

# ENVIRONMENTAL AND SOCIAL REVIEW PROCEDURES MANUAL

Environment, Social and Governance Department



Approved by Director CES  
23 September 2010

---



---

## TABLE OF CONTENTS

---

Environmental and Social Review Procedures	Version Number	Approved Revision
Key Terms and Acronyms.....	5	September 16, 2010
1 Environmental and Social Review Procedures Manual.....	5	September 15, 2010
2 Direct Investments: Environmental and Social Team Assignment, Early Review, and Concept Review Meeting.....	5	August 16, 2010
3 Direct Investments: Appraisal.....	5	August 16, 2010
4 Direct Investments: Disclosure and Commitment.....	5	August 16, 2010
5 Managing Eventualities in Investment Projects.....	1	March 17, 2010
6 Direct Investments: Supervision.....	5	August 16, 2010
7 Financial Intermediary Investments: Early Review and Appraisal....	4	August 14, 2009
8 Financial Intermediary Investments: IFC Disclosure and Commitment.....	4	August 14, 2009
9 Financial Intermediary Investments: Supervision.....	4	August 14, 2009
10 Environmental and Social High Risk Projects Listing.....	1	July 19, 2010
11 Social and Environmental Requirements for IFC-Managed Advisory Services.....	4	March 17, 2010
12 Update and Generation of Environmental and Social Review Procedures .....	6	February 22, 2011

TERM	DESCRIPTION
ACS	Administrative Client Support assigned to a unit to provide administrative support in investment appraisal and supervision activities.
Action Plan	The Environmental and Social Action Plan (ESAP) or Action Plan (see Performance Standard 1). "The Action Plan will (i) describe the actions necessary to implement the various sets of mitigation measures or corrective actions to be undertaken; (ii) prioritize these actions; (iii) include the timeline for their implementation; (iv) be disclosed to the affected communities; and (v) describe the schedule and mechanism for external reporting on the client's implementation of the Action Plan."
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.
AMR	The Environmental and Social Annual Monitoring Report (AMR). Report scope and content are agreed between IFC and the client, and may in some cases be included in the investment contract. The AMR helps IFC assess on a yearly basis the E&S risk of the project and revise and update the ESRR score (Environmental and Social Risk Rating). In order to ensure that the corporation maintains a quality E&S portfolio, the CRC (Corporate Risk Committee) has approved a capture rate of 90% for Annual Monitoring Reports (AMR).
Applicable Performance Requirements	All IFC Performance Standards (PSs) are applicable to projects as stated by investment contract covenants. In the case of Financial Intermediaries (FI), this may be the combination of an exclusion list, the national laws and regulations, and the IFC PSs in general, including specific elements of the IFC PSs 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.
Area of Influence	The Area of Influence, defined in PS 1, encompasses (i) the primary project site(s) and related facilities that the client (including its contractors) develops or controls; (ii) associated facilities that are not funded as part of the project and whose viability and existence depend exclusively on the project; (iii) areas potentially impacted by cumulative impacts from further planned development of the project; and (iv) areas potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location.
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 reports summarize findings and recommendations formed from site appraisal visits (SAVs) or site supervision visits (SSVs). As a Recordable Supervision Activity (RSA), the BTO serves as an E&S specialist activity that results in an updated understanding of a portfolio project's E&S performance.
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 that have potential environmental and social (E&S) impacts.
CEET	Carbon Emissions Estimator Tool.
CES	IFC's Environment, Social and Governance Department; the integration of environment, social and corporate governance (ESG) activities supporting IFC investment activities.
CESI	The Investment Support Group of CES that is responsible for the E&S due diligence and supervision of IFC's investment projects.
CESI Specialist	An environmental and/or social specialist who supports the CESI project team.
CFN	IFC's Private Equity and Investment Funds Department.
CGF	IFC's Global Financial Markets Department.

CO <sub>2</sub>	Carbon dioxide.
COC	Corporate Operations Committee.
COD	Condition 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.
CRD	Company Reference Database.
CRM	Concept Review Meeting.
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, Social and Governance Department.
DOTS	The Development Outcome Tracking System 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) E&S performance; and (iv) broader private-sector development impacts.
E&S	Environmental and social, including occupational health and safety.
E&S Category	The environmental and social category 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. See Categories A, B, C, and FI above.
EA	Environmental assessment is a generic term covering various types of assessment processes such as Environmental Impact Assessment, Strategic Environmental Assessment, environmental analyses, environmental audits, and due diligence.
EHS	Environment, health and safety.
EHS Guidelines	Environmental Health and Safety Guidelines are technical reference documents

	with general and industry-specific examples of Good International Industry Practice, defined in PS 3 on Pollution Prevention and Abatement. The general EHS Guidelines contain information on cross-cutting EHS issues potentially applicable to all industry sectors. The general EHS Guidelines should be used together with the relevant industry sector guideline(s).
ESAP	Environmental and Social Action Plan. See <i>Action Plan</i> , above.
ESCM	The Environmental and Social Clearance Memorandum that is prepared by the Lead Specialist for Category A and B projects.
ESMS	<p>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&amp;S assessments and implementation, organization structure, E&amp;S management program, technical and management capacity, training, community relationships, financial resources, E&amp;S monitoring, and reporting.</p> <p>In the case of FIs, this refers to the elements of the ESMS, and includes FI E&amp;S policies and review procedures, E&amp;S organization structure, financial and human resources, and internal and external E&amp;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.</p>
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 Environmental and Social Review Document that covers analysis, and decision-making from due diligence through supervision until the project is closed. The ESRD will include E&S 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. Individual ESRPs in the E&S Review Procedures Manual principally address appraisal and supervision of mainstream and FI investment projects.
ESRR	Environmental and Social Risk Rating.
ESRR <sub>(A)</sub>	The <b>Appraisal</b> Environmental and Social Risk Rating considers Management Factors, Performance Factors, and Communication Factors once all data required for appraisal has been collected and analyzed. The purpose of the ESRR <sub>(A)</sub> is to establish a baseline ESRR rating to express the status of the client <u>before</u> IFC intervention and implementation of remedial measures contained in the Action Plan. The ESRR <sub>(A)</sub> baseline will be compared or contrasted side-by-

	side over time to the ESRR <sub>(s)</sub> to illustrate the impact of IFC's intervention throughout the project life in IFC's portfolio.
ESRR <sub>(s)</sub>	The <b>Supervision</b> Environmental and Social Risk Rating considers Management Factors, Performance Factors and Communication Factors focused on the client's performance, compliance with the Action Plan and other IFC requirements throughout the project life in IFC's portfolio. The purpose of the ESRR <sub>(s)</sub> is to illustrate the impact of IFC's intervention throughout project life in portfolio.
ESRS	The Environmental and Social Review Summary is the document through which IFC publicly discloses how the E&S aspects of a project were reviewed and the rationale for categorization. It includes a description of the main E&S risks and impacts of the project, and the key measures identified to mitigate those risks and impacts, specifying any actions needed to undertake the project in a manner consistent with the PS 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.
Financing Agreement	A generic term referring to the legal agreement (e.g., Investment, Subscription, Participation, and other agreements) that IFC enters into with the client that defines the terms of financing. See <i>Investment Contract</i> below.
FPIC	Free Prior and Informed Consultation.
Global Trade Finance Program (GTFP)	GTFP projects are guarantees to support import and export transactions that extend to political and commercial payment risks (though excludes documentation risk), pursuant to the terms of the specific trade facilitation instrument associated with the transaction (e.g., Letter of Credit, Promissory Note, etc).
GPOBA	Global Partnership for Output-Based Aid. An AS type investment carried out jointly with the IBRD for which IBRD reviews and approves IFC's due diligence and documentation.
HRL	The E&S High-Risk List (HRL) is a group of projects that require closer scrutiny and supervision due either to highly significant E&S risks or because the projects have attracted the attention of third parties, such as Civil Society Organizations (CSO) and project-affected people and/or media for alleged E&S shortcomings, impacts, and associated reasons.

High Risk Projects	<ul style="list-style-type: none"> <li>• Projects that have PS issue(s) that either cannot be mitigated or will not be mitigated for a long period of time;</li> <li>• Projects that trigger a significant and/or exceptional PS issue;</li> <li>• All projects that are open Office of the Compliance Advisor/Ombudsman (CAO) cases;</li> <li>• All projects with an Environmental and Social Risk Rating (ESRR) of 4;</li> <li>• Selected projects with an ESRR of 3 that encompass very significant E&amp;S risks and/or with a sponsor that has demonstrated very poor E&amp;S management or performance; and</li> <li>• Projects that have attracted negative Civil Society Organization, public, or media attention for perceived E&amp;S risks; and/or events and/or activities.</li> </ul>
IBRD	International Bank for Reconstruction and Development
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	<p>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.</p> <p>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.</p>
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.
Investment Contract	A generic term referring to the legal agreement (e.g., Investment, Subscription, Participation, and other agreements) that IFC enters into with the client that defines the terms of financing. See <i>Financing Agreement</i> above.
IRM	Investment Review Meeting. After completion of a project appraisal, the Director or a manager of an IFC Investment Department or a regional Director chairs this meeting, which is the basis for IFC management approval of the project. The full project team attends the IRM, as appropriate.
IS	Investment Services.



Knowledge Gap Projects	<p>Projects that were disbursed 15 or more months previously that do not yet have an ESRR<sub>(S)</sub> score; and, projects with an ESRR<sub>(S)</sub> score older than two years. Definition applies to projects with an existing balance of more than \$0, but not to Category C Projects.</p> <p>IFC's 2009 Annual Report defines Knowledge Gap as the percentage of companies in IFC's portfolio for which we have not received updated information on environmental and social performance within the last two years.</p>
LESS	The Lead Environmental or Social Specialist is responsible for leading and managing the E&S review of a proposed investment in collaboration with other E&S environmental specialist(s) on the project team.
Manager CESI	The Manager(s) of the CES Investment Support Group (CESI1 & CESI2).
Market Instrument	A financial instrument where the instrument holder has limited or no influence 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.
MIGA	Multilateral Investment Guarantee Agency provides political risk insurance for investments in developing countries.
MOR	Monthly Operations Report included in the PDS-Concept. An abbreviated version of the information presented in the PDS-Concept that is provided for Executive Directors.
PDS-Concept	Project Data Sheet - Concept; A formal document presenting the investment concept; this is the starting point for moving investments through the IFC project cycle.
PDS-IR	Project Data Sheet - Investment Review. Summarizes the outcome of the investment department decision 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 for CESI Specialists to learn from one another.
Policy	IFC's policy on E&S sustainability.
Project Attributes	Project information and indicators collected for all investments in order to determine the E&S characteristics and footprint of the portfolio. This information is then used to track issues over time and to communicate the E&S 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 provisional project categorization). The PDS is continually updated during project appraisal. The Decision Book and financial models are key decision documents for the Investment Review Meeting.
PSS	IFC's Performance Standards on Social and Environmental Sustainability.
PSR	Project Supervision Report. Annual summary of project financial, economic, and environmental status.
QA	The Quality Assurance component of CES's Policy and QA Department responsible for design, maintenance and continuous improvement of internal systems to maintain the desired level of quality in IFC E&S review of investment projects applicable to appraisal and supervision.
Retail Operations	For an FI where the financing or financial service is provided only to individuals, such as credit cards, personal loans, home loans, and vehicle leasing.
Recordable Supervision Activity (RSA)	Any E&S specialist activity that results in an updated understanding of a portfolio project's E&S performance (e.g. obtaining and reviewing AMRs, recorded site visit, client meeting, stakeholder meeting or conference call).
Rules and Tools	Repository for management-approved E&S review procedures (ESRP Manual) document formats, data collection, and analytical tools for appraisal and supervision. Located at <i>ifccesrulesandtools</i> on the IFC Intranet through a link on the Lotus Notes CES Workspace under the Project Resources tab. Ultimate location will be MySKN.
SAV	Site Appraisal Visit
SEMS	Social and Environmental Management System
SEPR	Social and Environmental Performance Report, 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.
SSV	Supervision Site Visit.

SSV Plan	A plan drafted by QA that lists investment projects in supervision for which a SSV will be carried out during the Fiscal Year.
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 only those that are not related to a Direct Investment project.
Supervised Project	A project for which the ESRR score, PSR language and DOTS rating have been updated as a result of a Recordable Supervision Activity(s). Projects should be supervised at least once a year.
Supplemental Actions	Additional or corrective actions to be taken by the client and incorporated into the Action Plan to address any gaps in the project meeting, the IFC performance requirements, or as a result of new information.
Sustainability Framework	Policy on Social and Environmental Sustainability; Performance Standards; Guidance Notes; Policy on Disclosure of Information; General EHS Guidelines, and Sector-Specific EHS Guidelines.
TL (Industry/Regional)	Team Leaders within CESI who are responsible for the CES specialists working with specific Industry Departments. Roles and responsibilities are defined in <i>CES Delegated Authority Matrix for Implementation of the ESRP</i> .
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. The scope of goods and services to be provided in a of service contract.
TRL	The Transaction Leader is the representative of IFC's Investment Department who is responsible for managing the overall transaction for an investment or advisory project.
Transboundary Issues	Include air and other pollution that crosses political, governmental, or geographical boundaries; abstraction of water from or pollution of international waterways; and disputes where issues can yield tension among states, including drug trafficking, population migration, support to insurgency movements, organized crime, and energy or economic development projects situated near the border.
VP	Vice President.
XPSR	Expanded Project Supervision Report. The XPSR is a five-year retrospective

	review of IFC's investment. The report examines anticipated vs. actual outcomes and suggests lessons learned.
--	---

## ESRP 1. ENVIRONMENTAL AND SOCIAL REVIEW PROCEDURES MANUAL

### 1. Purpose and Applicability

1.1 **Purpose:** Management-approved environmental and social (E&S) appraisal and supervision guidance for investment activities contained in this E&S Review Procedures (ESRP) Manual provides one of several essential elements of CESI's quality management system. Specifically, the procedures in this ESRP Manual define CESI operations responsibilities and processes to facilitate compliance with IFC's Sustainability Framework, i.e., Policy and Performance Standards on Social and Environmental Sustainability, IFC's Policy on Disclosure of Information, and the general and sector-specific Environmental Health and Safety (EHS) Guidelines (See Rules and Tools - Sustainability Framework). The structure of the procedures is consistent with the chronology of events in the investment project cycle and is to be followed by all E&S Specialists. Deviation from policies, procedures, Performance Standards (PSs) and general and sector-specific EHS Guidelines requires authorization by the Manager CESI. Additionally, Manager CESI approval dictates the existence of technical documentation justifying a proposed variance position and incorporation of documentation including approvals into the project document management system (iDesk and the Environmental and Social Review Document [ESRD]).

1.2 **Applicability:** The fundamental part of IFC's mission is its commitment to E&S sustainable development. IFC's Sustainability Framework provides the foundation of this commitment. Specifically, the Social and Environmental Sustainability Policy and the Disclosure Policy define the outcomes that IFC must achieve while the PSs and the general and sector-specific EHS Guidelines stipulate the outcomes that IFC clients must achieve.

This ESRP Manual incorporates Director CES-approved environment and social review procedures. These procedures complement IFC's Operational Procedures and are aligned with the typical investment cycle (see Rules and Tools). Individual procedures incorporate management-approved review steps as well as analytical and documentation activities for proposed investments, thereby supporting IFC's commitment to E&S sustainable development.

This ESRP Manual applies to the full range of IFC's investment activities, such as 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 and securitizations; municipal finance; and Advisory Services (AS).

This ESRP Manual encompasses CESI Specialists' responsibilities throughout the investment life cycle. Application of the PSs and general and sector-specific EHS Guidelines varies according to the client's business (e.g., industrial companies vs. financial institutions) and the nature of IFC's intervention. The ESRP Manual also describes the methodology to implement IFC's institutional disclosure requirements in accordance with the Disclosure Policy.

- 1.3 **Investment Timing:** 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 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 and where necessary strengthening environmental assessment (EA) analysis without replicating processing requirements. Of particular importance is the adequacy of the client's Environmental and Social Management System.
- 1.4 **Complementary Publications:** IFC has, and continues to develop, a range of tools to assist its clients in improving E&S management performance and outcomes (see Rules and Tools). Other information that complements IFC's basic Sustainability Framework (Policy and Performance Standards) includes the Guidance Notes and Good Practice Guides. The Guidance Notes for the PSs are companion documents that provide additional guidance to clients (and IFC staff) in fulfilling their roles and responsibilities under the Framework.
- 1.5 **ESRP Procedures Manual and the EHS Guidelines:** The general and sector-specific EHS Guidelines provide specific benchmark criteria in line with good international industry practice. Thus, the ESRP Manual does not include technical guidance for specific E&S issues. The ESRP Manual, however, constitutes structured, parametric guidance for CESI Specialists to continuously improve consistency and quality of CESI review processes and ensure that policy gaps are identified and closed.
- 1.6 **Provisional and Definitive Categorization:** The ESRP Manual includes 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 have been completed through 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.
- 1.7 **Project Documentation:** CES' quality assurance (QA) processes for investment review and supervision incorporate information analysis and decision recording systems (i.e., ESRD) and the corporate document repository for all investment projects (i.e., iDesk). The ESRD facilitates the creation of a permanent record incorporating E&S analyses and structuring of ameliorative measures ultimately captured in the Environmental and Social Action Plan and iDesk provides a repository of all pertinent documents obtained, reviewed, and employed in analysis and decision-making.

## 2. Procedure

### 2.1 Roles and Responsibilities

#### 2.1.1 Client's Role

IFC expects clients to manage E&S risks and impacts of their projects. This entails client assessment of these risks and impacts, and implementation of management systems and measures to meet the

requirements of the PSs. An important component of the client's management of its E&S performance is its engagement with the affected communities through the disclosure of relevant project information, consultation, and informed participation.

### 2.1.2 IFC's Role

IFC's role includes

- Conduct due diligence of the proposed investment activity;
- Assist the client in developing measures to avoid, minimize, mitigate, or compensate for E&S impacts consistent with the PSs;
- Categorize the project to specify IFC's institutional requirements to disclose to the public project-specific information;
- Identify opportunities to improve E&S outcomes;
- Monitor and document the client's E&S performance throughout the life of IFC's investment; and
- Disclose information about its institutional and investment activities in accordance with the *Policy on Disclosure of Information* (see Rules and Tools - Sustainability Framework).

IFC implements its process requirements through the application of this ESRP Manual for direct investments at both the corporate and project levels, including equity investments, investments through financial intermediaries (FIs), and advisory work to apply the requirements of the PSs. Application of the Sustainability Framework to investment activities and operations is set forth in this ESRP Manual.

### 2.1.3 Role of the CESI E&S Specialists

The role of the E&S Specialists is integral to IFC's approach to optimizing outcomes. The ESRP Manual is not intended as a substitute for specialists' professional judgment and expertise. The ESRP Manual provides parameters to guide consideration and documentation of key issues and decisions that are to be made during the investment cycle. Deviations from recommended practice in the ESRP Manual must be approved by Manager CESI and recorded and stored in the Document Management system (e.g., iDesk and ESRD).

### 2.1.4 Role of the CES QA

QA refers to the CES internal program for systematic monitoring and evaluation of the various aspects of investment project appraisal and supervision. Monitoring and evaluation are designed to ensure that standards of quality are being met throughout the project cycle. QA cannot absolutely guarantee the production of quality products, but makes this more likely through the application of three key principles: *fit for purpose* (the product should be suitable for the intended purpose), *right first time* (mistakes should be eliminated), and *continuous improvement*.

**2.2 Applicable E&S Review Procedures:** Individual procedures affecting appraisal and supervision of Direct Investments activities are encompassed by *ESRP 2: Direct Investments - E&S Team*

*Assignment, Early Review, and Concept Review Meeting through ESRP 6: Direct Investments - Supervision* (see Rules and Tools).

Individual procedures affecting appraisal and supervision of FI investments and investment activities are encompassed by *ESRP 7: Financial Intermediary Investments - Early Review and Appraisal* through *ESRP 9: Financial Intermediary Investments - Supervision* (see Rules and Tools).

E&S responsibilities for appraisal and supervision of AS investments are defined in *ESRP 11: Social and Environmental Requirements for IFC-Managed Advisory Services* (see Rules and Tools).

**2.3 Rules and Tools:** A cornerstone of CESI's quality management system is the control of **operational** documents. Document control is an essential preventive measure ensuring that only approved, current documentation is used throughout the organization. Inadvertent use of out-of-date documents can have significant negative consequences on quality, costs, and customer satisfaction.

Rules and Tools document control is simple to use, easy to monitor, and designed to be effective in preventing use of incorrect operational documents. The Rules and Tools relational database contains current, management-approved procedures, documents, and guidance for CESI Specialists. Strong emphasis has been placed on providing hot links wherever possible to documents whose maintenance is the responsibility of others (e.g., Sustainability Framework). The Rules and Tools site is accessible from the Lotus Notes home page and IFC's intranet. For each step in the project cycle (e.g., Early Review, Appraisal, etc.), there is a compilation of *Rules*, including applicable ESRP and E&S Sustainability Framework documents, and *Tools*, including document formats, IFC Measurement, Calculation and Estimation Tools, and diverse guidance. Rules and Tools are maintained by CES QA to ensure that documents, formats, and guidance are up to date.

**2.4 IFC Policies Compliance and Oversight Mechanisms:** The World Bank has several organizations to ensure compliance with its policies. These entities have access to appraisal and supervision document management systems and may evaluate them during the course of an investigation. The existence and activities of these entities underscore the need for robust analysis and documentation of observations made in appraisal and supervision, diagnosis of issues and prescription and documentation of remedial measures. Moreover, their activities underscore the need to adhere to management-approved activity and documentation throughout the project cycle. The oversight functions include the following:

- Compliance Advisor/Ombudsman Office (CAO) established by IFC and the Multilateral Investment and Guarantee Agency in 2000. The CAO audits compliance with IFC's Sustainability Framework E&S safeguard policies. CAO also carries out an ombudsman role by attempting to mediate disputes between companies, governments, and civil society organizations.
- The Department of Institutional Integrity, which investigates allegations of fraud and corruption in World Bank operations as well as allegations of staff misconduct. This department receives allegations from individuals outside and inside the Bank and conducts preliminary inquiries or full investigations and submits findings to senior Bank management for further action.



- IFC's Independent Evaluation Group (IEG), which is responsible for the post-investment evaluation function within IFC. IEG's work aims to help provide accountability for achievement of IFC's objectives, identify lessons from past experience for improving IFC's operational performance, and help reinforce corporate objectives and values among staff.

### **3. RECORDS AND DOCUMENTATION**

- 3.1 All E&S studies, EA documentation, mission Back to Office reports, records, and associated information are to be stored in iDesk.
- 3.2 iDesk is an electronic workspace that provides secure access to several corporate applications and serves as a one-stop-shop for project processing in IFC. Project processing is guided by IFC's project-approval process in accordance with IFC's Operational Procedures. iDesk provides the following benefits:
- Eliminates repetitive data entry in multiple systems;
  - Provides easy access to the tools required for IFC's operational and day-to-day work;
  - Enables storage and access for all project data and documents in a central location;
  - Improves the quality of information captured in IFC;
  - Provides the ability to obtain the same, up-to-date information in both headquarters and country offices; and
  - Allows access to information based upon employee work profile requirements that results in enhanced document and information security.
- 3.3 The iDesk is the principal repository for and record for investment appraisal and supervision activity during the project's life-cycle events. Project documents are to be filed in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance). The purpose of the ESRD is to document the basis for E&S decisions underlying description of gap analyses in the ESRS and remedial measures in the ESAP. The project E&S team and team ACS must collaborate to ensure that the corporate record of appraisal and supervision along with collected documents is maintained up to date.

## **ESRP 2. DIRECT INVESTMENTS: ENVIRONMENTAL AND SOCIAL TEAM ASSIGNMENT, EARLY REVIEW, AND CONCEPT REVIEW MEETING**

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

- 1.1 This procedure applies to environmental and social (E&S) early review activities for Direct Investments through corporate early review and approval to proceed with the project as an outcome of the Concept Review Meeting (CRM).

Additionally, this procedure describes the E&S team assignment, the E&S review process for the CRM, and preparation of input to the Project Data Sheet-Concept (PDS-Concept) stages including Corporate Operations Committee (COC) meetings that are convened for Tier III/Category A investment projects. It includes an evaluation of the type of investment and associated review requirements, initial identification of potential E&S issues, assignment of applicable Performance Standards (PSs), assignment of provisional E&S categorization and Tier, and communication of these data to the Transaction Leader (TRL).

### **2. Procedure**

- 2.1 **Initiation:** The TRL should make a Regional or Industry Team Leader (TL) aware of all new projects for which a CRM is forthcoming. The TRL is also responsible for ensuring that activities supported by proposed new projects are not prohibited by *IFC's Exclusion List* (see Rules and Tools – Guidance). New project information is to be forwarded to the CESI TL for action determined in accordance with *CES Delegated Authority Matrix for Implementation of the Environmental and Social Review Procedures (ESRP)* (see Rules and Tools – Guidance).

The CESI TL shall review the proposed investment and determine if it falls into one or more of the following categories. Representative appraisal activities for these types of investments are described in Annexes 5.1–5.4 to this procedure, included at the end of this chapter.

- Existing Investments;
- Capital Efficiency Improvement Investments;
- Rights Issues Investments; and
- Trade Finance Investments.

- 2.2 **E&S Team Assignment:** The TL then assigns a Lead Environmental and Social Specialist (LESS) for the new project and notifies the TRL of this decision. The TL or LESS assigned by the TL is responsible for participation in any pre-CRMs or associated early project discussions and evaluations.

**2.3 Provisional Tiering and Categorization:** The TL and LESS shall determine if the project is to be classified as Tier I, II, or III in accordance with *Guidelines for Early Risk Assessment for Project Tiering* (see Rules and Tools - Guidance).

The LESS provisionally assigns an E&S Category in iDesk based on the review conducted so far. The E&S Category reflects the magnitude and resolvability of the potential impacts posed by the investment. IFC's system of E&S categorization:

- Reflects the magnitude of impacts understood as a result of E&S assessment;
- Stipulates institutional requirements to disclose project-specific information to the public prior to presenting projects to its Board of Directors for approval; and
- Defines three principal categories for investments; the significance of each is described below:
  - Category A - Applies to projects with potential significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented;
  - Category B - Applies to projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
  - Category C - Applies to projects with minimal or no adverse social or environmental impacts, including certain financial intermediary (FI) projects with minimal or no adverse risks.

**2.4 Preliminary Review:** The LESS is responsible for conducting an early review of the project's available information. This review and highlighting of key issues are essential parts of the Concept Review process.

**2.5 Concept Review Meeting (CRM):** The TRL arranges for the CRM. The TL or LESS assigned by the TL and confirmed by the Manager CESI is required to participate in the CRM.

The investment category (i.e., direct or FI investments) shall be confirmed at this meeting. Nomination of the investment category shall be based on the activity itself and not according to the department handling the transaction. For example, regional or industry departments such as Global Manufacturing may have FI category projects.

Once it is determined that a project will move forward, the TL confirms the LESS and assigns additional E&S specialists as required to support the LESS in project review and appraisal, notifies the TRL of the CESI staff on the team, and updates iDesk. The LESS is responsible for creating an Environmental and Social Review Document (ESRD) for the project and populating the document with information collected to date. The LESS is also responsible for preparing E&S Considerations wording for the PDS-Concept that will be circulated for further approvals once the project is approved in the CRM. Refer to *PDS-Concept and Monthly Operations Report (MOR) E&S Language* (see Rules and Tools – Document Formats).

**2.6 Coordination with International Bank for Reconstruction and Development (IBRD) and Multilateral Investment and Guarantee Agency (MIGA).** If other multilateral investors,

including IBRD and MIGA are involved in the project, ensure coordination of appraisal and disclosure requirements, including those of IFC and those of the other investors. Refer to *Environmental and Social Policy and Procedural Guidelines for Projects Financed Jointly by Bank, IFC and/or MIGA, January 2009* (see Rules and Tools - Guidance).

**2.7 Commencing Due Diligence:** For all projects approved at Concept Review, the LESS shall obtain and review further assessment information, beyond that provided to date by the TRL if feasible, including the following in order to prepare the E&S contribution to the PDS-Concept.

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

Determine, to the extent possible:

- The potential E&S issues of concern;
- A preliminary indication of the client's E&S management capacity;
- The nature and magnitude of potential impacts posed by the investment project;
- IFC PSs that will likely apply to the investment; and
- Any third-party issues (regulatory, non-governmental organization, etc.) relevant to the project (see *ESRP 5 - Managing Eventualities in Investment Projects*).

Determine prior to appraisal, where possible, 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 Experts for the client's assessment work, and notify the client accordingly.

Advise the TRL on key anticipated development impacts of the project from an E&S standpoint.

**2.8 Minimal Adverse Impact Investments:** Appraisal activities for this type of investment are described in Annex 5.5 to this procedure.

**2.9 Investment Instruments Automatically Categorized in iDesk.** Categorization for Rights Issue, Restructuring, Risk Management (Swaps), Reschedules, Pipeline Split, and Portfolio Split projects described below in Annex 5.6 to this procedure is automated in iDesk.

**2.10 Pre-Appraisal Mission:** If the proposed investment is a High Risk Project (see Rules and Tools – ESRP Manual Key Terms and Acronyms), in coordination with the Transaction Leader, the LESS shall conduct a pre-appraisal visit to:

- Secure adequate E&S information to better determine the nature of the risks and prepare the E&S Considerations text contribution to the PDS-Concept.

Prior to the Pre-Appraisal Mission the LESS and Administrative Client Support (ACS) shall ensure preparation of an *eTOR* (see Rules and Tools - Guidance). On completion of the Pre-Appraisal Mission, the LESS shall create a Back to Office (BTO) report of findings in iDesk (SSV Findings (former BTO) and distribute through iDesk to the project team and Team Leader. Refer to *Good Practice BTO* (Rules and Tools – Guidance).

**2.11 COC Meeting and Mandate Letter:** If a COC meeting is called, the LESS is responsible for:

- Briefing the Manager CESI and the Director CES prior to the meeting on issues that:
  - Cause proposed investments to be categorized as High Risk Projects. Refer to *ESRP Manual Key Terms and Acronyms* (Rules and Tools - Guidance);
  - Present significant social and/or environmental concern, including reputational risk;
  - Are likely to require a major commitment of CESI resources; or
  - Are likely to establish precedent in CESI practice.
  
- Informing the TL and Manager CESI of projects that are not expected to meet the PS;
  
- Participating in COC meeting and responding to E&S inquiries from the COC; and
  
- Providing E&S wording to the TRL for inclusion in the Mandate Letter that should, as applicable and deemed necessary, include the following (refer to *Mandate Letter E&S Input*; see Rules and Tools - Guidance):
  - Indicative conditions of IFC participation such as performance requirements;
  - Applicable IFC PS and general and sector-specific EHS Guidelines; and
  - The need for one or more External Experts to support IFC's review or the client's assessment process.

### **3. Responsibilities**

**3.1 The Manager CESI is responsible for:**

- Approving the E&S team proposed by the TL for High-Risk Projects; and
- Endorsing PDS-Concept conclusions for High-Risk Projects for consideration at COC meetings.

**3.2 The TRL is responsible for:**

- Ensuring that proposed investment activities are not prohibited by IFC's Exclusion List;
- Notifying CES TMs of proposed new projects and requesting LESS appointment;
- Providing the TL and, as applicable, LESS with information necessary to determine the scope of the project's E&S review in accordance with this procedure;
- Calling for an early CRM;
- Transmitting applicable PSs as well as general and sector-specific EHS Guidelines to the client and confirming this fact to the LESS;
- Determining, in conjunction with the LESS, the need for a Pre-Appraisal Mission;

- Providing IFC's indicative requirements to the client; and
- In consultation and coordination with the LESS, entering key and anticipated development impacts into the Development Outcome Tracking System's "Expected Development Impact" section.

**3.3 The TL (selected in accordance with *CES Delegated Authority Matrix for Implementation of the ESRP*) is responsible for:**

- Complying with CES Delegated Authority Matrix for Implementation of the ESRP;
- Determining Project Tier in coordination with the LESS;
- Promoting investment staff consultation and pre Concept Review Meetings with the TL and LESS if applicable;
- Attending or assigning staff to participate in pre-CRMs;
- Assigning the E&S project team in iDesk as needed;
- Obtaining Manager CESI approval for High-Risk Project E&S team configuration; and
- Clearing Category C projects when requested by the LESS and ensuring storage of this approval in iDesk.

**3.4 The LESS is responsible for:**

- Retaining and filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance);
- Amending as needed the iDesk Team with the names of the E&S team assigned by the TL into iDesk;
- Determining the applicable performance requirements;
- Determining provisional Category and Project Tier in coordination with the TL;
- Determining the requirement for further review and its scope, in accordance with this procedure;
- Providing applicable PSs as well as general and sector-specific EHS Guidelines to the TRL for transmittal to the client;
- Creating the ESRD and delivering documentation to the team ACS for upload to iDesk;
- Uploading available project information and documents to iDesk;
- Determining, in conjunction with the TRL, the need for a Pre-Appraisal Mission, conducting the mission if required;
- Preparing an eTOR in advance of the Pre-Appraisal Mission;
- Creating a Pre-Appraisal Mission BTO report in iDocs using SSV Findings (former BTO), and distributing to the project team and the TL through iDesk;
- Assigning a provisional E&S Category to the project in iDesk;
- Providing E&S Considerations wording for the PDS-Concept ensuring that the E&S risks are adequately addressed in the PDS-Concept and in the client Mandate Letter;
- Obtaining clearance for Category C projects by the TL through e-mail correspondence storing this approval in iDesk;
- Advising the TRL on key anticipated development impact(s) of the project from an E&S standpoint for entry into the Development Outcome Tracking System's (DOTS) "Expected Development Impact" section.

- Informing the TL and the Manager CESI of proposed projects that are not expected to meet the PSs;
- Establishing and maintaining liaison with the iDesk Core Team Lawyer to provide E&S input to the drafting of legal agreements; and
- Providing ACS staff with documents to be uploaded in iDocs.

### 3.5 ACS staff is responsible for:

- Assisting the LESS with filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance);
- Assisting the LESS as needed with amendments of the iDesk E&S Team with the names of the E&S team assigned by the TL;
- Assisting the LESS with creation of the ESRD;
- Uploading project documents and information into iDesk;
- With input from the LESS, preparing eTOR for Pre-Appraisal Site Visits; and
- Listing documents reviewed by the project team in ESRD and uploading the same into iDesk;
- Updating Appraisal timeline in iDesk to reflect travel date, traveler name and status of BTO prepared for pre-appraisal and/or appraisal missions;

## 4. Records and Documentation

### 4.1 Records and documentation will include the following:

- E&S Considerations wording recorded in the PDS-Concept;
- PDS-Concept language stored in iDesk;
- Mandate letter E&S input filed in iDesk; and
- BTO report (where a Pre-Appraisal Site Visit has been conducted) filed in iDesk).

## 5. Annexes

5.1 **Existing Investments:** For projects in which IFC has an existing investment and all the following conditions are met, no further review is generally required. Existing covenants and reporting requirements will be extended to the proposed investment and the LESS shall follow the guidance below:

- IFC has previously conducted an E&S review that is consistent with IFC's PSs;
- Existing investment is not a Knowledge Gap project;
- The existing investment has been supervised within the previous 12 months and its performance has been determined to be in compliance with the PSs, the Environmental and Social Action Plan, and applicable sections of the general and sector-specific EHS Guidelines; and
- The new investment will not result in any material change in E&S impacts associated with the project.



If all the above requirements are met, retain the E&S categorization of the initial investment and provide wording for the PDS-Concept/MOR (see Rules and Tools - Document Formats) including the ESRR of the existing investment and proceed to *ESRP 3: Direct Investments - Appraisal*.

If the above requirements are not met, conduct a site supervision visit (see Rules and Tools - ESRP 6: Direct Investments - Supervision) and, subsequently, proceed to ESRP 3: Direct Investments - Appraisal.

- 5.2 **Capital Efficiency Improvement Investments:** 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 the following, proceed with the review described below.
- IFC investment in a market instrument issued by the sponsor; or
  - Equity purchases where IFC's 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 PSs, record the decisions and supporting analysis in the ESRD, and provide wording for PDS-Concept/MOR (see Rules and Tools - Rules and Document formats). However, if there is inadequate information to assess compliance with IFC PSs and general and sector-specific EHS Guidelines, then follow the steps in 2.6 of this procedure.

- 5.3 **Rights Issues Investments:** For projects where IFC's proposed financing is for Rights Issues and increases to B Loans, no review or public disclosure documents (Summary of Proposed Investment and Environment and Social Review Summary or Environmental and Social Clearance Memoranda) are necessary. The project E&S Category should remain the same as the original investment E&S Category and should be recorded in iDesk.
- 5.4 **Trade Finance Investments:** For investments involving Trade Finance, the E&S Category must reflect the risks of the prospective client company, its operations, holdings, and activities, and be evaluated thoroughly in accordance with *ESRP 3: Direct Investments - Appraisal* (see Rules and Tools).

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, may be greater than the risks posed by a pure commodity trader and thus require detailed scrutiny during appraisal. A pure commodity trader is one that does not own or influence any levels of the supply chain and the scope of its operations is limited to engagement in 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.



**5.5 Minimal Adverse Impact Investments:** For projects with minimal adverse impact (Category C/ Tier I), 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, adhere to the following steps:

- Ask the TRL to obtain E&S information needed to confirm that the project merits a "C" categorization;
- Document due diligence and rationale for categorization in the ESRD;
- Obtain TL clearance for Category C projects;
- Enter the provisional Category in iDesk;
- Provide E&S Considerations wording to the TRL for inclusion in the *PDS-Concept and Mandate Letter* (see Rules and Tools - Document Formats) that lists the indicative conditions of IFC participation as well as the specific IFC PSs that apply;
- Provide E&S wording for the *Investment Review Meeting and Summary of Proposed Investment* (see Rules and Tools - Document Formats);
- Document that the TRL provided the PSs and general and sector-specific EHS Guidelines to the client;

This ends the procedure for Category C unless E&S reporting is required. In this case, refer to *ESRP 3: Direct Investments - Appraisal* and *ESRP 6: Direct Investments - Supervision* (see Rules and Tools - Rules).

**5.6 Automated Categorization of Miscellaneous Investment Instruments and Activities:** CESI Specialists are not typically informed of IFC investment activities, including Rights Issue Restructuring, Risk Management (Swaps), Reschedules, Pipeline Split, and Portfolio Split, as summarized in the following table. They are automatically categorized in iDesk as follows.

Investment Type	Investment Definition	Environment Category	Reporting requirement
Rights Issue	Stock offering by a company that provides each existing shareholder a right of first refusal to purchase, usually at a discount from market value, a portion of the stock offering equated with the shareholder's current percentage shareholding.	E&S Category of original investment	None
Restructuring	Agreement to modify terms of one or more Investment Agreements with a client, broader in scope than a Rescheduling. Restructuring usually involves a change in the type of instrument, e.g., a full or partial conversion from Loan to Equity, and/or a partial write-off of IFC's investment.	C	None
Risk Management (Swaps)	Product designed to hedge the financial risk of IFC's client(s) using derivative products.	C	None
Reschedules	Agreement to change timing and/or amount of	C	None

## DIRECT INVESTMENTS: ENVIRONMENTAL AND SOCIAL TEAM ASSIGNMENT, EARLY REVIEW, AND CONCEPT REVIEW MEETING

Version 5, August 16, 2010

Investment Type	Investment Definition	Environment Category	Reporting requirement
	Repayments, and/or increase (but not decrease) the applicable interest rate. Rescheduling involves changes in the timing and/or the amount of the scheduled Loan payments, but does not involve any write-off of IFC's investment.		
Pipeline Split	Pipeline Splits are to be used when the Project approval amount is expected to be split into multiple commitments (i.e., separate legal agreements) for multiple client companies/beneficiaries. Each client company must have a uniquely assigned Project ID to which the commitments will be booked by the Department of Financial Operations in the financial system of record.	E&S Category of original investment	As indicated in agreement for original investment or any subsequent amendments.
Portfolio Split	Portfolio Splits are to be used when the committed amount for a Project is expected to be split into multiple disbursements for multiple client companies/beneficiaries. Each client company must have a uniquely assigned Project ID to which the committed amounts will be transferred and the disbursements subsequently processed by the Department of Financial Operations in the financial system of record.	E&S Category of original investment	As indicated in agreement for original investment or any subsequent amendments.

## ESRP 3. DIRECT INVESTMENTS: APPRAISAL

### 1. Purpose and Applicability

1.1 This procedure describes the environmental and social (E&S) appraisal process for Direct Investment projects up to the Investment Review Meeting (IRM).

The purpose of the E&S appraisal is to:

- Identify and assess potential E&S impacts and issues, both adverse and beneficial, associated with a proposed investment project;
- Conduct a gap analysis to define areas of project noncompliance with the requirements of IFC's Performance Standards (PSs) and general and sector-specific Environmental Health and Safety (EHS) Guidelines;
- Assess the commitment and capacity of the client to manage identified impacts and define remedial measures as needed;
- Assess the quality and adequacy of the client's E&S management systems and practices to avoid, minimize, or mitigate adverse impacts, and define remedial measures as needed;
- Identify measures to avoid, minimize, mitigate, or offset/compensate for adverse impacts on workers, affected communities, and the environment;
- Design an Environmental and Social Action Plan (ESAP or Action Plan) addressing all deficiencies and noncompliances discerned during the appraisal containing specific tasks designed to close all significant gaps;
- Ensure that the investment contracts (e.g., Mandate Letter, investment, subscription and other agreements) include appropriate definitions, covenants, clauses and associated elements to obligate the client to comply with IFC's PSs, the ESAP, and applicable sections of general and sector-specific EHS Guidelines; and stipulate progress and performance reporting obligations;
- Identify opportunities (e.g., clean production and energy efficiency) to improve E&S performance and, where feasible, initiate contact between IFC Advisory Services (AS) and the client to realize these improvements; and
- Conceptualize specific reporting needs for the supervision phase to ensure IFC's clear understanding of client performance, behavior, and achievement of sustainability in operations.

### 2. Procedure

#### 2.1 Appraisal Planning:

CESI professionals are responsible for E&S review of projects consistent with the purpose described above and determining if projects can be expected to meet the requirements of IFC's Policy on Social and Environmental Sustainability that states:

*"IFC does not finance new business activity that cannot be expected to meet the Performance Standards over a reasonable period of time. In addition, there are several types of activities that IFC does not finance."* Refer to IFC's *Exclusion List* (see Rules and Tools - Guidance).

Planning of appraisal activities is mandatory to accomplish adequate data collection, analysis, and decision-making.

Appraisals involving participation of other multilateral investment organizations require significant planning and coordination of E&S review and disclosure. If there is another Multilateral Investor, including the International Bank for Reconstruction and Development (IBRD) and the Multilateral Investment and Guarantee Agency (MIGA), refer to *Environmental and Social Policy and Procedural Guidelines for Projects Financed Jointly by Bank, IFC and/or MIGA* (see Rules and Tools - Guidance) to coordinate the E&S review with other investors and determine opportunities to share information and avoid duplication or inconsistency.

CESI specialists are responsible for applying best professional judgment to:

- Assess if proposed investment projects will comply with applicable PSs, and applicable EHS Guidelines;
- Inform the Transaction Leader (TRL) and investment team of significant issues that are not in conformity with these requirements;
- Provide support for the project sponsor on technical aspects of E&S management and performance, as appropriate;
- Design mitigation tasks in the Action Plan to close observed gaps to ensure that the project will comply with IFC PSs, EHS Guidelines, and host country regulatory requirements;
- Ensure that investment contracts mandate compliance with PSs, applicable sections of the EHS general and sector-specific Guidelines, Action Plan, and reporting; and
- Plan supervision-phase reporting to ensure IFC's clear understanding of client performance, behavior, and achievement of sustainability goals in operations.

## 2.2 Documentation Review:

If feasible, the Lead Environmental or Social Specialist (LESS) should assemble available information and complete a desk review before conducting a Site Appraisal Visit (SAV) (see 2.3 *Conducting SAVs*).

In the absence of existing environmental assessment (EA) data (including various assessment processes such as generic and strategic environmental impact assessments, environmental analyses, and environmental audits), the LESS may also rely upon information-collection tools to assemble a format for collection of data needed for appraisal. These include the following examples.

- PS1 Guidance Notes; and
- Environmental and Social Questionnaires prepared by LESS and submitted to the client to gather relevant project information.

The LESS is also responsible for managing collection of essential, supplemental information required to support EA and due diligence, including physical location of project facilities, operations, and surrounding areas.

The LESS is responsible for transmitting these information requirements to the TRL and the client. Once the documentation has been received, the LESS is responsible for review of client submittals for thoroughness and completeness and should request, as needed, supplemental information to comply with appraisal objectives.

If the project proponent has commissioned risk assessments (e.g., Hazard and Operability Studies, Environmental and Social Impact Assessments, Health Risk Assessments) the LESS should obtain these documents and review them. Such studies may provide key insights into the project's E&S impacts and risk profile. IFC offers diverse publications to assist clients in achieving sustainability goals. Refer to *IFC Sustainability Publications by Topic* (see Rules and Tools - Guidance).

The LESS will then review the assembled documents to identify information that may be relevant for due diligence and ensure that activities underway or completed just prior to IFC's involvement were included in the client's E&S assessment. The review should ensure that the scope of the due diligence/EA is consistent with the area of influence of the project, as described in PS1; including the identification of any associated facilities (see Annex 5.3).

Additionally, the LESS will review all available information on the client's Environmental and Social Management System (ESMS), focusing on E&S organizational capacity, management programs, training, monitoring, reporting, emergency preparedness and community engagement.

The LESS will determine if possible (e.g., by use of tools such as Google Earth) the presence of communities and/or natural resources that may be affected by project activities and will review available information documenting the nature and extent of community consultation and/or disclosure undertaken by the client for the project.

The LESS will employ the *IFC Integrated Biodiversity Assessment Tool*, refer to Annex 5.4) (see Rules and Tools - IFC Measurement, Calculation and Estimation Tools) and other available sources of information to identify biodiversity issues that merit consideration during appraisal.

The LESS is responsible for identifying E&S liabilities associated with the project, including those attributable to third parties. Refer to *Annex 5.3 Areas of Influence and Third Parties*.

With assistance from the TRL, the LESS will then identify client staff appointed to assist with IFC due diligence and organize as feasible a conference call to clarify issues arising from the document review.

In conjunction with the Team Leader (TL), TRL, and, where necessary, the Manager CESI, the LESS will determine the need for supplemental specialists to meet E&S due diligence needs.

### 2.3 Conducting Site Appraisal Visits

While there are cases when a site visit is not required for appraisal, for example for repeat investments in the same, well-known asset/project, in most cases new projects require an appraisal mission and a mandatory follow-up Back to Office (BTO) report. The BTO report is to be created and stored in iDesk using *SSV Findings (former BTO)* and edited to delineating findings from mission travel. The BTO is to be distributed from iDesk once completed.

The LESS plans the SAV to assess on-site key E&S issues. The LESS is responsible for holding discussions with the TRL and the client to develop a proposed agenda and reach agreement with the client on the final agenda for the SAV.

The SAV should include diverse activities the LESS considers relevant such as the following.

- On-site inspections of:
  - One or more project locations and/or operating facilities;
  - Associated facilities, and/or supply chain operations; and
  - Third-party operations and activities;
- Interviews with company and contractors' staff, representatives of affected communities, key stakeholders, and local authorities;
- Gathering and review of additional information that may be needed to complete E&S due diligence;
- Gathering data required to calculate project carbon dioxide (CO<sub>2</sub>)-equivalent emissions; and
- Close-out meetings with client representatives at its headquarters to discuss preliminary findings and likely improvement tasks and activities to be included in the Action Plan.

In certain situations, due to the complexity and dispersion of assets, multiple appraisal missions may be required.

Based on desk review and the appraisal mission, determine if:

- IFC will require the client to conduct additional assessments in order to determine the applicability of or compliance with the PSs;
- Additional studies are needed to address larger issues such as transboundary issues, cumulative impacts, and regional assessments;
- The client needs to engage an External Expert to support, for example, project E&S assessments with the potential for highly significant impacts (PS1) such as the following:
  - Threats to critical habitat, natural resources, or legally protected areas (PS6);
  - Indigenous peoples (PS7); or
  - Unusual cultural heritage issues (PS8).

Employ the *IFC Carbon Emissions Estimator Tool (CEET)* (see Rules and Tools - Calculation and Estimation Tools) to determine if the project's aggregate CO<sub>2</sub>-equivalent, greenhouse gas emissions surpass PS3 thresholds. The CEET supports carbon accounting appraisal work described in PS3, using input data available to project appraisal teams. For projects that are expected to or currently produce significant quantities of CO<sub>2</sub> equivalents thus meeting or exceeding PS3 thresholds, the Action Plan instructs the client to annually quantify direct emissions from the facilities owned or controlled within the physical project boundary and indirect emissions associated with the off-site production of power used by the project. In addition, the Action Plan directs the client to evaluate technically and financially feasible options to reduce or offset project-related greenhouse gas emissions during operation of the project. Mitigation options may include carbon financing, energy efficiency improvements, use of renewable energy sources, alterations of project design, emissions offsets, and the adoption of other mitigation measures such as the reduction of fugitive emissions and gas flaring.

If supplemental assessment or external expert studies are required, the LESS should:

- Notify the TL and TRL of this determination;
- Obtain representative Terms of Reference (TOR) for required studies and/or external experts;

- Provide representative TOR through the TRL;
- If completion of supplemental studies and/or input from external experts is required to complete the Environmental and Social Review Summary (ESRS) and Action Plan, advise the TRL and TL of the associated delay in processing;
- Upload supplemental studies and external expert reports to iDesk; and
- Record findings in the BTO report and the Environmental and Social Review Document (ESRD) (see Rules and Tools - Document Formats).

#### 2.4 Complete the ESRD:

The ESRD is a CESI tool designed to:

- Create a permanent, auditable record of the decisions made and the E&S analysis of the project throughout the project life cycle;
- Facilitate clearance of alternative approaches affecting limits and supervision of the EHS Guidelines;
- Record and track key E&S indicators;
- Record observed gaps and deficiencies to be corrected in the Action Plan; and
- Provide data to create key indicators and rolled-out reports.

Once E&S specialists return from the SAV and have completed appraisal mission reports and the desk review, an assessment of the project against the requirements of the applicable PSs and general and sector-specific EHS Guidelines in the ESRD is mandatory. In addition, the E&S specialists confirm that the PSs and sector-specific EHS Guidelines that were deemed applicable during early review remain applicable or must be adjusted.

The LESS is responsible for recording decisions on PS applicability and the degree of compliance of the project with the PS requirements in the ESRD. Information requested in the ESRD should be complete and bolstered by available documentation collected during the appraisal and stored in iDesk.

If applicable, the LESS should initiate the ESRD workflow and prepare a confirmatory e-mail message stored in iDesk to obtain and record Manager CESI clearance for proposed alternative EHS guideline limits to those described in IFC's General and industry sector EHS Guidelines. Similarly, proposed alternative approaches to project supervision are to be approved by Manager CESI and documented in e-mail correspondence and stored in iDesk (See Section 2.9).

As described in IFC's Policy on Social and Environmental Sustainability there are projects that due to their scope and degree of intervention require to conduct Free Prior Informed Consultation (FPIC), and/or to assess if the project has Broad Community Support (BCS). 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. The FPIC/BCS process is summarized in the document entitled *Review of Evidence of FPIC and BCS* (see Rules and Tools – Appraisal Guidance) and then a FPIC/BCS approval memorandum is prepared by the LESS, and approved in writing by CES and ID Directors. This confirmatory memorandum is uploaded in iDesk.

Identify any gaps between the client's assessment, the PS and EHS General and sector-specific guidelines. Ensure that the ESAP includes all tasks required to close these gaps.

## 2.5 Peer Review Meetings (PRM):

A PRM shall be proposed to the Manager CESI for investments with the following characteristics:

- High-Risk Projects; refer to *Key Terms and Acronyms* (Rules and Tools - Guidance);
- Projects with actual or potentially significant, adverse E&S impacts that are diverse, irreversible, or unprecedented, and that can be only partially addressed through mitigation measures;
- Complex projects with E&S issues that are uncommon or have not been encountered before; and the LESS needs guidance from CESI colleagues; or
- The Manager CESI stipulates the need for CESI-wide review.

Approval or waiver of PRMs is at the discretion of the Manager, CESI, and must be documented in ESRD and iDesk.

For Confidential Projects (projects with security classification higher than *official use only*), protection is necessary to ensure control of confidential information used in PRMs. All e-mail notifications shall clearly state that the project is *Strictly Confidential* and shall state that information distributed in advance of the PRM shall be discarded or destroyed at the conclusion of the PRM. Furthermore, all handouts at the PRM will be collected at the conclusion of the PRM meeting. Refer to *Peer Review Meeting Planning, Execution, and Documentation* (see Rules and Tools - Guidance).

The LESS is responsible for the following actions after the completion of PRMs.

- Obtaining Chair (Manager CESI or proxy) clearance of PRM notes within three business days after the PRM and follow up on the status of action items until issues are closed;
- Ensuring each key issue is resolved;
- Recording PRM decisions and documenting completion of each action in the ESRD; and
- Updating PRM database and iDesk timeline.

## 2.6 Addressing Corporate Capital Investments:

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:

- The review shall identify all areas of business activity undertaken by the client; and
- The CESI review shall be extended to all activities of all entities that could reasonably be expected to present a significant E&S risk.

Where IFC is providing loans or other financing to a company operating in a range of business sectors, but IFC's support is directed only to a particular business sector or sectors, the E&S assessment will focus on the affected sectors. Unrelated business sectors will normally not be subject to review.



In the case of corporate investments involving a regionally based company operating in several countries, where IFC's loan or other financing is directed to operations in a particular country or countries, 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.

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. It is also advisable to review historical information and expected new business opportunities with the client to determine the nature of projects and their potential E&S risks (see Annex 5.3).

The LESS is responsible for robust focus on the capacity, maturity, and reliability of the client's existing E&S corporate management system to effectively identify and to minimize risks. Moreover, the LESS shall examine the client's current status regarding internationally recognized management system certifications and/or other third-party evaluations of the management system and requirements or recommendations for strengthening the existing management system. The client's E&S corporate management system will also be carefully scrutinized for its ability to enable current and future project compliance with IFC's PSs. To make this determination, the LESS shall review the ESMS or existing elements/practices of an ESMS and, whenever possible, review the E&S performance of a representative set of past projects and assess how they have been handled by the client's ESMS. The Action Plan shall incorporate strengthening and certification tasks indicated from appraisal to guarantee IFC that the E&S elements of the spectrum of the client's operations will be managed in accordance with the PSs and general and sector-specific EHS Guidelines.

## 2.7 Addressing Third-Party Activities:

IFC seeks to ensure that the projects it finances achieve outcomes consistent with the PSs, even if the outcomes depend on the performance of third parties.

At times, the client's ability to achieve E&S outcomes consistent with the PS will be dependent on third-party activities and must therefore be considered in light of the role of these third parties (see Annex 5.3). A third party among other things may be:

- A government agency;
- A contractor;
- A supplier with whom the project/client has a substantial involvement; or
- An operator of an associated facility (See Annex 5.3).

When the third-party risk is high and the client has control or influence over the actions and behavior of the third party, IFC requires the client to collaborate with the third party to achieve outcomes consistent with the PSs. Specific requirements and actions are to be determined on a case-by-case basis.

For companies with indirect exposure to significant E&S risk through their contracted activity (e.g., construction, oil field service companies, and mining exploration, among others) the LESS shall

ensure that both appraisal EA activity and the client's ESMS include a screening mechanism to identify all significant noncompliances with IFC PSs and general and sector-specific EHS Guidelines for subcontracted activities unless they categorically do not pose significant environmental, health, safety, and social risks. Refer to *CDC NIOSH Workplace Safety and Health Topics* (Rules and Tools - Guidance).

### 2.8 Addressing Transboundary Issues:

On assessing transboundary effects, the appraisal will consider potential transboundary issues (see Annex 5.1). These may include impacts from the following:

- Effluents and emissions;
- Increased use or contamination of international waterways;
- Project activities that may cause adverse effects through air emissions or abstraction (removing) of water from or discharge of liquid effluent to international waterways;
- Greenhouse gas emissions;
- Climate change mitigation and adaptation issues;
- 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 air shed, waterway, subsurface water, or other resources (See Annex 5.1); and
- If there are any unresolved differences between the affected and host countries regarding the potentially affected resource, and the likelihood of a resolution.

Where transboundary conditions described above are present or anticipated, the LESS shall record the transboundary issues in the ESRD and inform the Manager CESI.

The LESS will also provide technical documentation for the TRL 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. The technical documentation will include:

- Copies or summaries of any existing agreements, arrangements, or institutional frameworks;
- A map of the transboundary region prepared and cleared by the client; and
- A copy of IFC's prepared ESRS.

The LESS will support the TRL in requesting any coordination with the World Bank and ensure that the matter is included in IFC's disclosure documentation for the project.

The LESS shall identify if IFC may require one or more External Experts to review and/or analyze transboundary impacts. The LESS should also make a determination on the need for such expertise and report this fact to the TL and/or Manager CESI.

### 2.9 Addressing Alternative Standards:

If the client proposes alternative performance to the general and sector-specific EHS Guidelines (e.g., air, water, and waste discharge limits defined as generally acceptable to IFC), the LESS shall review the justification for this and determine its adequacy, considering that the use of alternative criteria less stringent than the relevant guideline limit must be demonstrated to be adequately protective of public health. The LESS is then responsible for presenting the case and proposed alternative standard to the Manager CESI for approval. Any such decision and supporting analysis

must be recorded in the ESRD. All supporting EA documentation, technical studies, etc., and Manager CESI approval must be uploaded to iDesk.

### 2.10 Finalize E&S Category/Tier and Prepare Appraisal ESRR (ESRR<sub>(A)</sub>) Rating:

The LESS is responsible for confirming the provisional categorization and Tier established at earlier project stages. This includes assigning an E&S Category in iDesk to the investment, based on the review conducted so far, that reflects the magnitude and resolvability of the potential impacts posed by the investment. IFC's system of E&S categorization:

- Reflects the magnitude of impacts understood as a result of E&S assessment;
- Stipulates institutional requirements to disclose project-specific information to the public prior to presenting projects to its Board of Directors for approval; and
- Defines three principal categories for direct investments; the significance of each includes the following.
  - Category A - Applies to projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;
  - Category B - Applies to projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
  - Category C - Applies to projects with minimal or no adverse social or environmental impacts, including certain financial intermediary projects with minimal or no adverse risks.

The provisional E&S Category and rationale for this provisional categorization is described in detail in the PDS-Concept. Final categorization is incorporated into the ESRS along with a justification for the selection. These documents are created and stored as part of the project record in iDesk and distributed from iDesk.

**Appraisal Environmental and Social Risk Rating (ESRR<sub>(A)</sub>):** The LESS calculates the ESRR<sub>(A)</sub> score based on collection and analysis of project due diligence and EA information (see Rules and Tools - Calculation and Estimation Tools).

Identification and management of risk is a critical CESI function. The ESRR<sub>(A)</sub> captures client status as understood at the end of the appraisal in the absence of IFC-required improvements and interventions. Establishing a risk benchmark on completion of an appraisal creates a point of reference for judging the value and quality of subsequent IFC-induced change. An ESRR<sub>(A)</sub> score is a snapshot of the client before IFC invests. Side-by-side comparison of this original, informed rating with *Supervision* Environmental and Social Risk Ratings (ESRR<sub>(S)</sub>) throughout the supervision phase is intended to demonstrate the impact of IFC intervention.

The ESRR<sub>(A)</sub> score is to be input to the Company Reference Database (CRD) by the Team Administrative Client Support (ACS) and the worksheet uploaded to iDesk.

### 2.11 Draft ESRS and ESAP Disclosure Documents:

Once the LESS has completed the previously outlined appraisal steps, the ESRS and ESAP should be prepared in draft. The ESRS is IFC's document that describes E&S due diligence outcomes and the rationale for IFC's decision to invest in specific projects. Refer to *Formatting Guidelines for Disclosure Documents* (See Rules and Tools - Guidance).

The ESRS includes a description of the principal E&S risks and impacts of the project and the key measures identified to mitigate those risks and impacts. The ESRS should refer to defined actions that are included in the ESAP to conduct the project in a manner consistent with the PSs and general and sector-specific EHS Guidelines. The ESRS is written for a general public audience and should present a succinct summary and analysis of E&S impacts associated with the project and how each of these will be mitigated. Required mitigation measures referred to in the ESRS are captured in the Action Plan so that all relevant stages of the project (e.g., pre-construction, construction, operation, closure, decommissioning/reinstatement) will operate in compliance with applicable host country laws and regulations, international agreements that the client and host country are party to, and the PSs and general and sector-specific EHS Guidelines.

The Action Plan shall (i) Using action verbs, define specific mitigation tasks or measures or corrective actions to be undertaken; (ii) describe the evidence of completion that IFC requires to approve the task; and (iii) provide the mandatory completion dates for each task. Refer to *ESAP (Action Plan) Example Format*. Refer also to *Formatting Guidelines for Disclosure Documents* (see Rules and Tools - Guidance).

In cases where the client is required to conduct Free Prior and Informed Consultation (FPIC) and BCS, the ESRS will clearly explain the requirement and how it has been met as part of the investment. The *Summary of Proposed Investment* E&S text will also explain the requirement and how it has been met as part of the investment. Refer to *Review of Evidence of FPIC and BCS* (see Rules and Tools - Guidance).

The LESS will submit the draft ESRS and ESAP for review by the TL and the TRL. The TL will not approve the ESRS and ESAP unless the project ESRD has been created and is up to date. The TL's review of the ESRD will focus on the quality and completeness of due diligence and documentation of compliance gaps and remedial measures needed to close observed gaps. Specifically, existing gaps between client performance and the general and sector-specific EHS Guidelines and PS requirements will be described in the ESRD and the ESRS. Additionally, the remedial tasks required to close the gaps shall be defined in the ESAP. Refer to *ESAP (Action Plan) Example Format and Formatting Guidelines for Disclosure Documents* (see Rules and Tools - Document Formats and Guidance).

In cases where the TL is also the LESS for the project, the review and approval process will involve:

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

Once the TL approves the draft ESRS and Action Plan, the LESS will send the ESRS and Action Plan to the client for review, make factual corrections, and incorporate the Disclosure Documents into the IRM Book or prepare a PowerPoint slide for incorporation into the IRM presentation.

#### 2.12 Development Outcome Tracking System (DOTS) Input:

The LESS will provide the TRL with selected Development Impact E&S indicators for entry in the DOTS under the Monitorable Impact Section. See *Development Outcome Tracking System (DOTS) and Development Effectiveness at IFC* (Rules and Tools -Guidance).

### 2.13 Liaison with iDesk Core Team Lawyer:

Throughout the appraisal process, the LESS is responsible for maintaining a liaison with the iDesk Core Team Lawyer, reviewing current iterations of investment contracts, and continuing to provide E&S input to the drafting of legal agreements until Commitment.

### 2.14 IRM:

The LESS is responsible for provision of TL-approved draft Disclosure Documents as well as the summary, explanatory E&S text for the IRM. Refer to *IRM E and S Considerations Category A and B Examples* (See Rules and Tools – Guidance). When applicable and available, the following documents will be made available for the IRM:

- The ESRS and the ESAP approved by the TL;
- PRM recommendations if applicable;
- E&S Considerations PowerPoint Slide including the ESRR<sub>(A)</sub> rating; and
- FPIC and BCS information; See *Review of Evidence of FPIC and BCS* (Rules and Tools - Guidance).

The LESS is responsible for presenting, explaining, and discussing the relevance, significance, and impacts of issues and risks, along with associated mitigation measures during the IRM.

The LESS will ensure that the outcome of FPIC/BCS consultations with the Director CES is communicated at the IRM. See *Review of Evidence of FPIC and BCS* (Rules and Tools - Guidance).

## 3. Responsibilities:

### 3.1 The TRL is responsible for:

- Transmitting 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
- Including the E&S wording and Disclosure Documents in the Decision Book.

### 3.2 The LESS is responsible for:

- Retaining and filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Appraisal Guidance);
- Ensuring that the E&S appraisal is conducted in accordance with this procedure and documented in the ESRD;
- Planning the SAV to assess on-site key E&S issues, developing an agenda for the SAV, and preparing with ACS assistance the eTOR for the SAV;
- Preparing the SAV BTO report, uploading this report to iDesk, and distributing the BTO report to the project team and the TL;
- Requesting a PRM and in the case of Confidential Projects advising e-mail recipients that materials distributed for the peer review are to be discarded/destroyed after the PRM;
- Collecting and destroying PRM documents for Confidential Projects after PRM meeting conclusion;
- Obtaining Chair (Manager CESI or proxy) clearance of PRM notes within three business days after the PRM;
- Follow up on the status of action items from the PRM until issues are closed;

- Ensuring each key issue discussed in the PRM is resolved;
- Recording PRM decisions and documenting completion of each action in the ESRD; and
- Updating the PRM database and iDesk timeline;
- Preparing and distributing PRM minutes;
- Recording decisions on PS applicability, degree of compliance with the PS, and EHS Guidelines requirements in the ESRD;
- Establishing and maintaining a liaison with the iDesk Core Team Lawyer, reviewing current iterations of investment contracts, and continuing to provide E&S input to the drafting of legal agreements until Commitment;
- Providing all E&S appraisal documents to the Team ACS for uploading into the iDesk file;
- Drafting the ESRS that defines gaps in PSs and general and sector-specific EHS Guidelines, for TL review and approval;
- Drafting the Action Plan to close gaps described in the ESRS including task description, IFC approval criteria, and completion date for TL review and approval;
- Calculating the  $ESRR_{(A)}$  and ensuring that the Team ACS uploads the rating to the iDesk Timeline;
- Assigning a provisional and final E&S Category to the project;
- Verifying BCS and providing written outcome of the BCS analysis to the Manager CESI and obtaining clearance from CES and ID Directors;
- Identifying potential opportunities to help the client enhance E&S outcomes;
- Updating the appraisal mission field in iDesk and distributing the BTO report;
- Providing technical documentation to the TRL regarding E&S transboundary issues;
- Providing the findings of the E&S review to the TRL for inclusion in the IRM documents;
- Presenting, explaining, and discussing the relevance, significance, and impacts of issues and risks including the  $ESRR_{(A)}$ , along with associated mitigation measures during the IRM;
- Communicating the outcome of FPIC/BCS consultations with the Director CES at the IRM;
- Conceptualizing specific reporting needs for the supervision phase to ensure IFC's clear understanding of performance, behavior, and achievement of sustainability in operations;
- Continuing the liaison with the iDesk Core Team Lawyer to confirm that investment contract E&S definitions, references, covenants, documents, language, and responsibilities are fully incorporated; and
- Documenting an alternative approach to supervision of investments in, for example, market instruments and equity investments, and where the transaction structure precludes IFC from obtaining any special reports such as an E&S Annual Monitoring Report and obtaining clearance from the Manager CESI in ESRD for such eventualities.

### 3.3 Team Administrative Client support (ACS) is responsible for:

- Assisting the LESS with filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Appraisal Guidance);
- Ensuring preparation of eTor for all SAV travel;
- Listing the documents received and reviewed by the LESS and the project team in ESRD;
- Uploading all E&S appraisal documents provided by the LESS into iDesk;
- Uploading the  $ESRR_{(A)}$  score into the iDesk timeline;
- Uploading the SAV BTO report to iDesk and distributing this report through iDesk;
- Assisting the LESS in coordinating PRM logistics; and
- Distributing PRM minutes and outcomes prepared by the LESS (see Rules and Tools - Guidance).

### 3.4 The **Manager CESI** is responsible for:

- Approving variations to general, approved parameter levels in the general and sector-specific EHS Guidelines;
- Confirming the need for or waiving the PRM as requested by the LESS and ensuring that it is conducted according to provisions of this procedure. Refer to *Peer Review Planning, Execution and Documentation* (see Rules and Tools - Guidance);
- Requesting a PRM; and
- Approving the appointment and Terms for Reference for External Experts to be used by IFC;
- Providing clearance to the LESS for alternative approaches to supervision of investments in where the transaction structure precludes IFC from obtaining any special reports such as an E&S Annual Monitoring Report;
- Documentation of Manager CESI approval in iDesk; .

### 3.5 The **Director CES** is responsible for:

- Providing clearance to confirm that BCS has been achieved.

### 3.6 The **Director Investment Department** (and where applicable Regional Director) is responsible for:

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

## 4. Records and Documentation

The LESS shall undertake, or request ACS staff, to list in ESRD and file in iDesk the following documents, where present, in support of the due diligence analysis:

- List of additional assessment activities that the client needs to conduct, where required, including the scope of any additional activities to be filed in iDesk and referenced in ESRD;
- All available EA information and documents;
- Client information provided in response to a questionnaire, such as the Appraisal Information Sheet prepared by the LESS, and the list of information needs;
- Minutes of the PRM, including actions taken to address recommendations;
- Material Project Assessment Information and Action Plan, including any Supplemental Actions agreed with the client, to ensure that the assessment documents are complete;
- Client justification for alternatives to general and sector-specific EHS Guidelines, where required, and approval by Manager CESI;
- The ESRR<sub>(A)</sub> score entered in the iDesk timeline and the scoresheet stored in iDesk;
- Approval of the terms of reference used for any External Expert; and
- Appraisal mission BTO report to be created and stored in iDesk.

The LESS shall record the appraisal covering each PS in the ESRD, including:

- How the client will meet the requirements;
- The Supplemental Actions the client is required to take to address any gaps;
- The descriptive project attributes that are standard in the ESRD;
- Project Performance indicators for supervision;
- A record of any alternative emission levels or standards that have been accepted;



- Project Data Sheet - Investment Review wording including mandatory mitigation measures;
- Draft Term Sheet input, and the list of Supplemental Actions (or a reference to the same); and
- The ESRR<sub>(A)</sub> to be entered in the iDesk timeline.

## 5. Annexes

### 5.1 Transboundary Considerations

- Transboundary pollution is defined as pollution that crosses political or governmental or geographical boundaries.
- Transboundary environmental disputes are those transboundary issues that can yield tension among states, including drug trafficking, population migration, support to insurgency movements, organized crime, and energy or economic development projects situated near the border.
- Environmental and resource issues have become among the most prominent of such transboundary issues.
- Transboundary issues hold the potential for unleashing interstate conflict and regional instability, but if the political will and technological capacity are available, transboundary considerations also offer the opportunity for conflict prevention or mitigation through cooperative mechanisms such as negotiation.

#### Transboundary reference documents include:

- Regulation (EC) No 1013/2006 of June 14, 2006, on shipments of waste; Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations. See *Guidance Manual for the Control of Transboundary Movements of Recoverable Wastes (Rules and Tools - Guidance)*; and
- Basel Convention of March 22, 1989, on the control of transboundary movements of hazardous wastes and disposal. Refer to *Basel Convention on the Control of Transboundary Movements of Hazardous Waste and Their Disposal* (see Rules and Tools - Guidance).

### 5.2 Exclusion List - Types of activities that IFC does not finance. (See Rules and Tools - Guidance)

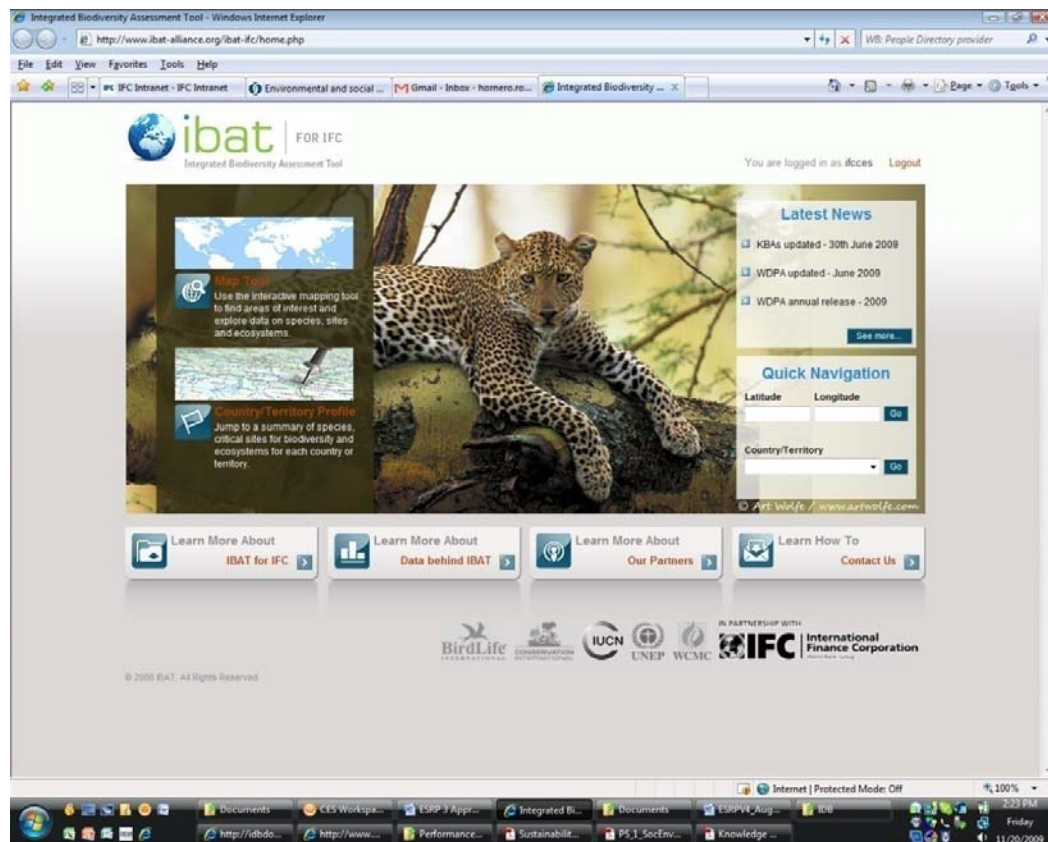
5.3 **Area of Influence and Third Parties** - PS 1, Paragraph 5: "Risks and impacts will be analyzed in the context of the project's area of influence. This area of influence encompasses, as appropriate: (i) the primary project site(s) and related facilities that the client (including its contractors) develops or controls, such as power transmission corridors, pipelines, canals, tunnels, relocation and access roads, borrow and disposal areas, construction camps; (ii) associated facilities that are not funded as part of the project (funding may be provided separately by the client or by third parties including the government), and whose viability and existence depend exclusively on the project and whose goods or services are essential for the successful operation of the project; (iii) areas potentially impacted by cumulative impacts from further planned development of the project, any existing project or condition, and other project-related developments that are realistically defined at the time the Social and Environmental Assessment is undertaken; and (iv) areas potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a



different location. The area of influence does not include potential impacts that would occur without the project or independently of the project.”

Risks and impacts will also be analyzed for the key stages of the project cycle, including preconstruction, construction, operations, and decommissioning or closure. Where relevant, the assessment will also consider the role and capacity of third parties (such as local and national governments, contractors, and suppliers), to the extent that they pose a risk to the project, recognizing that the client should address these risks and impacts commensurate to the client’s control and influence over the third-party actions. The impacts associated with supply chains will be considered where the resource utilized by the project is ecologically sensitive, or in cases where low labor cost is a factor in the competitiveness of the item supplied. The assessment will also consider potential transboundary effects, such as pollution of air, or use or pollution

#### 5.4 Biodiversity Assessment Tool (IBAT) for IFC (see Rules and Tools - IFC Calculation and Estimation Tools).



## ESRP 4. DIRECT INVESTMENTS: DISCLOSURE AND COMMITMENT

### 1. Purpose and Applicability

- 1.1 This procedure describes the environmental and social (E&S) review process from public disclosure through the signing of the Investment Contract (Commitment). Refer to *Key Terms and Acronyms* (see Rules and Tools - Guidance).

### 2. Procedure

- 2.1 **Team Leader Approval of Disclosure Documents:** The Lead Environmental or Social Specialist (LESS) will submit the draft Environmental and Social Review Summary (ESRS) and Environmental and Social Action Plan (ESAP or Action Plan) (See *Action Plan Example Format* and *ESRS Template – Rules and Tools – Document Formats*) to the Team Leader (TL) for final approval. The LESS is also responsible for providing E&S wording for the Summary of Proposed Investment (SPI) and transmit to the Transaction Leader (TRL).
- 2.2 **Sponsor Release of Disclosure Documents:** The LESS is responsible for preparation of the *ESRS, ESAP, and SPI Approval Letter Format* (see Rules and Tools – Document Formats).

Once agreement is reached on the ESRS and Action Plan, the client is responsible for completing the *Sponsor Release Approval Letter Format for Disclosure Documents* (ESRS, Action Plan, and SPI) on Client Company letterhead, signing the letter, and returning this document to IFC.

Upon receipt of the *Disclosure Release* letter, the LESS shall ensure that this approval letter is stored in iDesk (Public Disclosure Folder), and start the iDesk workflow to issue the ESRS and the ESAP to the TL for final approval, and then forward to Corporate Relations through iDesk. Corporate Relations will then disclose the ESRS, the Action Plan and the SPI on IFC's Web site and the InfoShop. Refer to *Disclosure Portal* (SPI, ESRS, and ESAP) (see Rules and Tools - Guidance).

The LESS will send links and attachments to relevant client project Environmental Assessment (EA) information referenced in the ESRS, to IFC Corporate Relations for disclosure on IFC's website and at the InfoShop. For Category A projects, Administrative Client Support (ACS) staff is responsible for assisting the LESS with the production of two compact discs of the client's Social and Environmental Impact Assessment for submission to Corporate Relations.

- 2.3 **Disclosure Coordination with International Bank for Reconstruction and Development (IBRD) and Multilateral Investment and Guarantee Agency (MIGA):** If other multilateral investors, including IBRD and MIGA are involved in the project, ensure coordination of the client's disclosure requirements, including those of IFC and those of the other investors. Refer to *Environmental and Social Policy and Procedural Guidelines for Projects Financed Jointly by Bank, IFC and/or MIGA, January 2009* (see Rules and Tools - Guidance).

- 2.4 **Local Disclosure Activity:** Verify and record in the Environmental and Social Review Document (ESRD) that the client has disclosed project assessment information locally in an appropriate manner. Refer to *Interpretation Note on Local Disclosure Requirements for Clients* (see Rules and Tools - Guidance).

For projects in which (i) there are no significant adverse impacts to local communities, (ii) the project has not previously disclosed information, and (iii) the client does not have prepared, adequate E&S information in a form suitable for disclosure, the client may elect to remove references to IFC and then translate the ESRS and the Action Plan into the local language and disclose these and other materially relevant documents locally. One means to achieve this would be to announce availability of the ESRS and ESAP along with other materially relevant information in local publications. Refer to *Example Language (I and II) for Newspaper Public Disclosure of ESRS and ESAP* (see Rules and Tools - Document Guidance).

- 2.5 **Disclosure Duration, Waivers and Public Interest:** The duration of disclosure of client EA documentation, the SPI, ESRS, Action Plan, and supporting documents on the World Bank InfoShop must last for no less than the time shown below prior to IFC's Board of Directors/Management consideration of the investment.

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

- 2.5.1 **Waiving Public Disclosure Duration:** The Relevant Cluster Vice President (VP) may issue a waiver of the required public disclosure duration of the SPI, ESRS and Action Plan in circumstances where the minimum time period cannot be met. Such circumstances may include market timing considerations such as participation in an Initial Public Offering. In such cases, in accordance with IFC's Policy on Disclosure of Information, the VP Industry must be petitioned for approval of any proposed public disclosure duration waiver or rescheduling. Upon approval by the VP Industry, the Board of Directors must be informed of any such deviation of mandatory disclosure duration. Refer to *Limited Disclosure Process* (Rules and Tools – Guidance).

- 2.5.2 **Public Interest and Complaints during Disclosure:** Environmental and Social inquiries or complaints raised during the disclosure period should be addressed in accordance with *Environmental and Social Review Procedures (ESRP) 5: Managing Eventualities in Investment Projects* (Rules and Tools - Rules).

- 2.6 **Parallel InfoShop Publication of Supporting Documents:** In addition to EA documentation InfoShop disclosure shall for Category A projects include all other environmental health and safety (EHS) and associated assessment documents that describe material and potentially significant impacts and the plans and activities that will be part of the project to avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment. Supplemental information for Category B projects shall include, as available, EA documentation and supporting documentation that may assist in explaining the nature of the project, impacts, Action Plans, and other mitigation measures.

- 2.7 **Restarting Public Disclosure:** Restarting the period of public disclosure may be indicated under certain circumstances and the LESS is responsible for recognizing the need and restarting the public disclosure duration. Additional material may be added to the public disclosure record or body of documents for a project at any time during the life of IFC's investment. Where new or relevant information related to a Performance Standard (PS) that would change (i) the adverse risks or impacts described in the ESRS, Action Plan, or SPI or (ii) the anticipated development impact of the investment after release of disclosure documents but before Board approval, the disclosure duration (30 or 60 days) must be restarted in accordance with the Section IIB of IFC's *Policy on Disclosure of Information* (see Rules and Tools – Sustainability Framework) to achieve complete disclosure for the required time periods.
- 2.8 **Prepare Client Compliance and Performance Report Formats:** The LESS is responsible for developing reporting formats for supervision-phase reports that the client will complete at a frequency commensurate with project impacts and IFC's need to be informed about the project. Mandatory formats include a project issue-specific Annual Monitoring Report (AMR) and Action Plan Status formats adequate to promote CESI's ability to evaluate client performance and prepare a justifiable *Supervision Environmental and Social Risk Rating (ESRR<sub>(S)</sub>)*. Refer to *AMR Generation Tools* (see Rules and Tools).

The LESS is responsible, through the creation of monitoring, analysis, communication tools, and formats, to improve the client's E&S reporting to IFC and to thereby facilitate identification of performance issues that the LESS and TL must focus on in the supervision phase of the project.

The LESS is responsible for preparing and proposing suggested formats to the client to meet the above-stated objectives that will sustain IFC's understanding of E&S performance, compliance with Action Plans, compliance with the PS and general and sector-specific EHS Guidelines throughout the life of the investment.

The AMR and Action Plan Status report along with required reporting frequency must be discussed and agreed with the client and with the Core Team Lawyer to ensure incorporation of requirements into the Investment Contract.

Where feasible, IFC's reporting requirements should take advantage of any other reporting by the client.

To support this requirement, the LESS shall:

- Prepare AMR and Action Plan Status reporting formats to ensure early on that the client is fully informed of the of data collection requirements necessary to support thorough and timely reporting of indicator parameters;
- Ensure that the Investment Contract (generic term referring to Investment, Subscription, Participation, and other Agreements) mandates IFC client preparation and transmittal of required compliance, monitoring, and status reports, and clearly defines the frequency; and
- Ensure that the Investment Contract stipulates that the report format may be changed by the client or by IFC to enhance the content, clarity of E&S sustainability information reported to IFC.

Once the AMR draft and Action Plan Status report drafts have been completed, the LESS is responsible for transmitting these formats to the client and reaching agreement on final versions that will be included into the Investment Contract.

The TRL is responsible for informing the client to whom the AMR and Action Plan Status reports are to be sent each reporting cycle to ensure timely delivery, recording of receipt, and review.

Subsequent to commitment, the Portfolio Officer is responsible for informing the client to whom the AMR and Action Plan Status reports are to be sent each reporting cycle.

For investments in market instruments and equity investments, and/or where the transaction structure precludes IFC from obtaining any special reports such as an AMR or an Action Plan Status report, the LESS will document an alternative approach to supervision of such projects that will be clearly documented in iDesk and cleared in the ESRD by the Manager CESI.

**2.9 E&S Clearance to Board:** The LESS will prepare the Environmental and Social Clearance Memorandum (ESCM) in iDesk. Refer to *ESCM Template Example* (see Rules and Tools - Guidance). The ESCM, which may be created in iDocs, clears the project for Board consideration; describes outstanding E&S issues and actions required to address these issues, project monitoring, and reporting requirements; and provides the E&S clauses to incorporate into the Investment Contract. The LESS will continue the liaison with the iDesk Core Team Lawyer to ensure his/her receipt of the ESCM and associated instructions. The following additional procedures apply:

- For Category B projects, the LESS will obtain clearance of the ESCM in iDesk from the TL and copy the Manager CESI;
- For Category A projects, following review by the TL, the LESS will submit the ESCM to the Manager CESI for approval before the project is submitted for Board/management consideration;
- In cases where Broad Community Support (BCS) is required, the LESS will include the status of BCS verification in the ESCM; and
- For projects that have undergone CESI Peer Review, the LESS will ensure that the recommendations contained in the *Peer Review Minutes* (see Rules and Tools - Document Formats) have been clearly incorporated in the ESCM where relevant.

**2.10 E&S Section of Board Paper:** The Board Paper is a document prepared by the investment department for consideration of, or review and approval by, IFC's Board of Directors. Board Papers relating to specific investment projects are not disclosed, because they contain confidential client information. The E&S section of the Board Paper should:

- Describe significant impacts and mitigations as well as anticipated key development outcomes of the project. Refer to *Board Paper Environmental and Social Input* (Rules and Tools - Guidance);
- Include E&S additionality language where warranted. Refer to *Guidance on Environmental, Health and Safety Additionality for Board Papers* (see Rules and Tools - Guidance);
- Include the recommendations on the status of BCS verification for cases where BCS is required. Refer to *Review of Evidence of FPIC and BCS* (see Rules and Tools - Guidance);

The LESS is responsible for providing support, as necessary, to the project team for project presentations and briefings to the Board.

- 2.11 E&S Input to Investment Contract and Core Team Lawyer Liaison.** The LESS will continue the liaison with the iDesk Core Team Lawyer, review current iterations of the Investment Contract, and continue to provide E&S input to drafting and finalization of legal agreements and approval at Commitment.

The client's performance beyond compliance with IFC's PSs is not normally covenanted in the Investment Contract unless such mandates are considered to be conditions of IFC's support. 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 that 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 Environmental Management System and Community Development Policy and with IFC's PS and EHS Guidelines.

### 3. Responsibilities

- 3.1 The **TRL** is responsible for:

- Ensuring and documenting that the performance standards and applicable general and sector-specific EHS Guidelines have been sent to the client and client E&S staff;
- Ensuring that the iDesk Core Team Lawyer incorporates the inputs from the LESS into the legal agreements;
- Incorporating the E&S inputs provided by the LESS into the SPI, and disclosing the SPI in accordance with IFC's Disclosure Policy;
- Communicating with the client and obtaining the client's permission to release the ESRS, Action Plan, and SPI publicly;
- Seeking, where required, a waiver or rescheduling of disclosure duration requirements, from the Relevant Cluster VP; and
- Responding to external inquiries in accordance with *ESRP 5: Manning Eventualities in Investment Projects* (see Rules and Tools - Rules).

- 3.2 The **LESS** is responsible for:

- Retaining and filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance);
- Confirming and documenting that the PSs and applicable general and sector-specific EHS Guidelines have been sent to the client and client E&S staff;
- Maintaining liaison with the iDesk Core Team Lawyer, previewing current iterations of the Investment Contract and continuing to provide E&S input to the drafting of legal agreements;
- Providing the TRL with the E&S wording for the SPI;
- Determining the suitability of E&S assessment documentation for posting on IFC's website;
- Attaching Category A disclosure documents (full-text, including graphs, tables, maps, etc.) to the ESRS in the iDesk Workflow to facilitate website availability once Corporate Relations has published the ESRS, ESAP and SPI;



- Attaching Category B supporting documents (ESAP and essential supporting documents, graphs, tables, maps, etc.) to the ESRS in the iDesk Workflow to facilitate website availability once Corporate Relations has published the ESRS, ESAP and SPI;
- Determining if the client has met the local disclosure requirements as per the PSs;
- Coordinating public disclosure with IBRD and MIGA when other multilateral investors are involved in the project;
- Completing the ESRD prior to seeking the TL's approval of the ESRS and Action Plan;
- Obtaining TL approval of draft Category B disclosure documents; if LESS and TL are the same person, a Principal Specialist not involved with the project must clear the disclosure documents in iDesk;
- Obtaining Manager CESI approval of draft Category A disclosure documents; if LESS and TL are the same person, the Manager CESI must clear the disclosure documents in iDesk;
- Preparing and obtaining client clearance for the ESRS and Action Plan for Category A and B projects and disclosing these documents in accordance with IFC's Disclosure Policy;
- Obtaining clearance from the TL for Category B ESCM;
- Obtaining clearance from the Manager CESI for Category A ESCM;
- Ensuring that the iDesk Core Team Lawyer has received and reviewed the ESCM;
- Restarting public disclosure duration when indicated (see Section 2.7);
- Supporting the Communications Officer and TRL in responding to external inquiries from non-governmental organizations and other affected stakeholders concerning IFC's E&S review (see *ESRP 5: Managing Eventualities in Investment Projects*);
- Providing inputs to the Board Paper;
- Providing support, as necessary, to the project team for project presentations and briefings to the Board.
- Maintaining liaison with the iDesk Core Team Lawyer and providing E&S input to legal agreements;
- Preparing the *Sponsor Release/Approval Letter Format for Disclosure Documents* (ESRS, Action Plan and SPI), submitting the letter format to the client for preparation on Client Company letterhead and obtaining the signature of an authorized client approver;
- Ensuring receipt of signed *Sponsor Release/Approval Letter Format for Disclosure Documents* (ESRS, Action Plan and SPI) on Client Company letterhead, uploading this letter to the Public Disclosure Folder in iDesk;
- Preparing *Client Compliance and Performance Report Formats* including the *AMR and the Action Plan Status Report Formats*, based on information needs associated with project impacts including Development Outcome Tracking System (DOTS) Monitorable Impacts and other indicators;
- Submitting draft *Client Compliance and Performance Report Formats*;
- Ensuring that the Core Team Lawyer has received *Client Compliance and Performance Report Formats*;
- Ensuring that the Core Team Lawyer is informed of the mandatory frequency of *Client Compliance and Reports* submittals and that these requirements are incorporated into the Investment Contract; and
- Providing TRL with data needed for establishing Development Impact indicators in DOTS under the Monitorable Impacts Section.

**3.3 ACS staff** is responsible for:

- Assisting the LESS with filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance);
- Document with e-mail correspondence stored in desk that the PSs and applicable general and sector-specific EHS Guidelines have been sent to the client and client E&S staff;
- Assisting the LESS to list documents collected and reviewed by project team in the ESRD and uploading these documents into iDocs;
- Assisting the LESS with coordination of the client’s disclosure requirements when other multilateral investors, including IBRD and MIGA, are involved in the project;
- Ensuring that signed Sponsor Release Approval Letter Format for Disclosure Documents (ESRS, Action Plan and SPI) on Client Company letterhead have been uploaded into the Public Disclosure Folder in iDesk;
- Uploading copies of Client Compliance and Performance Report Formats in iDocs and distributing these to the Portfolio Officer and the Core Team Lawyer; and
- Assisting the LESS with of attachment of Category A disclosure documents (full-text, including graphs, tables, maps, etc.) to the ESRS in the iDesk Workflow to facilitate availability once Corporate Relations has published the ESRS, ESAP and SPI;
- Assisting the LESS with Restarting Public Disclosure when the LESS has identified this need (see Section 2.7);

**3.4 The TL** is responsible for:

- Ensuring that ESRD is complete prior to approval of both draft and final ESRS and Action Plan;
- Clearing the Category B ESRS, Action Plan, and ESCM;
- Obtaining clearance of Category B disclosure documents in iDesk by a Principal Specialist not involved with the project if the TL and LESS are the same person;
- Obtaining clearance of Category A disclosure documents in iDesk by the Manager CESI;
- Reviewing the Category A ESRS, Action Plan, and ESCM and advising Manager CESI that it is approved or not; and
- Reviewing any proposed alternative supervision requirements prior to submittal to the Manager CESI for approval.

**3.5 The Manager CESI** is responsible for approving:

- Category A disclosure documents in iDesk;
- Category B Disclosure documents if LESS and TL are the same specialist;
- Category A ESCMs; and
- Documenting approval of alternative supervision requirements in iDesk and the ESRD.

**3.6 The Relevant Cluster VP** is responsible for:

- Approving proposed waivers or modifications of disclosure duration requirements.

**3.7 The VP Industry** is responsible for:

- Waiving modifications of disclosure duration requirements that have been approved by the Relevant Cluster VP; and



- Informing the Board of Directors of any waivers or modifications of the duration of disclosure.

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

- 4.1 The ESRS created and stored in iDocs;
- 4.2 The Environmental and Social Action Plan (ESAP) to be stored in iDesk and attached to the ESRS when the ESRS publication workflow to CRU is started;
- 4.3 Where required, the client's Project Assessment documents posted on IFC's website, uploaded to the ESRS workflow in iDocs, and referenced in the ESRD.
- 4.4 Client letter approving the InfoShop publication of the ESRS and Action Plan filed in the Public Disclosure folder of iDocs and referenced in the ESRD.
- 4.5 All external stakeholder communications filed in iDocs and referenced in the ESRD.
- 4.6 Board Paper E&S input stored in iDesk and referenced in the ESRD.
- 4.7 Investment Agreement including the E&S wording developed in coordination with the iDesk Core Team Lawyer stored in iDesk;
- 4.8 Project-specific AMR and Action Plan Status report formats filed in iDocs and referenced in the ESRD.
- 4.9 Documentation associated with modifications of disclosure duration requirements approved by the Relevant Cluster VP; and documentation that the Board of Directors has been informed of any waivers or modifications affecting the duration of disclosure stored in iDesk.

## ESRP 5. MANAGING EVENTUALITIES IN INVESTMENT PROJECTS

### 1. Purpose and Applicability

Non-routine events do occur in conjunction with business development, with consideration of new clients and investments, during appraisal, and in the post-commitment supervision cycle.

Approved actions for addressing eventualities (e.g., something that might happen, contingent occurrences) during IFC's investment cycle and management-approved actions for CESI Specialists are described in this procedure.

### 2. Procedure

#### 2.1 Compliance Advisor Ombudsman Involvement:

During any phase of a project, a complaint may be filed with and accepted by the Office of the Compliance Adviser/Ombudsman (CAO). The CAO communicates such complaints to the Industry Department Director. The Lead Environmental or Social Specialist (LESS) will inform the following IFC staff of the CAO complaint:

- The Communications Officer identified in iDesk Project Team;
- The [CES Communications Officer](#) (CTRL/Left Click to Access Link);
- The Investment Department Communications Officer;
- The Regional and Industry Team Leaders (TLs); and
- The Manager CESI.

The CAO has three roles with respect to IFC:

- Responds to complaints by people affected by IFC-financed projects, in a fair, objective, and constructive a manner;
- Oversees audits of IFC's overall environmental and social (E&S) performance, particularly in relation to sensitive projects, to ensure compliance with IFC's E&S policies, guidelines, procedures and systems; and
- Provides a source of independent advice to the President of the World Bank Group.

Likely CESI interface is related to two CAO functions:

- CAO Ombudsman reviews complaints and works with stakeholders to help resolve grievances about alleged E&S impacts of IFC/ Multilateral Investment and Guarantee Agency (MIGA) projects; and
- CAO Compliance oversees audits of IFC's E&S due diligence at the project-level.

The CAO does not assess cases involving fraud or corruption. Such complaints are referred to the World Bank Office of Institutional Integrity.

The LESS should cooperate with the Industry Department Director and proxies in their efforts to develop a response and interface plan. This will include the following steps:

- Refer investment staff to [CAO website](#) for explanation of CAO procedures, roles, and process;
- Cooperate with Industry Department protocol for communication among the client, investment staff, CESI staff, and the CAO;
- Provide factual sustainability information to Industry Department staff assigned responsibility for CAO interface and response;
- Provide factual sustainability input to and review of communication from the Industry Department Director and the CAO; and
- Coordinate joint LESS, TL, and Manager CESI review and input to Industry Department's draft/final response to the CAO, and transmit review comments to Industry Department representative.

The LESS will amend the Environmental and Social Review Document (ESRD) with CAO complaint summaries, CAO recommendations, and outcomes, upload all related documents to iDocs, and update the Environmental and Social Risk Rating (ESRR) score if needed.

## 2.2 Notification of Serious Incidents:

If, during any phase of a project, the LESS is informed of serious incidents including fatalities, he/she will immediately inform the following IFC staff:

- The Communications Officer identified in iDesk Project Team;
- The [CES Communications Officer](#) (CTRL/Left Click to Access Link);
- The Investment Department Communications Officer;
- Regional and Industry TLs;
- The Manager CESI; and
- The Investment Department Portfolio Officer.

The LESS should request the client to provide detailed information, and then provide factual information to the Communications Officer.

The LESS will record the incident in the ESRD, update the ESRR score, and record the new score and date in the system considering this new information.

The LESS will then schedule a supervision site visit. Refer to *ESRP 6: Direct Investments Supervision* (see Rules and Tools - Rules) to facilitate collection and analysis of information if required.

The LESS will request the client to investigate root causes for the incident, prepare conclusions resulting from the investigation, and prepare an Environmental and Social Action Plan (ESAP or Action Plan) listing short-term and long-term actions to be implemented to prevent recurrence, and a schedule for full implementation of the Action Plan. Remedial actions should include updated employee occupational health and safety training. In coordination with the Transaction Leader (TRL) and Project Attorney, the LESS shall contractually bind the client to full compliance with the Action Plan approved by CESI.

The LESS shall monitor client activity to ensure that:

- Root causes and remedial measures have been adequately developed;

- The Action Plan is fully responsive to remedial needs, committed to by management, and fully funded; and
- Ensure that the ESRR score reflects the adequacy of Action Plan completion.

### 2.3 **Media Coverage, Non-Governmental Organization, or other External Complaint or Inquiry**

If during any phase of a project there is a media, non-governmental organization, or other external entity interest or a complaint on any issue related to IFC Sustainability (e.g., media reports, early protests regarding a potential IFC investment, allegations of substandard E&S performance) related to prospective, actual, or past IFC clients, the LESS shall not respond to any personal, e-mail, fax, telephone, or other inquiry. The LESS shall rely upon IFC resources assigned this responsibility and immediately inform the following staff members:

- The Communications Officer identified in iDesk Project Team;
- The [CES Communications Officer](#) (CTRL/Left Click to Access Link);
- The Investment Department Communications Officer;
- The [Corporate Relations](#) staff in Headquarters, including the Chief, Public Affairs as needed (CTRL/Left Click to Access Link);
- Regional and Industry TMs; and
- The Manager CESI.

The project team Communications Officer and/or the CES Communications Officer and the Investment Department Communications Officer will take the lead for all subsequent strategy, communication, and follow-on actions.

The LESS will provide factual sustainability information to the lead Communications Officer. Upon request, IFC's Communications Staff will assist the client in communicating with the media, non-governmental organizations, or complainants. Additionally, IFC's Communications Staff will, at the client's request, provide an on-site *IFC Communications Workshop* for client staff, an advisory service available to IFC clients. Refer to [Annex 5.2](#) and *IFC Communications Workshop* flyer.

The lead Communications Officer is responsible for informing others as required including the iDesk Team, CES and Investment Department Communication Officers, and appropriate investment department staff including TRL and/or Portfolio Officer.

The LESS will amend the ESRD, revise the ESRR with new information if required, and upload available documents to iDocs.

### 2.4 **Exceptional Circumstances:**

In the event that information provided by the client or other sources manifests that the disclosure of non-public information would be likely to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts to the environment, the LESS shall immediately inform the following staff members:

- The Communications Officer identified in iDesk Project Team;
- The [CES Communications Officer](#) (CTRL/Left Click to Access Link);
- The Investment Department Communications Officer;

- Regional and Industry TLs;
- The Manager CESI; and
- The Investment Department TRL and Portfolio Officer.

The LESS shall prepare factual information for the Communications Officer, including adequate, non technical description of the issue, its projected consequences, and IFC's recommended course of action for use in immediate communication to the client.

The LESS will amend the ESRD with this information and update the ESRR score to reflect the gravity of the situation.

IFC reserves the right to disclose such information that it would not ordinarily disclose to third parties. IFC will only disclose such information after informing the client of IFC's concerns and considering the client's plans to address and mitigate the potential harm involved. In the event that the client is unwilling or unable to address the matter, the LESS shall inform the Director CES, Director Investment Department, Regional Director to take action in accordance with *IFC's Disclosure Policy* ([see Annex 5.1](#)).

### 3. Responsibilities

#### 3.1 The **Transaction Leader** is responsible for:

- Notifying the project Communication Officer on the iDesk team.

#### 3.2 The **LESS** is responsible for:

- Retaining and filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance);
- Notifying the project Communication Officer on the iDesk team and the CES Communications Officer regarding all eventualities;
- Providing factual sustainability information to support Communications and Investment Department staff; and
- Ensuring that the client is aware of the availability of IFC Communications Workshops and support.

#### 3.3 The **Team Administrative Client Support (ACS)** is responsible for:

- Assisting the LESS with filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance);
- Assisting the LESS with upload of all documents including e-mail communication related to eventualities and their resolution into the iDesk Environmental Folder.

#### 3.4 The **Team Leader** is responsible for:

- Reviewing and commenting on draft communications and responses prepared by others.

#### 3.5 The **Manager CESI** is responsible for:

- Providing CES approval for draft communications and responses prepared by others.

- 3.6 The **Portfolio Officer** is responsible for:
- Notifying project and department Communications Officers of eventualities; and
  - Ensuring that the client is aware of support provided by IFC's Communications Staff and the availability of IFC's Communications Workshop.
- 3.7 The **Director CES** is responsible for:
- Providing final approval of CES input to Investment Department responses to the CAO.
- 3.8 The **Director Investment Department** (and, where applicable, the Regional Director) is responsible for:
- Providing a comprehensive response to the CAO.

#### 4. Records and Documentation

- 4.1 The LESS shall upload pertinent e-mail messages, documents, media publications, final CAO reports, and final Investment Department responses to CAO investigations and complaints to the iDesk Environmental Folder.

#### 5. Annexes

##### 5.1 Exceptional Circumstances text from IFC's Disclosure Policy:

See IFC Policy on Disclosure of Information, Section III, *Information Made Available by IFC, B. Exceptional Circumstances*: "In exceptional circumstances, IFC reserves the right to disclose information that would ordinarily not be released to third parties. IFC may exercise this right if, in connection with a project in which IFC has invested, IFC's senior management determines that the disclosure of certain nonpublic information would be likely to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts on the environment."

Any such disclosure by IFC would be on the most restricted basis necessary to achieve the purpose of the disclosure, such as notice to the appropriate regulatory authorities.

If the non-public information has been provided by or relates to an IFC client, IFC would make such disclosure only after informing the client of IFC's concerns and considering the client's plans to address and mitigate the potential harm involved.

- 5.2 Communications Workshop advisory service available to IFC clients.



Are you facing reputational issues in the context of your activities?

Are you often surprised by the media & NGO attention that your activities attract?

Do you have capacity to handle public scrutiny?

Are you at the beginning of building up an external relations function in your organization?



Training will be carried out by IFC Communications Officers at the company headquarters.

#### Training Outline

- Analysis of current situation & on-going communications
- Identification of risks
- Creation of short & long term communication strategies.

#### Contact

**Lucie Giraud**  
IFC Senior Communications Officer,  
Environment & Social Development  
Tel. 202 458 4662 | Email: [lgiraud@ifc.org](mailto:lgiraud@ifc.org)

## IFC COMMUNICATIONS WORKSHOP

A communications advisory service now available to IFC clients

Take advantage of IFC's communications advisory service.

The importance of communications is often understated. If you do not communicate, how will your stakeholders know the positive impact your operations are having? How can you preempt and respond to negative stories disseminated in the press and on internet?

Because your activities can attract the attention of media and of non-governmental organization, you need to communicate proactively and to be prepared for any challenging scrutiny.

With this new advisory service, IFC helps its clients strategically communicate with all stakeholders.

#### Under the new advisory service, you will:

- **be offered a 2-day workshop** designed to enhance your knowledge of communications and to build your capacity to communicate. The training's final output is a short-term communications action plan.
- **obtain communication tools:**
  - a matrix of your reputational risks
  - a short and long term draft communications strategy
  - a list of who does what, along with strategic deadlines
  - a first draft of your main messages

You will be charged with the travel and accommodation expenses of two IFC staff – but no consultancy fee. This contribution by the client is requested to ensure that the tools and knowledge acquired are put to full use.

A company with a good understanding of its reputational risks, a good communications function and a strong communications strategy has better control over its public image!



## ESRP 6. DIRECT INVESTMENTS: SUPERVISION

### 1. Purpose and Applicability

This procedure describes the environmental and social (E&S) review process during the supervision stage of the IFC project cycle for Direct Investment projects. E&S supervision obligations are applicable during the period from Commitment until the IFC investment project is closed.

The purpose of E&S supervision is to develop and retain the information needed to assess the status of compliance with the Performance Standards (PSs), general and sector-specific Environmental Health and Safety (EHS) Guidelines, and the Environmental and Social Action Plan (ESAP or Action Plan). Through collected information and knowledge, CESI Specialists should:

- Define any **changed project circumstances** (see Annex 5.1) that could or do result in adverse E&S impacts and elevate this information to the Industry/Regional Team Leader (TL) and Investment Department Portfolio Manager.
- Make prompt and informed E&S decisions at key points of the investment cycle, such as first or subsequent disbursements.
- Identify poorly performing projects and where the client fails to comply with its E&S commitments.
- Initiate remedies **if the client fails to reestablish compliance** (see Annex 5.2).
- Identify good E&S performance for the Manager CESI and, in professional practice, seek replication of good E&S performance.
- Advise management of any perceived exceptional circumstances **needed for disclosure of non-public information to avert imminent and serious harm to public health or safety**, and/or imminent and significant adverse impacts to the environment. Refer to *IFC Policy on Disclosure of Information, Section III B Exceptional Circumstances* and, *ESRP 5 Managing Eventualities in Investment Projects* (Rules and Tools – Rules).
- As a last resort, **recommend exit from projects** where E&S remedies have failed.

### 2. Procedure

#### 2.1 Supervision Responsibilities:

CESI Specialists' professional responsibilities mandate diligent consideration of all supervision elements. If written materials obtained or physical observations made during Supervision Site Visits (SSVs) or information from other supervision exercises indicate ongoing or potential adverse E&S impacts, the facts and associated concerns must be elevated to the Industry and Regional TLs.

After full-issue analysis and confirmation with the Industry or Regional TL, the Responsible TL in accordance with *CES Delegated Authority Matrix for Implementation of the ESRP* (see Rules and Tools - Guidance) will support communication and implementation of indicated follow-on actions (e.g., specialized staff SSV, IFC management communication to the client). The TL will assist the Lead Environmental or Social Specialist (LESS) with follow-on actions.

Effective E&S supervision entails periodic review of the client's E&S compliance with the requirements of the IFC Investment Agreement. Review activities include:



- Establish client's degree of compliance with E&S Conditions of Disbursement (CODs) prior to all disbursements;
- Review Annual Monitoring Reports (AMRs) and Action Plan compliance status reports. Refer to *ESAP Status Report Example Format* (see Rules and Tools - Document Formats);
- Undertake Supervision Site Visits (SSVs) – refer to section 2.6;
- Send copies of AMR review and SSV conclusions created and stored in iDesk to the TL, and the investment department Portfolio Officer;
- Review all other project-related information that may become available for E&S compliance significance; and
- Clearly communicate risks and probable consequences of client compliance failures with the PSs and/or general and sector-specific EHS Guidelines.

## 2.2 Conditions of Disbursement Review:

For IFC to disburse funds, all relevant CODs must be met, or waived by the Manager CESI. CODs may define specific corrective actions or refer to an enclosed Action Plan.

After the legal agreements are executed and disbursement(s) are pending, the LESS shall obtain compliance data from the TRL (first disbursement) or Portfolio Officer (subsequent disbursements) to assess fulfillment of E&S COD obligations and/or Action Plan tasks due to be completed on or before the date of disbursement.

If all relevant E&S CODs and Action Plan tasks have been completed, the LESS shall amend the Environmental and Social Review Document (ESRD), upload the records to iDocs, and inform the TRL/Portfolio Officer of CESI clearance for the disbursement.

If there are incomplete E&S CODs and/or Action Plan tasks, at any time, the LESS shall inform the TRL/Portfolio Officer. If the TRL/Portfolio Officer proposes to waive the COD or to ignore noncompliance of Action Plan tasks, the LESS will inform the CESI TL and Manager CESI. Waivers of E&S CODs and Action Plan task completion dates and/or approval of replacement or modified CODs or Action Plan task completion dates must be approved in writing by the Manager CESI and documented in iDesk and in the ESRD.

If the Manager CESI does not approve a proposed waiver or a replacement or modified COD, the LESS will inform the TRL/Portfolio Officer that CESI will not support disbursement until the COD is met.

## 2.3 AMR Review:

The AMR, including a status report for Action Plan tasks, is the client's primary communication channel for reporting E&S performance to the LESS and CESI.

The investment department Portfolio Assistant is primarily responsible for logging AMR documents into iDesk. If clients send AMRs directly to the LESS, they are to send the AMR to the relevant Investment Department Portfolio Assistant for compliance tracking log-in. When the AMR is received in CESI, the CESI Team Administrative Client Support (ACS) is responsible for logging the document into the CESI section of the iDesk timeline, preparing the *AMR Review Cover Sheet* (see Rules and Tools - Document Formats) that provides instructions for the reviewing specialist, and

sending the AMR to the reviewing specialist. The Investment Department Portfolio Assistant is responsible for sending the original document to the IFC Information Center for storage. AMRs sent directly to the CESI Specialist should be given to the CESI Team and Investment Department Portfolio ACS.

Before reviewing the AMR, the CESI Specialist should review and understand IFC's project specific E&S requirements developed during appraisal including the Environmental and Social Action Plan (ESAP). Subsequently, review of the client's submittal should focus on material compliance with these requirements. E&S requirements are typically captured in the *Negative and Affirmative Covenants and Reports* sections of Investment Contracts.

The review should carefully consider:

- The project's performance compared to the requirements of IFC's PSs; applicable requirements of general and sector-specific EHS Guidelines, the Action Plan, environmental assessment-proposed mitigation and management plans, and other applicable performance criteria;
- For pre-PS projects, compliance with the requirements of applicable IFC Safeguard Policies and general and sector-specific EHS Guidelines;
- The status of the client's completion of E&S Action Plan tasks and external reporting on client's implementation of the Action Plan;
- The implementation degree and effectiveness of the project's Environmental and Social Management System;
- Conclusions and completion status of mandatory remedial actions from previous AMR reviews; SSVs; and associated *Supervision* Environmental and Social Risk Rating (ESRR<sub>(S)</sub>) scores;
- The status of the client's community engagement, including not less than annual local disclosure of the Action Plan progress where required, consultation, and any participatory monitoring or reporting obligations described in PS1 (see Annex 5.3);
- Occupational Health and Safety statistics and trends over time;
- Reported serious incidents in accordance with *Environmental and Social Review Procedure (ESRP) 5: Managing Eventualities in Investment Projects* (see Rules and Tools - Rules); and
- All other project-specific reporting requirements defined in the Investment Agreement.

At the conclusion of the review, the LESS or reviewing specialist should understand the project's E&S performance in comparison to the requirements of the PSs, general and sector-specific EHS Guidelines and Action Plan. Moreover, the LESS shall specify all key actions the client needs to take to improve its performance, and resolve highlighted issues (see Annex 5.2).

#### 2.3.1 Report AMR Review Conclusions:

Using the *AMR Review* document format created in iDesk (see Rules and Tools - Document Formats), the LESS shall prepare a written record of the AMR review. The review shall:

- Consider carefully the resolution status of issues of noncompliance with PSs and general and sector-specific EHS Guidelines highlighted during the appraisal;
- Provide an analysis and interpretation of the meaning of the information;

- Clearly communicate conclusions reached from information review, defining the gravity of these conclusions and perceived E&S, IFC reputation, and IFC brand-affecting risks; and
- Send key messages on mandatory follow-up actions and reporting.

If a single AMR covers multiple IFC project numbers, the LESS shall record this in the AMR review. The LESS will also ensure all actions on the AMR Review Cover Sheet are completed, and sign and return to the CESI Team ACS along with the AMR review and ESRR<sub>(S)</sub> scoresheet. The distribution of the AMR review should include the Portfolio Officer, Industry and Regional TLs, and Industry, Regional, and CESI Portfolio Assistants.

When the ESRR<sub>(S)</sub> is A/B-3, Partly Unsatisfactory, or A/B-4, Unsatisfactory, the AMR review distribution shall include the Investment Department Portfolio Manager and Manager CESI.

The LESS shall always prepare a short review report and calculate an updated ESRR<sub>(S)</sub> (see Rules and Tools - Calculation and Estimation Tools).

The LESS shall always prepare the Project Supervision Report (PSR) E&S language and communicate this text to the Portfolio Officer who, in turn, is responsible for transmitting this text to the client. Updated PSR E&S language is recorded through creation and edit of text in *AMR Review*, or *SSV Findings (former BTO)*, or *AMR Review and SSV Findings Summary combined* report formats created and stored in iDocs (Rules and Tools – Document Formats). The Industry department Portfolio Assistant will update the iDesk timeline to indicate when the review information was sent to the client.

#### 2.4 Calculate ESRR<sub>(S)</sub>:

The supervision process leads to calculation of a project's ESRR<sub>(S)</sub>, which IFC uses as a readily understood measure of project E&S risk. Refer to the *ESRR<sub>(S)</sub> Scoresheet* (see Rules and Tools - Calculation and Estimation Tools). The ESRR<sub>(S)</sub> is also employed to highlight projects that may be considered *successful* in terms of E&S outcomes.

The LESS is responsible for calculation of the ESRR<sub>(S)</sub> using the ESRR calculation worksheet (Rules and Tools – Calculation and Estimation Tools) as a result of Supervised Project activities, after reviewing AMRs, Supervision Site Visits, client meetings, stakeholder meetings or conference calls and other Recordable Supervision Activities (RSA) (see 2.6 below).

On the basis of the information gathered, the LESS shall calculate the ESRR<sub>(S)</sub>: A/B1- Excellent; A/B-2- Satisfactory; A/B-3-Partly Unsatisfactory; or A/B-4-Unsatisfactory.

If the AMR and/or Action Plan Status Report or the Recordable Supervision Activity does not provide sufficient information to impart confidence of the project's compliance with at-commitment requirements, then the ESRR<sub>(S)</sub> score should be a minimum of A/B-3-Partly Unsatisfactory.

The reviewing specialist shall consider if the qualitative review and associated conclusions are consistent with the resulting ESRR<sub>(S)</sub> score. If the score is inconsistent with or contradicts the facts, the specialist shall override the calculated score and record the underlying justification in the ESRD.

IFC's corporate systems assign ESRR<sub>(S)</sub> scores at the partner (client) level and not at the project level. For some partners (clients) there is more than one investment project in the system. However, the system only accepts one ESRR<sub>(S)</sub> Score. For original investment projects and repeat investments affecting the same facilities or operations, the most recent ESRR<sub>(S)</sub> will be reported in the system for this partner (client). For investment projects with the same partner (client) affecting different facilities or operations there will be multiple separate ESRR<sub>(S)</sub> scores for each of these projects. However, as the system will only accept one ESRR<sub>(S)</sub> score, the ESRR<sub>(S)</sub> score entered into the system at the partner (client) level shall be the highest recorded score among the partner's (client's) IFC projects. This approach is required to focus IFC and partner (client) attention on resolution of the project issues that engendered the higher ESRR<sub>(S)</sub> score.

On occasion, a Portfolio Officer will request an ESRR<sub>(S)</sub> score to accompany PSR language, even though recent information on which to base the evaluation is not available. The LESS should prepare PSR language reflecting a lack of recent information and advise the Portfolio Officer that the former ESRR<sub>(S)</sub> score and ESRR<sub>(S)</sub> evaluation date remain valid. The LESS shall not update the ESRR<sub>(S)</sub> score or date without new information.

## 2.5 **Update Development Outcome Tracking System (DOTS) Indicators and Development Outcome Rating:**

In the DOTS View tab of the iDesk project, the LESS is responsible for updating the Environmental and Social (E&S) Indicators that were established at appraisal; and, updating the Development Outcome Rating (Environmental and Social Performance) for the investment project. DOTS update is required as a part of Recordable Supervision Activity. Refer to *Development Effectiveness at IFC (DOTS)* (see Rules and Tools - Guidance).

## 2.6 **Recordable Supervision Activity (RSA), Supervised Projects, and Supervision Site Visits (SSV) Plan:**

**Recordable Supervision Activity (RSA):** Is defined as any E&S specialist activity that results in an updated understanding of a portfolio project's E&S performance (e.g. obtaining and reviewing AMRs, recorded Supervision Site Visits, client meeting, stakeholder meeting or conference call). Written records of RSA activities are to be saved in iDesk;

**Supervised Project:** Is defined as a project for which the ESRR score, PSR language and DOTS E&S ratings and indicators have been updated as a result of a *Recordable Supervision Activity*. Projects should be supervised at least once a year.

**Supervision Site Visits (SSV) Plan:** QA is responsible for drafting annual SSV Plans using *Portfolio Considerations 1 and 2* below. Team Leaders are responsible for proposing modifications to the draft SSV Plan (additions in accordance with *Portfolio Consideration 3*; and deletions in accordance with *Portfolio Consideration 2*) and obtaining Manager CESI approval for the final SSV Plan.

Justifications for *Portfolio Consideration 2* alternative RSAs may include the *E&S Physical Supervision Detractors* (see below). Annually, at the beginning of the Fiscal Year, Quality Assurance prepares a draft list of proposed investment projects whose performance is to be evaluated through an SSV. The Industry and Regional TLs, in coordination with Quality Assurance, will finalize the list of targeted projects for the Fiscal Year.

Selection of projects for SSVs shall consider the following criteria. The TLs may, with input from Quality Assurance, CESI Specialists, and Investment Departments, add supplemental projects to the list in accordance with the discretionary considerations described in the following table.

<b>FY Supervision Site Visits (SSV), Recordable Supervision Activity (RSA) Selection Criteria</b>	
<i>Portfolio Consideration</i>	<i>SSV or Alternative RSA</i>
1. Knowledge Gap projects	<ul style="list-style-type: none"> <li>• Mandatory SSV;</li> </ul>
2. Projects with ESRR of 3/4	<ul style="list-style-type: none"> <li>• Mandatory SSV; <b>or</b></li> <li>• If E&amp;S Physical Supervision Detractors* apply, conduct <u>alternative</u> Recordable Supervision Activity (RSA) with TL approval;</li> </ul>
3. All other projects	<ul style="list-style-type: none"> <li>• Recordable Supervision Activity (<b>RSA</b>);</li> <li>• <b>SSV Plans</b> shall ensure consideration of the following: <ul style="list-style-type: none"> <li>✓ Category A and high risk projects</li> <li>✓ Projects with challenging ESAPs</li> <li>✓ Projects under construction</li> <li>✓ Projects within the first year of disbursement</li> </ul> </li> </ul>
<b>*E&amp;S Physical Supervision Detractors</b>	
<p>Justification for removal of projects from the draft SSV Plan may include the following:</p> <ul style="list-style-type: none"> <li>• Adequate Supervision Information is available from other sources - e.g. independent E&amp;S monitoring reports, assessment reports from other lenders, etc.;</li> <li>• Financial Restructuring underway;</li> <li>• Impending disbursements mandating Action Plan review and confirmation of full Action Plan compliance;</li> <li>• Constrained Engagement Projects: projects for which prospects of a resolution of issues with IFC are very low; and, where IFC leverage is inferior or nonexistent;</li> <li>• Excellent Sponsor E&amp;S Capacity and Performance - RSA history confirms this; SSV would add no value (exclusively applicable to <i>Portfolio Consideration 3 All Other Projects</i>);</li> </ul>	

- Other compelling factors discussed and agreed between the LESS and the Team Leader.

Other factors may dictate SSV frequency, including major E&S incident(s), non-governmental organization (NGO) complaints, Compliance Advisor/Ombudsman Office investigations, an Expanded Project Supervision Report (XPSR), or an Independent Evaluation Group (IEG) visit. Refer to *ESRP 5: Managing Eventualities in Investment Projects* (see Rules and Tools - Rules). If an SSV is proposed because of a circumstance described in ESRP 5, the Industry/Regional TL shall ensure consensus for mission travel among the TRL, Portfolio Officer, and Manager CESI.

#### 2.6.1 Waiving Supervision Site Visits:

It may **not** be feasible to conduct an SSV for projects selected in accordance with *Portfolio Considerations* in the *FY Supervision Site Visits (SSV), Recordable Supervision Activity (RSA) Selection Criteria* table above. The Manager CESI shall be advised why supervision is not feasible for individual projects using the *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists petition format* (refer to Annex 5.4 and Rules and Tools - Document Formats).

The LESS and Team ACS will amend the ESRD and iDocs records to include the reason for waiving SSVs. The Portfolio Manager is responsible for having the same documented in the Compliance Tracking System remarks section.

#### 2.6.2 Justifications for Waiving SSVs May Include:

- Project in liquidation or other infeasible supervision situations;
- In the case of a dispute considered temporary and resolvable by the TRL/Portfolio Manager, the project supervision may be considered for postponement;
- In the case of a dispute considered permanent or irresolvable, an SSV may be postponed, suspended, or terminated; and
- Staff security and safety considerations.

#### 2.6.3 Management Approval for SSV Waivers:

- Complete a *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists petition format* (see Annex 5.4 and Rules and Tools - Document Formats) describing the reason for the proposed supervision waiver;
- Obtain signature approval from the Investment Department Portfolio Manager and Manager CESI;

- Upload signed *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists petition* to iDocs and amend the ESRD comments section to reflect that the SSV waiver was approved by management;
- Transmit approved *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists format* to the Quality Assurance Analyst;
- The Quality Assurance Analyst will remove the project from current Fiscal Year *Supervision Site Visits (SSV) Plan*.

#### 2.6.4 Preparation for Supervision Site Visits:

The LESS shall prepare for and plan the SSV by reviewing appraisal-generated documents, including BTO reports, the Environmental and Social Review Summary, Action Plan, and ESRD. Additionally, the LESS shall review the client's performance considering the requirements of the PSs, general and sector-specific EHS Guidelines and any environmental assessment mitigation and/or management plans. The LESS shall also consider the criteria described for AMR reviews in Section 2.3 above and prepare an *eTOR Mission Travel Request* (Rules and Tools - Travel Guidance).

The LESS should ensure that the TRL or the Portfolio Manager advises the client in advance of the proposed SSV, the purpose for the SSV, and recommended preparations. The SSV shall include interview and discussion with the client and other representatives, document review, and physical inspection.

Some IFC investments do not retain legal E&S obligations. In such cases, the review should compare project performance with IFC's at-Commitment E&S requirements (if any) and the PSs.

Circumstances permitting, best practice dictates that, after completing the SSV, the visiting specialist should make a verbal presentation of findings, conclusions, and recommendations for Supplemental Actions to client representatives and document these discussions in iDesk-created formats described below.

The LESS shall document the SSV, along with key observations and interpretations, findings, and conclusions, through completion of an *SSV Findings (former BTO)* or the *AMR Review and SSV Findings Combined* formats created in iDesk (Rules and Tools - Document Formats). These documents are created in iDesk and are to be distributed to the TL and Portfolio Officer when completed.

#### 2.6.5 Documenting the Supervision Site Visit:

Create a *SSV Findings (former BTO) format* **or** the *AMR Review and SSV Findings Combined* format in iDesk (see Rules and Tools - Document Formats). The LESS is responsible for describing in adequate detail the key findings of the SSV. Once the document is completed, the procedure is to select *Save Inside iDocs*, so the document will be filed in the Environmental Plans and Documents Folder of iDocs. CESI Specialists are responsible for distributing these reports to TL and to the Portfolio Officer.



The LESS shall upload all other relevant written material provided by the client, calculate an updated ESRR<sub>(S)</sub> (see Rules and Tools - Calculation and Estimation Tools), prepare the PSR E&S language, and communicate this information to the Portfolio Officer.

Using the Sponsor Follow-up section of *SSV Findings (former BTO)* or the *AMR Review and SSV Findings Combined* formats created in iDesk, the LESS will prepare a report describing SSV conclusions for any material E&S compliance gaps described in the agreed supplemental corrective actions (if any) for the client's representative. The LESS will distribute this report to the iDocs project record and to the TL and Portfolio Officer.

The LESS will update the project's DOTS record. Refer to *Development Effectiveness at IFC* (see Rules and Tools - Guidance).

## 2.7 The Expanded Project Supervision Report:

The XPSR is an annual exercise affecting a random sample of IFC projects 5 years after Commitment. The XPSR considers IFC and project performance, anticipated and actual project outcomes, and a review of the quality of IFC appraisal and supervision work.

The LESS prepares for the XPSR by reviewing XPSR instructions and reporting template available on IEG's Intranet site (refer to *Expanded Project Supervision Report (XPSR)* (see Rules and Tools - Guidance). The specialist should review all available historical project records including the CESI Library project documentation available in hardcopy files, the *M/Environment Files/Mainstream Projects* drive and iDocs.

Based upon this review, the LESS shall assess the project's long-term E&S performance, including its E&S impacts and mitigation measures; adherence to PS, general and sector-specific EHS Guidelines, and Action Plan requirements; client staff responsiveness; and the quality and frequency of the project's E&S reporting.

The LESS will schedule a Supervision Site Visit (SSV) if necessary to assemble complete, up-to-date project information. He/she will provide input to the project team as needed, recording all key findings, decisions, analysis, and conclusions in the *SSV Findings (former BTO)* format created and stored in iDesk (see Rules and Tools - Document Formats). The LESS is responsible for distributing the report from iDesk.

The LESS will record conclusions of the E&S project review in the IEG XPSR report template (*Expanded Project Supervision Report*) (see Rules and Tools - Guidance); request review and approval from the Industry TL; and, when approved, send the completed XPSR report template to the Portfolio Officer. The LESS will upload the completed XPSR input to iDocs.

## 2.8 Addressing Performance Gaps:

### 2.8.1 Late E&S Reporting:

Quarterly, CES Quality Assurance will inform the Industry and Regional TLs of all portfolio projects for which AMRs are overdue. Industry and Regional TLs will communicate these



lists to appropriate Portfolio Managers, who will instruct the Portfolio Officers to obtain the overdue AMRs.

#### 2.8.2 Unfulfilled Action Plan:

If the client fails to comply with its E&S commitments expressed in the Action Plan or legal agreements with IFC, the LESS shall work with the client to bring it back into compliance to the extent feasible and, if the client continues to fail to achieve compliance, shall exercise remedies when appropriate.

#### 2.8.3 Knowledge Gap:

A Knowledge Gap refers to Projects that were disbursed 15 or more months previously that do not yet have an ESRR<sub>(S)</sub> score; and, projects with an ESRR<sub>(S)</sub> score older than two years. Definition applies to projects with an existing balance of more than \$0, but not to Category C Projects.

Quarterly CES Quality Assurance will inform Industry and Regional TLs of Knowledge Gap projects and projects that will enter the Knowledge Gap during the next quarter, unless new E&S information is received. Industry and Regional TLs, in discussion with Portfolio Officers and Portfolio Managers, will develop and implement measures to update E&S information, either by requesting an AMR or by conducting an SSV.

#### 2.8.4 Portfolio Review:

The Regional/Industry TL shall note all projects where, following supervision, the ESRR<sub>(S)</sub> is 3 or 4 - and, for each project, will identify the corrective measures sought by CESI. The status of these projects and implementation of corrective measures will be reported quarterly to the Portfolio Managers.

#### 2.8.5 High Risk List:

Quarterly, the Regional TL will identify projects that have a high E&S risk and seek to achieve concurrence with the Industry TL. High E&S risk may be attributed to projects due to adverse E&S impacts and/or reputational risks.

For each High-Risk Project, the LESS will provide a summary of the risks and actions taken by IFC. High-Risk Projects will be presented to the Manager CESI for discussion at quarterly Corporate Risk Committee meetings. Refer to *ESRP 10: Environmental and Social High-Risk Projects Listing* (see Rules and Tools – Rules).

### 3. Responsibilities

#### 3.1 The TRL is responsible for:

- Obtaining information from the client that will enable the LESS to assess the degree of compliance with E&S CODs prior to the first disbursement.

#### 3.2 The LESS is responsible for:

- Retaining and filing all project documents in accordance with *CESI Record Keeping Protocol* (Rules and Tools – Guidance);

- Managing the project-specific E&S relationship with the client and the Investment Department;
- Documenting project compliance with E&S CODs;
- Seeking approval from the Manager CESI to waive CODs or add new CODs;
- Assessing and documenting project compliance with IFC's at-Commitment E&S requirements;
- Managing the AMR review to determine E&S performance and amending documentation in iDesk and the ESRD with this information;
- Providing PSR and XPSR E&S wording to the Portfolio Officer;
- Preparation of *eTOR Mission Travel Request* (see Rules and Tools - Travel Guidance) for all mission travel;
- Ensuring that scheduled SSVs are made;
- Preparing a *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists* format for proposed elimination of projects from the SSV Plan;
- Obtaining Manager CESI and Investment Department Portfolio Manager signature approval of the approved *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists* format and transmittal to the Quality Assurance Analyst and stored in iDesk;
- Updating the ESRR<sub>(S)</sub> score based on findings from the AMR Review, SSVs, and other sources of data about client performance and compliance;
- Ensuring that AMR Review distribution includes the Investment Department Portfolio Manager and Manager CESI when the ESRR(S) is A/B-3 or A/B-4; and
- Notifying the Portfolio Officer of changed project circumstances (see Annex 5.1).

### 3.3 The ACS staff is responsible for:

- Assisting the LESS with filing all project documents in accordance with CESI Record Keeping Protocol (Rules and Tools – Guidance);
- Uploading AMRs into iDocs, producing the *AMR Cover Sheet* (see Rules and Tools - Document Formats), and distributing the AMR and cover sheet to the LESS;
- Updating the ESRR<sub>(S)</sub> score and date in iDesk through the Company Reference Database after revision based upon AMR Review, SSV Findings (former BTO), and/or AMR and SSV Findings Combined report completion, or due to other Recordable Supervision Activity or circumstances leading to recalculation of the ESRR<sub>(S)</sub>;
- Ensuring that *AMR Review, SSV Findings (former BTO), and/or AMR and SSV Findings Combined* distribution includes the Investment Department Portfolio Manager and Manager CESI when the ESRR(S) is A/B-3 or A/B-4;
- Ensuring that a *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists* format is generated for proposed elimination of projects from the SSV Plan;
- Assisting the LESS to ensure that signature approval by Manager CESI and Investment Department Portfolio Manager are obtained for the *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists* format and that the approved waiver is saved in iDesk and transmitted to the Quality Assurance Analyst;
- For client companies with multiple projects, the highest ESRR<sub>(S)</sub> score among the projects shall be entered into the system along with the calculation date;
- Updating the AMR review management field in iDesk;

- Updating the AMR follow-up field in iDesk;
- Preparation of the *eTOR Mission Travel Request* (see Rules and Tools – Travel Guidance) for specialist SSV travel;
- Entering Supervision data into iDesk;
- Assisting the TL with preparation of Active Portfolio Report and sorting the report to create a list of projects with ESRR(S) 3 or 4 scores, define defining of further action for these projects, and reporting on these projects to the Industry Portfolio Managers;
- Distributing the AMR Review to the Portfolio Officer, Portfolio Assistant, and TLs; and
- Ensuring that AMR Review distribution includes the Investment Department Portfolio Manager and Manager CESI when the ESRR(S) is A/B-3 or A/B-4;

#### 3.4 CES Quality Assurance is responsible for:

- Providing a first draft *Annual Supervision Site Visits (SSV) Plan* to the Industry and Regional TLs;
- Removal of all projects from the draft *Annual Supervision Site Visits (SSV) Plan* that are not supervisable and for which approved *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists* documents have been generated and stored in iDesk;
- Quarterly reporting to the Industry and Regional TLs of AMRs and Action Plan Status reports overdue to IFC; and
- Quarterly reporting to the Industry and Regional TLs of existing and prospective Knowledge Gap Projects.

#### 3.5 The ITL is responsible for:

- Ensuring equivalence of supervision approach for all projects in the same sector worldwide through a quality control review of specialists' reviews and reports;
- Using input from CES Quality Assurance to prepare a risk-based draft *Industry Annual Supervision Site Visits (SSV) Plan*;
- Preparing the Active Portfolio Report and sorting the report to create a lists of projects with ESRR<sub>(S)</sub> 3 or 4 scores, defining further action for these projects, and reporting on these projects to the Industry Portfolio Managers;
- Clearance of E&S XPSR conclusions;
- Reporting late AMR reporting to Industry Portfolio Managers; and
- Review of High Risk Project lists presented by Regional TLs, and communication of the consolidated list to the Manager CESI.

#### 3.6 The RTL is responsible for:

- Using input from the Industry TL, finalize the *Annual Supervision Site Visits (SSV) Plan* through discussion with the Regional Portfolio Manager;
- Ensure delivery of the *Annual Supervision Site Visits (SSV) Plan*;
- Reporting projects with ESRR<sub>(S)</sub> 3 or 4 scores to the Regional Portfolio Managers;
- Reporting late AMR reporting to the Regional Portfolio Managers; and
- Preparation of High Risk Project lists and presentation to Industry TLs.

### 3.7 The **Manager CESI** is responsible for:

- Clearing or rejecting proposed waivers of E&S CODs;
- Clearing any new CODs not in the original documents;
- Approving proposed *Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists that are adequately justified in the memorandum*;
- Making recommendation to the Director CES and the Director Investment Department (and, where applicable, the Regional Director in relation to action required in response to **Exceptional Circumstances** (refer to *IFC Policy on Disclosure of Information, Section III B*; see Rules and Tools – Rules & Sustainability Framework); and
- Presentation of the High Risk Project list to the Corporate Risk Committee (refer to *ESRP 10: Environmental and Social High Risk Projects Listing*; see Rules and Tools - Rules).

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

- Obtaining an update from the client on the status of E&S CODs at second and subsequent disbursements;
- Requesting from the client, obtaining, and providing the AMR to the LESS;
- Communicating to the client any data deficiencies and/or Supplemental Actions identified by the LESS;
- Requesting and incorporating E&S wording into the PSR and XPSR;
- Notifying the LESS and the Manager of the Investment Department and Corporate Relations, as needed, of any eventualities occurring during the life of the investment (refer to *ESRP 5: Managing Eventualities in Investment Projects*; Rules and Tools - Rules); and
- Notifying the LESS 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.

### 3.9 The **Portfolio Manager** is responsible for:

- Interacting with the TL to determine an *Annual Supervision Site Visits (SSV) Plan*;
- Documenting in the Compliance Tracking System remark section the reason for waving supervision;
- Approving all proposed *Waivers of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists*;
- Instructing Portfolio Officers to obtain missing E&S information from the client; and
- Communicating the need for E&S improvement to clients with an ESRR<sub>(S)</sub> of 3 or 4.

## 4. Records and Documentation

AMR submitted by the client to be filed in iDocs.

AMR review to be recorded in iDesk and in the ESRD.

ESRR(S) update and input to CRD for all Recordable Supervision Activities (RSA);

Update Development Outcome Tracking System (DOTS) Environmental and Social (E&S) Indicators established at appraisal; and the Development Outcome Rating (Environmental and Social Performance) for the investment project;

Where conducted, storage of *SSV Findings (former BTO)* or the *AMR Review and SSV Findings Combined* documents in iDocs t and in the ESRD;

XPSR E&S performance review wording to be filed in iDocs, when an XPSR is carried out.

Consultant *SSV Findings (former BTO)* or the *AMR Review and SSV Findings Combined* report, if applicable, and recommended corrective actions for the Industry and Regional TLs.

## 5. Annexes

- 5.1 **Policy on Social and Environmental Sustainability, Paragraph 26, Project Monitoring:** “If changed project circumstances would result in adverse social or environmental impacts, work with the client to address them.”
- 5.2 **Policy on Social and Environmental Sustainability, Paragraph 26, Project Monitoring:** “If the client fails to comply with its social and environmental commitments, as expressed in the Action Plan or legal agreement with IFC, work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, exercise remedies when appropriate.”
- 5.3 **Community Reporting of Action Plan Progress** (Performance Standard 1, Paragraph 26 External Reporting on Action Plans): “The client will disclose the Action Plan to the affected communities. In addition, the client will provide periodic reports that describe progress with implementation of the Action Plan on issues that involve ongoing risk to or impacts on affected communities, and on issues that the consultation process or grievance mechanism has identified as of concern to those communities. If the management program results in material changes in or additions to, the mitigation measures or actions described in the Action Plan on issues of concern to the affected communities, the updated mitigation measures or actions will also be disclosed. These reports will be in a format accessible to the affected communities. The frequency of these reports will be proportionate to the concerns of affected communities but not less than annually.”
- 5.4 **Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists** (Rules and Tools – Document Formats).

THE WORLD BANK/IFC/M.I.G.A.

**OFFICE MEMORANDUM**

<b>DATE:</b>	Mm/dd/yy
<b>TO:</b>	ID Portfolio Manager, Manager CESI,
<b>FROM:</b>	LESS, ITL/RTL
<b>EXTENSION:</b>	Sender Telephone Number
<b>SUBJECT:</b>	<u>Waiver of Environmental and Social Supervision and Removal from Knowledge Gap and Supervision Lists.</u>

Please consider and approve this request for a waiver of Environmental and Social site supervision mission and therefore for its/their removal from the “Knowledge Gap” and Supervision Plan lists of the project(s) listed below.

Country	Project Name	ID	Reasons for waiver

Approval of the waiver request is granted by the following signatures:

\_\_\_\_\_  
 ID Portfolio Manager                      Name    Date

\_\_\_\_\_  
 Manager CESI                                      Name    Date

CC: ITL/RTL; LESS

## ESRP 7. FINANCIAL INTERMEDIARY INVESTMENTS: EARLY REVIEW AND APPRAISAL

### 1. Purpose and Applicability

- 1.1 This procedure specifies the environmental and social (E&S) review process for financial intermediary (FI) investments leading up to the Investment Review Meeting (IRM).

### 2. Procedure

- 2.1 **Nominate Responsible Team Leader:** The CES Team Leader (TL) is determined according to the *CES Delegated Authority Matrix for Implementation of the Environmental and Social Review Procedures (ESRP)* (see Rules and Tools - Guidance). The TL will determine with other Industry or Regional TLs the assignment of the Lead Environmental or Social Specialist (LESS) where the FI investment involves multiple industry departments.
- 2.2 **Documentation Review:** The LESS is responsible for obtaining preliminary information on the FI's portfolio and Social and Environmental Management System (SEMS), including its labor practices, from the Transaction Leader (TRL). Refer to the *Global Finance Markets Department (CGF) FI and Private Equity and Investment Funds Department (CFN) Funds SEMS, Labor Practices and Portfolio Questionnaires* (see Rules and Tools - Guidance). The LESS will participate in the project's pre-Concept Review Meeting, responding to E&S inquiries and gathering additional information about the project and potential E&S risks and opportunities.
- 2.3 **Addressing FI Investments with No Material E&S Impacts:** FI investments that support business activities without any material adverse E&S impact potential will be classified as Category C and no further review is required. Examples include:
- 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
  - The FI funds activities with minimal or no adverse impacts, such as activities that produce no significant wastes or emissions to the environment.

The LESS shall record the decision and the rationale in ESRD; provide wording for the Monthly Operations Report (MOR), the Project Data Sheet-Investment Review (PDS-IR), and the Summary of Proposed Investment (SPI) using *01 CGF Standard Wording by Category vs. PS2* and *02 CFN Standard Wording by Category* (see Rules and Tools - Guidance). The LESS will obtain the TL's clearance in ESRD and go to Procedure No. 8.2.

- 2.4 **Addressing Existing FI Investments:** 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:
- IFC has previously conducted an E&S review that is consistent with the Applicable Performance Requirements;



- 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
- 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.

The LESS will provide language for the MOR, including the current Environmental and Social Risk Rating (ESRR), the PDS-IR, and the supervision requirements using *Suggested MOR, PDS-IR, and SPI Language for Repeat Investments* (see Rules and Tools - Guidance).

- 2.5 **Addressing Market Instrument FI Investments:** For FI investments where IFC is considering an investment in a market instrument issued by the FI, the LESS shall review available information to determine whether the underlying FI portfolio is expected to meet the Applicable Performance Requirements. Based on this review, the LESS will proceed as follows:
- If the FI portfolio is expected to meet the Applicable Performance Requirements, the LESS will record the decisions and supporting analysis in the ESRD, classify the project as Category FI, provide language for the MOR and PDS-IR using *Suggested MOR, PDS-IR, and SPI Language for Investment in Market Instruments by FIs Expected to Meet IFC PS*. Refer to *01 CGF Standard Wording by Category vs PS2* and *02 CFN Standard Wording by Category* (see Rules and Tools - Guidance). If the FI portfolio is not expected to meet IFC's Performance Standards (PSs) as applicable to FIs from the outset, the LESS will inform the TL, the Manager CESI and the TRL about the status and provide MOR language to the TRL using *Suggested MOR, PDS-IR and SPI Language for Investment in Market Instruments Issued by FIs, Not Expected to Meet IFC PS* and record findings in ESRD. Refer to *01 CGF Standard Wording by Category vs PS2* and *02 CFN Standard Wording by Category* (see Rules and Tools - Guidance).
  - If the information provided is inadequate, request additional information from the TRL and repeat this procedure until adequate information is available.
- 2.6 **Addressing Retail Operations FI Investments:** 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, the LESS will categorize the project as a Category C investment, record the decision and supporting analysis in the ESRD, notify the TRL, provide language for the MOR and PDS-IR to the TRL using *Suggested MOR, PDS-IR, and SPI Language for FIs Classified as Category C*, inform the TL for clearance in ESRD, and go to Procedure No. 8.2.1. Refer to *01 CGF Standard Wording by Category vs PS2* and *02 CFN Standard Wording by Category* (see Rules and Tools - Guidance).
- 2.7 **Addressing Trade Finance FI Investments including Global Trade Finance Program (GTFP) products:** For FI investments where IFC is supporting a trade finance transaction through the Trade Unit, the LESS will 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."
- 2.8 **Addressing Microfinance FI Investments:** If the FI is engaged in supporting only microfinance, or IFC's financing is intended only to support the FI's investments in this area, the LESS shall classify

the project as Category FI, requiring the FI to develop a SEMS to ensure the application of IFC's *Microfinance Exclusion List*. Refer to *FI Exclusion List* (see Rules and Tools - Guidance).

The LESS will record the decision and supporting analysis in the ESRD, provide language for the MOR using *Suggested language for FIs that Only Need to Apply an Exclusion List*. Refer to *01 CGF Standard Wording by Category vs. PS2* and *02 CFN Standard Wording by Category* (see Rules and Tools - Guidance).

- 2.9 **Addressing Corporate or Legal Entities FI Investments:** 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:
- The LESS shall categorize the project as Category FI, and require the FI to develop a SEMS to ensure application of the FI Exclusion List, applicable national E&S regulations, and possibly IFC's PSs; record the decision and supporting analysis in the ESRD; and provide language for the MOR using *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*. Refer to *01 CGF Standard Wording by Category vs. PS2* and *02 CFN Standard Wording by Category* (see Rules and Tools - Guidance).
- 2.10 **Addressing Large Infrastructure or Extractive Industry FI Investments:** 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), the LESS will apply the requirement that IFC will reserve the right to review the FI's first few financing activities in such areas to ensure the FI's SEMS implementation is robust, in addition to other applicable performance requirements.
- 2.11 **Addressing Market Instrument FI Investments with No Leverage:** For FI investments where 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), the LESS will apply IFC's Exclusion List (see Rules and Tools - Guidance) and a reputation risk screen in addition to any other Applicable Performance Requirements as can be reasonably implemented in the scope of the transaction. The LESS will 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. The LESS will record the decision and supporting analysis in the ESRD and provide language for the MOR using *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*. Refer to *01 CGF Standard Wording by Category vs. PS2* and *02 CFN Standard Wording by Category* (see Rules and Tools - Guidance).
- 2.12 **Provide E&S Language for Mandate Letter:** If requested, the LESS will provide E&S language to the TRL to include in the mandate letter and/or Term Sheet that lists the conditions of IFC participation. This should include:
- Expected Applicable Performance Requirements; and
  - The need for the FI to establish a SEMS and capacity to implement the same requirements.

- 2.13 Participate in Corporate Operations Committee Meeting:** If requested, the LESS will brief the Manager CESI and/or Director CES on key E&S issues of the project or participate in the Corporate Operations Committee (COC) meeting and other review or decision meetings and respond to E&S inquiries.
- 2.14 Addressing all other FI Investments except Corporate or Legal Entities.** For all FI investments other than those defined as involving market instruments with no leverage, the LESS will collect portfolio and SEMS data for analysis. Refer to *CGF FI and CFN Funds SEMS Questionnaires* (see Rules and Tools - Guidance). For projects involving market instruments with no leverage:
- Obtain further information regarding the FI's portfolio either using the FI Portfolio Questionnaire and/or similar portfolio information available from the Investment Department. Refer to *CGF and FI Portfolio Questionnaires* (see Rules and Tools - Guidance).
- 2.15 Review Sector and Portfolio Data for E&S Impacts:** The LESS will determine the significance of business activities that have potential E&S impact by reviewing the portfolio and sector information. He/she will also determine the Applicable Performance Requirements as outlined below:
- All FIs will ensure that their financing and investments are not in contravention of an IFC Exclusion List (see Rules and Tools - Guidance);
  - Review the tenor, transaction sizes and the industrial sectors where the FI is investing:
    - 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; and
    - 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 IFC's PSs in addition to applicable national E&S laws and regulations.
- 2.16 Peer Review Proposed Limited Impact FI Transactions:** The LESS will peer review (with another colleague) the determination for limited E&S impact, and transmit this decision to the TRL for communication to the client. Where the Applicable Performance Requirements include IFC's PSs, the LESS will obtain clearance from the TL, and ensure that the TRL has provided a copy of the PSs to the client and notify the TL. The LESS will record the decision on the Applicable Performance Requirements and any supporting analysis in the ESRD.
- 2.17 Evaluate Client SEMS and Determine Need for Site Appraisal Mission:** The LESS will request and obtain information about the client's SEMS as provided in questionnaires entitled *CGF FI SEMS Questionnaires* (see Rules and Tools - Guidance). Where the Applicable Performance Requirements include IFC's PSs, and where it is considered necessary to review further the client's SEMS or existing sub-projects, the LESS will discuss with the TL and communicate with the TRL and the client on the need to carry out an appraisal visit to the FI.
- 2.18 Evaluate SEMS Adequacy:** The LESS will review the client's SEMS, considering its adequacy to implement the Applicable Performance Requirements. Refer to *CGF FI and CFN Funds SEMS*

*Questionnaires* (see Rules and Tools - Guidance). The LESS will consider the following aspects of the client's system, as relevant:

- E&S policies and procedures;
- The current organizational structure and staffing;
- Skills and competencies in E&S areas;
- Training and awareness of the client's investment, legal, and credit officers on the organization's E&S requirements and the SEMS;
- Performance monitoring procedure;
- Reporting of results to management; and
- Track record to date in SEMS implementation.

**2.19 Identify SEMS Gaps:** The LESS shall identify any SEMS 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. Refer to the *SEMS Enhancement Template* (see Rules and Tools - Document Formats).

- Gaps in the SEMS of FIs that are engaged in projects with either potentially significant E&S risks or risk exposure to IFC must be closed to ensure compliance with the Applicable Performance Requirements before IFC Commitment or as a condition of IFC disbursement;
- Gaps in the SEMS 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 TL. Refer to the *SEMS Enhancement Template* (see Rules and Tools - Document Formats).

The LESS will record the decision and supporting analysis in the ESRD and provide language for the PDS-IR to the TL or another specialist within the CESI FI team for clearance before submitting it to the TRL.

**2.20 Waivers for Applicable Performance Requirements or ESMS Action Plan:** The LESS will obtain clearance from the Manager CESI if a waiver or change of certain part of the Applicable Performance Requirements or ESMS Action Plan has been requested by the TRL and approved by the Industry or Regional Department.

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

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

The LESS is responsible for determining the appropriate type of peer review required in accordance with *PRM, Planning, Execution and Documentation* and *PRM Minutes Template* (see Rules and Tools - Guidance and Document Formats).

- 2.22 **Nominate Performance Indicators for Supervision:** The LESS will determine and score the applicable performance indicators that will be used to supervise the project performance going forward and will record these in the ESRD.
- 2.23 **Populate ESRD and Calculated Appraisal ESRR:** The LESS will record all material decisions and supporting analysis in the ESRD and complete required entries in the ESRD in order to generate the *Appraisal ESRR*.
- 2.24 **Determine the Need for External Experts during Supervision:** Where required, the LESS will 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 TRL.
- 2.25 **Attend Investment Review Meeting:** If required, the LESS will participate in the IRM and respond to any queries.
- 2.26 **Prepare ESRD Inventory of Investment Documents and Upload to iDocs.** The LESS will request Administrative Client Support (ACS) to list documents reviewed in ESRD and upload the same in iDocs.

### 3. Responsibilities

- 3.1 The **TRL** is responsible for:
- Ensuring the involvement of the CESI Specialist as early as possible and updating the team in iDesk as per communicated work allocations;
  - Providing all required client information about the client's business and its portfolio using *CGF FI and CFN Funds SEMS, Labor Practices and Portfolio Questionnaires* (see Rules and Tools - Guidance) to the LESS;
  - Arranging the site visit if requested by the LESS; and
  - Communicating the Applicable Performance Requirements and IFC's PSs to the client.
- 3.2 The **CES TL** is responsible for:
- Determining the assignment of the LESS;
  - Clearing Category C projects
  - Clearing FI projects with ESMS Action Plans;
  - Clearing FI projects where IFC's PSs are applicable; and
  - Approving the need for a field appraisal visit.
- 3.3 The **LESS** is responsible for:
- Reviewing the project information;
  - Determining the Applicable Performance Requirements and ESMS Action Plan;
  - Assigning the E&S Category to the project;
  - Attending the Concept Review Meeting, the COC, IRM, and other review or decision meetings where required;
  - Peer reviewing (with another colleague) projects with limited impacts;

- Consulting with the TL regarding the need for an appraisal visit;
- Requesting a PRM, when required; and
- 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.

3.4 The **ACS** is responsible for:

- Coordinating PRM logistics in accordance with *PRM, Planning, Execution and Documentation* (see Rules and Tools - Guidance) and *the PRM Minutes Template* (see Rules and Tools - Document Formats); and
- Listing documents reviewed by the LESS in ESRD and uploading the same into iDocs.

3.5 The **Manager CESI** is responsible for approving:

- The need for a PRM as requested by the LESS and ensuring that it is conducted according to provisions of this procedure;
- The appointment and Terms of Reference of External Experts to be used by IFC; and
- The waiver request for any part of the Applicable Performance Requirements and ESMS Action Plan.

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

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

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.

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

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

- 1.1 This procedure describes the environmental and social (E&S) review process for financial intermediary investments, during the negotiation stage of IFC's project cycle, through signing of the legal agreements.

### **2. Procedure**

- 2.1 **Prepare E&S Language for Summary of Proposed Investment:** Provide the E&S language for the Summary of Proposed Investment (SPI) using Draft SPI language. Refer to 01 Global Financial Markets Department (CGF) Standard Wording by Category vs. Performance Standard (PS) 2 and 02 Private Equity and Investment Funds Department (CFN) Standard Wording by Category (see Rules and Tools - Guidance) to the Transaction Leader (TRL), who will obtain the client's written acceptance based on 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.
- 2.2 **Clear SPI for Disclosure:** The Lead Environmental or Social Specialist (LESS) will clear the SPI workflow in iDesk.
- 2.3 **Disclosure Duration Waivers and Public Interest:** The 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. Refer to *Limited Disclosure Process* (see Rules and Tools - Guidance).

Where there are inquiries or complaints raised during the disclosure period, refer to *the Environmental and Social Review Procedure (ESRP) 5: Managing Eventualities in Investment Projects* (see Rules and Tools - Rules). The LESS will provide support to the iDesk, CES, and Investment Department Communications Officers as needed to implement their planned approach to managing the inquiry or complaint. The Communications Officers are responsible for preparing the response to the request for information, but may seek detailed information from the TRL and LESS to resolve the issues associated with inquiries, complaints, or matters associated with IFC's Disclosure Policy. Records of inquiries or complaints and responses should be logged into the Environmental and Social Review Document (ESRD).

- 2.4 **Prepare E&S Section of Board Paper:** The LESS shall prepare E&S language for the Board Paper. He/she will provide support, as necessary, to the project team for presentations to the Board. Upon request, the LESS will provide technical briefings to members of IFC's Board of Directors.



- 2.5 **Define Supervision Requirements Including Reporting:** The LESS shall determine the reporting and supervision requirements, including:
- The Social and Environmental Performance Report (SEPR) using SEPR Templates including any requirements for reporting at the sub-project level. Refer to *Diverse CGF FI, CFN, and Sub Project Due Diligence Report Formats (SEPR)* (see Rules and Tools - Document Formats);
  - Whether the E&S reporting needs to be separate or part of the general reporting to IFC;
  - The frequency of reporting;
  - Where possible, IFC's reporting requirements should take advantage of any other reporting by the client. The LESS will discuss with the client any opportunities for publicly available non-financial reporting and document the same in the ESRD; and
  - IFC's right to review the first few investment activities prior to their investment for financial intermediaries.
- 2.6 **Team Lawyer Liaison and E&S Input to Investment Contract:** The LESS will liaise with the iDesk Core Team Lawyer and provide inputs for the drafting of legal agreements and where the standard E&S covenants require modifications. Where significant alteration of the standard covenants is requested by the client, the LESS will consult with the Manager CESI.

### 3. Roles and Responsibilities

- 3.1 The **TRL** is responsible for:
- Incorporating into the SPI the E&S inputs provided by the LESS;
  - Requesting and incorporating into the legal agreements the E&S inputs provided by the LESS (in collaboration with the iDesk Core Team lawyer);
  - Communicating with the client;
  - Seeking the VP Industry waiver of disclosure requirements, where required; and
  - Responding to external inquiries.
- 3.2 The **LESS** is responsible for the following:
- Providing E&S language for the SPI to the TRL;
  - Providing inputs to the TRL for the Board documents and the legal agreements;
  - Providing E&S language for the investment agreements on request to the TRL;
  - Supporting the TRL in responding to external inquiries; and
  - Approving the SPI workflow in iDocs.
- 3.3 The **Manager CESI** is responsible for:
- Providing advice when alteration of the standard E&S covenants is requested by the client.
- 3.4 The **VP Industry** is responsible for:
- Waiver of disclosure requirements; and
  - Informing the Board of Directors on any waiver of disclosure requirements.

### 4. Records and Documentation

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

## ESRP 9. FINANCIAL INTERMEDIARY INVESTMENTS: SUPERVISION

### 1. Purpose and Applicability

- 1.1 This procedure describes the environmental and social (E&S) review process for financial intermediary (FI) investments from disbursement until the project is closed as an IFC investment.

### 2. Procedure

- 2.1 **Assign Lead Environmental or Social Specialist (LESS) for Supervision:** Once an FI project moves to portfolio, the Team Leader (TL) shall discuss with Industry or Regional TL(s) the assignment of the LESS to supervise the project going forward. Refer to *CES Delegated Authority Matrix for Implementation of the Environmental and Social Review Procedures (ESRP)* (see Rules and Tools – Guidance).
- 2.2 **Review Conditions of Disbursement:** After the legal agreements have been executed, the Transaction Leader (TRL) or the Portfolio Officer will be responsible for identifying and seeking the LESS clearance for E&S Conditions of Disbursement (CODs). When such a clearance is sought, information will be obtained and reviewed as required to evidence the same and provide the clearance. The LESS will inform the TL and the TRL 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 Environmental and Social Review Document (ESRD).
- 2.3 **Conduct Review of Subprojects:** For projects that require IFC review of the first few sub-projects, the LESS reviews the E&S due diligence received from the client on such projects according to the pre-agreed timeframe as defined in the investment agreements. The LESS should consult with other specialists, as needed.
- 2.4 **Obtain Social and Environmental Performance Reports:** The Portfolio Officer is responsible for ensuring that the client obligations including Social and Environmental Performance Report (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, the LESS shall obtain confirmation of this from the TRL or the Portfolio Officer. The LESS will determine whether the project supervision should be postponed or terminated, as indicated below, and record the information in ESRD:
- Where the dispute is considered temporary and resolvable by the Portfolio Officer, the project supervision may be considered for postponement; or
  - 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.
- 2.5 **SEPR Waivers:** The LESS shall record any waivers and additional conditions negotiated with the client in the ESRD.

**2.6 SEPR Receipt, Review and Processing:** When a SEPR is submitted by the client, the LESS will ensure the following:

- The report has been submitted as per the timeframes specified in the legal agreement. If the report has been submitted late, the LESS will ask the Portfolio Officer to communicate the need for timely reporting to the client.
- The information provided is adequate. If not, the LESS will 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 the appropriate format/content.
- Upon receipt of appropriate SEPR and notification, the CES Administrative Client Support (ACS) will prepare the SEPR for review.

The LESS will review the SEPR, focusing on:

- The client’s performance against the Applicable Performance Requirements as determined during project review and appraisal;
- The status of the client’s implementation of the Social and Environmental Management System (SEMS) Action Plan and timeline if relevant;
- Performance against the performance indicators;
- Previous SEPR reviews and Environmental and Social Risk Rating (ESRR) scores;
- Key performance or information gaps relating to the client’s performance and the SEMS;
- Key steps the client may need to take to improve performance; and
- Advising the Portfolio Officer on the pending issues to follow up with the client.

The LESS will ascertain whether or not:

- The nature of the client’s business has changed significantly to indicate different performance requirements from IFC;
- There is sufficient evidence that the client is operating the SEMS as envisaged at the time of appraisal;
- There is sufficient evidence that the client has applied the Applicable Performance Requirements to their sub-projects; and
- Any possible sustainability investment opportunities to be passed on to the IFC Financial Markets Sustainability team or the Investment Departments.

The LESS will complete the SEPR review, recording all key findings, decisions, and supporting analysis in the ESRD, generate the ESRR in the ESRD, and assign the Development Outcome Tracking System E&S rating in iDesk.

For portfolio projects following World Bank Group Safeguard Policies, the LESS will use the ESRD Phase II FI link in the ESRD database.

Once the SEPR review is completed, the ACS will provide the Portfolio Officer with the Project Supervision Report language and ESRR score, and file them in iDesk. If there are gaps in the client’s performance or other issues of concern, the Portfolio Officer shall be alerted for timely follow-up

by the Portfolio Department. In coordination with the Portfolio Officer, the LESS should provide timely and clear explanations to the client on the actions needed to address these performance gaps or other issues of concern.

- 2.7 **Determine the Need for Site Supervision Visits:** Where it is considered necessary to further review the client's performance and verify its compliance with the Applicable Performance Requirements, the LESS will communicate with the client or carry out a supervision visit to the FI project and/or its sub-projects in coordination with the Portfolio Officer. Supervision priority should be given to FI projects with high potential risks or poor ESRRs or issues that are common to a number of projects.
- 2.8 **Disclosure of Non-Public Information under Exceptional Circumstances:** 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, the LESS shall immediately inform the client to take suitable action and shall record the findings in the ESRD. In the event that the client is unable to address the matter, the LESS will 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, the Regional Director) in accordance with IFC's Disclosure Policy.
- 2.9 **Managing Changed Circumstances:** The Portfolio Officer should inform the LESS if the client is expected to change or has changed its business. If the client reports a plan to enter into a new business line, the LESS will evaluate the E&S implications on the FI portfolio of any proposed change in business. Based on this evaluation, the LESS will 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, the LESS will inform the Portfolio Officer for further consideration and action.
- 2.10 **Managing Knowledge Gap Projects:** For Category FI projects with a reporting requirement but no SEPR provided to IFC and no E&S site visit undertaken for over two years, the LESS shall flag this project as an E&S Knowledge Gap project and notify the Portfolio Officers of the same for immediate follow-up.
- 2.11 **Quarterly Portfolio E&S Compliance Reports:** CES will provide to the Portfolio Department quarterly FI portfolio E&S compliance reports that address the compliance status of each client and request the Portfolio Officers of clients with compliance issues to follow up with the clients and involve the LESS as necessary to resolve outstanding issues.
- 2.12 **Expanded Project Supervision Report:** If the project is being evaluated as part of IFC's Expanded Project Supervision Report (XPSR) program, the LESS will provide written input to the XPSR. The Portfolio Officer should provide advance notice to the LESS for the input requested. If the project XPSR is being evaluated by the Independent Evaluation Group, the LESS will provide support to the project team as needed, recording all key findings, decisions, and supporting analysis in the ESRD.

**2.13 Managing Eventualities in Investment Projects.** If during project supervision, a complaint is filed, there is interest from civil society organizations and or interest from Independent Evaluation Group or the Compliance Advisor/Ombudsman Office, refer to *ESRP 5: Managing Eventualities in Investment Projects* (see Rules and Tools).

**2.14 Waiving Supervision Requirements.** For projects for which a supervision waiver is requested by the Portfolio Department, for example, projects that have no enforceable reporting requirements or are in liquidation, the LESS shall obtain the Manager CESI's approval for such a waiver.

### **3. Roles and Responsibilities**

**3.1** The **Transaction Leader or Portfolio Officer** is responsible for:

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

**3.2** The **CESI Team Leader**, selected in accordance with *CES Delegated Authority Matrix for Implementation of the ESRP* (see Rules and Tools - Guidance) is responsible for:

- Determining, in consultation with other Industry or Regional TLs, the assignment of the LESS for supervising projects that have moved to portfolio.

**3.3** The **LESS** is responsible for:

- Informing the TL and TRL or Portfolio Officer of any E&S CODs not complied with;
- Checking the SEPR for adequacy and asking the TRL or Portfolio Officer to obtain any information still needed;
- 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;
- Communicating with the client and conducting a field visit as required to carry out supervision; and
- Informing the Portfolio Officer, consulting with the Manager CESI, and preparing recommendations for the Director CES and the Director Investment Department (and, where applicable, the Regional Director) about exceptional circumstances.

**3.4** The **ACS staff** is responsible for:

- Checking that SEPR is logged in iDesk, producing the SEPR cover sheet, and distributing it to the LESS;
- Updating the timeline in iDesk, specifying the date the SEPR was received by CES, the SEPR review due date, and the name of the review Specialist;

- Updating the ESRR score in iDesk and the Company Reference Database after completion of the SEPR review;
- Closing the timeline in iDesk specifying date review was completed;
- Updating the SEPR follow-up field in iDesk;
- Updating the Development Impact Tab in iDesk with the management score and rationale;
- Entering Supervision data into iDesk; and
- Distributing the SEPR review results to the Portfolio Officer, Portfolio Assistant, and TL for follow-up actions.

3.5 The **Manager CESI** is responsible for:

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

3.6 The **Director CES** is responsible for:

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

3.7 The **Director Investment Department** (and, where applicable, the Regional Director) is responsible for:

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

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

4.1 The following should be recorded in the ESRD:

- The SEPR review; and
- The list of follow-up actions for the client.



## ESRP 10: Environmental and Social HIGH RISK PROJECTS LISTING

### 1. Purpose and Applicability

1.1 The environmental and social (E&S) High-Risk List (HRL) is a group of projects that require closer scrutiny and supervision due either to highly significant E&S risks or because the projects have attracted the attention of third parties, such as Civil Society Organizations and project-affected people and/or media for alleged E&S shortcomings, impacts, and associated reasons.

### 2. Procedure

#### 2.1 Selection Criteria:

Placement of projects on the HRL shall adhere to the following criteria:

- Criterion 1: All projects that are open Office of the Compliance Advisor/Ombudsman (CAO) cases;
- Criterion 2: All projects with an Environmental and Social Risk Rating (ESRR) of 4;
- Criterion 3: Selected projects with an ESRR of 3 that encompass very significant E&S risks and/or with a sponsor that has demonstrated very poor E&S management or performance; and/or
- Criterion 4: Projects that have attracted negative Civil Society Organization, public, or media attention for perceived E&S risks; and/or events and/or activities.

2.2 **Periodic Monitoring of the CESI Lead Environmental or Social Specialist (LESS) Portfolio:** The CESI LESS is responsible for periodic monitoring (quarterly at a minimum) of investment projects for which he/she has been assigned. In the event that any of these projects meets any of the above criteria, the LESS is responsible for notifying the Regional Team Leader (TL) of this development. The Regional TL will make the final decision regarding inclusion of the project on the HRL and will ask the LESS to upload the project into the HRL database as a *proposed addition* and to furnish the required information.

2.3 **Periodic Updates of HRL Project Data:** At least quarterly, or in response to any event or new development affecting any project on the HRL, the LESS for each HRL project will review and update project information on the HRL site. As part of this periodic review, the LESS will discuss and reach agreement with the Regional TL on those projects that the LESS proposed to drop from the HRL due to resolution of the issue(s) that originally placed the project into the HRL database. If the Regional TL and LESS are in agreement, the LESS will include the affected project in the *proposed drop* category of the HRL. The RTL is responsible for maintaining the Industry TL and the Regional Manager informed of any update to the HRL in his/her region.

2.4 **Mandatory HRL Database Information Update:** Information that shall be updated in the HRL database includes the following:

- **Rationale for HRL inclusion:** This section provides the reasons why the affected project was included on the HRL. These reasons should be aligned with the key issues selected for the project.
- **Important Recent Developments:** This section describes events or new developments that are related to the High-Risk Criteria for this project that have taken place since the last update.

- **Recent IFC Visits/Client Interaction:** This section briefly describes any significant interaction aimed at improving High-Risk conditions for the affected project that IFC has had with the client.
- **Next Steps:** If the LESS has reached agreement with client/Investment Officer/Portfolio Officer/CAO/government agency/non-governmental organizations, or any other stakeholder on follow-up actions in relation to the High-Risk issues associated with the project, those actions should be described in this section. The LESS is required to include who is responsible for each specific ameliorative action and its associated completion date. Completion timeframes at a minimum should target realistic completion dates for improvement actions to be implemented.
- **E&S Risk Current Situation:** This section provides a menu to select one of the following options:
  - i) Tends to Improve; ii) Same Level of Risk; iii) Tends to Deteriorate.
- **Key Issues:** From a menu of risks, the LESS is responsible for selection of up to three issues that are linked to the decision to include the affected project on the HRL.

2.5 **Programming Quarterly HRL Database Reviews:** Implementation of quarterly reviews will follow an annual calendar proposed and maintained by Quality Assurance that will incorporate mandatory due dates for the regular HRL updates.

2.6 **HRL Quarterly Reports:** QA is responsible for preparation of an HRL report after each quarterly update.

### 3. Roles and Responsibilities

3.1 The **LESS** is responsible for:

- Identifying among his/her projects those that qualify as HRL projects as well as those that should be dropped from the list and propose to the TL its inclusion or removal from the HRL; and
- In the event of any new development and every three months, updating the information on the HRL.

3.2 The **Regional TL** is responsible for:

- Periodic monitoring of the HRL projects that belong to his/her region and keeping the Regional Manager and the Industry TL informed of any significant change or any new project added to the HRL; and
- Getting clearance for addition to or removal from the HRL list any projects that belong to his/her region.

3.3 **Quality Assurance** is responsible for:

- Maintaining a calendar with the due dates for quarterly HRL updates; and
- Preparing an HRL report every three months and after the above-mentioned updates.

### 4. Records and Documentation

4.1 The following should be recorded:

- The current HRL in the database.
- The HRL reports prepared for Quality Assurance for the last 12 months.

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

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

- 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.

### **2. AS projects with an IS link**

- 2.1 AS projects linked to Existing IFC IS Clients and/Transactions.
- 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 specialists 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.
- 2.3 Exceptions to the rule described in the point above to be approved in writing by the relevant Manager CESI.
- 2.4 AS projects being processed concurrently with Investment Services (IS) transactions.
- 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.

### **3. Standalone AS projects**

- 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.
- 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 are any reported environmental and social issues associated 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.

### 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 in the AS BL guidance note.

## 4. Roles and Responsibilities<sup>1</sup>

- 4.1 The Transaction Leader (TL) of each Advisory Project is responsible for incorporating E&S risk management considerations into advisory work with support from AS/Environment, Social and Governance Department, Investment Support (CESI) Sustainability Champion (SC) of each Business Line.
- 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.
- 4.3 The Business Line Leaders are ultimately responsible for the AS staff implementing the ESRP.
- 4.4 The AS and CESI Sustainability Champions will be available to provide guidance and technical support on request.
- 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.

## 5. Documentation, Records and Workflow Requirements for All AS Project

- 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:
  - 5.1.1 Is the AS project associated with an existing client: Yes/No

---

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

- a. If Yes: Confirm that IS portfolio officer, AS sustainability champion and CES specialist have been consulted, describe the standing of the client.
- 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.
  - 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.
- 5.2 Has the reputation risk screen been applied and are there reputation risks associated with the client: Yes/No
- 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.
- 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
- 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.
- 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.

## **ESRP 12. UPDATE AND GENERATION OF IFC ENVIRONMENTAL AND SOCIAL REVIEW PROCEDURES**

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

This procedure describes the steps for updating existing and generation of new environmental and social (E&S) Review Procedures in IFC's CESI Environmental and Social Review Procedures (ESRP) Manual.

The procedures contained in the E&S Review Procedures Manual are updated by the Quality Assurance Team (QA Team).

### **2. Procedure**

**2.1 Proposing New or Revised E&S Review Procedures:** CESI staff may suggest new or revised ESRP procedures to enhance investment review practices, supervision practices, and projects' records. Suggested new or modified E&S Review Procedures should be submitted to QA Team (for example by e-mail) describing the proposed change or content of a new procedure along with the purpose, the reason why this change or addition is deemed necessary, and how the proposed change will improve written instructions and/or current practices. Proposed ESRP Manual additions and modifications to existing procedures in ESRP Manual, if implemented should be summarized by the QA Team in an explanatory format that clearly specifies the existing situation, the rationale for a proposed change or new procedure, and the nature of suggested changes or additions. (See Annex 5.1).

**2.2 New or Revised Procedures Validation:** Proposed new or revised procedures will be discussed among the CESI Team Leaders (TLs) and the Managers CESI. Only those new procedures and changes to existing procedures accepted by this group and cleared by Director CES will be implemented by the QA Team with exception of provisions described in paragraph 2.6.

**2.3 E&S Review Procedure Development:** The QA Team has principal responsibility to introduce the proposed new or modified E&S Review Procedure adhering to the mandatory elements presented in Annex 5.2. The Manager Policy and QA will forward a new version of the procedure(s) to the Director CES for its final approval.

**2.4 E&S Review Procedure Modification Peer Review:** When, in the opinion of the Manager Policy and QA, the scope and nature of a new procedure or the proposed changes for an existing E&S Review Procedure require a more thorough analysis, the proposed new or modified E&S Review Procedure will be reviewed by a core team of staff appointed by the Manager Policy and QA and Managers CESI. The peer review team shall check for the following elements:

- Scope and content of the modification/new procedure and its consistency with IFC's Social and Environmental Sustainability Framework;

- Changes are compatible with operational practices in the context of IFC's Project Cycle and ongoing Business Process Improvements;
- Viability of the modification to substantially achieve the stated objective for the modification of an existing or new E&S Review Procedure.

**2.5 Director CES Approval:** When the new or revised E&S Review Procedure is deemed completed, the Director CES will approve the ESRP in writing in accordance with the approval format presented in Annex 5.3.

**2.6 Modifications to the ESRP Manual With No Material Impacts on Current Operations Practices:**

Those modifications to current procedures that do not entail material change in current CES operations practices; and, changes made for the purpose of updating, improving, expanding, clarifying or correcting errors in the text of the procedure, are exempt from the above described evaluation and approval process. In such cases changes will be managed as follows:

- QA Team will propose the changes to CESI Team Leaders who will have a five (5) working day no-objection period to evaluate and to comment; comments or objections received will be discussed, modified and proposed again;
- After expiration of the 5 working day no-objection period, the proposed change will be sent to Manager CESPQ and Manager CESI who will have three (3) working days to approve or object to the proposed changes; if no objections to proposed changes are received from either Manager CESI or Manger CESPQ then,
- QA will make the proposed changes to the procedure; publish a revised version of the ESRP Manual Table of Contents; and the revised procedure in Rules and Tools.

**2.7 Dissemination of Revised or New E&S Review Procedures:** The approved new or revised E&S Review Procedure Version Number and Currently Approved Revision date will be incorporated into the revised Table of Contents of the E&S Review Procedures Manual and into the manual itself. The Version Number and Currently Approved Revision date numbers will be utilized in the Manual Table of Contents and in the header of each E&S Review Procedure to clearly document the Version and Currently Approved Revision date. The QA Team will post the new document(s) in Rules and Tools and will remove obsolete versions.

**2.8 E&S Review Procedures Version Number and Currently Approved Revision Date Recordkeeping:**

The QA Team will maintain a record of each E&S Review Procedure Version Number and the Currently Approved Revision date that have been approved, changes that have been made and, the date on which they are put into effect. Each subsequent E&S Review Procedure Version Number and Currently Approved Revision released for internal and external use will include a visual designation identifying text modifications and amendments that have been made to individual E&S Review Procedures since the previous E&S Review Procedure Version Number including the date on which modifications became effective.



**2.9 Informing IFC of Changes in the E&S Review Procedures Manual:** All changes to the ESRP Manual are to be made effective immediately after approval by the QA Team in Rules and Tools. All accepted changes will be communicated to CESI staff to ensure awareness and understanding of the modification. The QA Team will ensure that the updated E&S Review Procedures Manual is posted on IFC's website, with a note referring the reader to the Table of Contents that provides both the Revision Number and the Currently Approved Revision Date.

### **3. Responsibilities**

**3.1 CESI staff** is responsible for:

Suggesting new or revised E&S Review Procedures. Any CESI staff may be a proponent and suggest new or revised E&S Review Procedures

**3.2 The Industry and Regional TIs** are responsible for:

- Reviewing new or revised E&S Review Procedures presented by QA Team.
- Identifying or promoting proposed new E&S Review Procedures that may be needed to ensure consistency of investment review and supervision objectives, activities, and compliance with the Social and Environmental Sustainability Framework.
- Discussing proposed changes or additions to IFC's CESI E&S Review Procedures Manual in conjunction with the Manager CESI.

**3.3 The QA Team** is responsible for:

- Developing, distributing, and maintaining the ESRP Version Number and the Currently Approved Revision for issuance and publication;
- Supporting the procedure-defined process for new or revised E&S Review Procedures;
- Maintaining a record of each E&S Review Procedure Version Number and the Currently Approved Revision date for all E&S Review Procedures changes that have been made, and the date on which they are put into effect;
- Updating Rules and Tools with most updated version of existing procedures and with new approved procedures.
- Intramural and extramural dissemination of Revised or New E&S Review Procedures and the Manual Table of Contents; and
- Maintaining the E&S Review Procedures Manual Table of Contents updated with the most current E&S Review Procedures Version Number and Currently Approved Revision dates.

**3.4 Managers CESI and CESPQ** are responsible for

- Approving procedure changes described in paragraphs 2.4 and 2.6

**3.5 The Director CES** is responsible for:

- Approving new or revised E&S Review Procedures in writing for issuance in accordance with the format provided in Annex 5.3.

**4. Records and Documentation**

- 4.1 The most updated version of each E&S Review Procedure is available in Rules and Tools.
- 4.2 IFC-CESI E&S Review Procedures and Flowchart constructed in accordance with Mandatory Elements of IFC-CESI Environmental and Social Review Procedures specified in Annex 5.2.

**5. Annexes**

- 5.1 Environmental and Social Review Procedure Proposed Addition or Modification Form:

<b>Date</b>	
<b>Requested by</b>	
<b>ESRP Number and Affected Section (e.g., 1.2.5)</b>	
<b>Current ESRP Version Number/Currently Approved Revision (e.g., 5/March 18, 2010)</b>	
<b>Suggested Text Revision (expand as needed)</b>	
<b>Objective of the Proposed Modification</b>	
<b>Status of Suggested Modification</b>	Date Proposed: How Resolved: Date Resolved:

**5.2 Mandatory Elements of IFC-CESI E&S Review Procedures:**

All IFC-CESI E&S Review Procedures destined for the E&S Review Procedures Manual are to be developed in accordance with the content and format guidance provided below, entitled, *E&S Review Procedures Text Requirements*.

### 5.2.1 E&S Review Procedures Process Flowchart:

A flow diagram that defines the sequential steps in the E&S Review Procedure along with specific responsibilities, approvals, and documentation has to be prepared for new procedures. When existing procedures are changed it should assess if the flowchart has to be modified as well.

### 5.2.2 E&S Review Procedures Text Requirements:

- Header:

- Footer:

Page number and total number of pages in the E&S Review Procedure.

- Organization and Content:

#### **Purpose and Applicability**

This section shall contain a short statement of the objective and shall define the extent of the application of the procedure and its specific relationship to IFC's Project Cycle.

#### **1. Procedure**

This section describes the activities addressed by this element of IFC's Project Cycle and summarizes management-approved guidance and responsibilities. Essential supporting guidance, document formats, calculation and estimation spreadsheets, and other professional materials associated with the procedure shall be referenced in the procedure and stored in a relational database entitled Rules and Tools. **Tools** should include applicable document templates and formats that expand on specific steps in the procedure as well as calculation and estimation spreadsheets and diverse guidance.

#### **2. Responsibilities**

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

#### **3. Records and Documentation**

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

#### **4. Annexes**

Annexes are an optional content of a procedure. Each Annex shall have an individual designation (e.g., Annex A; Annex B) to be used to expand upon specific points made in

the text that would otherwise clutter the E&S Review Procedure. Annexes should be designed and written to maintain simplicity in the procedure body and to provide needed illustrations or details independent of the main text to aid the CESI Specialist in understanding the specifics of the procedure.

5.3 Mandatory Director CES Written Approval Format for E&S Review Procedures Dissemination:

IFC-CESI Environmental and Social Review Procedures Approval			
Procedure Number	Procedure Title	Version	Current Revision Date
ESRP-X	Title	#	MM/DD/YYYY
ESRP-X	Title	#	MM/DD/YYYY
ESRP-X	Title	#	MM/DD/YYYY
Approved:		_____	
		William Bulmer, Director CES	
		Date: MM/DD/YYYY	