all projects not associated with an IS transaction, the AS TL will review the overall E&S reputation risks associated with the client as well as the potential E&S risks associated with the AS project and take actions as outlined below.

#### 11.3.2 E&S Reputation Risk associated with the AS client:

- a. The AS TL will review information available in the public domain to determine whether there any reported environmental and social issues associates with the client as outlined in the AS BL guidance note (reference will be provided in ESRP 4.0).
- b. If there are any, the AS TL will include the AS sustainability champion and the CESI sustainability champion/specialist on the AS team as peer reviewers and consult with them to determine the MINIMUM REQUIREMENTS. This will be recorded in the PDS TA under the risks section and specific M&E indicators to track the fulfillment of any remedial action will be incorporated into the project design.

#### 11.3.3 E&S risks associated with the Advisory Activity:

- a. The TL will consider the impacts and outcomes of the AS project and determine whether the Impacts and Outcomes could have potential E&S risks, following the AS BL guidance note.
- b. If there are no potential E&S risks associated with the impacts or outcomes, the project may be processed without any further requirements.
- c. If there are E&S risks, the TL will include the AS sustainability champion and the CESI sustainability champion/specialist on the AS team as peer reviewers and consult with them on how to incorporate the E&S best practices into the AS services as outlined the AS BL guidance note.

### **11.4 Roles and responsibilities<sup>1</sup>**

11.4.1 The Transaction Leader (TL) of each Advisory Project is responsible for incorporate the E&S risk management considerations into the advisory work with support from the AS/Environmental and Social Development Department, Investment Support (CESI) Sustainability Champion (SC) of each Business Line.

11.4.2 The approving ULM and UM are responsible for signing off that each project has followed this ESRP and related guidelines when approving a PDS-ER/Approval.

11.4.3 The Business Line Leaders are ultimately responsible for the AS staff implementing the ESRP.

11.4.4 The AS and CESI Sustainability Champions will be available to provide guidance and technical support on request.

11.4.5 The CES Manager(s) is responsible for signing off in writing on AS projects that have clients and/or beneficiaries of IFC's with ESRR scores of 3 or 4.

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<sup>1</sup> This section applies to both 11.2 and 11.3 above-mentioned procedures.

## 11.5 Documentation, Records and Workflow Requirements all AS Project

11.5.1 The following queries will be incorporated into the Documentation to be filled in by the AS TL and reviewed and approved by the ULM/UM in the routine PDS TA workflow:

- 11.5.1.1. Is the AS project associated with an existing client: Yes/No
  - a. If Yes: Confirm that IS portfolio officer, AS sustainability champion and CES specialist have been consulted, describe the standing of the client.
- 11.5.1.2. Is the Client in good standing as confirmed by the CES specialist: Yes/No
  - a. If No: describe issue and outline remedial action recommended by CES specialist, and incorporate the remedial action into the PDS document as a minimum requirement for the AS project.
- 11.5.1.3. Establish specific M&E indicators that will track the same during the life of the project as required in consultation with the AS sustainability champion and CES specialist.

11.5.2 Has the reputation risk screen been applied and are there reputation risks associated with the client: Yes/No

- 11.5.2.1. If Yes:
  - a. Describe the issue, confirm that AS sustainability champion and CES specialist have been consulted, and describe the recommendation, incorporate any remedial action into the PDS document as a minimum requirement for the AS project.
  - b. Establish specific M&E indicators that will track the same during the life of the project as required in consultation with the AS sustainability champion and CES specialist.

11.5.3 Have the potential E&S risks associated with AS project been considered and are there any potential E&S risks associated with the impacts and outcomes of the AS project: Yes/No

- 11.5.3.1. If Yes:
  - a. Describe the issue, confirm that AS sustainability champion and CES specialist have been consulted, and describe the recommendation.
  - b. Describe the E&S best practices that have been incorporated into the AS project based on the above recommendation.
  - c. Establish specific M&E indicators that will track the same during the life of the project as required in consultation with the AS sustainability champion and CES specialist.

11.5.4 For GPOBA investment projects that involve an operation by a World Bank Group member other than the IBRD, and unless agreed otherwise with IFC or MIGA, the Transaction Leader should obtain a formal statement from IFC or MIGA that documents its due diligence process and any conditions imposed on the project to ensure compliance with all applicable IFC or MIGA Performance Standards (such as the project Action Plan). This may include suggested remedial actions documented in an Action plan. A copy of this statement should be provided to the GPOBA Management Unit, QACU and LEGEN. Such compliance statements will be in lieu of compliance with the Bank safeguard policies, and will be for internal use by GPOBA only unless otherwise agreed with IFC or MIGA.

## **12 MAINTENANCE AND UPDATE OF IFC ENVIRONMENTAL AND SOCIAL REVIEW PROCEDURES**

### **12.1 Purpose and Applicability**

12.1.1 This procedure describes the steps for maintaining and updating the Environmental and Social Review Procedures of IFC.

12.1.2 These procedures specify how the social and environmental specialists are expected to review projects for consistency with IFC's Social and Environmental Sustainability Policy and document the client's compliance with the Performance Standards and guidelines throughout the life of the investment.

12.1.3 These procedures are maintained by the Manager CESI, and authorized in writing by the Director CES.

### **12.2 Procedures**

12.2.1 Any IFC staff may suggest new or revised ESRP to enhance precision of investment review and documentation of client performance. Suggested new or modified ESRP should be submitted to the Manager CESI using the additions and modification form as per format 12.5.1 or in any other format.

12.2.2 Any accepted changes will be communicated to CESI staff to ensure consistency. The Manager CESI will update the ESRP modification or addition request log, and establish a completion date for the proposed revision, and designate a principal author for drafts of the new or modified ESRP until the revision is complete and approved by Manager CESI.

12.2.3 The principal author will develop the procedure as per the format provided in Annex 12.5.2.

12.2.4 The proposed new ESRP or existing ESRP modification will be reviewed by a core team of staff identified by the Manager CESI, checking for:

- a. Consistency with IFC's Social and Environmental Policy;
- b. Operability in the context of IFC's project cycle; and
- c. Whether it substantially addresses the objective for the change.

12.2.5 When the Manager CESI is in agreement with the new or revised ESRP, the ESRP will be submitted for review by the Director CES.

12.2.6 The Director CES will approve the procedure or return it to the Manager CESI for further processing, including, in the case of material changes or updates, external review, to ensure that the proposed procedure is consistent with IFC's Social and Environmental

Sustainability Policy and, documentation of the IFC client's compliance with the Performance Standards.

12.2.7 When deemed completed and when satisfied that no further changes or review are required, the Director CES will approve the ESRP in writing as per 12.5.3.

12.2.8 The approved ESRP and updated Revision Number will be introduced to the authorized procedure list thereby superseding or modifying existing ESRP as the case warrants. Revision numbers will be utilized to clearly document current ESRP.

12.2.9 The Manager CESI will maintain a record of current Revision Numbers of all ESRP that have been approved, the changes that have been made, and the date on which they are put into effect. Each subsequent Revision, will include a visual designation clearly identifying text modifications and amendments that have been made to individual ESRP since the previous Revision Number, including the date on which these modifications or addition became effective.

12.2.10 The Manager CESI, through the Director CES, will inform IEG, CAO, and the Director Investment and Regional Department of the new or modified ESRP, highlighting the changes that have been made and the date the new version became effective. CESI Quality Assurance and the Manager CESI will ensure that the updated ESRP is posted on IFC's Web site, with a notice describing the date on which the version became effective and the changes that have been made.

### **12.3 Responsibilities**

12.3.1 The Transaction Leader is responsible for:

- a. N/A.

12.3.2 The Lead Specialist is responsible for:

- a. Suggesting new or revised ESRP to enhance precision of investment review and documentation of client performance.

12.3.3 The Team Leader is responsible for:

- a. Identifying any new or revised ESRP that may be needed to ensure consistency of investment review activities, compliance with the Social and Environmental Sustainability Policy.

12.3.4 The Manager CESI is responsible for:

- a. Developing, distributing, and maintaining the procedures for issuance; and
- b. Identifying any new or revised ESRP that may be needed to ensure consistency of investment review activities, compliance with the Social and Environmental Sustainability Policy.

12.3.5 The AS officer is responsible for:

a. N/A.

12.3.6 The Manager of AS is responsible for:

a. N/A.

12.3.7 All AS DFOs and Departments are responsible for:

a. N/A.

12.3.8 The Portfolio Officer is responsible:

a. N/A.

12.3.9 The Portfolio Manager is responsible for:

a. N/A.

12.3.10 The Director CES is responsible for:

a. Approving in writing the procedures for issuance as per format Annex 12.5.3.

12.3.11 The Director Investment Department (and where applicable Regional Director) is responsible for:

a. N/A.

12.3.12 The VP Industry is responsible for:

a. N/A.

## 12.4 Records and Documentation

12.4.1 Procedure addition or modification request as per specified format 12.5.1.

12.4.2 IFC Procedures as per the specified format 12.5.2.

## 12.5 Annexes

12.5.1 ESRP Addition or Modification Form

<b>Date</b>	
<b>Requested by</b>	
<b>Procedure Number and Section (e.g. 1.2.5, etc)</b>	
<b>Current Revision Number</b>	
<b>Suggested Text Revision</b>	
<b>Objective Of Modificaiton</b>	
<b>Status of Suggested Modiciation</b>	Date Proposed: How Resolved: Date Resolved:

## 12.5.2 Format for IFC ESRP

All IFC ESRP will be developed as per the format provided below.

### **#.1 Purpose and Applicability**

*This section shall contain a short statement of the objective and shall define the extent of the application of the procedure.*

### **#.2 Procedure**

*This section describes how, and in what sequence, the activities addressed by the procedure are to be performed.*

### **#.3 Responsibilities**

*This section identifies responsibilities and interfaces for the activities described in the procedure.*

### **#.4 Records and Documentation**

*This section defines the documents, required and developed during the implementation of the procedures, that are required to be retained as records.*

### **#.5 Annexes**

*This sections contains templates and formats that expand on specific steps in the procedure. Each Annex shall have an individual designation (e.g., Annex A; Annex B; etc.) to create a separate section for proposed attachments to the procedure. Annexes are to be used to illustrate management-approved formats and content for specific documentation utilized in CESI investment review activities. Annexes should be designed and incorporated to maintain simplicity in the procedure document and to provide needed illustrations or details independent of the main text to aid the CESI specialist in understanding the specifics of the procedure.*

## 12.5.3 Written approval from the Director CES.

<b>IFC</b> <b>ENVIRONMENTAL AND SOCIAL</b> <b>REVIEW PROCEDURES</b>	
<b>Version X.0</b> Month/Day/Year	
Approved:	_____
	Greg Radford, Director CES
Date:	