

Nordic Development Fund



Environmental & Social Guidelines

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Related documents

Environmental and Social Policy

Gender Equality Policy

Gender Equality Guidelines for Operations

1. Background and Purpose

The purpose of this document is to, primarily, orient NDF staff in the proper interpretation and application of the Environmental and Social Policy¹ (“the Policy”). The second objective is to support NDF Strategic Partners and Recipients of NDF financing in understanding the requirements of the Policy.

2. Definitions

Associated Facility. *Facilities* or *activities* that are not funded as part of the project and are: (a) directly and significantly related to the project; and (b) carried out, or planned to be carried out, contemporaneously with the project; and (c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist. Note that the project’s *area of influence* is described in the Environmental and Social Assessment or Environmental and Social Impact Assessment.

Co-financing: NDF provides Co-financing to complement other financing provided for the same project. NDF’s Co-financing constitutes thus a share of the total budget for the project

Direct financing refers to financing for activities that are carried out without a financial intermediary.

Environmental and Social Commitment Plan (ESCP)² is designed to consolidate into one summary document the material measures and actions that are required for the project to achieve compliance with NDF Minimum Standards. It forms part of the Financing Agreement.

Financial Intermediary, or “FI”: An entity such as a Fund or bank through which NDF provides financing to FI subprojects. The use of Fund in this context covers structures such as limited partnerships (managed by a fund manager) as well as trust funds or special funds (managed by a trustee) normally housed within an MDB.

FI Subproject: An activity carried within a project or a legal entity as part of a portfolio of a Financial intermediary.

Implementing agency: An Implementing Agency (IA) is the entity responsible for executing the project as defined by the Financing Agreement(s).

Indirect financing refers to project activities that are carried out indirectly via a financial intermediary (FI) and channelled by the FI into individual sub-projects.

Joint co-financing: In joint co-financing, NDF’s financing for the project is administered by the strategic partner acting as the lead partner for the project. NDF and the strategic partner enter into a co-financing agreement under which the funds are disbursed via the strategic partner to agreed project activities. In jointly financed projects, the co-financing partner will deduct an administration fee from the NDF funds as specified in the co-financing agreement.

Lead Partner or Lead Agency: A Strategic partner that has the lead role in the project is referred to as Lead Partner or Lead Agency. Such a Lead Partner or Lead Agency could be an MDB, DFI, IGO or another entity such as a foundation or a fund manager.

¹ Environmental and Social Policy. Approved 12.10.21. Entry into force 18.10.21.

² This is known as the Environmental and Social Action Plan (ESAP) under Performance Standards.

Minimum Standards: NDF Policies and World Bank Environmental and Social Standards (ESS) or International Finance Corporation Performance Standards.

Mode of co-financing: The mode of finance can be either Parallel or Joint.

Parallel co-financing: NDF's co-financing is provided through a separate financing agreement between NDF and the recipient. In parallel co-financing, NDF is responsible for monitoring of all phases of the project, including the procurement process, implementation, funds administration, disbursements and supervision.

Primary Suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential to the core functions of the project.

Project or investment: A set of activities financed under Financing Agreement(s) between NDF and the Recipient.

Project or Investment structure: The project or investment structure can be either Direct financing or Indirect financing.

Recipient: The party(ies) with which NDF has signed an agreement to receive financing is referred to as a Recipient(s)

Strategic partner: Recipients of NDF financing as well as institutions and entities involved in the financing of the same project for which NDF provides Co-financing, are referred to as Strategic partners. A Strategic partner that participates in the same financing structure as NDF is also a Co-financing partners. Strategic partners may also be institutions and entities with whom NDF collaborates in activities such as communication and knowledge management.

3. Policy Requirements

The recipient of NDF financing ("the Recipient") shall follow NDF Minimum Standards (MS) in the projects and programs it implements with NDF funds. The Environmental and Social Policy and the MS shall apply to all projects financed by NDF, including direct financing and indirect financing via Financial Intermediaries (FI). NDF will only support projects that are expected to meet the requirements of the MS in a manner and within a timeframe acceptable to NDF as defined in the Financing Agreement (FA). The core of MS consists of NDF Policies and the World Bank Environmental and Social Standards ("ESS", 2018), or IFC Performance Standards ("PS", 2012 or later). If PS are used for indirect project financing via Financial Intermediaries the "IFC Interpretation Note for Financial Intermediaries"³ shall be used to interpret the PS for such cases. If PS are used for other direct project finance, WB ESS 10 on "Stakeholder Engagement and Information Disclosure" shall complement the IFC PS.

As part of the NDF MS, NDF financed projects are also required to apply the relevant requirements of the World Bank Group Environmental, Health and Safety Guidelines (EHSGs)⁴. The EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP). The EHS Guidelines contain the performance levels and measures that are generally considered to be achievable in new facilities at reasonable costs by existing technology.

³ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_interpretationnote-fi

⁴ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

When co-financing projects with Strategic Partners regardless financing modality, NDF will in dialogue with the partner agree on a *common approach* for project assessment, appraisal, management of environmental and social risks and impacts, monitoring and reporting as per the NDF MS. Such a common approach may be acceptable to NDF, provided that such an approach is materially consistent in content and outcomes with the MS and these Guidelines. The common approach can be agreed in a Memorandum of Understanding, or similar document as agreed. NDF will require Recipients to apply either MS or the common approach to the project.

For indirect co-financing, the FI will establish an Environmental and Social Management System (ESMS), which will identify, assess, manage, and monitor the environmental and social risks and impacts of FI subprojects on an ongoing basis. The FI will put in place and maintain clearly defined environmental and social procedures, appropriately staffed and budgeted, which reflect and implement the FI's Environmental and Social Policy.

These Guidelines also require the application of the NDF MS to Associated Facilities. Associated Facilities will meet the requirements of the NDF MS, to the extent that the Recipient or Implementing Agency has control or influence over such Associated Facilities.

4. Risk classification

All projects financed by NDF are categorised according to their potential negative environmental and social impact. The categories are **High Risk**, **Substantial Risk**, **Moderate Risk** and **Low Risk** as per the NDF Risk Management Framework.

High Risk: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;

Substantial Risk: Projects with fewer potential adverse environmental and social impacts than high risk, limited in spatial extent, largely reversible and readily addressed through mitigation measures;

Moderate Risk: Projects with limited potential adverse environmental and social impacts, site-specific, reversible and easily addressed through mitigation measures;

Low Risk: Projects with minimal or negligible negative environmental or social potential impact.

The NDF Environmental and Social Risk Categorisation List (internal document) will serve as a guide to categorisation of various and typical projects especially during the identification phase. A project may be reclassified if significant environmental or social concerns are identified during the review period or if the environmental or social concerns prove to be less serious than first anticipated. All activities are also categorised using their NACE codes. The Statistical Classification of Economic Activities in the European Community, commonly referred to as NACE (for the French term "nomenclature statistique des activités économiques dans la Communauté européenne"), is the industry standard classification system used in the European Union. The current version is revision 2 and was established by Regulation (EC) No 1893/2006.

Where NDF is providing indirect co-financing through a Financial Intermediary, the risk classification of the project will be determined by NDF considering the sectoral scope of activities included in the investment strategy of the FI.

5. Roles and Responsibilities

The Program Manager (PM) has overall responsibility over the due diligence process in consultation with the Environmental & Social (E&S) specialist. The role of the E&S specialist is to support the PM in preparation and implementation of the project. E&S risk management is a part of the Quality Assurance and Reporting (QAR) department's overall oversight and advisory function.

During the identification phase and through appraisal the PM, E&S specialist and other QAR staff work together in the due diligence process. The QAR specialists may join in meetings with the PM and project developer or Recipient or IA and provide suggestions for addressing of open questions.

A site visit and interviews with relevant stakeholders will normally form part of all High and Substantial Risk projects, regardless of whether the risks are environmental or social. A site visit requirement by NDF would usually not apply for indirectly financed projects during preparation as specific FI subprojects may not be known at the time. Site visits during implementation are recommended especially if the FI does not have a strong track record of investments. The PM and from time to time accompanied by the E&S specialist shall strategically visit a sample of FI subprojects.

More specifically, during each phase of the project cycle the following E&S aspects apply:

5.1 Origination

5.1.1 Identification

- The E&S specialist and PM agree on an initial risk rating and check for alignment with the approved E&S standards as per the E&S Policy (WB ESS or IFC PS) in the Project Identification Form (PIF) prior to seeking the Clearance in Principle (CiP).
- The E&S specialist defines the review boundaries for the project environmental and social review.

5.1.2 Screening

- The E&S specialist, together with the PM, reviews the provided documentation (project document, environmental and social assessments and reviews including gender analysis) to ensure consistency with the E&S Policy.
- The E&S specialist, together with the PM, reviews Terms of References (ToRs) provided by the Recipient or IA and provides support in drafting of TORs in their field of expertise.
- The E&S specialist reviews the Final Project Proposal and provides clearance to the PM on the Environmental and Social Review Summary and project risk rating found therein.
- Particularly in indirect financing, the E&S specialist reviews the Exclusion List provided to ensure consistency with NDF's Exclusion List found in the E&S Policy.
- The E&S specialist reviews the Final Project Proposal prior to the Management Approval Meeting and the Board document package and provides comments to the PM.

5.1.3 Appraisal

- QAR reviews the Financing Agreement including ESCP/ESAP and provides written comments for PM to incorporate.

5.2 Management

5.2.1 Implementation

- The E&S specialist and/or other QAR staff may join in monitoring missions together with the PM.
- The E&S specialist works with the PM in addressing issues relating to their field of expertise.
- Where the ESCP requires the Recipient or IA to plan or take specific measures and actions over a specified timeframe to avoid, minimise, reduce or mitigate specific risks and impacts of the project, the Recipient or IA will not carry out any activities in relation to the project that may cause material adverse environmental or social risks or impacts until the relevant plans, measures or actions have been completed in accordance with the ESCP/ESAP.

5.2.2 Monitoring

- Monitoring and evaluation of projects will follow the processes defined in the Results Management Framework (RMF) and other tools available.

Further details as to the roles of the PM and E&S Specialist during the Environmental and Social Review are provided in Section 6.

6. Environmental and Social Review

The environmental and social review is performed to assess the project's compliance with NDF's Minimum Standards and to identify any needs for improvement and monitoring. The results of this review will be captured in the Project Proposal document as the Environmental and Social Review Summary (ESRS).

The Recipient or IA is responsible for supplying NDF with all required information. The type and need of information depend mainly on the risk for negative impact associated with the project. NDF co-finances projects with Strategic Partners, which may include direct or indirect financing. The information requirements for these two cases are discussed below.

6.1 Directly financed projects

For all projects, which are directly financed together with strategic partners, the information to be supplied to NDF by the Recipient or IA or Lead Agency should include, but is not be limited to:

- A detailed project description.
- A description of potential significant environmental and/or social impacts.
- For projects that have been marked as mitigation projects, a quantification of the project's impacts on greenhouse gas emissions as per the NDF GHG Emissions Reporting Guidelines.
- Details of adaptation to climate change activities implemented by the project (if applicable).
- A gender analysis according to NDF Gender Equality Guidelines for Operations. This can be standalone or carried out as part of a broader social analysis.
- Information on the status of applicable permits and licences relating to environmental and/or social aspects of the project.

- In the case of pending permits or noncompliance with the NDF MS, a satisfactory plan for obtaining permits or reaching compliance needs to be provided and documented in an Environmental and Social Commitment Plan (ESCP)⁵.
- The details of the consultations and Grievance Mechanism that will be set up for the project.
- Evidence that sufficient budget and resources have been assigned for monitoring and E&S compliance.

Furthermore, the following information should be supplied to NDF upon request:

- Demonstration that labour conditions for employed and/or contracted personnel comply with the requirements of these guidelines by providing NDF with, for example, policies, procedures or guidelines applied to the project;
- The results of any community engagement on the project with relevant stakeholders.

In addition to the above:

For projects classified **High** and **Substantial Risk** the following will be needed:

- An Environmental and Social Impact Assessment (ESIA) or Environmental and Social Assessment (ESA).
- Environmental and Social Management Framework (ESMF) and/or Environmental and Social Management Plan (ESMP).
- A Strategic Environmental and Social Assessment (SESA) (if deemed necessary by NDF, particularly if NDF will be financing the development of policies or plans at national or regional level).
- For large and complex projects, an independent social or environmental expert not directly associated with the recipient or the project should review and give a second opinion of the ESIA. The ESIA should not be carried out and reviewed by the same party. This solution may also be applied in case the ESIA is written in another language than English.

The ESIA and ESA should be performed according to internationally accepted standards. An example of a table of contents for an ESIA report is provided in Appendix 2.

6.2. Indirectly co-financed projects via Financial Intermediaries

Financial intermediaries should provide NDF with the following documents for review:

- Fund strategy which provides an overview of types of FI subprojects targeted for investment.
- A description of potential significant environmental and/or social impacts expected at FI portfolio level.
- The Environmental and Social Management System (ESMS) set up by the FI.
- A quantification of the FI portfolio's impacts on greenhouse gas emissions as per the NDF GHG Emissions Reporting Guidelines.
- Details of adaptation to climate change activities at portfolio level.
- The FI's gender policy for the FI itself and for FI subprojects. This gender policy will be reviewed to screen against NDF's Gender Equality Policy and Gender Equality Guidelines for Operations.
- The details of any planned consultations and Grievance Mechanism.

⁵ If using Performance Standards this is called an Environmental and Social Action Plan.

- Evidence that sufficient budget and resources have been assigned for monitoring and E&S compliance of the FI portfolio.

Furthermore, the following information should be supplied to NDF upon request:

- Demonstration that labour conditions at FI subprojects for employed and/or contracted personnel comply with the requirements of these guidelines by providing NDF with, for example, policies, procedures or guidelines applied to the FI subproject;
- The results of any community engagement on the FI subproject with relevant stakeholders.
- Any Environmental and Social Assessments or Environmental and Social Impact Assessments conducted by the FI subproject or other safeguard instruments prepared.

6.2.1. ESMS

Financial intermediaries shall provide NDF with details of their Environmental and Social Management System (ESMS). An FI's ESMS should consist of the following elements: (i) an E&S policy; (ii) internal organisational capacity; (iii) E&S due diligence (ESDD) processes/procedures to identify risks and impacts of FI subprojects; (iv) monitoring and review of portfolio; (v) external communications mechanism; and (vi) emergency preparedness and response.

The FI's E&S policy shall clearly state applicable requirements for FI subprojects, and will include the following:

- (a) All FI subprojects will be prepared and implemented in accordance with relevant environmental and social national and local laws and regulations;
- (b) All FI subprojects will be screened against the Exclusion List;
- (c) All FI subprojects will be screened for environmental and social risks and impacts;
- (d) All FI subprojects which involve resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or significant risks or impacts on the environment, community health and safety, labour and working conditions, biodiversity or cultural heritage will apply relevant requirements of World Bank Environmental and Social Standards or IFC Performance Standards.

With regards to application of ESS 10 on "Stakeholder Engagement and Information Disclosure", the relevant paragraphs 25-36 under PS1 form the core of the requirements under MS if the decision to use IFC PS is made. ESS 10 provides more detailed guidance on engagement and disclosure.

6.3 Review boundaries

The environmental and social review relates to the entire project and its area of influence. A project is an investment with a technically and economically clearly defined scope, not limited to the part financed by NDF. In addition to the core investment, a project comprises all Associated Facilities. Concerning indirect co-financing via Financial Intermediaries, the review by NDF will be limited to the FI's policies and procedures as per Section 6.2.

To fully include in the review all potential impacts and risks of the project, the review boundaries may need to be more extensive than the actual project definition. Strategic environmental or social review may thus be required, especially if NDF is funding the

development of national or regional policies. The scope of the review may be expanded to related business activities and supply chains of the project, covering at least the Primary Suppliers. Definition of the review boundaries may be determined by such things as the potential impact of emissions to other areas from the project and import of embedded emissions and consumption of energy and consumption of natural resources to the project.

Where there are significant historical, environmental and/or social impacts associated with the project - including those caused by former owners of the project entity - NDF may require assessment and/or remediation measures. Where a Recipient or IA is purchasing natural resource commodities, including food, timber and fibre, that are known to originate from areas where there is a risk of significant conversion or significant degradation of natural or critical habitats, the Recipient's or IA's environmental and social assessment will include an evaluation of the systems and verification practices used by the Primary Suppliers. Where there is reason to suspect that supply chains of a project may involve negative environmental or social impacts, the Recipient or IA will seek assurances from at least the Primary Supplier that such impacts have been mitigated.

When carrying out the review of a project receiving indirect financing through a Financial Intermediary, the review will take a strategic approach by carrying out a review of the Environmental and Social Management System (ESMS) of the FI to ensure it follows the NDF MS. The portfolio of FI subprojects may not be known at the time of NDF's review, and thus the review of such FI subprojects is often delegated to the FI as per their ESMS.

6.3.1 Review conducted by the FI

At the level of the FI, the review conducted by the FI requires identifying the E&S risks and impacts associated with its subprojects. This means conducting an ESDD at the FI subproject level to identify the environmental, social, labour, occupational health and safety (OHS), and security risks and impacts. As an outcome of the ESDD process, the FI should also identify mitigation and/or corrective measures as necessary.

6.4 Capturing review and compliance confirmation in the Final Project Proposal

At the end of the E&S review, the project's residual environmental and social risks are determined taking into account mitigation measures, environmental and social management plans, capacity of staff and management of the organisation and financial resources. Deviations from the NDF MS must be mitigated or acceptable plans for mitigation established via the ESCP⁶.

When NDF supports projects through co-financing with Strategic Partners, NDF together with the Lead Agency and Recipient will agree on a *common approach* for the management of environmental and social risks.

NDF Minimum standards: Either WB ESS or IFC PS.

Project or Investment structure: Direct or indirect.

Risk will be expressed as High, Substantial, Moderate or Low.

Conditions lists the requirements pending, e.g., E&S instruments⁷ needed or other measures or requirements that the Recipient or IA must implement to make the project in compliance

⁶ Or Environmental and Social Action Plan (ESAP) for projects using IFC Performance Standards.

⁷ These may include instruments such as: Environmental and Social Management Framework, Indigenous Peoples Plan, Resettlement Plan, Pest Management Plan, Process Framework (for access restriction),

with the MS. Thus, under the "Condition" the measures and actions outlined in the Environmental and Social Commitment/Action Plan (ESCP/ESAP), are briefly captured and noted.

Monitoring lists serious issues that the recipient has guaranteed to mitigate within a defined time period in the ESCP/ESAP that need to be followed-up by NDF. For example, if an ESMF is prepared, NDF would need to ensure that the ESMP for site-specific activities is eventually prepared as well.

7. Supervision

The need for supervision of E&S performance is assessed as part of NDF's environmental and social review. NDF will require recipients to follow NDF's E&S Policy and these Guidelines throughout the project and provisions entitling NDF to supervise projects are incorporated in the ESCP/ESAP and/or Financing Agreement. The E&S risk rating of projects is initially captured during initial screening and during implementation the project's performance ratings will be captured in the NDF Project Monitoring and Information System.

8. Waivers of the Exclusion List

The Exclusion List provided in Annex 1 of the E&S Policy establishes the types of projects that NDF will not finance. Under exceptional circumstances, a waiver may be sought from NDF's Board of Directors. Such a waiver will require a formal request approved by NDF Management explaining the unique circumstances and reason for the exception, the limits to the applicability of the waiver and how the environmental and social risks associated with the waiver would be mitigated and aligned with the requirements of the Policy and Minimum Standards.

Annex 1 - Summary of World Bank Environmental and Social Standards (ESS)

A summary of World Bank ESS is provided below for convenience purposes. For a detailed description, please refer to World Bank Environmental and Social Standards (2018) or IFC Performance Standards (2012 or later), in case the recipient of NDF funds has elected to use PS.

In case of questions of interpretation questions of the ESS or IFC PS to NDF the E&S specialist will provide guidance and advice in consultation with QAR department.

World Bank Environmental and Social Standards:

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labour and Working Conditions
3. Resource Efficiency and Pollution Prevention and Management
4. Community Health and Safety
5. Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
8. Cultural Heritage
9. Financial Intermediaries
10. Stakeholder Engagement and Information Disclosure

For a full description of the ESS, please refer to the World Bank Environmental and Social Standards (2018). IFC Performance Standards (2012 or later) may also be used for Financial Intermediary investments and private sector projects, in which case the Interpretation Note for Financial Intermediaries and WB ESS 10 on “Stakeholder Engagement and Information Disclosure” shall complement the IFC PS.

1. Assessment and Management of Environmental and Social Risks and Impacts

ESS1 sets out the recipient’s responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a project financed by NDF in order to achieve environmental and social outcomes consistent with the Minimum Standards.

Objectives

- To adopt a mitigation hierarchy approach to:
 - (a) Anticipate and avoid risks and impacts;
 - (b) Where avoidance is not possible, minimise or reduce risks and impacts to acceptable levels;
 - (c) Once risks and impacts have been minimised or reduced, mitigate; and
 - (d) Where significant residual impacts remain, compensate for or offset them, where technically and financially feasible.
- To adopt differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable, and they are not disadvantaged in sharing development benefits and opportunities resulting from the project.
- To utilise national environmental and social institutions, systems, laws, regulations and procedures in the assessment, development and implementation of projects, whenever appropriate.

- To promote improved environmental and social performance, in ways which recognise and enhance recipient capacity.

Requirements

The recipient will:

- (a) Conduct an environmental and social assessment (**note: including gender analysis**) of the proposed project, including stakeholder engagement. The environmental and social assessment will be an adequate, accurate, and objective evaluation and presentation of the risks and impacts, prepared by qualified and experienced persons. For High and Substantial Risk projects, as well as situations in which the recipient has limited capacity, the recipient will retain independent specialists to carry out the environmental and social assessment.
- (b) Undertake stakeholder engagement and disclose appropriate information in accordance with ESS10;
- (c) Where qualifications have been identified as part of the Environmental and Social Review, develop an ESCP, and implement all measures and actions set out in the financial agreement including the ESCP. Where the ESCP requires the recipient to plan or take specific measures and actions over a specified timeframe to avoid, minimise, reduce or mitigate specific risks and impacts of the project, the recipient will not carry out any activities in relation to the project that may cause material adverse environmental or social risks or impacts until the relevant plans, measures or actions have been completed in accordance with the ESCP; and
- (d) Conduct monitoring and reporting on the environmental and social performance of the project against the ESSs.
- (e) Apply the relevant requirements of the Environmental Health and Safety Guidelines (EHSGs).

2. Labour and Working Conditions

ESS2 recognises the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. Recipients can promote sound worker-management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions.

Objectives

- To promote safety and health at work.
- To promote the fair treatment, non-discrimination and equal opportunity of project workers.
- To protect project workers, including vulnerable workers such as women, persons with disabilities, children (of working age, in accordance with this ESS) and migrant workers, contracted workers, community workers and primary supply workers, as appropriate.
- To prevent the use of all forms of forced labour and child labour.
- To support the principles of freedom of association and collective bargaining of project workers in a manner consistent with national law.
- To provide project workers with accessible means to raise workplace concerns.

Requirements

The recipient will develop and implement written labour management procedures applicable to the project. These procedures will set out the way in which project workers will be managed, in accordance with the requirements of national law and this MS. The procedures will address the way in which this MS will apply to different categories of project workers including direct workers, and the way in which the recipient will require third parties to manage their workers.

A child under the minimum age established in accordance with this paragraph will not be employed or engaged in connection with the project. The labour management procedures will specify the minimum age for employment or engagement in connection with the project, which will be the age of 14 unless national law specifies a higher age. A child over the minimum age and under the age of 18 may be employed or engaged in connection with the project only under the following specific conditions:

- (a) employed or engaged in connection with the project in a manner that is likely to be hazardous or interfere with the child's education or be harmful to the child's health or physical, mental, spiritual, moral or social development.
- (b) an appropriate risk assessment is conducted prior to the work commencing; and
- (c) the Recipient conducts regular monitoring of health, working conditions, hours of work and the other requirement of this MS.

Forced labour, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty, will not be used in connection with the project.

A grievance mechanism will be provided for all direct workers and contracted workers (and, where relevant, their organisations) to raise workplace concerns.

Measures relating to occupational health and safety will be applied to the project. The Occupational Health and Safety (OHS) measures will include the requirements of this Section, and will take into account the General EHSs and, as appropriate, the industry-specific EHSs and other GIIP.

3. Resource Efficiency and Pollution Prevention and Management

This ESS sets out the requirements to address resource efficiency and pollution prevention and management throughout the project life cycle consistent with GIIP.

Objectives

- To promote the sustainable use of resources, including energy, water and raw materials.
- To avoid or minimise adverse impacts on human health and the environment by avoiding or minimising pollution from project activities.
- To avoid or minimise project-related emissions of short and long-lived climate pollutants.
- To avoid or minimise generation of hazardous and non-hazardous waste.
- To minimise and manage the risks and impacts associated with pesticide use.

Requirements

- The recipient will consider ambient conditions and apply technically and financially feasible resource efficiency and pollution prevention measures in accordance with the mitigation hierarchy.
- The measures will be proportionate to the risks and impacts associated with the project and consistent with GIIP, in the first instance the EHSs.
- The recipient will implement technically and financially feasible measures for improving efficient consumption of energy, water and raw materials, as well as other resources.
- The recipient will avoid the release of pollutants or, when avoidance is not feasible, minimise and control the concentration and mass flow of their release using the performance levels and measures specified in national law or the EHSs, whichever is most stringent.

4. Community Health and Safety

This ESS addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of recipients to avoid or minimise such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.

Objectives

- To anticipate and avoid adverse impacts on the health and safety of project-affected communities during the project life cycle from both routine and nonroutine circumstances.
- To promote quality and safety, and considerations relating to climate change, in the design and construction of infrastructure, including dams.
- To avoid or minimise community exposure to project-related traffic and road safety risks, diseases and hazardous materials.
- To have in place effective measures to address emergency events.
- To ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimises risks to the project-affected communities.

Requirements

- The recipient will evaluate the risks and impacts of the project on the health and safety of the affected communities during the project life cycle, including those who, because of their particular circumstances, may be vulnerable. The recipient will identify risks and impacts and propose mitigation measures in accordance with the mitigation hierarchy.
- The recipient will design, construct, operate, and decommission the structural elements of the project in accordance with national legal requirements, the EHSs and other GIIP, taking into consideration safety risks to third parties and affected communities.
- Where the project involves provision of services to communities, the recipient will establish and implement appropriate quality management systems to anticipate and minimise risks and impacts that such services may have on community health and safety. In such circumstances, the recipient will also apply the concept of universal access, where technically and financially feasible.
- The recipient will identify, evaluate and monitor the potential traffic and road safety risks to workers, affected communities and road users throughout the project life cycle and, where appropriate, will develop measures and plans to address them.
- The project's direct impacts on ecosystem services may result in adverse health and safety risks. Where appropriate and feasible, the Recipient will identify the project's potential risks and impacts on ecosystem services that may be exacerbated by climate change. Adverse impacts will be avoided, and if they are unavoidable, the Recipient will implement appropriate mitigation measures.
- The recipient will avoid or minimise the potential for community exposure to water-borne, water-based, water-related, and vector-borne diseases, and communicable and noncommunicable diseases that could result from project activities, taking into consideration differentiated exposure to and higher sensitivity of vulnerable groups.
- The recipient will avoid or minimise the potential for community exposure to hazardous materials and substances that may be released by the project.
- The recipient will identify and implement measures to address emergency events.
- When the recipient retains direct or contracted workers to provide security to safeguard its personnel and property, it will assess risks posed by these security arrangements to those within and outside the project site. In making such arrangements, the recipient will be guided by the principles of proportionality and GIIP, and by applicable law, in relation to hiring, rules of conduct, training, equipping, and monitoring of such security workers.

5. Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 recognises that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons. Project-related land acquisition or restrictions on land use may cause physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, leading to loss of income sources or other means of livelihood), or both. The term “involuntary resettlement” refers to these impacts. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement.

Objectives

- To avoid involuntary resettlement or, when unavoidable, minimise involuntary resettlement by exploring project design alternatives.
- To avoid forced eviction.
- To mitigate unavoidable adverse social and economic impacts from land acquisition or restrictions on land use by: (a) providing timely compensation for loss of assets at replacement cost and (b) assisting displaced persons in their efforts to improve, or at least restore, their livelihoods and living standards, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.
- To improve living conditions of poor or vulnerable persons who are physically displaced, through provision of adequate housing, access to services and facilities, and security of tenure.
- To conceive and execute resettlement activities as sustainable development programs, providing sufficient investment resources to enable displaced persons to benefit directly from the project, as the nature of the project may warrant.
- To ensure that resettlement activities are planned and implemented with appropriate disclosure of information, meaningful consultation, and the informed participation of those affected.

Requirements

- The Recipient will demonstrate that involuntary land acquisition or restrictions on land use are limited to direct project requirements for clearly specified project purposes within a clearly specified period of time.
- The Recipient will consider feasible alternative project designs to avoid or minimise land acquisition or restrictions on land use, especially where this would result in physical or economic displacement, while balancing environmental, social, and financial costs and benefits, and paying particular attention to gender impacts and impacts on the poor and vulnerable.
- When land acquisition or restrictions on land use (whether permanent or temporary) cannot be avoided, the Recipient will offer affected persons compensation at replacement cost, and other assistance as may be necessary to help them improve or at least restore their standards of living or livelihoods.
- The Recipient will take possession of acquired land and related assets only after compensation in accordance with this ESS has been made available.
- The Recipient will engage with affected communities, including host communities, through the process of stakeholder engagement described in ESS10.
- The Recipient will ensure that a grievance mechanism for the project is in place, in accordance with ESS10 as early as possible in project development to address specific

concerns about compensation, relocation or livelihood restoration measures raised by displaced persons (or others) in a timely fashion.

- Where land acquisition or restrictions on land use are unavoidable, the Recipient will, as part of the environmental and social assessment, conduct a census to identify the persons who will be affected by the project, to establish an inventory of land and assets to be affected, to determine who will be eligible for compensation and assistance, and to discourage ineligible persons, such as opportunistic settlers, from claiming benefits.
- In the case of physical displacement, the Recipient will develop a plan that covers, at a minimum, the applicable requirements of this ESS regardless of the number of people affected.
- In the case of projects affecting livelihoods or income generation, the Recipient's plan will include measures to allow affected persons to improve, or at least restore, their incomes or livelihoods.

6. Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS6 recognises that protecting and conserving biodiversity and sustainably managing living natural resources are fundamental to sustainable development. Biodiversity is defined as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems.

Objectives

- To protect and conserve biodiversity and habitats.
- To apply the mitigation hierarchy and the precautionary approach in the design and implementation of projects that could have an impact on biodiversity.
- To promote the sustainable management of living natural resources.
- To support livelihoods of local communities, including Indigenous Peoples, and inclusive economic development, through the adoption of practices that integrate conservation needs and development priorities.

Requirements

- The Recipient will avoid adverse impacts on biodiversity and habitats. When avoidance of adverse impacts is not possible, the Recipient will implement measures to minimise adverse impacts and restore biodiversity in accordance with the mitigation hierarchy provided in ESS1 and with the requirements of this ESS.
- Through the environmental and social assessment, the Recipient will identify the potential project related risks to and impacts on habitats and the biodiversity that they support.
- Where the environmental and social assessment has identified potential risks and impacts on biodiversity or habitats, the Recipient will manage those risks and impacts in accordance with the mitigation hierarchy and GIIP.
- Where the project occurs within or has the potential to adversely affect an area that is legally protected, designated for protection, or regionally or internationally recognised, the Recipient will ensure that any activities undertaken are consistent with the area's legal protection status and management objectives.
- The Recipient will not intentionally introduce any new alien species (not currently established in the country or region of the project) unless this is carried out in accordance with the existing regulatory framework for such introduction.
- The Recipient will manage living natural resources in a sustainable manner, through the application of good management practices and available technologies.

- Where projects involve harvesting of living natural resources, the Recipient will require that these resources are managed in a sustainable manner.
- Where a Recipient is purchasing natural resource commodities, including food, timber and fiber, that are known to originate from areas where there is a risk of significant conversion or significant degradation of natural or critical habitats, the Recipient's environmental and social assessment will include an evaluation of the systems and verification practices used by the primary suppliers.

7. Indigenous Peoples

ESS7 contributes to poverty reduction and sustainable development by ensuring that projects supported by the NDF enhance opportunities for Indigenous Peoples to participate in, and benefit from, the development process in ways that do not threaten their unique cultural identities and well-being.

Objectives

- To ensure that the development process fosters full respect for the human rights, dignity, aspirations, identity, culture, and natural resource-based livelihoods of Indigenous Peoples.
- To avoid adverse impacts of projects on Indigenous Peoples, or when avoidance is not possible, to minimise, mitigate and/or compensate for such impacts.
- To promote sustainable development benefits and opportunities for Indigenous Peoples in a manner that is accessible, culturally appropriate and inclusive.
- To improve project design and promote local support by establishing and maintaining an ongoing relationship based on meaningful consultation with the Indigenous Peoples affected by a project throughout the project's life cycle.
- To obtain the Free, Prior, and Informed Consent (FPIC) of affected Indigenous Peoples in the three circumstances described in this ESS.
- To recognise, respect and preserve the culture, knowledge, and practices of Indigenous Peoples, and to provide them with an opportunity to adapt to changing conditions in a manner and in a timeframe acceptable to them.

Requirements

- A key purpose of this ESS is to ensure that Indigenous Peoples present in, or with collective attachment to, the project area are fully consulted about, and have opportunities to actively participate in, project design and the determination of project implementation arrangements.
- The Recipient will assess the nature and degree of the expected direct and indirect economic, social, cultural (including cultural heritage), and environmental impacts on Indigenous Peoples who are present in, or have collective attachment to, the project area. The Recipient will prepare a consultation strategy and identify the means by which affected Indigenous Peoples will participate in project design and implementation.
- Adverse impacts on Indigenous Peoples will be avoided where possible. Where alternatives have been explored and adverse impacts are unavoidable, the Recipient will minimise and/or compensate for these impacts in a culturally appropriate manner proportionate to the nature and scale of such impacts and the form and degree of vulnerability of the affected Indigenous Peoples
- The Recipient will ensure that a grievance mechanism is established for the project, as described in ESS10, which is culturally appropriate and accessible to affected Indigenous Peoples, and takes into account the availability of judicial recourse and customary dispute settlement mechanisms among Indigenous Peoples

- Indigenous Peoples may be particularly vulnerable to the loss of, alienation from or exploitation of their land and access to natural and cultural resources. In recognition of this vulnerability, the Recipient will obtain the FPIC of the affected Indigenous Peoples in which the project will:
- (a) have adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation
- (b) cause relocation of Indigenous Peoples from land and natural resources subject to traditional ownership or under customary use or occupation; or
- (c) have significant impacts on Indigenous Peoples cultural heritage that is material to the identity and/or cultural, ceremonial, or spiritual aspects of the affected Indigenous Peoples lives.

8. Cultural Heritage

ESS8 recognises that cultural heritage provides continuity in tangible and intangible forms between the past, present and future. People identify with cultural heritage as a reflection and expression of their constantly evolving values, beliefs, knowledge and traditions. Cultural heritage, in its many manifestations, is important as a source of valuable scientific and historical information, as an economic and social asset for development, and as an integral part of people's cultural identity and practice. ESS8 sets out measures designed to protect cultural heritage throughout the project life cycle.

Objectives

- To protect cultural heritage from the adverse impacts of project activities and support its preservation.
- To address cultural heritage as an integral aspect of sustainable development.
- To promote meaningful consultation with stakeholders regarding cultural heritage.
- To promote the equitable sharing of benefits from the use of cultural heritage.

Requirements

- The Recipient will avoid impacts on cultural heritage. When avoidance of impacts is not possible, the Recipient will identify and implement measures to address impacts on cultural heritage in accordance with the mitigation hierarchy.
- A chance finds procedure is a project-specific procedure which will be followed if previously unknown cultural heritage is encountered during project activities.
- The Recipient will identify, in accordance with ESS10, stakeholders that are relevant for the cultural heritage that is known to exist or is likely to be encountered during the project life cycle
- As part of the environmental and social assessment, the Recipient will determine the presence of all listed legally protected cultural heritage areas affected by the project.
- Where there is evidence or high probability of past human activity in the area of the project, the Recipient will conduct desk-based research and field surveys to document, map and investigate archaeological remains

9. Financial Intermediaries

- Financial Intermediaries are required to monitor and manage the environmental and social risks and impacts of their portfolio and Financial Intermediary subprojects, and monitor portfolio risk, as appropriate to the nature of intermediated financing.
- Financial Intermediaries are required to develop and maintain, in the form of an Environmental and Social Management System (ESMS), effective environmental and social

systems, procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.

Objectives

- To set out how the Financial Intermediary will assess and manage environmental and social risks and impacts associated with the subprojects it finances.
- To promote good environmental and social management practices in the subprojects the Financial Intermediary finances.
- To promote good environmental and sound human resources management within the Financial Intermediary.

Requirements

- Financial Intermediaries will put in place and maintain an ESMS to identify, assess, manage, and monitor the environmental and social risks and impacts of Financial Intermediary subprojects on an ongoing basis. The ESMS will be commensurate with the nature and magnitude of environmental and social risks and impacts of subprojects, the types of financing, and the overall risk aggregated at the portfolio level.
- Where Financial Intermediary subprojects are likely to have minimal or no adverse environmental or social risks or impacts, the Financial Intermediary will apply national law.
- The Financial Intermediaries will comply with any exclusions in the legal agreement and apply relevant national law for all subprojects.

10. Stakeholder Engagement and Information Disclosure

Stakeholder engagement is an inclusive process conducted throughout the project life cycle. Where properly designed and implemented, it supports the development of strong, constructive and responsive relationships that are important for successful management of a project's environmental and social risks.

Objectives

- To establish a systematic approach to stakeholder engagement that will help Recipients identify stakeholders and build and maintain a constructive relationship with them, in particular project-affected parties.
- To assess the level of stakeholder interest and support for the project and to enable stakeholders' views to be taken into account in project design and environmental and social performance.
- To promote and provide means for effective and inclusive engagement with project-affected parties throughout the project life cycle on issues that could potentially affect them.
- To ensure that appropriate project information on environmental and social risks and impacts is disclosed to stakeholders in a timely, understandable, accessible and appropriate manner and format.

Requirements

- Recipients will engage with stakeholders throughout the project life cycle, commencing such engagement as early as possible in the project development process and in a timeframe that enables meaningful consultations with stakeholders on project design. The nature, scope and frequency of stakeholder engagement will be proportionate to the nature and scale of the project and its potential risks and impacts.
- The Recipient will maintain and disclose as part of the environmental and social assessment, a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not.

- The Recipient will identify the different stakeholders, both project-affected parties and other interested parties.
- The Recipient will identify those project-affected parties (individuals or groups) who, because of their particular circumstances, may be disadvantaged or vulnerable.
- The Recipient will disclose project information to allow stakeholders to understand the risks and impacts of the project, and potential opportunities.
- The information will be disclosed in relevant local languages and in a manner that is accessible and culturally appropriate, taking into account any specific needs of groups that may be differentially or disproportionately affected by the project or groups of the population with specific information needs (such as, disability, literacy, gender, mobility, differences in language or accessibility).
- The Recipient will continue to engage with, and provide information to, project-affected parties and other interested parties throughout the life cycle of the project, in a manner appropriate to the nature of their interests and the potential environmental and social risks and impacts of the project
- The Recipient will propose and implement a grievance mechanism to receive and facilitate resolution of such concerns and grievances. The grievance mechanism will be proportionate to the potential risks and impacts of the project and will be accessible and inclusive.

Annex 2: Example of ESIA Table of Contents

(a) Executive Summary

- Concisely discusses significant findings and recommended actions.

(b) Legal and Institutional Framework

- Analyses the legal and institutional framework for the project, within which the environmental and social assessment is carried out
- Compares the Borrower's existing environmental and social framework and the ESSs and identifies the gaps between them.
- Identifies and assesses the environmental and social requirements of any co-financiers.

(c) Project Description

- Concisely describes the proposed project and its geographic, environmental, social, and temporal context, including any offsite investments that may be required (e.g., dedicated pipelines, access roads, power supply, water supply, housing, and raw material and product storage facilities), as well as the project's primary suppliers.
- Through consideration of the details of the project, indicates the need for any plan to meet the requirements of ESS1 through 10.
- Includes a map of sufficient detail, showing the project site and the area that may be affected by the project's direct, indirect, and cumulative impacts.

(d) Baseline Data

- Sets out in detail the baseline data that is relevant to decisions about project location, design, operation, or mitigation measures.
- This should include a discussion of the accuracy, reliability, and sources of the data as well as information about dates surrounding project identification, planning and implementation.
- Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions.
- Based on current information, assesses the scope of the area to be studied and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before the project commences.
- Takes into account current and proposed development activities within the project area but not directly connected to the project.

(e) Environmental and Social Risks and Impacts

- Takes into account all relevant environmental and social risks and impacts of the project. This will include the environmental and social risks and impacts specifically identified in ESS2–8, and any other environmental and social risks and impacts arising as a consequence of the specific nature and context of the project, including the risks and impacts identified in ESS1, paragraph 28.

(f) Mitigation Measures

- Identifies mitigation measures and significant residual negative impacts that cannot be mitigated and, to the extent possible, assesses the acceptability of those residual negative impacts.
- Identifies differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable.
- Assesses the feasibility of mitigating the environmental and social impacts; the capital and recurrent costs of proposed mitigation measures, and their suitability under local conditions; and the institutional, training, and monitoring requirements for the proposed mitigation measures.
- Specifies issues that do not require further attention, providing the basis for this determination.

(g) Analysis of Alternatives

- Systematically compares feasible alternatives to the proposed project site, technology, design, and operation—including the “without project” situation—in terms of their potential environmental and social impacts.
- Assesses the alternatives’ feasibility of mitigating the environmental and social impacts; the capital and recurrent costs of alternative mitigation measures, and their suitability under local conditions; and the institutional, training, and monitoring requirements for the alternative mitigation measures.
- For each of the alternatives, quantifies the environmental and social impacts to the extent possible, and attaches economic values where feasible.

(h) Design Measures

- Sets out the basis for selecting the particular project design proposed and specifies the applicable ESHGs or if the ESHGs are determined to be inapplicable, justifies recommended emission levels and approaches to pollution prevention and abatement that are consistent with GIIP.

(i) Key Measures and Actions for the Environmental and Social Commitment Plan (ESCP)

- Summarises key measures and actions and the timeframe required for the project to meet the requirements of the ESSs. This will be used in developing the Environmental and Social Commitment Plan (ESCP).

(j) Appendices

- List of the individuals or organisations that prepared or contributed to the environmental and social assessment.
- References—setting out the written materials both published and unpublished, that have been used.
- Record of meetings, consultations and surveys with stakeholders, including those with affected people and other interested parties.
- The record specifies the means of such stakeholder engagement that were used to obtain the views of affected people and other interested parties.
- Tables presenting the relevant data referred to or summarised in the main text.
- List of associated reports or plans.