

International Finance Corporation's Guidance Notes:

Performance Standards on Environmental and Social Sustainability

January 1, 2012

Guidance Notes to Performance Standards on Environmental and Social Sustainability

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Introduction

1. IFC has prepared a set of Guidance Notes, corresponding to the Performance Standards on Environmental and Social Sustainability. These Guidance Notes offer helpful guidance on the requirements contained in the Performance Standards, including reference materials, and on good sustainability practices to improve project performance. These Guidance Notes are not intended to establish policy by themselves; instead, they explain the requirements in the Performance Standards.

2. IFC expects that each client will employ methods best suited to its business to meet the requirements of the Performance Standards. In assisting the client to meet the Performance Standards, IFC will take into account variables such as host country context, the scale and complexity of project impacts, and the associated cost-benefit considerations, as well as those of project performance beyond the level required in the Performance Standards. The Guidance Notes provide helpful advice, but do not substitute for the sound judgment and discretion used by clients and IFC staff to make project decisions consistent with the Performance Standards.

3. The Guidance Note text in bold italics indicates the text of the corresponding Performance Standard. All references contained in the text of the Guidance Notes are reproduced in full in the Annotated Bibliography at the end of the Guidance Notes.

4. IFC will update the Guidance Notes periodically to reflect IFC's lessons of experience with the implementation of the Performance Standards, as well as emerging private sector good practices, and updates in the referenced materials.

Guidance Note 1

Assessment and Management of Environmental and Social Risks and Impacts

January 1, 2012

Guidance Note 1 corresponds to the application of Performance Standard 1. Please refer to IFC's *Interpretation Note on Financial Intermediaries* for application of Performance Standard 1 to various types of financial intermediaries, funds, and other facilities. Please also refer to Performance Standards 2–8, as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

1. Performance Standard 1 underscores the importance of managing environmental and social performance throughout the life of a project. An effective Environmental and Social Management System (ESMS) is a dynamic and continuous process initiated and supported by management, and involves engagement between the client, its workers, local communities directly affected by the project (the Affected Communities) and, where appropriate, other stakeholders.[1] Drawing on the elements of the established business management process of "plan, do, check, and act," the ESMS entails a methodological approach to managing environmental and social risks[2] and impacts[3] in a structured way on an ongoing basis. A good ESMS appropriate to the nature and scale of the project promotes sound and sustainable environmental and social performance, and can lead to improved financial, social, and environmental outcomes.

2. At times, the assessment and management of certain environmental and social risks and impacts may be the responsibility of the government or other third parties over which the client does not have control or influence.[4] Examples of where this may happen include: (i) when early planning decisions are made by the government or third parties which affect the project site selection and/or design; and/or (ii) when specific actions directly related to the project are carried out by the government or third parties such as providing land for a project which may have previously involved the resettlement of communities or individuals and/or leading to loss of biodiversity. While the client cannot control these government or third party actions, an effective ESMS should identify the different entities involved and the roles they play, the corresponding risks they present to the client, and opportunities to collaborate with these third parties in order to help achieve environmental and social outcomes that are consistent with the Performance Standards. In addition, this Performance Standard supports the use of an effective grievance mechanism that can facilitate early indication of, and prompt remediation for those who believe that they have been harmed by a client's actions.

3. Business should respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to. Each of the Performance Standards has elements related to human rights dimensions that a project may face in the course of its operations. Due diligence against these Performance Standards will enable the client to address many relevant human rights issues in its project.

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[1] *Other stakeholders are those not directly affected by the project but that have an interest in it. These could include national and local authorities, neighboring projects, and/or nongovernmental organizations.*

[2] *Environmental and social risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.*

[3] *Environmental and social impacts refer to any change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the business activity to be supported.*

[4] *Contractors retained by, or acting on behalf of the client(s), are considered to be under direct control of the client and not considered third parties for the purposes of this Performance Standard.*

Objectives

- ***To identify and evaluate environmental and social risks and impacts of the project.***
- ***To adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize,[5] and, where residual impacts remain, compensate/offset for risks and impacts to workers, Affected Communities, and the environment.***
- ***To promote improved environmental and social performance of clients through the effective use of management systems.***
- ***To ensure that grievances from Affected Communities and external communications from other stakeholders are responded to and managed appropriately.***
- ***To promote and provide means for adequate engagement with Affected Communities throughout the project cycle on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated.***

[5] *Acceptable options to minimize will vary and include: abate, rectify, repair, and/or restore impacts, as appropriate. The risk and impact mitigation hierarchy is further discussed and specified in the context of Performance Standards 2 through 8, where relevant.*

GN1. The assessment and management of environmental and social risks and impacts are part of the larger overall set of processes that a client uses to manage its projects. They are essential for successful and sustainable performance of these projects. Performance Standard 1 underscores the importance of managing environmental and social (including labor, health, safety, and security) performance throughout the life of the investment. A good assessment and management system enables continuous improvement of environmental and social performance, and can lead to better economic, financial, social, and environmental outcomes.

GN2. At times, the client's ability to achieve environmental or social outcomes consistent with the Performance Standards will depend on third party activities. A third party may be a government agency as a regulator or contract party, a contractor or supplier with whom the project has a substantial involvement, or an operator of an associated facility. A sound Environmental and Social Management System (ESMS) should recognize roles and responsibilities of third parties, identify risks related to their involvement through appropriate due diligence, taking into account the local context, the client's influence and control over the third party, and measures to mitigate those risks (e.g., maintaining third party relationships). Ultimately, the ESMS should identify and address, where possible, potential limitations in achieving desired outcomes. These outcomes will depend on the nature of the third party and the relationship that governs interactions between it and the client. For instance, a government agency that arbitrates land use (e.g., through a regional planning approach or zoning code) plays a pivotal role in how the project can be designed or realized, but in such case, the client has little ability to control or influence the outcome and hence, possible associated impacts. A contractual arrangement with a supplier, on the other hand, is an example of a situation where the client may have contractual, financial, and, therefore, operational leverage enabling a level of control to be exerted that should directly influence how the supplier performs with respect to related impacts and their avoidance, prevention, minimization, mitigation, or compensation. The appropriate assessment and management of environmental and social risks and impacts should recognize the differences in these relationships and should make provisions accordingly to best affect outcomes given inherent limitations and constraints or opportunities. In addition, the client should consider the risk of being complicit in third parties' actions or omissions by knowingly supporting, endorsing, or benefiting from them.

GN3. Performance Standard 1 supports the responsibility of the private sector to respect human rights, which exists independently of state duties to respect, protect, and fulfill human rights. By carrying out due diligence against the Performance Standards, as required by Performance Standard 1, clients

address many relevant business human rights issues. In addition, Performance Standard 1 requires the development and implementation of an effective grievance mechanism. Refer to paragraphs GN108 and GN109 for additional guidance.

Scope of Application

4. This Performance Standard applies to business activities with environmental and/or social risks and/or impacts. For the purposes of this Performance Standard, the term "project" refers to a defined set of business activities, including those where specific physical elements, aspects, and facilities likely to generate risks and impacts, have yet to be identified.[6] Where applicable, this could include aspects from the early developmental stages through the entire life cycle (design, construction, commissioning, operation, decommissioning, closure or, where applicable, post-closure) of a physical asset.[7] The requirements of this Performance Standard apply to all business activities unless otherwise noted in the specific limitations described in each of the paragraphs below.

[6] *For example, corporate entities which have portfolios of existing physical assets, and/or intend to develop or acquire new facilities, and investment funds or financial intermediaries with existing portfolios of assets and/or which intend to invest in new facilities.*

[7] *Recognizing that this Performance Standard is used by a variety of financial institutions, investors, insurers, and owner/operators, each user should separately specify the business activities to which this Performance Standard should apply.*

GN4. Recognizing the fact that the Performance Standards are used by financiers, insurers, and investors in connection with financing and guarantees of specific or general business activities, and by companies generally for compliance assessment and ongoing guidance, the term "project" as used in the Performance Standards does not necessarily imply project finance or specific physical boundaries of business activities under consideration. Instead, each user of the Performance Standards should define the business activity to which the Performance Standards should apply, and build its approach to assessment and management of environmental and social risks and impacts consistent with this Performance Standard and in accordance with the level of environmental and social risk that is expected to require management.

Requirements

Environmental and Social Assessment and Management System

5. The client, in coordination with other responsible government agencies and third parties as appropriate,[8] will conduct a process of environmental and social assessment, and establish and maintain an ESMS appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts. The ESMS will incorporate the following elements: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement; and (vii) monitoring and review.

[8] *That is, those parties legally obligated and responsible for assessing and managing specific risks and impacts (e.g., government-led resettlement).*

GN5. The ESMS required by this Performance Standard comprises the seven elements deemed to be necessary to effectively "plan, do, check, act" with regard to the environmental and social outcomes addressed by Performance Standards 2 through 8. In this way it can be seen to be similar to accepted international frameworks for quality and environmental management systems, such as ISO 9001 and 14001. The principal differences, however, concern the broad scope—environment, labor, social—of the

performance outcomes addressed by the Performance Standard 1 system, as well as the significantly more robust external stakeholder engagement features. Regardless, in the same manner as any management system approach, it shall be tailored to fit the needs of the organization. The Performance Standard 1 management system governs a process that applies to all types of business activities. This process starts with defining a set of policies—i.e., statement of commitment with values, principles, objectives and goals that govern the environmental and social performance of the activity. This is followed by a planning element, that is the identification of what is important (i.e., the risks and impacts) and the development of corresponding management programs. Next, an organizational structure is established to implement the management program, with explicit focus on the unexpected (emergency preparedness and response) and engaging those who need to know while also learning from them (stakeholder engagement). Finally, the organization must also check on its own performance and act when that performance is not appropriate or needs enhancing, so as to ensure progress stays on track (monitoring and review).

GN6. The management system required by Performance Standard 1 requires a more robust and extensive stakeholder engagement process than other management system standards, such as ISO 14001. The purpose of stakeholder engagement is to establish and maintain a constructive relationship with a variety of external stakeholders over the life of the project and is an integral part of an efficient and adaptive ESMS. An effective engagement process allows the views, interests and concerns of different stakeholders, particularly of the local communities directly affected by the project (Affected Communities), to be heard, understood, and taken into account in project decisions and creation of development benefits.

GN7. The level of detail and complexity of the social and environment management system and the resources devoted to it should depend on the level of impacts and risks of the project to be financed, and the size and nature of the client's organization. A satisfactory management system appropriate to the nature and scale of the project and commensurate with the level of environmental and social risks and impacts is required. This system can therefore take a variety of forms and contain varying levels of complexities. It can be stand alone or fully integrated with all business processes, externally certified or self-declared to be sufficient in its scope, content and operation. The design and implementation of such a system should, however, be singular in its intent. It should provide an organization with a structure, within which a sufficient level of understanding of the environmental and social risks and impacts associated with project activities can be gained, and a means to ensure these risks and impacts are identified and subsequently managed.

GN8. A management system that meets the requirements of Performance Standard 1 should be in place at the level of the client's organization where the funds from IFC's investment will be utilized (i.e., at the corporate or at the activity-specific level). In the case of financing of specific operating units or activities, whether greenfield or existing, the system structure should address the environmental and social issues arising from the project being financed. In the case of corporate investments without identified specific facilities (i.e., site-based assets) at the time of investment, this should usually mean establishing, building on, or maintaining a corporate- or institution-level management framework.

GN9. The effort needed to establish a management system depends on the client's existing policies and practices. Production- and quality-based management systems operating within the client's organization can be used as a foundation on which to build the elements of a system consistent with Performance Standard 1 in the absence of an existing environmental, health, and safety, human resource or social management system. Where a client has an existing management system, its elements may meet or can be appropriately modified or expanded to meet the requirements of Performance Standard 1. Where a client has developed and implemented a formal environmental, labor, health and safety, and/or social management system consistent with an internationally-accepted standard, the alignment of the

legal and other standards elements with the applicable Performance Standards (and implementation of an appropriate management program) may be sufficient to meet the requirements of Performance Standard 1. Formal management systems certified under international standards are not required by Performance Standard 1. While some certified systems may meet most of the requirements of this Performance Standard, the legal and other requirements may still need to be revised to incorporate all the objectives of the applicable Performance Standards for the particular project.

GN10. Even though many formal management systems address external communication processes, paragraphs 25–36 of Performance Standard 1 define requirements for stakeholder engagement, depending on project risks, adverse impacts, and phase of development. Where the project involves specifically identified physical elements, aspects, and facilities that are likely to generate ongoing risks to or adverse impacts on Affected Communities, Performance Standard 1 includes requirements to expand external communications to include specific grievance mechanisms. These mechanisms serve to prevent and address community concerns, reduce risk, and assist larger processes that create positive social change.

> ***Policy***
> ***6. The client will establish an overarching policy defining the environmental and social objectives and principles that guide the project to achieve sound environmental and social performance.[9] The policy provides a framework for the environmental and social assessment and management process, and specifies that the project (or business activities, as appropriate) will comply with the applicable laws and regulations of the jurisdictions in which it is being undertaken, including those laws implementing host country obligations under international law. The policy should be consistent with the principles of the Performance Standards. Under some circumstances, clients may also subscribe to other internationally recognized standards, certification schemes, or codes of practice and these too should be included in the policy. The policy will indicate who, within the client's organization, will ensure conformance with the policy and be responsible for its execution (with reference to an appropriate responsible government agency or third party, as necessary). The client will communicate the policy to all levels of its organization.***

[9] *This requirement is a stand-alone, project-specific policy and is not intended to affect (or require alteration of) existing policies the client may have defined for non-related projects, business activities, or higher-level corporate activities.*

GN11. Clients, companies, projects or organizations can have a need for many different types of policies. For example, policies may address matters such as human resources, ethics, corporate governance or any number of other business-related objectives that must be defined, understood and communicated to those whose actions need to be governed or guided by their content. The policy as required by Performance Standard 1 pertains to projects with (i) defined scope and assets (e.g., project finance) and is applicable expressly to the project to be financed; and (ii) undefined scope of assets (e.g., some corporate financing) and is applicable to all activities of the corporate entity being financed. For instance, a successful policy for a green field investment contains language that makes it clear it was written specifically for the project to be financed. This will allow employees, contractors, suppliers, and others directly involved in the project to relate to the policy.

GN12. Whether it applies to a specific project asset or a broader corporate entity, the policy should reflect the client's philosophy regarding management of environmental and social risks and impacts, and include specific objectives and aspirations the client has set in regard to its environmental and social performance, consistent with applicable Performance Standards. It is an overarching declaration of the environmental and social objectives and principals guiding the client's business activities.

GN13. In addition to the commitment to comply with all applicable environmental and social laws and regulations of the host country(ies) in which the project is undertaken, the policy may include other major environmental and social commitments of the client such as compliance with international protocols or industry-specific codes of practice and standards to which the client has committed.[GN1]

GN14. An effective policy is one that is actively endorsed by the client's senior management team and actively communicated to employees at all levels and all functions of the client organization. Good practice also includes externally communicating the policy by public disclosure, presenting it in client statements and reports, publishing it on the client's website, and communicating it to Affected Communities and, where appropriate, other stakeholders in meetings and through other communication tools. Particularly where the project involves specifically identified physical elements, aspects, and facilities that are likely to generate ongoing risks to or adverse impacts on Affected Communities, those communities who are aware of the content of the policy can make informed statements regarding environmental and social risks and impacts. This type of communication can be valuable in assisting a project in improving environmental and social performance.

> ***Identification of Risks and Impacts***
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> ***7. The client will establish and maintain a process for identifying the environmental and social risks and impacts of the project (see paragraph 18 for competency requirements). The type, scale, and location of the project guide the scope and level of effort devoted to the risks and impacts identification process. The scope of the risks and impacts identification process will be consistent with good international industry practice,[10] and will determine the appropriate and relevant methods and assessment tools. The process may comprise a full-scale environmental and social impact assessment, a limited or focused environmental and social assessment, or straightforward application of environmental siting, pollution standards, design criteria, or construction standards.[11] When the project involves existing assets, environmental and/or social audits or risk/hazard assessments can be appropriate and sufficient to identify risks and impacts. If assets to be developed, acquired or financed have yet to be defined, the establishment of an environmental and social due diligence process will identify risks and impacts at a point in the future when the physical elements, assets, and facilities are reasonably understood. The risks and impacts identification process will be based on recent environmental and social baseline data at an appropriate level of detail. The process will consider all relevant environmental and social risks and impacts of the project, including the issues identified in Performance Standards 2 through 8, and those who are likely to be affected by such risks and impacts.[12] The risks and impacts identification process will consider the emissions of greenhouse gases, the***
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> *[10] Defined as the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally.*
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> *[11] For greenfield developments or large expansions with specifically indentified physical elements, aspects, and facilities that are likely to generate potential significant environmental or social impacts, the client will conduct a comprehensive Environmental and Social Impact Assessment, including an examination of alternatives, where appropriate.*
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> *[12] In limited high risk circumstances, it may be appropriate for the client to complement its environmental and social risks and impacts identification process with specific human rights due diligence as relevant to the particular business.*

[GN1] For example, those developed by the American Conference of Industrial Hygienists, the American Society for Testing and Materials, the Food and Agriculture Organization, the International Maritime Organization, the U.S. National Fire Protection Association, the World Health Organization, etc.

relevant risks associated with a changing climate and the adaptation opportunities, and potential transboundary effects, such as pollution of air, or use or pollution of international waterways.

8. Where the project involves specifically identified physical elements, aspects, and facilities that are likely to generate impacts, environmental and social risks and impacts will be identified in the context of the project's area of influence. This area of influence encompasses, as appropriate:

- ***The area likely to be affected by: (i) the project[13] and the client's activities and facilities that are directly owned, operated or managed (including by contractors) and that are a component of the project;[14] (ii) impacts from unplanned but predictable developments caused by the project that may occur later or at a different location; or (iii) indirect project impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent.***
- ***Associated facilities, which are facilities that are not funded as part of the project and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable.[15]***
- ***Cumulative impacts[16] that result from the incremental impact, on areas or resources used or directly impacted by the project, from other existing, planned or reasonably defined developments at the time the risks and impacts identification process is conducted.***

9. In the event of risks and impacts in the project's area of influence resulting from a third party's actions, the client will address those risks and impacts in a manner commensurate with the client's control and influence over the third parties, and with due regard to conflict of interest.

10. Where the client can reasonably exercise control, the risks and impacts identification process will also consider those risks and impacts associated with primary supply chains, as defined in Performance Standard 2 (paragraphs 27–29) and Performance Standard 6 (paragraph 30).

11. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate environmental and social impacts, the identification of risks and impacts will take into account the findings and conclusions of related and applicable plans, studies, or assessments prepared by relevant government authorities or other parties that are directly related to the project and its area of influence.[17] These include master economic development plans, country or regional plans, feasibility studies, alternatives analyses, and cumulative, regional, sectoral, or strategic environmental

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[13] Examples include the project's sites, the immediate airshed and watershed, or transport corridors.

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

[15] Associated facilities may include railways, roads, captive power plants or transmission lines, pipelines, utilities, warehouses, and logistics terminals.

[16] Cumulative impacts are limited to those impacts generally recognized as important on the basis of scientific concerns and/or concerns from Affected Communities. Examples of cumulative impacts include: incremental contribution of gaseous emissions to an airshed; reduction of water flows in a watershed due to multiple withdrawals; increases in sediment loads to a watershed; interference with migratory routes or wildlife movement; or more traffic congestion and accidents due to increases in vehicular traffic on community roadways.

assessments where relevant. The risks and impacts identification will take account of the outcome of the engagement process with Affected Communities as appropriate.

12. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, and as part of the process of identifying risks and impacts, the client will identify individuals and groups that may be directly and differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status.[18] Where individuals or groups are identified as disadvantaged or vulnerable, the client will propose and implement differentiated measures so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities.

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[17] The client can take these into account by focusing on the project's incremental contribution to selected impacts generally recognized as important on the basis of scientific concern or concerns from the Affected Communities within the area addressed by these larger scope regional studies or cumulative assessments.

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

GN15. For projects to be financed, whether greenfield or existing, and where their scope and assets are known, the client should identify and document potential adverse impacts and risks for each stage of the project life-cycle to which financing applies, including planning and design, construction, commissioning, operations, and decommissioning or closure, including post-closure, as appropriate. The risks and impacts identification process for projects where the use of proceeds is unknown should focus on the steps associated with identifying the inherent risks related to the particular sector and geographies in which the corporate entity intends to develop or acquire projects. Methods and assessment tools for risks and impacts identification are discussed in paragraphs GN22–GN30 below.

GN16. The process of identifying environmental and social risks and impacts addresses, in an integrated manner, the full scope of risks and impacts (including environmental, social, labor, health, safety, and security) associated with the project to be financed. The risks and impacts identification process is an important early step in managing and improving environmental and social performance, as it helps the client to screen and assess all relevant potential impacts and risks associated with the project to be financed (whether addressed through the Performance Standards or not), and identify any mitigation or corrective measures that should enable the project to meet the applicable requirements in Performance Standards 2 through 8, any applicable local laws and regulations, as well as any additional priorities and objectives for social or environmental performance identified by the client.

GN17. In some circumstances and as part of their approach to risk management described in Performance Standard 1, clients may need to identify certain, unique impacts and risks not covered by Performance Standards 2 through 8. For example, a unique adverse impact that might be identified under Performance Standard 1 (which is not covered by the other Performance Standards) for an extractive industry development is loss of access to state-owned sub-surface mineral rights by artisanal miners. Integrating environmental and social considerations into an overall identification of risks and impacts for the project should enable clients to articulate the overall risks and benefits and inform their decisions.

GN18. The initial screening of the project against the applicable local laws and regulations and the Performance Standards should indicate whether the project may pose social or environmental risks that need to be further analyzed through additional steps of the identification process (see also paragraphs GN22–GN30 below). If the initial screening indicates potential risks and adverse impacts, the scope of the identification process should be determined and further identification and analysis (based on relevant

baseline data, if any, and considering identified relevant stakeholders) of risks and impacts will be necessary to ascertain their nature and scale, Affected Communities, and possible mitigation measures. Where the initial screening process concludes that a project will have no or minimal potential risks and adverse impacts, the client should document this screening process and its conclusions.

GN19. The risks and impacts identification process should be based on recent, up-to-date information, including detailed description of the project in its geographic, ecological, social, health and temporal context (the environmental and social baseline). For example, in the case of project finance (greenfield or existing), relevant information should include any related facilities that may be required (e.g., dedicated pipelines, access roads, captive power plants, water supply, housing, and raw material and product storage facilities). The description should encompass facilities and activities by third parties that are essential for the successful operation of the project. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the collection and analysis of environmental and social baseline information and data, at an appropriate level of detail for the project, are essential to define the projects' area of influence, and describe relevant physical, biological, ecological, socioeconomic, health and labor conditions, including any changes anticipated to occur in the foreseeable future (including projected variability in climatic and environmental conditions due to potentially significant climate change or that would require adaptation measures that could occur over the life of the project), along with current and proposed development activities within the general project area but not directly connected to the project to be financed. The baseline information gathering phase is an important and often a necessary step to enable the determination of the potential impacts and risks of a project.

GN20. Identification of project- and site-specific risks and impacts should be based on current and verifiable primary information. Reference to secondary information on the project's area of influence is acceptable, but it may still be necessary to gather primary information from field surveys to establish baselines appropriate to the proposed project's potential impacts and risks. Relevant data may be available from various host governmental agencies, nongovernmental organizations and academic studies. However, clients should carefully evaluate data sources and potential data gaps. Accurate and up-to-date baseline information is essential, as rapidly changing situations, such as in-migration of people in anticipation of a project or development, or lack of data on disadvantaged or vulnerable individuals and groups within an Affected Community, can seriously affect the efficacy of social mitigation measures. Limitations on data, such as the extent and quality of available data, assumptions and key data gaps, and uncertainties associated with predictions, should be clearly identified.

GN21. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, it should identify the extent and complexity of potential adverse impacts and risks in the context of the project's entire area of influence, which is the total area likely to be affected by both on-site and off-site impacts from project activities, assets and facilities, including associated facilities. The size of a project's area of influence, as well as the environmental and social risks and impacts within the area, can vary considerably depending on the nature of the project to be financed. Some of these impacts and risks, including those described in the Performance Standards, may be attributable to third parties within the area of influence. The larger the area of influence, the more likely that third party action or non-performance could pose risks to the project. Cumulative impacts from other existing or planned projects in the area of influence may also need to be identified during this process (see paragraphs GN37 through GN43 below). Where relevant, the identification of risks and impacts should also consider the role and capacity of third parties (such as local and national governments, and contractors and suppliers), to the extent that they pose a risk to the project, recognizing that the client should address these risks and impacts in a manner that is commensurate with the client's control and influence over the third party actions.

Risks and Impacts Identification Methods and Assessment Tools

GN22. The risks and impacts identification process should include all the necessary steps and methods that are required to screen, identify, analyze, measure, or assess, in quantitative terms to the extent possible, the potential risks and adverse impacts (including environmental, social, health, safety, labor and security) associated with the projects to be financed. It is expected that the client will apply methods and assessment tools, consistent with current good international industry practice, which are appropriate and relevant to the type of project to be financed. Those methods include, but are not limited to (i) full-scale Environmental and Social Impact Assessments (ESIAs); (ii) limited or focused environmental and/or social assessments; (iii) straightforward application of environmental siting, pollution standards, design criteria, or construction standards; (iv) where relevant, targeted environmental and social studies such as health impact assessments, or risk/hazard operation studies for certain activities; and (v) environmental and social due diligence and audits.

Environmental and Social Impact Assessments

GN23. For certain projects, and particularly for greenfield investments and projects (including, but not limited to, major expansion or transformation-conversion activities) involving specifically identified physical elements, aspects and facilities that are likely to generate potentially significant adverse environmental and social risks and impacts, the client should conduct a comprehensive full-scale ESIA. The key process elements of an ESIA generally consist of (i) initial screening of the project and scoping of the assessment process; (ii) examination of alternatives; (iii) stakeholder identification (focusing on those directly affected) and gathering of environmental and social baseline data; (iv) impact identification, prediction, and analysis; (v) generation of mitigation or management measures and actions; (vi) significance of impacts and evaluation of residual impacts; and (vii) documentation of the assessment process (i.e., ESIA report). The breadth, depth and type of analysis should be proportionate to the nature and scale of the proposed project's potential impacts as identified during the course of the assessment process. The ESIA must conform to the requirements of the host country's environmental assessment laws and regulations, including the relevant disclosure of information and public consultation requirements, and should be developed following principles of good international industry practice (see Bibliography for further guidance).

GN24. The ESIA process predicts and assesses the project's potential adverse impacts and risks, in quantitative terms to the extent possible. It evaluates environmental and social risks and impacts from associated facilities and other third party activities. The ESIA identifies and defines a set of environmental and social mitigation and management measures to be taken during the implementation of the project to avoid, minimize, or compensate/offset for risks and adverse environmental and social impacts, in the order of priority, and their timelines; it also identifies any residual negative impacts that cannot be mitigated (see also paragraphs GN60–GN61 on the application of the mitigation hierarchy). The desired outcomes of the mitigation and management measures should be set as measurable events to the extent possible, such as performance indicators, targets or acceptance criteria that can be tracked over defined time periods. The process indicates the responsibilities required for implementation of the mitigation and management program. The ESIA also identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention. For those projects with potential significant adverse impacts predominantly in the social area (e.g., involuntary resettlement), the impacts and risks identification process should largely focus on generating appropriate social baseline data, impacts analysis, and mitigation measures (e.g., Resettlement Action Plan).

GN25. For greenfield developments, the ESIA includes an examination of technically and financially feasible alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed. The purpose of the alternatives analysis is to improve decisions on project design, construction, and operation based on feasible alternatives to the proposed project. This

analysis may facilitate the consideration of environmental and social criteria at the early stages of development and decision-making based on the differences between real choices. The alternatives analysis should be conducted as early as possible in the process and examine feasible alternatives; alternative project locations, designs, or operational processes; or alternative ways of dealing with environmental and social impacts.

GN26. The client should ensure that appropriate programs are implemented to verify that the terms and conditions for approvals from relevant government authorities are met and to conduct monitoring activities to measure and evaluate the effectiveness of mitigation measures.

Limited or Focused Environmental and Social Assessments

GN27. The projects to be financed may consist of specific activities with potential limited adverse environmental and social risks and/or impacts, for which the development of a full-scale ESIA is not required by the host country's environmental assessment laws and regulations. These projects may include, for example, modernization and upgrade of existing production facilities, not involving major expansions or transformations; real estate projects in urban areas and/or developed areas with the needed infrastructure; development of social infrastructure such as health and education facilities, etc. For these projects, the clients should conduct limited or focused environmental and social assessments that are narrower in scope than a full-scale ESIA, and that are specific to potential environmental and social (including labor, health, safety, and security) risks and/or impacts identified as associated with the project. For certain of these projects, confirmation and documentation of the application of environmental siting, pollution standards, design criteria, or construction standards should be appropriate.

GN28. The scope of the limited or focused analyses and assessments needed should be defined through the process of initial screening (see paragraph GN18). During the screening process, the client should review in a systematic and documented manner the potential environmental and social risks and impacts of the project to be financed, and determine the need to (i) eliminate or minimize (mitigate) the identified risks and impacts; (ii) modify the project plan; or (iii) conduct further focused assessment. Examples of focused assessments include air pollutant emissions and air quality impact studies, noise and vibration studies, water resources impact studies, contamination investigations and assessments, traffic studies along transport corridors, social baselines, resettlement evaluations and labor audits.

Risk/Hazard Assessments

GN29. As discussed under Performance Standard 3: Resource Efficiency and Pollution Prevention, where a project (either greenfield or existing assets) has the potential to release toxic, hazardous, flammable or explosive material, or where project operations could result in injury to plant personnel or the public as identified by the risks and impacts identification process, the client should conduct a hazard analysis and risk assessment. Hazard analysis is often conducted in conjunction with Hazard Identification (HAZID) studies, Hazard and Operability (HAZOP) studies, and quantitative risk assessments (QRAs). Examples of other risk/hazard assessments include life and fire safety assessments (as required under Performance Standard 4: Community Health and Safety), and human health and environmental risk assessments (e.g., industrial facilities with significant emissions to the environment, brownfield development projects with potential existing contamination and involving conversion from industrial to commercial or residential uses). Further guidance on risk/hazard assessments is provided in the Bibliography.

Environmental and Social Audits

GN30. Environmental and social audits (or due diligence) can be appropriate in the case of projects that involve existing assets, as well as property and asset acquisitions. If assets to be developed, acquired or financed have yet to be defined, the establishment of an environmental and social due diligence process can be sufficient to ensure that risks and impacts will be adequately identified at some

point in the future when the physical elements, assets, and facilities are reasonably understood. Audits should be used to identify risks and impacts, and to evaluate the effectiveness of the management system in place, conformity with the Performance Standards, and regulatory compliance. Environmental and social audits should provide identification and quantification of environmental and social risks and impacts, including liability, in a systematic, documented and objective process. The audit should document the main environmental and social aspects associated with the asset (e.g., air emissions, wastewater effluents, hazardous waste generated, historical pollution and contaminated sites, land acquisition issues, occupational health and safety, public/community safety, labor management and standards, impacts on cultural resources, internal and external grievances, disputes), and identify the key environmental and social risks and impacts associated with the asset, including areas of past, current or potential future non-compliance with national requirements and the Performance Standards. The audit should also assess management and mitigation measures, and identify additional corrective actions required to ensure compliance. Improvement opportunities should be considered and identified, including, but not limited to, energy efficiency, cleaner technologies, water use reduction, emission reduction, safer working conditions, and community development programs. Audits should be aimed at establishing the baseline for the implementation of corrective actions and development of an effective ESMS for the project to be financed. For further guidance regarding labor audits (refer to Performance Standard 2 and its accompanying Guidance Note).

Global Impacts

GN31. While individual project impacts on climate change, ozone layer, biodiversity or similar environmental issues may not be significant, when taken together with impacts created by other human activities, they can become nationally, regionally or globally significant. When a project has the potential for large-scale impacts that can contribute toward adverse global environmental impacts, the identification process should consider these impacts. Specific requirements and guidance on biodiversity and ecosystem services can be found in Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources and its accompanying Guidance Note, while climate change considerations can be found below, as well as in Performance Standard 3 and its accompanying Guidance Note, where project-related risks and impacts associated with greenhouse gases and ozone-depleting substances are discussed.

Climate Change

GN32. Changing weather patterns due to climate change, including climate variability and extremes, may affect projects in a variety of ways, including physical risks arising from damage associated with significant climatologic events, such as storms or floods, but also including impacts associated with availability of natural resources such as water or other ecosystem services, and potential effects on the supply chain (e.g., increasing costs of raw materials), as well as on operations or working practices of the projects. Other potential effects associated with change in climatic conditions are related to possible changing patterns in demand for goods and services provided by the projects to be financed.

GN33. A project's vulnerability to climate change and its potential to increase the vulnerability of ecosystems and communities to climate change should dictate the extent of climate change considerations in the risks and impacts identification process. Project vulnerability is a function of the type of infrastructure involved, the activities supported by the project, and the geographical location of the project. As defined by the Intergovernmental Panel on Climate Change (IPCC), vulnerability is the degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate change and variation to which a system is exposed, its sensitivity, and its adaptive capacity.

GN34. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts and is located in an area of recognized climate risk, the client should

consider incorporating certain aspects related to climate into its baseline analyses, using climatologic data and accounting for projected variability in climatic and environmental conditions that could occur over the life of the project. The client should use the most current climatologic data in the design of project's infrastructure, and for other relevant studies, such as, for example, pollutant fate and transport models, and water resources impact studies.

GN35. Specific identification of risks associated with climate change should be conducted for projects located in recognized climate sensitive areas (i.e., those potentially affected by impacts of climate-related stimuli, including extreme weather events, such as floods and droughts, extended periods of warm temperatures, variability in precipitation, windstorms, cold spells and freeze-thaw cycles, coastal erosion, and coastal flooding due to sea-level rise). The identification process should (i) identify potential direct and indirect climate-related adverse effects that may affect the project during its life-cycle, (ii) identify potential direct and indirect climate-related adverse effects that may be exacerbated by the project, and (iii) define monitoring program and mitigation and adaptation measures, as appropriate.

Transboundary Impacts

GN36. Transboundary impacts are impacts that extend to multiple countries, beyond the host country of the project, but are not global in nature. Examples include air pollution extending to multiple countries, use or pollution of international waterways,[GN2] and transboundary epidemic disease transmission.[GN3] If the risks and impacts identification process determines that (i) the project entails activities that may cause adverse effects through air pollution or abstraction of water from or pollution of international waterways; (ii) the affected countries and the host country have entered into any agreements or arrangements or have established any institutional framework regarding the potentially affected airshed, waterway, subsurface water, or other resources; or (iii) there are unresolved differences between the affected countries and host country regarding the potentially affected resource, and the likelihood of a resolution is not imminent, the client should determine the need to meet any obligations to relevant government authorities.

Cumulative Impacts

GN37. Government concessions and/or business developments often concentrate around available natural resources (e.g., watersheds with hydro-electric potential, wind resources, coastal port zones, oil reserves, mining resources, forests), potentially leading to multiple projects in the same geographical area. Multiple environmental and social impacts from existing projects, combined with the potential incremental impacts resulting from proposed and/or anticipated future projects may result in significant cumulative impacts that would not be expected in the case of a stand-alone project or business activity.

GN38. As outlined in paragraph 8 of Performance Standard 1, where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the risks and impacts identification process should include an assessment of the combined effects of the multiple components associated with the project (e.g., quarries, roads, associated facilities) in the context of the

[GN2] IFC defines an international waterway as: (i) any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more states, whether IFC members or not; (ii) any tributary or other body of surface water that is a component of any waterway described in (i) above; and (iii) any bay, gulf, strait, or channel bounded by two or more states or, if within one state, recognized as a necessary channel of communication between the open sea and other states—and any river flowing into such waters.

[GN3] Transboundary epidemic disease transmission is well known and has been observed in many settings. Many infectious diseases, such as cholera, influenza and meningitis, can be rapidly and easily spread across national borders, particularly when a project attracts a large influx of potential job seekers during a construction phase. Similarly, a project may bring in large numbers of overseas workers for short-term specialty construction work. In some situations, the disease spectrum of the imported workers may be quite different than the host country and/or the project's affected communities, e.g., multi-drug resistant tuberculosis, *vivax* versus *falciparum* forms of malaria. In some cases, it may be appropriate to consider the potential for global or regional level disease epidemic transmission, e.g., avian influenza, H1N1, and SARS.

project's area of influence. The determination of the project's area of influence should take into consideration the findings and results of any related cumulative, regional, sectoral, or strategic environmental assessments that may have been undertaken by a government authority. In situations where multiple projects occur in, or are planned for, the same geographic area, as described above, it may also be appropriate for the client to conduct a Cumulative Impact Assessment (CIA) as part of the risks and impacts identification process. In certain instances, however, it may not be practical or appropriate for the CIA to be performed by the client or individual project developers: for example (i) impacts from multiple existing and future third party projects or developments over a large area that may cross jurisdictional boundaries (e.g., watershed, airshed, forest), (ii) effects that may have occurred or will occur over a longer period of time, (iii) impacts on specific ecosystem components or characteristics that will increase significance and/or irreversibility when evaluated in the context of a series of existing or future third party projects or developments, and not just in the context of effects associated with the project under review. In those situations, where cumulative impacts are likely to occur from activities by third parties in the region and the impacts from the client's own operations are expected to be a relatively small amount of the cumulative total, a regional or sectoral assessment may be more appropriate than a CIA. For further guidance on such assessments see paragraph GN54 below.

GN39. Cumulative impacts are those that result from the incremental impact of the project when added to other existing, planned and reasonably predictable future projects and developments. Examples of cumulative impacts include effects on ambient conditions such as incremental contribution of pollutant emissions in an airshed, increase in pollutant concentrations in a water body, in soil or sediments or bioaccumulation, reduction of water flow in a watershed due to multiple withdrawals, increases in sediment loads to a watershed or increased erosion, interference with migratory routes or wildlife movement, increased pressure on the carrying capacity or the survival of indicator species in a given ecosystem, wildlife population reduction due to increased hunting, road kills and forestry operation, depletion of a forest as a result of multiple logging concessions, secondary or induced social impacts, such as in-migration, or more traffic congestion and accidents along community roadways due to increases in transport activity in a project area of influence.

GN40. Even though cumulative impacts may not necessarily be different in quality from impacts analyzed in an ESIA focused on the specific area and timeframe related to the project's direct footprint and execution timetable, a CIA enlarges the scale and timeframe of the assessment. At a practical level, the critical element of such an assessment is to determine how large an area around the project should be assessed, what an appropriate period of time is, and how to practically assess the complex interactions among different projects occurring at different times. Because a CIA transcends a single project development, the resulting potential management or mitigation measures typically require participation from a larger and more diverse number of stakeholders in order to be coordinated and implemented. Furthermore, the active participation of government authorities is typically required to assess the incremental contribution of each project to the cumulative impacts, monitor and enforce the implementation of the mitigation measures corresponding to each project, identify the additional mitigation measures required, and coordinate, ensure and document their implementation. In all other ways a CIA is fundamentally similar to an ESIA and, therefore often relies on established ESIA practices, including scoping, analysis of effects, evaluation of significance, identification of mitigation measures, and follow-up.[GN4]

GN41. Paragraph 8 of Performance Standard 1 requires that, where the project to be financed involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the risks and impacts identification process by the client identifies and assesses cumulative impacts from

[GN4] A good CIA reference for practitioners can be found in http://www.ceaa-acee.gc.ca/default.asp?lang=En&n=43952694-1&toc=show

further planned development of the project and other project-related developments, any existing project or condition whose impacts may be exacerbated by the project, and other developments of the same type that are realistically defined at the time of the risks and impacts identification process. Impacts from unplanned but predictable developments caused by the project that may occur later or at a different location should also be identified and assessed. The assessment should be commensurate with the incremental contribution, source, extent, and severity of the cumulative impacts anticipated, and be limited to only those impacts generally recognized as important on the basis of scientific concerns and/or concerns from Affected Communities. Potential impacts that would occur without the project or independently of the project should not be considered. The geographic and temporal boundaries of the assessment should depend on the screening and identification of potential cumulative impacts that correspond to the criteria indicated above. The assessment should determine if the project is incrementally responsible for adversely affecting an ecosystem component or specific characteristic beyond an acceptable predetermined threshold (carrying capacity) by the relevant government entity, in consultation with other relevant stakeholders. Therefore, although the total cumulative impacts due to multiple projects are typically identified in government sponsored assessments, the client should ensure that its assessment determines the degree to which the project under review is contributing to the cumulative effects.

GN42. The client's baseline study should identify any relevant condition associated with existing projects that could be exacerbated by the project to be financed and could lead to cumulative impacts. In terms of anticipated future projects, priority should be given to assessing cumulative impacts stemming from the project being considered for financing, such as further planned developments associated with the project and other future developments of the same type in the project's area of influence that are realistically defined at the time of the assessment (this may include any combination of developments which are either proposed, licensed or for which permits exist).

GN43. Where appropriate, the client should use commercially reasonable efforts to engage relevant government authorities, other developers, Affected Communities, and, where appropriate, other relevant stakeholders, in the assessment, design, and implementation of coordinated mitigation measure to manage the potential cumulative impacts resulting from multiple projects in the same project's area of influence.

Business and Human Rights

GN44. The key human rights concepts can be found in the International Bill of Rights, consisting of the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR), and the International Covenant on Economic, Social and Cultural Rights (ICESCR).[GN5] While states have the primary duty to implement the obligations contained in these instruments, private sector companies have a responsibility to respect these human rights in their operations. Several important business and human rights analyses recently examined the relevance of rights in the International Bill of Rights to projects, and concluded that, while the possibility that businesses can impact all human rights expressed in the International Bill of Rights cannot be ruled out, there are certain rights that are of particular relevance to the conduct of business.[GN6]

[GN5] Other core international human rights treaties focus on women's rights, torture, children's rights, migrants, enforced disappearance, and persons with disabilities. For additional information, and the text of each treaty, see http://www2.ohchr.org/english/law/index.htm. Based on their circumstances, clients may need to consider these and other instruments of international human rights and humanitarian law.

[GN6] UN Human Rights Council, *Protect, Respect and Remedy: a Framework for Business and Human Rights: Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie*, April 2008, A/HRC/8/5; *Human Rights Translated: A Business Reference Guide,* Castan Centre for Human Rights Law, International Business Leaders Forum, Office of the United Nations High Commissioner for Human Rights, and

GN45. Business responsibility to respect human rights has been elaborated by the Special Representative of the Secretary-General (SRSG) on Business and Human Rights, who established a "Protect, Respect and Remedy" framework resting on three pillars: the state duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and greater access by victims to effective remedy, both judicial and non-judicial. The *Guiding Principles* for the implementation of this framework elaborate on the operationalization of the "Protect, Respect and Remedy" framework. The *Guiding Principles* emphasize that corporate responsibility to respect human rights applies to all human rights and to all business enterprises, including through their relationships with other parties. Performance Standard 1 reflects the "respect" and "remedy" aspects of the SRSG Framework.

GN46. While not directly addressed in the Performance Standards, companies should also be mindful that agreements they negotiate with host governments, concessions, and similar entities not be drafted in a way that could interfere with the human rights of parties potentially affected by the project, and the state's bona fide efforts to meet its human rights obligations. States fulfill their human rights obligations in part by passing and enforcing laws. When negotiating stabilization clauses in these contracts, companies should not propose to impose economic or other penalties on the State in the event that the State introduces laws that are of general application and reflect international good practice in areas such as health, safety, labor, the environment, security, non-discrimination, and other areas that concern business and human rights.[GN7]

GN47. If the client decides to undertake business human rights due diligence, as noted in footnote 12 of Performance Standard 1, the client may find it helpful to refer to the human rights aspects of the risks and impacts identification and management processes as well as several scenarios of human rights risks presented in the *Guide to Human Rights Impacts Assessment and Management*, a joint publication of the International Business Leaders Forum and IFC (see Bibliography).

Disadvantaged or Vulnerable Groups

GN48. There may be individuals or groups within the project's area of influence who are particularly vulnerable or disadvantaged and who could experience adverse impacts from the proposed project more severely than others. Large-scale projects with a large area of influence and multiple Affected Communities are more likely to expose these individuals and groups to adverse impacts than smaller-scale projects with site-specific issues. Where it is anticipated that the project to be financed will impact one or more Affected Communities, the risks and impacts identification process should use accepted sociological and health methods to identify and locate vulnerable individuals or groups within the Affected Community population, collecting data on a disaggregated basis. Using this disaggregated information, the client should assess potential impacts, including differentiated impacts, on these individuals and groups and propose specific (and if necessary separate) measures in consultation with them to ensure that potential impacts and risks are appropriately avoided, minimized, mitigated or compensated. Vulnerable or disadvantaged individuals and groups should be able to benefit from project opportunities equally with the rest of the Affected Communities; this may require that differentiated benefit-sharing processes and levels (such as ensuring that compensation for a house taken during resettlement is provided equally to the woman and man of the household, providing training for individuals or groups who might lack the necessary skills to find a job with the project, ensuring access to medical treatments for medical conditions resulting from the projects, etc.) are available. Project monitoring should track these

United Nations Global Compact Office, 2008; and the Human Rights Compliance Assessment tool of the Danish Institute for Human Rights (v1 and v2).

[GN7] See also Addendum: Principles for responsible contracts: integrating the management of human rights risks into State-investor contract negotiations: guidance for negotiators, A/HRC/17/31/Add.3. Many of the concepts contained in the Principles for responsible contracts are also found in the Performance Standards.

individuals or groups on a disaggregated basis. Specific considerations and measures for Indigenous Peoples are described in Performance Standard 7 and the accompanying Guidance Note.

Disability

GN49. There are country laws, regulations, and other guidance pertaining specifically to people with disabilities, who may be highly vulnerable to disproportionate impact from the projects to be financed. Where no adequate legal framework exists, the client should identify appropriate alternatives to avoid, minimize, mitigate or compensate for potential adverse impacts and risks on people with disabilities. The alternatives should be focused on creating access to the resources and services for the community (e.g., accessibility to education, medical assistance, training, employment, tourism, and consumer goods; and physical accessibility to transportation, schools, hospitals/clinics, work facilities, hotels, restaurants, stores, and other commercial areas). See the Bibliography for *A Design Manual for a Barrier Free Environment,* and *The U.S. Access Board*. Clients should also consider incorporating the principles of universal design (defined as the design of products, environments, programs and services to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design[GN8]) into design, construction, and operation (including emergency and evacuation plans), whether new construction or restructuring, expansion, or modernization of facilities, to maximize use by all potential users, including people with disabilities. Also see Performance Standard 4 and the accompanying Guidance Note.

Gender

GN50. Projects may have different impacts on women and men, due to their differentiated socioeconomic roles and their varying degrees of control over and access to assets, productive resources, and employment opportunities. There may be norms, societal practices, or legal barriers that impede the full participation of persons of one gender (usually women, but potentially men) in consultation, decision-making, or sharing of benefits. These legal and societal norms and practices may lead to gender discrimination or inequality. Gender-differentiated impacts should be assessed and the risks and impacts identification process should propose measures designed to ensure that one gender is not disadvantaged relative to the other in the context of the project. This may include providing opportunities to enhance full participation and influence in decision-making through separate mechanisms for consultation and grievances, and developing measures that allow both women and men equal access to benefits (such as land titles, compensation, and employment).

Third Party Impacts

GN51. The client may have limited or no leverage on third parties, such as a government agency in charge of controlling in-migration in the area, or an illegal logging operation taking advantage of access roads through forests. Nonetheless, the project's area of influence should encompass facilities and activities by third parties that are essential for the successful operation of the project, and the risks and impacts identification process for a project with a large area of influence should identify the roles of third parties and the potential impacts and risks from their actions or non-performance. Clients should collaborate with third parties and take action to the extent of their influence or control over them.

GN52. Among these third parties are operators of associated facilities (see paragraph 8 of Performance Standard 1) that have a particularly close relationship with the project. Because of this relationship, the client should normally have some commercial leverage on the operators of such facilities. Where such leverage allows, undertakings can be secured from these operators to operate their facilities consistent with the applicable Performance Standards. In addition, the client should identify its

[GN8] "Universal design" shall not exclude assistive devices for particular groups of persons with disabilities where this is needed (Article 2 of the United Nation Convention on the Rights of Persons with Disabilities adopted December 13, 2006).

own actions, if any, that could support or supplement the actions of the operators of the associated facilities.

Supply Chain Consideration

GN53. As with the third party impacts and risks described above, projects' relationships with primary supply chains could pose a particular challenge in certain sectors. The client should identify the roles, impacts and risks associated with its supply chain in relation to labor issues (child and forced labor and significant occupational health and safety risks) and biodiversity, as defined in Performance Standard 2 and Performance Standard 6. Generally, where the client can reasonably exercise control, the client should collaborate with its primary suppliers to propose mitigation measures proportionate to identified risks on a case-by-case basis, while recognizing that assessing and addressing supply chain implications beyond the first or the second tier suppliers may not be practical or meaningful to the client or the supplier. Additional information on addressing labor issues of the client's supply chain, particularly those related to child labor, forced labor and occupational health and safety risks, can be found in Performance Standard 2 (paragraphs 27 through 29) and the accompanying Guidance Note 2. For issues associated with biodiversity in the supply chain, see Performance Standard 6 (paragraph 30) and the accompanying Guidance Note 6.

Regional, Sectoral, or Strategic Assessments

GN54. Performance Standard 1 requires that, where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the identification of risks and impacts should take into account the findings and conclusions of related and applicable plans, studies, or assessments prepared by relevant government authorities that are directly related to the project and its area of influence. These include master economic development plans, regional plans, feasibility studies, alternatives analyses, and cumulative environmental assessments where relevant. In exceptional circumstances, however, regional, sectoral, or strategic environmental and social assessment may be required in addition to the ESIA. These assessments, however, are typically carried out by the public sector.

GN55. Regional assessment may be required when a project to be financed or a series of project-related developments are expected to have a significant regional impact or influence regional development (e.g., an urban area, a watershed, or a coastal zone), and may also be appropriate where the project's area of influence spans two or more countries, or where project-related impacts are likely to occur beyond the host country. Sectoral assessment may be required when several projects are proposed in the same or related sector (e.g., power, transport, or agriculture) in the same country, either by the client alone or by the client and others (where the client has a major role). Strategic assessment examines impacts and risks associated with a particular strategy, policy, plan, or program, often involving both the public and private sectors, and may be required when the client is a major player in the development of the strategy, policy, plan, or program. Regional, sectoral, or strategic assessment may also be necessary to evaluate and compare the impact of alternative development options, assess legal and institutional aspects relevant to the risks and impacts, and recommend broad measures for future environmental and social management.

Documentation of Risks and Impacts Identification Process

GN56. The outcome of the risks and impacts identification process should be documented. The process may result in one or more documents with separate analysis, particularly when the client engages various experts to address multiple Performance Standards. In certain cases, documentation of application of environmental siting, pollution standards, design criteria, or construction standards may suffice.

GN57. Projects involving specifically identified physical elements, aspects and facilities that are likely to generate limited adverse impacts and risks need documentation on the risks and impacts screening process, risks and impacts analysis, proposed mitigation measures, and the process of disclosure of information, and stakeholder engagement (if there are Affected Communities). At a minimum, clients should document the following:

- The project and its environmental and social aspects, including maps and drawings
- A delineation or description of the project's area of influence, including maps
- Environmental and health and safety performance levels established for the project, compliance with the legal and regulatory framework, consistent with the applicable Performance Standards
- Potential adverse impacts and risks identified, including the identification of the Affected Communities
- Planned mitigation and any areas of concern that need to be further addressed
- The process of stakeholder engagement

GN58. For projects involving specifically identified physical elements, aspects and facilities that are likely to generate significant adverse impacts and risks, a formal ESIA report should be prepared in compliance with applicable and relevant legal requirements, as required, and in accordance with good international industry practice (for additional guidance, see the Bibliography). For these projects, summaries of analyses should explain findings clearly and objectively, and be understandable to laypersons.

GN59. When projects involve auditing (or otherwise targeted analyses) of existing facilities, environmental and social audit reports and hazard/risk assessment reports should be prepared in accordance with accepted international practice. See Annex A for a discussion of the process used to conduct such audits and some examples of accepted practice.

GN60. If assets to be developed, acquired or financed have yet to be defined, the client should document the establishment of an environmental and social due diligence process ensuring that risks and impacts will be adequately identified at some point in the future when the physical elements, assets, and facilities are reasonably understood.

> ***Management Programs***
> ***13. Consistent with the client's policy and the objectives and principles described therein, the client will establish management programs that, in sum, will describe mitigation and performance improvement measures and actions that address the identified environmental and social risks and impacts of the project.***
>
> ***14. Depending on the nature and scale of the project, these programs may consist of some documented combination of operational procedures, practices, plans, and related supporting documents (including legal agreements) that are managed in a systematic way.[19] The programs may apply broadly across the client's organization, including contractors and primary suppliers over which the organization has control or influence, or to specific sites, facilities, or activities. The mitigation hierarchy to address identified risks and impacts will***

[19] *Existing legal agreements between the client and third parties that address mitigation actions with regard to specific impacts constitute part of a program. Examples are government-managed resettlement responsibilities specified in an agreement.*

favor the avoidance of impacts over minimization, and, where residual impacts remain, compensation/offset, wherever technically[20] and financially feasible.[21]

15. Where the identified risks and impacts cannot be avoided, the client will identify mitigation and performance measures and establish corresponding actions to ensure the project will operate in compliance with applicable laws and regulations, and meet the requirements of Performance Standards 1 through 8. The level of detail and complexity of this collective management program and the priority of the identified measures and actions will be commensurate with the project's risks and impacts, and will take account of the outcome of the engagement process with Affected Communities as appropriate.

16. The management programs will establish environmental and social Action Plans,[22] which will define desired outcomes and actions to address the issues raised in the risks and impacts identification process, as measurable events to the extent possible, with elements such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, and with estimates of the resources and responsibilities for implementation. As appropriate, the management program will recognize and incorporate the role of relevant actions and events controlled by third parties to address identified risks and impacts. Recognizing the dynamic nature of the project, the management program will be responsive to changes in circumstances, unforeseen events, and the results of monitoring and review.

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[20] Technical feasibility is based on whether the proposed measures and actions can be implemented with commercially available skills, equipment, and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity, and operational reliability.

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

[22] Action plans may include an overall Environmental and Social Action Plan necessary for carrying out a suite of mitigation measures or thematic action plans, such as Resettlement Action Plans or Biodiversity Action Plans. Action plans may be plans designed to fill in the gaps of existing management programs to ensure consistency with the Performance Standards, or they may be stand alone plans that specify the project's mitigation strategy. The "Action plan" terminology is understood by some communities of practice to mean Management plans, or Development plans. In this case, examples are numerous and include various types of environmental and social management plans.

GN61. If the risks and impacts identification process confirms potential impacts and risks associated with the project, clients should develop a program of measures and actions to avoid, minimize, compensate for or offset potential adverse impacts, or to enhance positive or beneficial impacts. As a general principle, for adverse environmental and social impacts, the risks and impacts identification process should apply a mitigation hierarchy, focusing on measures to prevent these from occurring in the first place, as opposed to minimization, mitigation, or compensation. This is not always possible and mitigation measures should be drawn from options that are technically and financially feasible (as defined in footnotes 21 and 22 of Performance Standard 1). The adoption of a mitigation hierarchy should be documented and, where trade-offs between avoidance and mitigation/compensation are considered, these should also be documented. The client should consider economic, financial, environmental and social costs and benefits and identify to which parties these accrue. Where these impacts are within the client's capacity to control or influence, the client should capture the mitigation or corrective measures in a management program, and implement these through the ESMS.

GN62. Adoption of a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize, or compensate/offset for risks and impacts to workers, Affected Communities, and the environment is widely regarded as a good international industry practice approach to managing

environmental and social risks and impacts. As such, it is a general principle of the Performance Standards that clients adopt (and demonstrate to have adopted) an approach consistent with this practice, as follows:

- Avoidance requires the client to identify and, where available and technically and financially feasible, make changes to the project's design (or potential location) to avoid adverse risks and impacts on social and/or environmental features. Avoidance is considered to be the most acceptable form of mitigation.
- Minimization: where avoidance is not possible, adverse impacts and risks can be minimized through environmental and social measures/treatments/design. Acceptable options to minimize will vary and include: abate, rectify, repair, and/or restore impacts, as appropriate.
- Compensation/Offset: where avoidance or minimization measures are not available, it may be appropriate to design and implement measures that compensate/offset for residual risks and impacts. It should be noted that these measures do not eliminate the identified adverse risks and impacts, but they seek to offset it with an (at least) comparable positive one.

The risks and impacts mitigation hierarchy is further discussed and specified in the context of Performance Standards 2 through 8, where relevant.

GN63. The level of detail and complexity of the management program should be commensurate with the anticipated impacts and risks of the project. For projects with significant potential adverse impacts and risks where a full-scale ESIA is required, the management program should address all the environmental and social risks and impacts identified by the assessment process and documented in the appropriate assessment report and should include any management or action plans, procedures, practices, and legal agreements so that all mitigation measures are managed in a systematic way.

GN64. For projects with limited potential adverse impacts and risks, the management program should address those limited impacts and/or risks, and is likely to be less elaborate. In the case of existing facilities, the management program is likely to include corrective measures and plans to address areas of improvement identified in the environmental and social audits as described above. Similarly, the management program should reflect the findings of, and include specific recommended actions devolving from specialized assessments and studies such as those described above in this Guidance Note.

GN65. Certain types of projects may result in, or contribute to, cumulative, transboundary and global impacts. Where the incremental contribution of the projects under evaluation is believed to be significant, the management program should include specific actions and mitigation measures that contribute to and support efforts to be carried out by relevant authorities to manage and monitor these larger-scale impacts.

GN66. The management program should apply broadly across the client's organization, including its contractors and primary suppliers over which the client has control or influence, and to specific sites, facilities, or activities. The program will include provisions and agreements relevant to associated facilities, as appropriate. For some projects, the risks and impacts associated with supply chains may be significant. In such cases, these impacts should be assessed, and clients should collaborate with third parties (as appropriate) to take actions related to supply chain risks and impacts, to the extent of their influence or control over such parties. All such actions should be incorporated into the client's management program.

GN67. As part of the management program, the client may wish to establish its own internal performance measures so as to enhance positive impacts and the desired outcomes as measurable events to the extent possible. These include measures such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, to ensure continuous improvement of performance in these areas.

GN68. The client should determine and document adequate allocation of financial resources and designate responsible personnel within the client's organization to implement the management program.

GN69. Taking into account the result of the risks and impacts identification process, including the result of consultation during this process, the management programs should include Environmental and Social Action Plans (understood by some communities of practice as Management Plans, or Development Plans), which should focus on the measures and actions necessary for the client to address the issues raised in the risks and impacts identification process, to comply with applicable national laws and regulations, and to meet the requirements of the applicable Performance Standards. Action plans may include an overall Environmental and Social Action (or Management) Plan necessary for carrying out a suite of mitigation measures or thematic plans, resulting from the risks and impacts identification process, including various types of environmental, health, and social management plans (e.g., Resettlement Action Plans, Biodiversity Action Plans, Water Resources Management Plans, Ecosystem Restoration Plans, Community Safety Plans, Community Development Plans or Indigenous People Plans). Action plans may be plans designed to fill in the gaps of existing management programs to ensure consistency with the Performance Standards, or they may be stand alone plans that specify the project's mitigation strategy. The Action plans can exclude information that is of an internal nature, such as proprietary information, cost data, information that would compromise project site security and safety, and detailed procedures, business processes, and instructions for workers (which should be included in the management program).

GN70. Effective management programs have an adaptive approach. Monitoring of environmental and social conditions and review of the program, following implementation of actions and mitigations, are fundamental elements of an adequate management system. The client should develop and implement procedures to adjust policies and operations, and adapt actions and mitigations as appropriate based on the environmental and social monitoring data. This iterative process promotes flexible decision making that takes into consideration uncertainties, recognizes the importance of variability of the social and natural systems, and can be adjusted as outcomes from management actions, mitigations and other events become better understood.

GN71. Independent due diligence of projects, conducted by financiers, may result in finding that the client needs to carry out additional measures and actions to ensure compliance with the Performance Standards, host country law, or other obligations beyond actions identified by the client in its management programs. Where such findings are made, those additional measures and actions should be incorporated into the client's management program, and should typically include a description of additional measures and actions identified to ensure compliance with Performance Standards, responsible entity for implementation of the actions and measures, relevant completion indicators and agreed timeline.

> ***Organizational Capacity and Competency***
> ***17. The client, in collaboration with appropriate and relevant third parties, will establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. Specific personnel, including management representative(s), with clear lines of responsibility and authority should be designated. Key environmental and social responsibilities should be well defined and communicated to the relevant personnel and to the rest of the client's organization. Sufficient management sponsorship and human and financial resources will be provided on an ongoing basis to achieve effective and continuous environmental and social performance.***
>
> ***18. Personnel within the client's organization with direct responsibility for the project's environmental and social performance will have the knowledge, skills, and experience***

necessary to perform their work, including current knowledge of the host country's regulatory requirements and the applicable requirements of Performance Standards 1 through 8. Personnel will also possess the knowledge, skills, and experience to implement the specific measures and actions required under the ESMS and the methods required to perform the actions in a competent and efficient manner.

19. The process of identification of risks and impacts will consist of an adequate, accurate, and objective evaluation and presentation, prepared by competent professionals. For projects posing potentially significant adverse impacts or where technically complex issues are involved, clients may be required to involve external experts to assist in the risks and impacts identification process.

GN72. Successful implementation of the management program calls for the commitment of management and employees of the client's organization. Accordingly, the client should designate specific in-house personnel, including management representative(s), with clear lines of responsibility and authority for environmental and social issues. The management representative(s) is a key function within the organization. The management representative(s) should act as a link between senior decision makers and those working in functions/departments within the organization that need to implement, and maintain environmental and social management and mitigation measures. The management representative(s) should be a part of the senior management team.

GN73. As management systems have evolved, so has the recognition that their success depends on efforts of those within departments that have perhaps traditionally been seen to be beyond the reach of environmental and social issues. Departments or entities such as human resources, production areas, procurement, maintenance or other specialist functions are to be considered important contributors to management system success. Whereas it is expected that the management of environmental and social issues will continue to be led by environmental and social professionals, how an organization integrates this into the business as a whole can greatly affect the success of dealing with environmental and social risks and impacts. The role of individuals within the above departments should be relative to the identified environmental and social risks and impacts. For example, managing training needs (human resources), contracts and contractor performance (procurement), up-keep of equipment to boost pollution control and energy efficiency and avoid spills, leaks or other emergency situations (maintenance) and material storage and handling and waste minimization (production areas) are but a few examples where those not considered environmental and social professionals can be found to play a role. Leveraging the focused contributions from many people throughout an organization, under the guidance of environmental and social professionals, is seen to be a cost-effective and intelligent way to manage an organization's environmental and social risks. Organizations should carefully consider then how they will work to integrate requirements associated with risks and impacts throughout all elements of the organization so as to best manage them according to their policy. If functions are outsourced to contractors or third parties, the client's agreement with these parties should include actions and measures necessary for the parties to perform the agreement consistent with the management system and programs. In large or complex organizations multiple personnel or operational units may be designated. In small- or medium-sized enterprises, these responsibilities may be undertaken by one individual. Key environmental and social responsibilities should be well defined and communicated to relevant personnel, as well as to the rest of the organization. Appropriate human and financial resources should be allocated to those designated as responsible for the implementation of the management system and programs and any additional performance measures. Some questions that may be useful for clients to assess adequacy of their capacity and process are as follows:

- How does the client's organization identify and allocate the human, technical, and financial resources, including external experts, necessary to manage environmental and social performance?

- How has environmental and social management been integrated into the overall business management process?
- What is the process for balancing and resolving conflicts between social, environmental and other business objectives and priorities?
- What are the responsibilities and accountability of personnel who manage, perform, and verify work affecting environmental and social issues, and are these well defined and documented?
- How has top management established, reinforced and communicated organizational commitment?
- Is there a process for periodic review of the management system in the event of changed project circumstances?

GN74. Clients can use in-house staff and/or external consultants (referred to in the Performance Standards and Guidance Notes as "competent professionals") or external experts (referred to in the Performance Standards and Guidance Notes as "external experts") to carry out the risks and impacts identification process, provided that the applicable requirements of the Performance Standards are met. The competent professional(s) conducting the risks and impacts identification process must be in a position to do so adequately, accurately and objectively, as well as have the requisite competency and experience. For projects with issues that may pose significant adverse impacts and risks, clients should (and may be required to) retain qualified external experts to assist in the conduct of all or part of the environmental and social assessment. To be considered qualified, these external experts should be required to have substantive and extensive experience in similar projects. They should be involved or engaged early in the project's development phase and, as necessary, in the various stages of design, construction, and commissioning of the project. In addition, the services of qualified external experts are typically required in certain defined circumstances, on issues concerning resettlement (as provided in Performance Standard 5), biodiversity (as provided in Performance Standard 6), Indigenous Peoples (as provided in Performance Standard 7) and cultural heritage (as provided in Performance Standard 8).

GN75. The client's organization should identify the knowledge and skills necessary for implementation of the management system and programs, including any requirements of the Action Plans. Prior background, time in the job, training, skills development, ongoing education, and past experience can all play a role in determining whether a person has sufficient knowledge and skills to carry out their part of the management system and programs. The client's organization should consider all of the above contributions to the background of their personnel to determine whether they can be deemed competent to do what is required of them, and, if necessary, it should consider new recruitment to ensure it engages appropriate individuals for the tasks.

GN76. Training is one common method of supplying individuals with additional skills and knowledge. In order to be successful, training programs need to be thought out carefully and systematically. The list below provides the key elements that should be considered as part of a training program:

- Identification of training needs for the organization's personnel. This can be triggered by past events (accidents, emergency situations, internal or external grievances), shortcomings in performance as identified by audits, benchmarking with other companies or organizations or direct suggestions or requests from employees themselves. Training needs should also be considered and identified, as needed, for others that conduct work for the organization, either directly or indirectly such as contractors and suppliers.
- Development of a training plan to address defined needs. What is lacking in skills, comprehension, experience that can be addressed by training; in short what does someone need to be judged competent in how they do their job? The plan should include definition of training sessions, duration, frequencies, syllabus, etc.

- Verification of training programs to ensure consistency with organizational policy, and other applicable requirements such as regulatory considerations.
- Training of target personnel. This can be formal, informal (on-the-job), one-time, periodic, etc.
- Documentation of training received, to show to regulators or government agencies, financial institutions, etc., and to provide a record for the trainees as part of job or career development.
- Evaluation of training received to determine its effectiveness. Ascertaining whether the individual is now competent to carry out the task at hand confirms the success or failure of the training. If it is determined that the training program(s) is not effective, then the organization should review all aspects of the training, as applicable (curriculum, delivery, competence of the trainer, etc.) to determine what should be changed, if anything, so as to obtain a successful outcome. The evaluation of personnel competence should be periodically repeated, and specific measures, such as refresher training, included in the training program.

GN77. Some questions a client may pose to help with planning and organizing training programs:

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

GN78. The client should ensure that employees and third parties with direct responsibility for activities relevant to the environmental and social performance of the project to be financed are competent, and have the knowledge and skills necessary to perform their work, including current knowledge of the host country's regulatory requirements and the applicable requirements of Performance Standards 1 through 8. Methods to ensure this should address the specific requirements and commitments under the management system and programs and the actions required to perform the management and mitigation measures in a competent and efficient manner.

GN79. When the projects are likely to impact vulnerable or disadvantaged individuals or groups within Affected Communities, employees who will interact with such individuals or groups should be competent in their understanding of the specific issues related to such individuals or groups. Specific training may be warranted.

GN80. When specific aspects of the project or the implementation of the management system and programs are outsourced to contractors, the client should also ensure that these contractors have the requisite knowledge, skills, and training to perform the work in a competent manner in accordance with the management system and programs and the requirements of the Performance Standards.

> ***Emergency Preparedness and Response***
> ***20. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the ESMS will establish and maintain an emergency preparedness and response system so that the client, in collaboration with appropriate and relevant third parties, will be prepared to respond to accidental and emergency situations associated with the project in a manner appropriate to prevent and mitigate any harm to people and/or the environment. This preparation will include the identification of areas where accidents and emergency situations may occur, communities and individuals that may be impacted, response procedures, provision of equipment and resources, designation of responsibilities, communication, including that with potentially***

Affected Communities and periodic training to ensure effective response. The emergency preparedness and response activities will be periodically reviewed and revised, as necessary, to reflect changing conditions.

21. Where applicable, the client will also assist and collaborate with the potentially Affected Communities (see Performance Standard 4) and the local government agencies in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to ensure effective response. If local government agencies have little or no capacity to respond effectively, the client will play an active role in preparing for and responding to emergencies associated with the project. The client will document its emergency preparedness and response activities, resources, and responsibilities, and will provide appropriate information to potentially Affected Community and relevant government agencies.

GN81. The emergency preparedness and response requirements of Performance Standard 1 refer to (i) the contingencies that could affect personnel and facilities of the project to be financed, (ii) the need to protect the health and safety of project workers (as noted in Performance Standard 2) and (iii) the need to protect the health and safety of the Affected Communities (as noted in Performance Standard 4). The client should address emergency preparedness and response in an integrated way. Where the project (greenfield or existing) involves specifically identified physical elements, aspects and facilities that are likely to generate impacts, the client should address contingencies associated with potential process upset and accidental circumstances through the use of emergency preparedness and response plans or other similar tools appropriate to the specific industry sector, as part of its management system. Where the consequences of emergency events are likely to extend beyond the project property boundary or originate outside of the project property boundary (e.g., hazardous material spill during transportation on public roadways), the client is required to design emergency preparedness and response plans based on the risks to community health and safety identified during the risks and impacts identification process (see also Performance Standard 4 and the accompanying Guidance Note). Additional guidance on emergency preparedness and response is provided in the World Bank Group Environmental Health and Safety (EHS) Guidelines, whether in the General EHS Guidelines or in the Industry Sector EHS Guidelines, as appropriate.

GN82. Effective emergency preparedness and response plans help clients prepare for the best outcomes while assuming the worst possible scenarios. They should define clearly assigned responsibilities for the assessment of the degree of risk to life, property and environment, with procedures on who and with whom to communicate regarding different types of emergencies. The level of planning and communication should be commensurate with the potential impacts. These plans should define specific procedures designed based on the emergency level classification (emergency tiers). Procedures for shutting down equipment and production processes and for evacuations, including a designated meeting place (i.e., muster point) outside the project site, should be part of the emergency preparedness and response plans. Additionally, effective emergency plans should include specific training and practice (i.e., simulations and drills) schedules and equipment requirements for employees who are responsible for rescue operations, medical duties, threat and incident responses (e.g., hazardous material spill response), fire fighting and other responses specific to the project sites, facilities and activities. In summary, emergency plans should address the following aspects of emergency preparedness and response:

- Identification of the emergency scenarios
- Specific emergency response procedures
- Trained emergency response teams

- Emergency contacts and communication systems/protocols (including communication with Affected Communities when necessary)
- Procedures for interaction with government authorities (emergency, health, environmental authorities)
- Permanently stationed emergency equipment and facilities (e.g., first aid stations, firefighting equipment, spill response equipment, personal protection equipment for the emergency response teams)
- Protocols for the use of the emergency equipment and facilities
- Clear identification of evacuation routes and muster points
- Emergency drills and their periodicity based on assigned emergency levels or tiers
- Decontamination procedures and means to proceed with urgent remedial measures to contain, limit and reduce pollution within the physical boundaries of the project property and assets to the extent possible.

Monitoring and Review

22. The client will establish procedures to monitor and measure the effectiveness of the management program, as well as compliance with any related legal and/or contractual obligations and regulatory requirements. Where the government or other third party has responsibility for managing specific risks and impacts and associated mitigation measures, the client will collaborate in establishing and monitoring such mitigation measures. Where appropriate, clients will consider involving representatives from Affected Communities to participate in monitoring activities.[23] The client's monitoring program should be overseen by the appropriate level in the organization. For projects with significant impacts, the client will retain external experts to verify its monitoring information. The extent of monitoring should be commensurate with the project's environmental and social risks and impacts and with compliance requirements.

23. In addition to recording information to track performance and establishing relevant operational controls, the client should use dynamic mechanisms, such as internal inspections and audits, where relevant, to verify compliance and progress toward the desired outcomes. Monitoring will normally include recording information to track performance and comparing this against the previously established benchmarks or requirements in the management program. Monitoring should be adjusted according to performance experience and actions requested by relevant regulatory authorities. The client will document monitoring results and identify and reflect the necessary corrective and preventive actions in the amended management program and plans. The client, in collaboration with appropriate and relevant third parties, will implement these corrective and preventive actions, and follow up on these actions in upcoming monitoring cycles to ensure their effectiveness.

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

[23] *For example, participatory water monitoring.*

GN83. Monitoring is the client's primary means for tracking and evaluating progress towards the implementation of the management system and programs, including all action items specified in the Action Plans. Clients should establish a system for measuring and monitoring consisting of (i) the key risks and impacts of the project on employees, communities and the natural environment as identified; (ii) compliance with laws and regulations; and (iii) progress in implementation of the management programs. The type, extent and frequency of monitoring should be commensurate with the potential impacts and risks of the project as identified by the risks and impacts identification process, and as specified in the management system. In addition, depending on the nature of the project, it may be appropriate for the client to establish, track and measure key indicators and other performance measures over time to illustrate the improvement in a project's performance or highlight areas where more effort is required.

GN84. As part of the monitoring programs established in the management system, it would be appropriate for the client to establish key social development measurements and indicators, quantitative and qualitative measures of success, and include stakeholder engagement practices in the action plans in order to improve performance on the social issues identified or highlight areas where more effort is required.

GN85. The factors to be considered in establishing an environmental monitoring program typically include (but are not limited to) engineering estimates, environmental modeling, pollutant source (e.g., emissions to atmosphere, wastewater effluents, solid and hazardous waste), noise, ambient water quality and quantity (both surface and groundwater), air quality, and workplace contaminant measurements. For certain projects, biodiversity monitoring can be an important element of the overall monitoring program (refer to Performance Standard 6 and the accompanying Guidance Note for further guidance). The focus and extent of the monitoring should be commensurate with the risk of the pollutant releases as related to the sensitivity of the surrounding areas, taking into account the Affected Community's perception of risks to their health and environment resulting from the project. Appropriate processes should also be in place to ensure the reliability of data, such as calibration of instruments, testing of equipment, and software and hardware sampling. Specific environmental monitoring measures comprise the parameters to be measured, sampling and analytical methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and the definition of thresholds that signal the need for corrective actions. Where external laboratories or other analytical services are required to analyze samples, these should be certified at least under nationally recognized schemes to ensure measurements and data provided are accurate, defensible and reliable.

GN86. Monitoring results should be documented, and the necessary corrective and preventive actions identified. Clients should also ensure that these corrective and preventive actions have been implemented and that there is a systematic follow-up to ensure their effectiveness. The client should normally carry out the monitoring using competent professionals or other external experts, as part of its management system and programs. In certain cases (such as projects with potential significant adverse risks and impacts), due diligence conducted by financiers may result in the imposition of additional monitoring and/or verification of client monitoring (for example, as part of the supplemental action plan agreed with the client), including the appointment of qualified and experienced external experts to independently verify monitoring results. Findings of these external monitoring activities should be included in corrective or preventive actions, as appropriate. Participatory monitoring (i.e., involvement of Affected Communities) should be considered where appropriate (projects with potential significant adverse risks and impacts). In these cases, the client should evaluate the capacity of those participating in the monitoring and provide periodic training and guidance as appropriate.

GN87. The outcome of monitoring may indicate that the mitigation measures in the management programs should be adjusted or upgraded. As part of on-going maintenance of its Management System, the client should adjust and update the management programs from time to time, so that they can

adequately address the change in the social or environmental risks and impacts arising from any change in the client's business or circumstances and from any other uncertainty, recognizing the variability of social and natural systems. Where the government or other third party has responsibility for the implementation of the mitigation measures and for risks and impacts management, it is expected that the client should monitor the implementation of such measures. Appropriate monitoring should identify and measure completeness, effectiveness, and potential gaps of the mitigation measures and impacts management implemented by the other parties and provide information and data to make provisions accordingly in the client's environment and social management system to best affect outcomes given inherent limitations and constraints or opportunities.

GN88. The results of environmental and social monitoring should be evaluated and documented. Periodic reporting of progress and monitoring results should be made to the senior management of the client's organization, as a function of the client's management system. Reports should furnish the information and data needed to determine compliance with relevant host country legal requirements and progress on implementing the management programs. The format of these reports can vary according to the nature of the organization, but should include a summary of findings and recommendations. This information should also be made available broadly within the client's organization and to workers as appropriate.

GN89. Some questions that may be useful to pose as the type, extent, scope, frequency and management of a monitoring program are considered:

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

GN90. For reporting on the management system in general and consideration of who might wish to see such information:

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

Stakeholder Engagement

25. Stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of a project's environmental and social impacts.[24] Stakeholder engagement is an ongoing process that may involve, in varying degrees, the following elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and

[24] Requirements regarding engagement of workers and related grievance redress procedures are found in Performance Standard 2.

ongoing reporting to Affected Communities. The nature, frequency, and level of effort of stakeholder engagement may vary considerably and will be commensurate with the project's risks and adverse impacts, and the project's phase of development.

GN91. The purpose of stakeholder engagement is to establish and maintain a constructive relationship with a variety of external stakeholders over the life of the project and is an integral part of an effective and adaptive ESMS. Depending on the nature, risks and impacts of a project and the presence, or not, of Affected Communities the level of required stakeholder engagement can range from the implementation of a basic channel to receive external communications from the public to a comprehensive consultation process involving the active and Informed Consultation and Participation (ICP) of Affected Communities. See also Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets.

GN92. Performance Standard 1 requirements are focused on engagement with Affected Communities, who are defined as any people or communities located in the project's near geographical proximity, particularly those contiguous to the existing or proposed project facilities who are subject to actual or potential direct project-related risks and/or adverse impacts on their physical environment, health or livelihoods. There is no exact definition of community and it could vary from project to project, but in general terms it refers to a group of people or families who live in a particular locality, sometimes share a common interest (water users associations, fishers, herders, grazers, and the like), often have common cultural and historical heritage and have different degrees of cohesiveness.

GN93. If the process to identify risks and impacts indicates that there may be potential impacts and risks to the Affected Community, companies should seek early engagement with them. Engagement should be based on the timely and effective dissemination of relevant project information, including the results of the process of identification of environmental and social risks and impacts and corresponding mitigation measures, in languages and methods preferred by the Affected Communities and that allow for meaningful communication. In cases where the assessment has been completed prior to the application of this Performance Standard, the stakeholders engagement process carried out by the client should be reviewed, and if necessary a supplemental stakeholders engagement plan should be implemented in order to correct any gaps and ensure adequate stakeholder engagement going forward.

GN94. When applicable, and throughout the life of the project, clients should build upon the channels of communication and engagement with Affected Communities established during the risks and impacts identification process. In particular, clients should use the appropriate stakeholders engagement practices described in this Performance Standard to disclose information and receive feedback on the effectiveness of the implementation of the mitigation measures in the clients management system as well as the Affected Communities' on-going interests and concerns about the project. Guidance regarding different engagement strategies and project scenarios can be found in Appendix 2 of *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*.

Stakeholder Analysis and Engagement Planning

26. Clients should identify the range of stakeholders that may be interested in their actions and consider how external communications might facilitate a dialog with all stakeholders (paragraph 34 below). Where projects involve specifically identified physical elements, aspects and/or facilities that are likely to generate adverse environmental and social impacts to Affected Communities the client will identify the Affected Communities and will meet the relevant requirements described below.

27. The client will develop and implement a Stakeholder Engagement Plan that is scaled to the project risks and impacts and development stage, and be tailored to the characteristics and interests of the Affected Communities. Where applicable, the Stakeholder Engagement Plan will include differentiated measures to allow the effective participation of those identified as disadvantaged or vulnerable. When the stakeholder engagement process depends substantially on community representatives,[25] the client will make every reasonable effort to verify that such persons do in fact represent the views of Affected Communities and that they can be relied upon to faithfully communicate the results of consultations to their constituents.

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

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

GN95. For the purposes of Performance Standard 1, stakeholders are defined as persons, groups or communities external to the core operations of a project who may be affected by the project or have interest in it. This may include individuals, businesses, communities, local government authorities, local nongovernmental and other institutions, and other interested or affected parties. Stakeholder identification broadly involves the determination of the various individuals, groups or communities who may have an interest in the project or who may affect or be affected by the project. The process of stakeholder identification includes distinct steps, including (i) identifying individuals, groups, local communities and other stakeholders that may be affected by the project, positively or negatively, and directly or indirectly, particularly those directly and adversely affected by project activities, including those who are disadvantaged or vulnerable (see GN48 above); (ii) identifying broader stakeholders who may be able to influence the outcome of the project because of their knowledge about the Affected Communities or political influence over them; (iii) identifying legitimate stakeholder representatives, including elected officials, non-elected community leaders, leaders of informal or traditional community institutions, and elders within the Affected Community; and (iv) mapping the impact zones by placing the Affected Communities within a geographic area, which should help the client define or refine the project's area of influence (see paragraph 8 of Performance Standard 1).

GN96. There may be norms, societal practices, or legal barriers that impede the full participation of persons of one gender (usually women, but potentially men) in consultation, decision-making, or sharing of project benefits. These legal and societal norms and practices may lead to gender discrimination or inequality. In projects with such issues the client may provide opportunities to enhance full participation and influence in decision-making through separate mechanisms for consultation and grievances, and developing measures that allow both women and men equal access to project benefits (such as land titles, compensation, and employment). Where deemed useful, it may include a separate women's consultative process. Gender considerations of engagement processes can be found in the Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets.

GN97. Clients with high-risk projects may need to identify and engage with other stakeholders, beyond those who will be directly affected by the project, such as local government officials, community leaders and civil society organizations, particularly those who work in or with the Affected Communities. While

these groups may not be directly affected by the project, they may have the ability to influence or alter the relationship of the client with Affected Communities, and in addition may play a role in identifying risks, potential impacts and opportunities for the client to consider and address in the assessment process.

GN98. If it is known that the project will directly and adversely impact a local community (i.e., Affected Community), a Stakeholder Engagement Plan is required. The level of complexity and detail of this Plan should be commensurate with the project risks to and impacts on the Affected Community and, in some cases, it could include engagement with a broader set of stakeholders. The Stakeholder Engagement Plan may include the following elements: project description (including maps); engagement principles, objectives and criteria; requisites and regulations (e.g., local requirements, international standards or requirements by financiers); description of risks and impacts; summary of any previous engagement activities including any documented evidence (i.e., agreements, minutes of meetings, etc); identification, characterization and priority of stakeholders, focusing on those directly affected and identifying any vulnerable individuals or groups; engagement program including indication of how interactions should be formalized (i.e., agreements, acknowledgment of receipt of information, etc); description of grievance redress mechanisms; list of time-bound activities (timetable/periodicity); and resources and responsibilities. In some cases the Stakeholder Engagement Plan may include a description of any local community development initiative being, or to be, supported by the client as well as cross references to other relevant project management plans. If , on the contrary, a Stakeholder Engagement Framework is required because the exact location of the project is not known at the time of the investment, but it is reasonably expected to have significant impacts on local communities, this Framework may include the following elements: description of the potential project and its likely location, risks and impacts; requisites and regulations (e.g. local requirements, international standards or requirements by financiers); potential area of influence; possible stakeholders, focusing on potential Affected Communities; engagement principles, objectives and criteria; strategy for the engagement process and grievance mechanism (particularly if it will be linked with an assessment process) and step by step process and responsibilities to prepare an Engagement Plan once exact location is known. See Appendix 3 of *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*.

> ***Disclosure of Information***
> ***29. Disclosure of relevant project information helps Affected Communities and other stakeholders understand the risks, impacts and opportunities of the project. The client will provide Affected Communities with access to relevant information[26] on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism.***

[26] *Depending on the scale of the project and significance of the risks and impacts, relevant document(s) could range from full Environmental and Social Assessments and Action Plans (i.e., Stakeholder Engagement Plan, Resettlement Action Plans, Biodiversity Action Plans, Hazardous Materials Management Plans, Emergency Preparedness and Response Plans, Community Health and Safety Plans, Ecosystem Restoration Plans, and Indigenous Peoples Development Plans, etc.) to easy-to-understand summaries of key issues and commitments.These documents could also include the client's environmental and social policy and any supplemental measures and actions defined as a result of independent due diligence conducted by financiers.*

GN99. Information disclosure involves delivering information about the project to the Affected Communities and ensuring access to such information by other stakeholders. The information should be in appropriate language(s), and accessible and understandable to the various segments of the Affected Communities. For example, information can be made available house-by-house, in city halls, public libraries, in the local print media, over the radio, or in public meetings. Disclosure and dissemination of information should be the basis of the client's consultation process. The timing and the method of disclosure may vary depending on national law requirements, the characteristics and needs of the

Affected Communities, the type of assessment involved, and the stage of the project's development or operation but should be as early as possible. After the initial screening, timely disclosure of information should include as a minimum the information described in paragraph 29 of Performance Standard 1. Clients are encouraged to also disclose information to Affected Communities about the project's potential benefits and developmental impacts, if it is expected that it would not unnecessarily create unrealistic expectations. Examples of different techniques to share information can be found at IAP2 Public Participation Toolbox—Techniques to Share Information (see Bibliography).

GN100. Disclosure of information is normally expected as part of the process of identification of impacts and risks, but if the project is expected to create ongoing impacts and risks to the Affected Communities, the client should continue to provide information during the life of the project. The client's reporting requirements to the Affected Community are addressed in paragraph 36 of Performance Standard 1 and GN111–GN112. The client may disclose information on non-financial issues or opportunities for enhancing environmental and social impacts through sustainability reports.

GN101. Clients should balance the need for transparency with the need to protect confidential information. They should exercise discretion in gathering personal data and information and should treat such data or information as confidential (except where disclosure is required by law). Where Performance Standard 1 requires disclosure of plans based on personal information or data collected (such as Resettlement Action Plans), the client should ensure that no personal data or information can be associated with particular individuals. For example, sensitive information about Affected Communities, such as income and health information, collected as part of the socioeconomic baseline information, should not be disclosed in a way that can be attributed to individuals and households.

GN102. In the extractive industries and infrastructure sectors in particular, where a project can have potentially broader implications for the public at large, disclosure of information is an important means to manage governance risks. Further guidance on the Extractive Industries Transparency Initiative, which includes reference to contract and revenue transparency, and how the private sector can support this initiative, can be found in the Bibliography.

Consultation

30. When Affected Communities are subject to identified risks and adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the Affected Communities with opportunities to express their views on project risks, impacts and mitigation measures, and allows the client to consider and respond to them. The extent and degree of engagement required by the consultation process should be commensurate with the project's risks and adverse impacts and with the concerns raised by the Affected Communities. Effective consultation is a two-way process that should: (i) begin early in the process of identification of environmental and social risks and impacts and continue on an ongoing basis as risks and impacts arise; (ii) be based on the prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information which is in a culturally appropriate local language(s) and format and is understandable to Affected Communities; (iii) focus inclusive[27] engagement on those directly affected as opposed to those not directly affected; (iv) be free of external manipulation, interference, coercion, or intimidation; (v) enable meaningful participation, where applicable; and (vi) be documented. The client will tailor its consultation process to the language preferences of the Affected Communities, their decision-making process, and

[27] *Such as men, women, the elderly, youth, displaced persons, and vulnerable and disadvantaged persons or groups.*

the needs of disadvantaged or vulnerable groups. If clients have already engaged in such a process, they will provide adequate documented evidence of such engagement.

Informed Consultation and Participation

31. For projects with potentially significant adverse impacts on Affected Communities, the client will conduct an Informed Consultation and Participation (ICP) process that will build upon the steps outlined above in Consultation and will result in the Affected Communities' informed participation. ICP involves a more in-depth exchange of views and information, and an organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the Affected Communities on matters that affect them directly, such as the proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The consultation process should (i) capture both men's and women's views, if necessary through separate forums or engagements, and (ii) reflect men's and women's different concerns and priorities about impacts, mitigation mechanisms, and benefits, where appropriate. The client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the Affected Communities, and will inform those affected about how their concerns have been considered.

Indigenous Peoples

32. For projects with adverse impacts to Indigenous Peoples, the client is required to engage them in a process of ICP and in certain circumstances the client is required to obtain their Free, Prior, and Informed Consent (FPIC). The requirements related to Indigenous Peoples and the definition of the special circumstances requiring FPIC are described in Performance Standard 7.

GN103. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate adverse environmental and social impacts on Affected Communities a consultation process should be conducted. The consultation process should be commensurate with the project's risks and impacts, and with the concerns raised by the Affected Communities. Consultation involves two-way communication between the client and the Affected Communities. Effective consultation provides opportunities for the client to learn from the experience, knowledge, and concerns of the Affected Communities, as well as to manage their expectations by clarifying the extent of its responsibilities and resources so that misunderstandings and unrealistic demands can be avoided. For the consultation process to be effective, project information needs to be disclosed and explained to the stakeholders, and sufficient time should be allocated for them to consider the issues. Consultation should be inclusive of various segments of the Affected Communities, including both women and men, and accessible to the disadvantaged and vulnerable groups within the community. Based on the preliminary stakeholder analysis (see GN95), the client's representatives should meet with the Affected Communities and explain the project information, answer questions and listen to comments and suggestions. In addition to meetings with affected individuals, the client should identify community leaders and members of any formal or informal existing decision-making mechanisms so that their input can be sought. The client should inform in a timely manner the Affected Communities about the result of the consultation process and how their suggestions and concerns have been considered.

GN104. Consultation should be undertaken in most situations where the project presents a specific but limited number of potential adverse impacts on Affected Communities. In these cases, the client should consult with the Affected Communities during the process of assessment after the risks and impacts have been identified and analyzed. In the case of projects with significant adverse impacts on Affected Communities an ICP process is required. In addition to the requirements in Performance Standard 1, requirements on consultation can be found in Performance Standards 4–8.

GN105. The ICP process must be free of intimidation or coercion, and not be influenced by outside pressure or monetary inducements (unless monetary payments are part of an agreed settlement). The client should allow critics to express their views, and enable various groups to speak out freely with equal opportunity, so as to facilitate a full debate involving all viewpoints. An informed consultation means that relevant, understandable and accessible information, with translations if needed, is available in sufficient time in advance of the consultation. Informed participation entails organized and iterative consultation on issues concerning potential impacts to the Affected Communities, so that the client can incorporate into its decision-making process their views on these issues. Consultation with Affected Communities should begin in the early scoping process that establishes the terms of reference for the assessment process, which includes an inventory of risks and impacts to be assessed, and should continue through the entire project life-cycle. The client should document specific actions, measures or other instances of decision-making that have been influenced by or resulted directly from the input of those who participated in the consultation. Annex C describes in more detail what would constitute an ICP process. Free, Prior, and Informed Consent (FPIC) is required for projects with special circumstances involving Indigenous Peoples (see Performance Standard 7 and for definition of FPIC see Guidance Note 7).

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

GN106. Host governments may reserve the right to manage the stakeholder engagement process directly associated with a project, particularly when it involves consultation. Nevertheless, the outcome of this process should be consistent with the requirements of Performance Standard 1. In such cases, clients should take an active role during the preparation, implementation and monitoring of the process and should coordinate with the relevant government authorities those aspects of the process that can be facilitated more efficiently by the client or other agents such as consultants or civil society organizations. Whether the client will be permitted to play an active role will depend in part on the applicable national law and the judicial and administrative processes and practices of the responsible government agency. The client should collaborate with the responsible government agency on the key achievable outcomes that need to be achieved to ensure consistency with Performance Standard 1. In all cases, regardless of government involvement, the client must have in place its own communications and grievance redress procedure. It must be clear that the stakeholder engagement process covered under this provision refers to any engagement process with stakeholders who are directly affected by the project regarding issues directly linked to the development of the specific project, and not in reference to broader policy decisions or other matters external to the project.

GN107. Under certain circumstances, a government agency or other authority may have already conducted the consultation process directly linked to the project; in this case, the client should make a determination as to whether the process conducted and its outcomes are consistent with the requirements of Performance Standard 1 and, if not, determine if any corrective actions are feasible to address the situation. If corrective actions are feasible, the client should implement them as soon as possible. Such corrective actions could range from conducting additional engagement activities to facilitating access to and ensuring cultural appropriateness of relevant environmental and social information.

External Communications and Grievance Mechanisms

External Communications

34. Clients will implement and maintain a procedure for external communications that includes methods to (i) receive and register external communications from the public; (ii) screen and assess the issues raised and determine how to address them; (iii) provide, track, and document responses, if any; and (iv) adjust the management program, as appropriate. In addition, clients are encouraged to make publicly available periodic reports on their environmental and social sustainability.

GN108. It is widely accepted that engaging with external parties is good business practice for organizations. External stakeholders can provide valuable information to an organization. Such information can be in the form of suggestions on product improvement, feedback on customer interaction with an organization's employees, or a myriad of other opinions, comments or contributions from regulators, nongovernmental organizations, communities or individuals regarding an organization's environmental and social performance, real or perceived. The external communications requirement is partially based on the communications element of ISO 14000, which requires procedures for receiving, documenting and responding to relevant information and requests from external interested parties, and must be an integral part of the client's ESMS. This requirement applies to all type of projects, even if they do not involve physical elements, aspects and facilities that are likely to generate adverse environmental and social impacts on Affected Communities, though the complexity could vary and for some projects, this may be a very simple system. Corporate entities should have in place publicly available and easily accessible channels (e.g., phone number, website, email address, etc.) to receive external communications and requests for information regarding their environmental and social performance.

GN109. This procedure should provide for an accessible channel to receive communications from the public and, depending on the project, its level of complexity could range from a basic one-page procedure to a multi-page document describing the following elements: (i) objectives, (ii) principles, (iii) steps and flow of communications, (iv) documentation and monitoring of responses, and (v) allocation of resources and responsibilities. The relevance of the external communication received and the level of response required, if any, should be determined by the client.

Grievance Mechanism for Affected Communities

35. Where there are Affected Communities, the client will establish a grievance mechanism to receive and facilitate resolution of Affected Communities' concerns and grievances about the client's environmental and social performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project and have Affected Communities as its primary user. It should seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate and readily accessible, and at no cost and without retribution to the party that originated the issue or concern. The mechanism should not impede access to judicial or administrative remedies. The client will inform the Affected Communities about the mechanism in the course of the stakeholder engagement process.

GN110. Where the project involves specifically identified physical elements, aspects and facilities that are likely to generate adverse environmental and social impacts on Affected Communities, the client must establish, in addition to the requirements under paragraph 35 of Performance Standard 1 above on External Communications, a procedure at the project level that is readily accessible to the Affected Communities, and that allows for receiving, addressing, and recording/documenting complaints and communications from external stakeholders. Confidentiality of the persons raising the complaint must be

protected. The client shall ensure that the procedure is easily accessible, understandable and its availability communicated to Affected Communities. The client may wish to seek solutions to complaints in a collaborative manner with the involvement of the Affected Communities. If the project is unable to solve a complaint, it may be appropriate to enable complainants to have recourse to external experts or neutral parties. Clients should be aware of judicial and administrative mechanisms available in the country for resolution of disputes, and should not impede access to these mechanisms. Communications and grievances received and responses provided should be documented (such as the name of the individual or organization; the date and nature of the complaint; any follow up actions taken; the final decision on the complaint; how and when a relevant project decision was communicated to the complainant; and whether management action has been taken to avoid recurrence of stakeholder concerns in the future), and reported back to the Affected Communities periodically. In addition to the requirements in this Performance Standard, specific requirements for grievance mechanisms can be found in Performance Standards 2, 4, 5, and 7. For additional guidance on grievance mechanisms, see IFC's publications: *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets (IFC, 2007) and Addressing Grievances From Project-Affected Communities (IFC, 2009)*. Also see *A Guide to Designing and Implementing Grievance Mechanisms for Development Projects (CAO, 2008).*

GN111. In the case of large projects with potentially complex issues, a robust grievance mechanism should be established and maintained from the beginning of the assessment process onwards. This mechanism should be communicated to Affected Communities and designed in a way that is appropriate for them, easy to understand and adapted to the communications challenge they may face (e.g., language, literacy levels, level of access to technology). Complaints should be investigated to determine appropriate response and course of action. The responsibility for receiving and responding to grievances should be handled by experienced and qualified personnel within the client organization, separate from the personnel in charge of management of the business activities. In addition, suggestion boxes and periodic community meetings and other communication methods to receive feedback may be helpful. The grievance mechanism should be an integral part of the project's ESMS. In some cases, due to project-specific circumstances, the client may need to involve an independent third party as part of its grievance redress process.

> ***Ongoing Reporting to Affected Communities***
> ***36. The client will provide periodic reports to the Affected Communities that describe progress with implementation of the project Action Plans on issues that involve ongoing risk to or impacts on Affected Communities and on issues that the consultation process or grievance mechanism have identified as a 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 Plans on issues of concern to the Affected Communities, the updated relevant mitigation measures or actions will be communicated to them. The frequency of these reports will be proportionate to the concerns of Affected Communities but not less than annually.***

GN112. The client should provide periodic updates to the Affected Communities at least annually on the implementation of and progress on the specific items in the management programs, including the Action Plans, that involve ongoing risks to or impacts on Affected Communities. As appropriate, where amendments and updates to the management programs materially change risks and impacts to Affected Communities, the client should also disclose these to communities. In addition, information should be made available to Affected Communities in response to community feedback or grievances and as a means to further involve the Affected Communities in the environmental and social performance of the project.

GN113. Clients may wish to consider using sustainability reports to report on the financial, environmental and social aspects of their operations, including areas of success of performance measures and positive project impacts that are being enhanced, as well as any unsuccessful outcomes and lessons learned. Reporting initiatives, guidelines, including sector-specific guidelines, and good practices are rapidly emerging in this area. The most notable is the Global Reporting Initiative (see Bibliography).

Annex A

Background on Accepted International Practice in Conducting and Compiling Environmental Audit Reports, References and Links to Examples

An environmental audit is a tool to be used to determine the degree to which an activity, process, operation, product or service is meeting stipulated requirements. Stipulated requirements are considered audit criteria. They are the requirements to be audited against—and can vary depending on the need/outcome for the audit. They can be focused on media (e.g., water or air), the requirements of a specific piece of regulation, permit requirements or element of a management system, only look at a limited geographic coverage (e.g., specific plant or area of operation that may be a target of acquisition) or they can be used to assess ongoing performance or other attributes or activities of a business as needed. Criteria and the organization or entity to be audited form the scope of the audit. The scope defines what is to be audited and (by definition) what is not. Scope must be carefully considered to ensure that all that is material to the audit is reviewed during the conduct of the audit.

Regardless of the scope of an audit, the audit must strictly follow an audit procedure to ensure it is planned, staffed, and conducted in a manner that ultimately allows the results to be used with confidence. Confidence means that when the audit presents the difference between what is supposed to occur (the requirements) and what is actually occurring or has occurred (based on observations, records reviewed or interviews with people to generate objective evidence) such findings can be relied upon as truthful and accurate. Findings are detailed in an audit report and summarized as audit conclusions. Often it is only the conclusions that are reviewed by those who originally commissioned the audit and that are used to inform decisions. It is therefore very important to have conducted the audit in a manner that allows the recipients of the conclusions to trust them implicitly.

A good specification on the conduct of all audits is contained within ISO 19011, available from the International Organization for Standardization (ISO) at http://www.iso.org/iso/home.htm.

As mentioned above, the report, and often only the audit conclusions, is the key output of an environmental audit. The content of the report should necessarily vary depending on the scope of the audit. None-the-less, the following outline is a good example of what can be included in an environmental audit report.

- *Executive Summary*: A concise discussion of all environmental and occupational health and safety areas of concern. Possible additional summary information may include recommended mitigation measures and their priority, the cost of mitigation, and a schedule for compliance. These are sometimes made by auditors but are also sometimes left to the organization that “owns” the issues as it may be better placed to provide more accurate data. The inclusion of such information depends on the terms of reference that guide the conduct of the audit and must be agreed upon prior to conducting the audit.
- *Scope of the Audit:* A description of what the audit focused upon (where the audit was conducted), what was audited (processes, organization, operations, etc.), when the period of performance began and ended (did the audit cover a month, a year, or all operations since inception?).
- *Regulatory Setting:* Tabular summary of host country, local and any other applicable environmental and occupational health and safety laws, regulations, guidelines, and policies as they may directly pertain to the scope of the audit.

- *Audit and Site Investigation Procedure:* Brief overview of the approach used to conduct the audit. A discussion of the records review, site reconnaissance, and interview activities; a description of the site sampling plan and chemical testing plan, field investigations, environmental sampling and chemical analyses and methods, if applicable.
- *Findings and Areas of Concern:* Detailed discussion of all environmental and occupational health and safety areas of concern. The areas of concern should be discussed in terms of both existing facilities and operations and contamination or damages due to past activities, including the affected media and its quality and recommendations for further investigation and remediation, if applicable. The report may wish to consider prioritizing findings into categories: immediate action; mid-term action; and long-term action.
- *Corrective Action Plan, Costs and Schedule (CAP)*: For each area of concern, the audit report may include specifics on the appropriate corrective actions to mitigate them and why they are necessary. If so, the report should indicate priorities for action, provide estimates of the cost of implementing the corrective actions and a schedule for their implementation if this has been agreed to between the auditor and auditee. Schedules should be recommended within the context of any planned capital expenditure for the facility.
- *Annexes:* These should include references, copies of interview forms, any details regarding the audit protocol not already included, and data obtained during the audit but not included directly above.

Annex B

Stakeholder Engagement Plan (Sample Contents)

A good Stakeholder Engagement Plan should:

- Describe regulatory, lender, company, and/or other requirements for consultation and disclosure.
- Identify and prioritize key stakeholder groups, focusing on Affected Communities.
- Provide a strategy and timetable for sharing information and consulting with each of these groups.
- Describe resources and responsibilities for implementing stakeholder engagement activities.
- Describe how stakeholder engagement activities will be incorporated into a company's management system.

The scope and level of detail of the plan should be scaled to fit the needs of the project (or company operations).

1. Introduction

   Briefly describe the project (or the company's operations) including design elements and potential environmental and social issues. Where possible, include maps of the project site and surrounding area.

2. Regulations and Requirements

   Summarize any legal, regulatory, lender, or company requirements pertaining to stakeholder engagement applicable to the project or company operations. This may involve public consultation and disclosure requirements related to the environmental and social assessment process.

3. Summary of any previous stakeholder engagement activities If the company has undertaken any activities to date, including information disclosure and/or consultation, provide the following details:

   - Type of information disclosed, in what forms (e.g., oral, brochure, reports, posters, radio, etc.), and how it was disseminated.
   - The locations and dates of any meetings undertaken to date.
   - Individuals, groups, and/or organizations that have been consulted.
   - Key issues discussed and key concerns raised.
   - Company response to issues raised, including any commitments or follow-up actions.
   - Process undertaken for documenting these activities and reporting back to stakeholders.

4. Project Stakeholders

   List the key stakeholder groups who will be informed and consulted about the project (or the company's operations). These should include persons or groups who:

   - Are directly and/or indirectly affected by the project (or the company's operations).
   - Have "interests" in the project or parent company that determine them as stakeholders.
   - Have the potential to influence project outcomes or company operations (examples of potential stakeholders are Affected Communities, local organizations, NGOs, and government authorities; stakeholders can also include politicians, other companies, labor unions, academics, religious groups, national environmental and social public sector agencies, and the media).

5. Stakeholder Engagement Program

- Summarize the purpose and goals of the program (either project-specific or corporate).

- Briefly describe what information will be disclosed, in what formats, and the types of methods that will be used to communicate this information to each of the stakeholder groups identified in section 4 above. Methods used may vary according to target audience, for example:

  - ✓ Newspapers, posters, radio, television
  - ✓ Information centers and exhibitions or other visual displays
  - ✓ Brochures, leaflets, posters, non-technical summary documents and reports

- Briefly describe the methods that will be used to consult with each of the stakeholder groups identified in section 4. Methods used may vary according to target audience, for example:

  - ✓ Interviews with stakeholder representatives and key informants
  - ✓ Surveys, polls, and questionnaires
  - ✓ Public meetings, workshops, and/or focus groups with specific groups
  - ✓ Participatory methods
  - ✓ Other traditional mechanisms for consultation and decision-making

- Describe how the views of women and other relevant sub-groups (e.g., minorities, elderly, youth etc.) will be taken into account during the process.

- Describe any other engagement activities that will be undertaken, including participatory processes, joint decision-making, and/or partnerships undertaken with local communities, NGOs, or other project stakeholders. Examples include benefit-sharing programs, stakeholders development initiatives, resettlement and development programs, and/or training and micro-finance programs.

6. Timetable

Provide a schedule outlining dates/periodicity and locations where various stakeholder engagement activities, including consultation, disclosure, and partnerships will take place and the date by which such activities will be incorporated into the company's management system (at either the project or corporate level).

7. Resources and Responsibilities

- Indicate what staff and resources will be devoted to managing and implementing the company's Stakeholder Engagement Program.
- Who within the company will be responsible for carrying out these activities? What budget has been allocated toward these activities?
- For projects (or multiple company operations) with significant or diverse impacts and multiple stakeholder groups, it is good practice for a company to hire a qualified Stakeholders Liaison Officer(s) to arrange and facilitate these activities at the project and/or corporate level. Integration of the stakeholders liaison function with other core business functions is also important, as is management involvement and oversight.

8. Grievance Mechanism

Describe the process by which people affected by the project (or company's operations) can bring their grievances to the company for consideration and redress. Who will receive grievances, how and by whom will they be resolved, and how will the response be communicated back to the complainant?

9. Monitoring and Reporting

- Describe any plans to involve project stakeholders (including Affected Communities) or third-party monitors in the monitoring of project impacts and mitigation programs.
- Describe how and when the results of stakeholder engagement activities will be reported back to Affected Communities as well as broader stakeholder groups.
- Examples include environmental and social assessment reports; company newsletters; annual monitoring reports submitted to lenders; company annual report; company or corporate sustainability report.

10. Management Functions

How will stakeholder engagement activities be integrated into the company's ESMS and with other core business functions?

- Who will have management oversight for the program?
- What are the plans for hiring, training, and deploying staff to undertake stakeholder engagement work?
- What will be the reporting lines between stakeholders liaison staff and senior management?
- How will the company's stakeholder engagement strategy be communicated internally?
- What management tools will be used to document, track, and manage the process (e.g., stakeholder database, commitments register, etc.)?
- For projects or company operations involving contractors, how will the interaction between contractors and local stakeholders be managed to ensure good relations?

Annex C

An Example of Indicators and Validation Methods for Informed Consultation and Participation Process

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

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

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

The client may also use perception surveys to pose questions to Affected Communities and solicit their responses.

Annotated Bibliography

International Agreements and International Human Rights

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Guidance Note 2
Labor and Working Conditions

January 1, 2012

Guidance Note 2 corresponds to Performance Standard 2. Please also refer to Performance Standards 1 and 3–8, as well as their corresponding Guidance Notes for additional information. Application of Performance Standard 2 to financial intermediary clients is addressed in a separate Interpretation Note on Financial Intermediaries. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

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

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

Objectives

- ***To promote the fair treatment, non-discrimination, and equal opportunity of workers.***
- ***To establish, maintain, and improve the worker-management relationship.***
- ***To promote compliance with national employment and labor laws.***
- ***To protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain.***
- ***To promote safe and healthy working conditions, and the health of workers.***
- ***To avoid the use of forced labor.***

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[1] *As guided by the ILO Conventions listed in footnote 2.*

[2] *These conventions are:*
ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
ILO Convention 98 on the Right to Organize and Collective Bargaining
ILO Convention 29 on Forced Labor
ILO Convention 105 on the Abolition of Forced Labor
ILO Convention 138 on Minimum Age (of Employment)
ILO Convention 182 on the Worst Forms of Child Labor
ILO Convention 100 on Equal Remuneration
ILO Convention 111 on Discrimination (Employment and Occupation)
UN Convention on the Rights of the Child, Article 32.1
UN Convention on the Protection of the Rights of all Migrant Workers and Members of their Families

GN1. The nature of the relationship between management and workers affects costs, quality, efficiency, productivity, and customer service, in addition to shaping a client's reputation. Performance Standard 2 recognizes that a good relationship between management and workers is an important ingredient in determining the overall success of the client and the project.

GN2. Performance Standard 2 is in part guided by a number of International Labour Organization (ILO) and United Nations (UN) Conventions. By applying Performance Standard 2, the client will be able to

operate its business in a manner consistent with the four core ILO labor Conventions.[GN1] In addition, Performance Standard 2 also addresses other areas such as working conditions and terms of employment, retrenchment, grievance mechanism, workers' accommodation and occupational health and safety (OHS) issues. Some of these requirements refer the client to the applicable national law. Where national law establishes standards that are less stringent than those in Performance Standard 2, or are silent, clients will meet the requirements of Performance Standard 2.[GN2]

GN3. In the identification of labor risks and impacts, clients should engage with workers and with representatives of workers' organizations where they exist. In order to strengthen the process of identifying risks and impacts, engagement could also include workers' organizations at a sector level and labor inspectorates. Actions identified through the risks and impacts identification process and needed to achieve compliance with national law and the requirements under Performance Standard 2 will become part of the management program outlined in Performance Standard 1 and its accompanying Guidance Note. This process will allow the client to design or update its human resources (HR), employment, contracting and purchasing policies and procedures in ways that enhance the long-term viability and success of the business while safeguarding the rights of workers. This will help clients implement a systematic approach to labor and working conditions in their operations (see paragraphs GN5–GN9 of Guidance Note 1).

Scope of Application

3. The applicability of this Performance Standard is established during the environmental and social risks and impacts identification process. The implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Environmental and Social Management System (ESMS), the elements of which are outlined in Performance Standard 1.

4. The scope of application of this Performance Standard depends on the type of employment relationship between the client and the worker. It applies to workers directly engaged by the client (direct workers), workers engaged through third parties to perform work related to core business processes[3] of the project for a substantial duration (contracted workers), as well as workers engaged by the client's primary suppliers (supply chain workers).[4]

Direct Workers

5. With respect to direct workers, the client will apply the requirements of paragraphs 8–23 of this Performance Standard.

[3] *Core business processes constitute those production and/or service processes essential for a specific business activity without which the business activity could not continue.*

[4] *Primary suppliers are those suppliers who, on an ongoing basis, provide goods or materials essential for the core business processes of the project.*

[GN1] In 1998, the ILO adopted the Declaration on the Fundamental Principles and Rights at Work, which commits Member States to respect and promote principles and rights related to the four core labor standards, regardless of having ratified the relevant Conventions. These Principles and Rights refer to no child labor, no forced labor, non-discrimination, and freedom of association and collective bargaining.

[GN2] In addition to the ILO Conventions referred to in Performance Standard 2, and throughout this Guidance Note, the ILO has established numerous other conventions on labor and working conditions. These are available through the ILO website. The ILO has a considerable presence in many of its member countries and some of the local offices have programs with expertise to guide the private sector in good labor practices.

Contracted Workers

6. With respect to contracted workers, the client will apply the requirements of paragraphs 23–26 of this Performance Standard.

Supply Chain Workers

7. With respect to supply chain workers, the client will apply the requirements of paragraphs 27–29 of this Performance Standard.

GN4. Clients have differing degrees of influence and control over the working conditions and treatment of different types of workers associated with the project, and the requirements of Performance Standard 2 reflect this reality.

GN5. Clients should assess with whom they are considered to be in an employment relationship and identify the types of workers. The employment relationship is the legal link between employers and employees. It exists when a person performs work or provides services under certain conditions in return for remuneration. It is through the employment relationship, however defined, that reciprocal rights and obligations are created between the worker and the employer. ILO Recommendation No. 198, paragraph 13, provides indicators to determine the existence of an employment relationship for direct and contracted workers. Following Recommendation No. 198, the indicators of an employment relationship might include:

(a) Subordination and dependence
(b) Control of the work and instructions: the fact that the work: is carried out according to the instructions and under the control of another party; involves the integration of the worker in the organization of the enterprise; is performed solely or mainly for the benefit of another person; must be carried out personally by the worker; is carried out within specific working hours or at a workplace specified or agreed by the party requesting the work; is of a particular duration and has a certain continuity; requires the worker's availability; or involves the provision of tools, materials and machinery by the party requesting the work;
(c) Integration of worker in the enterprise: periodic payment of remuneration to the worker; the fact that such remuneration constitutes the worker's sole or principal source of income; provision of payment in kind, such as food, lodging or transport; recognition of entitlements such as weekly rest and annual holidays; payment by the party requesting the work for travel undertaken by the worker in order to carry out the work; or absence of financial risk for the worker.

GN6. In some cases, there is difficulty in determining whether or not an employment relationship exists. This include situations where (i) the respective rights and obligations of the parties concerned are not clear, or where (ii) there has been an attempt to disguise the employment relationship, or where (iii) inadequacies or gaps exist in the legal framework, in its interpretation or application.

GN7. Companies need to ensure that contractual arrangements, including those involving multiple parties, are clear and establish who is responsible for providing adequate labor and working conditions to workers.

GN8. Companies should refrain from entering into disguised employment relationships such as (i) contractual arrangements that hide the true legal status of the employment relationship; and/or (ii) contractual arrangements that have the effect of depriving workers of the protection they are due.

GN9. Clients need to be aware of the effects of the employment relationship on vulnerable groups, including women workers, young workers, migrant workers and workers with disabilities, and make efforts to address any potential negative effects.

GN10. *Direct Workers:* The client has a clear employment relationship and complete control over the working conditions and treatment of its direct workers. Therefore all requirements of Performance Standard 2 apply to this group of workers. Clients may be responsible for applying all the requirements of Performance Standard 2 to certain workers nominally engaged by third parties, notwithstanding paragraph GN8, if the client controls the working conditions and treatment of these workers in a manner comparable to that for workers directly engaged by the client.[GN3]

GN11. *Contracted Workers:* In respect of those workers engaged through third parties (for example contractors, brokers, agents, or intermediaries) who are performing work or providing services directly related to core business processes of the project for a substantial duration,[GN4] including the construction phase of the project or who are geographically working at the project location, the client will implement policies and procedures for managing third parties and ensure these comply with the requirements under Performance Standard 2. Even though these workers may be engaged through a third party and the client may have limited legal responsibilities in relation to these workers, this Performance Standard has specific requirements that are set out in paragraphs 24–26. Clients should ensure that the employment relationship is clear in the contractual agreement with third parties, and that it provides the appropriate labor and working conditions as outlined in Performance Standard 2.

GN12. *Supply Chain Workers:* These workers are employed by suppliers providing goods and materials to the company. There is no direct contractual or labor relationship between the client and the workers at supplier level, and costs and benefits are paid by suppliers. With regard to those working in sectors known for involving child or forced labor or significant safety violations, the client will assess if there are any incidents of child labor, forced labor or significant safety issues by applying paragraphs 27–28 of Performance Standard 2. If child labor, forced labor or significant safety issues are identified the company will work with the suppliers to take corrective action. In the event that corrective action is not feasible the company will change to suppliers that are managing the risk of child labor, forced labor and safety issues adequately.

Requirements

Working Conditions and Management of Worker Relationship

Human Resources Policies and Procedures

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

9. The client will provide workers with documented information that is clear and understandable, regarding their rights under national labor and employment law and any applicable collective agreements, including their rights related to hours of work, wages, overtime, compensation, and benefits upon beginning the working relationship and when any material changes occur.

GN13. In order to ensure efficient and fair management of workers, clients are required to have policies and procedures dealing with a range of HR matters. The scope and depth of the policies should be tailored to the size and nature of the client's workforce. These policies and procedures should cover all type of workers, including direct workers, contracted workers and supply chain workers. At a minimum, policies in place should be consistent with the requirements of local labor law and Performance

[GN3] Clients may find useful guidance in ILO Recommendation 198 on the Employment Relationship.

[GN4] Substantial duration" should be understood to mean employment other than on a casual or intermittent basis.

Standard 2. These procedures need to be up to date and integrated into the overall management system of the company to ensure consistency and ongoing monitoring. See Annex B for a list of topics typically covered by such policies.

GN14. All workers performing work for the company should have a contract which describes the employment relationship with the company or a third party. This contract should be provided as part of the hiring process and should explain in detail the policies and procedures related to the labor and working conditions. This will include terms and duration of the employment relationship, wages and benefits, wage calculation and pay slips, hours of work, overtime, rest days, breaks, grievance procedures, deductions, working conditions, termination procedures, health insurance, and pension.

GN15. Clients should keep a written record of the employment relationship conditions at the time of hire of each directly contracted worker. Documentation needs to be up-to-date and maintained by a designated responsible person or department.

GN16. The working conditions and terms of employment should be communicated to the workers orally or in writing. Oral communication may be appropriate for simple short-term jobs or where workers are illiterate. In other cases, clients should provide documentation of the working conditions and terms of employment. Where there is a collective agreement that applies to the workers, this should be communicated to them as well.

GN17. Documentation should be clear, easily understandable, and accurate. The extent of documentation can be appropriate to the length and nature of the employment relationship. For example, a simple public notice of the job to be done, the number of hours, pay, and other key terms and working conditions may be adequate for seasonal workers (with copies available on request), while for longer-term employment, material terms of the employment relationship should be documented. In some countries, individual contracts are a legal requirement. See Annex C for a list of information that should be communicated to the worker.

GN18. The HR policy should also include statements on workers' right to privacy relevant to the particular business operations. This should include i) notification: notification to workers on the data collection process and the type of data collected; ii) purpose: the purpose of collecting the data; iii) consent: data should not be disclosed without the worker's consent; iv) security: data should be kept secure and confidential; v) disclosure: workers should be informed as to who is collecting their data; vi) access: workers should be allowed to access their data and make corrections to any inaccurate data; and vii) accountability: workers should have a method available to them to hold data collectors accountable for following the above principles. Data should only be collected and used for reasons directly relevant to employment; all medical data remains confidential. If workers are being filmed, or will be body searched, or if other surveillance methods are to be used, they should be informed and the reasons explained for these procedures. Any such method should follow the principle stated above and should be conducted in ways that are not intimidating or harassing for the workers.

GN19. Clients need to inform workers about the type of information that will be kept and how this information will be used. Countries have different legal requirements for employment record retention. Clients will follow these requirements and inform workers to ensure that information is accurate, relevant and safe from improper disclosure. Clients should also keep personnel files that reflect performance reviews and any complaints brought against the company or individual employees. Clients should also keep all final memoranda and correspondence reflecting performance reviews and actions taken by or against personnel in the employee's personnel file.

GN20. For further guidance, see IFC's Measure & Improve your Labor Standards Performance Handbook.

> ***Working Conditions and Terms of Employment***
>
> ***10. Where the client is a party to a collective bargaining agreement with a workers' organization, such agreement will be respected. Where such agreements do not exist, or do not address working conditions and terms of employment,[5] the client will provide reasonable working conditions and terms of employment.[6]***
>
> ***11. The client will identify migrant workers and ensure that they are engaged on substantially equivalent terms and conditions to non-migrant workers carrying out similar work.***
>
> ***12. Where accommodation services[7] are provided to workers covered by the scope of this Performance Standard, the client will put in place and implement policies on the quality and management of the accommodation and provision of basic services.[8] The accommodation services will be provided in a manner consistent with the principles of non-discrimination and equal opportunity. Workers' accommodation arrangements should not restrict workers' freedom of movement or of association.***

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

[6] *Reasonable working conditions and terms of employment could be assessed by reference to (i) conditions established for work of the same character in the trade or industry concerned in the area/region where the work is carried out; (ii) collective agreement or other recognized negotiation between other organizations of employers and workers' representatives in the trade or industry concerned; (iii) arbitration award; or (iv) conditions established by national law.*

[7] *Those services might be provided either directly by the client or by third parties.*

[8] *Basic services requirements refer to minimum space, supply of water, adequate sewage and garbage disposal system, appropriate protection against heat, cold, damp, noise, fire and disease-carrying animals, adequate sanitary and washing facilities, ventilation, cooking and storage facilities and natural and artificial lighting, and in some cases basic medical services.*

GN21. Working conditions, as used in Performance Standard 2, refer to conditions in the workplace and treatment of workers. Conditions in the workplace include the physical environment, health, and safety precautions, and access to sanitary facilities. Treatment of workers includes disciplinary practices, reasons and process for termination of workers and respect for the worker's personal dignity (such as refraining from physical punishment or abusive language).

GN22. Terms of employment include wages and benefits, wage deductions, hours of work, breaks, rest days, overtime arrangements, and overtime compensation, medical insurance, pension, and leave for illness, vacation, maternity, or holiday.

GN23. Performance Standard 2 identifies two distinct circumstances that define the clients' obligations with regard to working conditions and terms of employment. One circumstance is where the client is party to a collective bargaining agreement with a workers' organization that was chosen by the workers without employer interference. The other is where such agreements do not exist, do not cover all workers employed or contracted by the client, or do not address working conditions.

GN24. Where collective bargaining agreements are in place, the client should verify that these meet the requirements of national law and Performance Standard 2, and provide conditions and terms of

employment in line with these agreements. Where some employees are covered by collective bargaining agreements and others are not, the terms and conditions of employment as well as benefits of all employees in similar positions should be substantially equivalent.

GN25. Where collective bargaining agreements do not exist, or do not address particular working conditions and terms of employment, clients should provide reasonable working conditions and terms of employment that, at a minimum, comply with national law. Most countries have extensive legal frameworks covering many working conditions and terms of employment, such as minimum wage, maximum hours, payments for overtime work, minimum leave time for vacation, holiday, illness, injury, maternity, and health and safety protections. However, sometimes these legal frameworks do not reflect the prevailing market conditions for the industry, sector, or geography of the client's business. The client should therefore consider whether the terms and conditions provided to workers are in line with industry, sector or geographical norms, and would normally be expected to provide terms and conditions not less favorable than those provided by comparable employers in the country concerned.[GN5]

GN26. If clients are working in countries where comparable employers do not exist, they should provide wages, benefits and conditions of work consistent with the legal framework.

GN27. Where agreements exist, but have not gone through a collective bargaining process, clients will not use these to discriminate against unionized workers. The guiding principle is that all workers have the right to choose the most appropriate option for their needs and should have substantially equivalent terms of employment.

GN28. If the client hires migrant workers (internal or international), their working conditions and terms of employment should be the same or substantially equivalent to those of non-migrant workers performing the same type of work.[GN6] These terms and conditions include remuneration, overtime, hours of work, weekly rest, holidays with pay, safety, health, termination of the employment relationship and any other conditions of work which, according to national law and practice, are covered by these terms. Other terms of employment, include minimum age of employment, and restriction on work. This refers both to migrant workers engaged directly or through a third party.

GN29. In some cases, migrant workers might take their families or members of their families to the place of employment. Due diligence on potential risks and impacts will allow the client to better manage these. Negative impacts could include use of child labor in client operations; children exposed to dangerous or hazardous conditions by accessing the operations; poor living conditions; lack of access to services such as healthcare and education; etc.

GN30. On projects that have a construction element or are remote, (such as large factories away from urban areas, mining projects, oil and gas projects, and some plantation-based agriculture), the client, or contractors, working for the client will provide accommodation, transportation, and basic services including water, sanitation, and medical care for the workers working on that project. This accommodation may take various forms, ranging from long-established permanently built dormitories to temporary exploration camps.

GN31. When the client provides services to workers these services shall be provided in a non-discriminatory manner and comply with national and international standards for quality, security, safety and professional competency. The workers should not be forced to use any of the services provided by

[GN5] This is based on formulations in the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy (2006) and the OECD Guidelines for Multinational Enterprises (2001).

[GN6] See ILO Convention 97: Migration for Employment (1949).

the client and if the client charges for services, prices should be at market rate, transparent and fair. Clients should develop a set of standards and a plan for establishment and maintenance of accommodation and services. These standards should be clearly communicated and required of any contractor or accommodation providers. Conditions with respect to accommodation and services provided should be monitored by the client.

GN32. IFC and the European Bank for Reconstruction and Development published guidance that sets out a range of criteria which can be applied in relation to worker accommodation (Workers' Accommodation: Processes and Standards—A Guidance Note by IFC and the EBRD).

> ***Workers' Organizations***
> ***13. In countries where national law recognizes workers' rights to form and to join workers' organizations of their choosing without interference and to bargain collectively, the client will comply with national law. Where national law substantially restricts workers' organizations, the client will not restrict workers from developing alternative mechanisms to express their grievances and protect their rights regarding working conditions and terms of employment. The client should not seek to influence or control these mechanisms.***
>
> ***14. In either case described in paragraph 13 of this Performance Standard, and where national law is silent, the client will not discourage workers from electing worker representatives, forming or joining workers' organizations of their choosing, or from bargaining collectively, and will not discriminate or retaliate against workers who participate, or seek to participate, in such organizations and collective bargaining. The client will engage with such workers' representatives and workers' organizations, and provide them with information needed for meaningful negotiation in a timely manner. Workers' organizations are expected to fairly represent the workers in the workforce.***

GN33. A workers' organization is any organization of workers for the purpose of furthering and defending the interests of workers with regard to working conditions and terms of employment.[GN7] Workers' organizations are typically called trade unions or labor unions. Professional and administrative workers' organizations are often called workers' associations. Under Performance Standard 2, the term excludes organizations that have not been freely chosen by the workers involved or that are under the influence or control of the employer or the state.

GN34. Collective bargaining consists of discussions and negotiations between employers and representatives of workers' organizations for the purpose of determining working conditions and terms of employment by joint agreement.[GN8] It also includes the implementation and administration of any agreements that may result from collective bargaining and the resolution of other issues that arise in the employment relationship with respect to workers represented by the workers' organization.

GN35. In a large number of ILO member countries workers have the legal right to form unions or other workers' organizations of their own choosing and to bargain collectively with their employers. National law typically reflects a number of international agreements that recognize and protect these rights.[GN9]

[GN7] Based on ILO Convention 87 on Freedom of Association and Protection of the Right to Organize.

[GN8] Based on ILO Convention 98 on the Right to Organize and Collective Bargaining.

[GN9] International agreements include the UN International Covenant on Economic, Social and Cultural Rights; UN International Covenant on Civil and Political Rights; ILO Convention 87 on Freedom of Association and Protection of the Right to Organize; and ILO Convention 98 on the Right to Organize and Collective Bargaining.

GN36. Clients should not interfere with workers' rights to form or join a workers' organization, for example, by favoring one workers' organization over another or unreasonably restricting access to workers by representatives of such organizations. Workers' organizations should be representative of the work force and act pursuant to the principles of fair representation of workers.

GN37. Clients should not discourage workers from forming or joining a workers' organization or discriminate or retaliate against workers who attempt to form or join workers' organizations. Refusing to hire workers who have been members or leaders of workers' organizations at other firms (for reasons unrelated to qualifications or job performance) would constitute discrimination. Other forms of discrimination or retaliation would include demoting or re-assigning workers, as well as outsourcing or shifting work among facilities, in response to union activities.

GN38. Clients should also provide access for representatives of workers' organizations to the workers they represent. Workers should be free to meet and discuss workplace issues on the premises during scheduled breaks, and before and after work. Furthermore, workers should be allowed to choose representatives to speak with management, inspect working conditions in an appropriate manner and in a way that does not disrupt productivity, and carry out other organizing activities.

GN39. In a number of countries, or in particular sectors, workers' freedom of association and/or collective bargaining is substantially restricted by law. This may occur in a number of ways. In some countries unions are prohibited, while in others, workers' organizations may exist but are controlled or subject to approval by the state. There are some instances where either particular categories of workers (e.g., non-nationals) or workers in particular sectors, such as export processing zones, are excluded from the right to associate freely and bargain collectively. In any of these circumstances, the client should engage with workers to address issues relating to their working conditions and terms of employment. Methods to enable alternative mechanisms include but are not limited to recognizing worker committees, and allowing workers to choose their own representatives for dialogue and negotiation over terms and conditions of employment with the employer in a manner that does not contravene national law.

GN40. In a number of countries, the law is silent on workers' freedom of association and/or collective bargaining rights, but does not prohibit workers' organizations or collective bargaining. In these countries, clients should engage with workers to address issues relating to their working conditions and terms of employment. In the absence of legal constraints, clients in these countries are encouraged to recognize workers' organizations if the workers have chosen to form or join such organizations and engage in collective bargaining.

Non-Discrimination and Equal Opportunity

15. The client will not make employment decisions on the basis of personal characteristics[9] unrelated to inherent job requirements. The client will base the employment relationship on the principle of equal opportunity and fair treatment, and will not discriminate with respect to any aspects of the employment relationship, such as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, and disciplinary practices. The client will take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women. The principles of non-discrimination apply to migrant workers.

[9] *Such as gender, race, nationality, ethnic, social and indigenous origin, religion or belief, disability, age, or sexual orientation.*

16. In countries where national law provides for non-discrimination in employment, the client will comply with national law. When national laws are silent on non-discrimination in employment, the client will meet this Performance Standard. In circumstances where national law is inconsistent with this Performance Standard, the client is encouraged to carry out its operations consistent with the intent of paragraph 15 above without contravening applicable laws.

17. Special measures of protection or assistance to remedy past discrimination or selection for a particular job based on the inherent requirements of the job will not be deemed as discrimination, provided they are consistent with national law.

GN41. Discrimination in employment is defined as any distinction, exclusion, or preference with respect to recruitment, hiring, firing, working conditions, or terms of employment made on the basis of personal characteristics unrelated to inherent job requirements that nullifies or impairs equality of opportunity or treatment in employment or occupation.[GN10] Inherent job requirements refer to genuine occupational qualifications that are necessary to perform the job in question. For example, requiring that a worker possess strength sufficient for lifting that is a frequent and essential part of a job would be considered a bona fide occupational qualification. If the client requires the workers to wear a uniform, the uniform should be culturally appropriate and appropriate to both genders. If identification cards are issued by the company, they will not contain irrelevant personal/private information such as cultural affiliation or marital status.

GN42. Equal opportunity is the principle of basing all employment decisions, such as hiring and promotion, on the ability of a person to perform the job in question, without regard to personal characteristics that are unrelated to the inherent job requirements. For further guidance on non-discrimination and equal opportunity see Annex D and IFC's Good Practice Note on Non-Discrimination and Equal Opportunity. A client can apply the principles of equal opportunity and non-discrimination using methods that are effective and acceptable within the country's legal framework and cultural context as long as the methods used do not compromise the principles. Beyond the objective to fulfill international legal obligations and commitments to gender equality, employers may value increasing gender equality in the workplace for a variety of different reasons. The business case for doing so may not be equally strong for all employers, but there is growing awareness among employers to focus on the recruitment and retention of women in the workforce and address workplace gender-equality issues to enhance their competiveness in the marketplace. For example, clients should promote equal opportunities for women and men with special emphasis on equal criteria for selection, remuneration, and promotion, and equal application of those criteria.

GN43. If the client hires migrant workers, appropriate measures should be taken to prevent any discriminatory treatment of migrant workers.

GN44. The client will take measures to prevent and will not endorse any harassment, including sexual harassment or psychological mistreatment within the workplace.

[GN10] Based on ILO Conventions 100 and 111. ILO Convention 111 and a number of other international instruments have enumerated types of personal characteristics that are unrelated to the requirements of the job. ILO Convention 111 defines as discrimination any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation. The UN Universal Declaration of Human Rights covers all of the personal characteristics listed in the ILO Convention and also includes language, political or other opinion, property, birth or other status; the UN Convention on the Elimination of All Forms of Racial Discrimination also prohibits discrimination based on descent or ethnic origin; the UN Convention on the Rights of the Child also prohibits discrimination based on disability.

GN45. Laws in a large number of countries forbid discrimination based on a range of factors. These laws typically reflect a number of international agreements that recognize and protect the rights established in those agreements.[GN11] When the law is silent, clients are expected to base recruitment, hiring, working conditions, and terms of employment on equal opportunity and non-discrimination in accordance with these principles.

GN46. Clients should also address protection of disabled people's rights under all of their labor policies and procedures. HR policies and procedures should also include working conditions, access and egress for disabled people. These policies and procedures should be available and communicated to disabled workers, which may mean providing them in alternative formats such as large print, Braille, audio tape, etc.[GN12]

GN47. Special measures of protection or assistance to remedy past discrimination refer to policies designed to increase employment of underrepresented groups in the workforce or in particular occupations in order to remedy past discrimination, such as affirmative action, with a view to achieving effective equality of opportunity and treatment in the workplace. These will not be deemed discrimination and may be used where permitted by law. Similarly, projects may have objectives to promote the employment of the local community within the project. Where this is done in accordance with national law, this will not be taken to infringe the principles of this paragraph.

Retrenchment

18. Prior to implementing any collective dismissals,[10] the client will carry out an analysis of alternatives to retrenchment.[11] If the analysis does not identify viable alternatives to retrenchment, a retrenchment plan will be developed and implemented to reduce the adverse impacts of retrenchment on workers. The retrenchment plan will be based on the principle of non-discrimination and will reflect the client's consultation with workers, their organizations, and, where appropriate, the government, and comply with collective bargaining agreements if they exist. The client will comply with all legal and contractual requirements related to notification of public authorities, and provision of information to, and consultation with workers and their organizations.

19. The client should ensure that all workers receive notice of dismissal and severance payments mandated by law and collective agreements in a timely manner. All outstanding back pay and social security benefits and pension contributions and benefits will be paid (i) on or before termination of the working relationship to the workers, (ii) where appropriate, for the benefit of the workers, or (iii) payment will be made in accordance with a timeline agreed through a collective agreement. Where payments are made for the benefit of workers, workers will be provided with evidence of such payments.

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

[11] *Examples of alternatives may include negotiated working-time reduction programs, employee capacity-building programs; long-term maintenance works during low production periods, etc.*

[GN11] Many laws are based on international conventions that have been widely ratified, including ILO Convention 100 on Equal Remuneration; Convention 111 on Employment and Occupation Discrimination; UN Convention on the Elimination of All Forms of Racial Discrimination (CERD); UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

[GN12] Additional references can be found in the ILO C159 Vocational Rehabilitation and Employment (Disabled Persons) Convention and the UN Convention on Disability.

GN48. Retrenchment means the elimination of a number of work positions or the dismissal or layoff of a number of workers by an employer, generally by reason of plant closing or for cost savings. Retrenchment does not cover isolated cases of termination of employment for cause or voluntary departure. Retrenchment is often a consequence of adverse economic circumstances or as a result of a reorganization or restructuring.

GN49. The client will carry out an alternative analysis describing all alternatives analyzed, number of positions saved due to application of each alternative, and a cost analysis to determine viability of alternatives. As an alternative to dismissal, the client should consult workers about the possibility of adopting a range of other measures, including reduction in hours; productivity improvements; temporary layoff; and salary reduction. Such measures should be introduced after a period of consultation, and in full agreement of the workers affected. The duration of these measures have a determined and agreed time limit.

GN50. In many countries, national law requires advance notice to affected workers, and/or governments of plant closings or layoffs above specified numerical thresholds. Some national laws require that retrenchments be negotiated with workers' organizations through collective bargaining. Severance payments to affected workers may be required by national law or existing collective bargaining agreements.[GN13]

GN51. When significant layoffs cannot be avoided, a plan should be developed to address the adverse impacts on workers and their community. The retrenchment plan should address issues such as the consideration of alternatives to retrenchment; schedule of dismissals, if unavoidable; retrenchment methods and procedures; selection criteria; severance payments; offers of alternative employment or assistance in retraining efforts; and job placement.

GN52. Selection criteria for those to be laid off should be objective, fair, and transparent. The retrenchment should not be based on personal characteristics unrelated to inherent job requirements. In particular, the provisions of paragraphs 15–16 of Performance Standard 2 and national law on non-discrimination and protection of workers' representatives and trade union officials should be taken into account.

GN53. Clients should also consult with workers and their organizations in developing the retrenchment plan. Consultations are essential for the development of plans that reflect workers' concerns as well as their ideas about ways to avoid or minimize layoffs, criteria for selection and compensation payments. Where national law or an existing collective bargaining agreement stipulates that retrenchment is a subject for collective bargaining, the client should allow time for good faith bargaining as well as to implement the terms of applicable collective bargaining agreements. Any legal requirements specifying a period of advance notice must be followed. It is good practice to establish a grievance mechanism to deal with claims that provisions in the retrenchment plan were not followed.

GN54. Consultation with governments may be required by law, and, in addition, clients are encouraged to consult governments where the scale of layoffs can have significant impacts on communities, and where government assistance may be available to help address these impacts.

GN55. For further guidance on good practices in retrenchment, see IFC's Good Practice Note on Retrenchment.

[GN13] Useful guidance on retrenchment is included in the Guidelines for Multinational Enterprises available at: http://www.oecd.org/topic/0,2686,en_2649_34889_1_1_1_1_37439,00.html and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the ILO, available at: http://www.ilo.org/public/english/employment/multi/index.htm.

GN56. Any outstanding back pay and benefits as well as severance payments mandated by law and/or collective agreements should be paid in a timely manner as required by paragraph 19 of Performance Standard 2. In some jurisdictions the client might be obligated by law to transfer certain payments to specific institutions such as pension fund administration, health funds, etc. In such cases the client will not provide payments directly to the worker but for the benefit of the worker to the appropriate institution. The client, however, will provide the worker with evidence of such payments. In cases where payments to certain institutions are optional the client will provide options to the worker who might chose either a direct cash payment or payment to a defined institution.

> ***Grievance Mechanism***
> ***20. The client will provide a grievance mechanism for workers (and their organizations, where they exist) to raise workplace concerns. The client will inform the workers of the grievance mechanism at the time of recruitment and make it easily accessible to them. The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retribution. The mechanism should also allow for anonymous complaints to be raised and addressed. The mechanism should not impede access to other judicial or administrative remedies that might be available under the law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements.***

GN57. In providing a grievance mechanism through which workers may raise workplace concerns, the client should ensure that matters are brought to management's attention and addressed expeditiously. It should also provide feedback to those involved and should bar retribution for filing complaints. Grievance mechanisms may be designed to direct complaints through an appropriate process in order to protect the confidentiality of the worker, and should ensure that workers can raise concerns other than to immediate supervisors. Where there are gender, ethnic, or other tensions at work, adequate representation of such groups in grievance committees should be considered and the accessibility of grievance mechanisms to them should be ensured. The client needs to document all grievances and follow up on any corrective action. The client will appoint a committee to deal with grievances, which will include management, supervisors and workers' representatives. Most countries have judicial or administrative processes to address labor complaints; the client's mechanism should not delay or hinder access to other judicial or administrative remedies that are available under law.

GN58. Where a grievance mechanism is provided through a collective bargaining agreement, and meets the requirements of Performance Standard 2, the client should utilize it for those workers covered by the agreement. If there are other workers who are not covered by an agreement, the client should establish a separate mechanism for them, or discuss with unions and workers the feasibility of using the same grievance mechanism. Clients should inform and train workers on how to use the grievance mechanism and encourage the use of it to express complaints and suggest improvements.

GN59. A grievance mechanism should clearly establish the policy and procedures for grievances. This grievance mechanism should be communicated to all workers, including management, in a clear and understandable manner. The mechanism should always allow for timely resolution of complaints and should normally provide for a meeting to discuss the grievance should the worker wish to attend. The worker should have the right to be accompanied and/or represented by a colleague or official of a trade union at that meeting if they so choose.

GN60. The grievance mechanism should be designed in such a way as to ensure that anonymous complaints can be submitted and resolved. Submitting a grievance will not require personal information or

physical presence. The response to anonymous grievances should be posted at locations that can be seen by all employees.

> ***Protecting the Work Force***
>
> ***Child Labor***
> ***21. The client will not employ children in any manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. The client will identify the presence of all persons under the age of 18. Where national laws have provisions for the employment of minors, the client will follow those laws applicable to the client. Children under the age of 18 will not be employed in hazardous work.[12] All work of persons under the age of 18 will be subject to an appropriate risk assessment and regular monitoring of health, working conditions, and hours of work.***

[12] *Examples of hazardous work activities include work (i) with exposure to physical, psychological, or sexual abuse; (ii) underground, underwater, working at heights, or in confined spaces; (iii) with dangerous machinery, equipment, or tools, or involving handling of heavy loads; (iv) in unhealthy environments exposing the worker to hazardous substances, agents, processes, temperatures, noise, or vibration damaging to health; or (v) under difficult conditions such as long hours, late night, or confinement by employer.*

GN61. For purposes of Performance Standard 2, a child is a person under age 18. Child labor consists of work by children that is economically exploitative or likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. Certain types of work performed by children may be acceptable, but only when carried out in a manner that is both legal and safe. Most countries impose legal restrictions on the use of child labor, although terms vary. In countries where applicable laws do not specify a minimum age, children aged below 15 (14 in some less-developed countries) should not perform work. Where applicable laws diverge from this specified age standard, the higher standard should apply. In the case of family and small-scale holdings that produce for local consumption and do not regularly employ workers, the work performed by children may be acceptable so long as it is not harmful to the child in any manner. Under no circumstances should children perform work that is 1) economically exploitative; or 2) likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development; or 3) illegal, even if such practices are socially or culturally acceptable in the sector, country or region. Obligations on child labor are extended to the client's supply chain as outlined in paragraph 27–29 of Performance Standard 2.

GN62. ILO definitions for Child Labor are listed below. Depending on the sector, some countries might have exceptions to the age limit for a determined period of time. These exceptions need to be approved by ILO.

Age Groups	*Working Hours*	*Explanations*
Children 0–12 years	A single hour of economic activity by children under 12 automatically qualifies them as child laborers.	
Children 13 – 14 years	More than 2 hours of economic activity each day for more than 6 days in a week even if it does not interfere with schoolwork and is not hazardous automatically qualifies them as child laborers. Any work which is hazardous or which interferes with the children's education will automatically qualify them as child laborers.	Light work must not threaten the children's health and safety, or hinder their education or vocational orientation and training.
Children 15–17 years	Allowed to work up to a maximum of 40 hours per week subject to the work being age appropriate. Any hazardous work which is likely to jeopardize children's physical, mental or moral heath, safety or morals will automatically qualify them as child laborers.	The national minimum age for work should not be below the age for finishing compulsory schooling, which is generally 15.

GN63. The presence of child labor may not be immediately evident at the time of due diligence or financing. Handling the discovery of children working in a business presents significant challenges for a client to manage. Immediately removing children from their work is likely to worsen their financial condition. Rather, clients should immediately remove children from tasks that are dangerous, harmful, or inappropriate given their age. Children who are under the national school-leaving age may only be allowed to work outside of school hours. Those children who are over the school-leaving age but are performing hazardous tasks must be moved to non-harmful tasks. Clients should review workplace conditions (i.e., OHS conditions including exposure to machinery, toxic substances, dust, noise, and ventilation, work hours, and nature of the tasks) to be certain that legally employed children are not exposed to conditions likely to be harmful to them. To do this effectively, clients need to examine the specific types of tasks that are hazardous to children, and whether employment interferes with access to education.

GN64. Clients should set a corporate minimum work age that at a minimum complies with national law and is not lower than 15 (14 in some less-developed countries) (with some exceptions on minimum age noted in paragraph GN68). Clients should develop a corporate policy against employing, using, or benefiting from child labor. This policy should include procedures for age verification in hiring. Clients should review and retain copies of verifiable documentation concerning the age and employment profile of all people under 18 working in the business, and retain this documentation. The work of persons under the age of 18 shall be subject to an appropriate risk assessment and regular monitoring of health, working conditions, and hours of work.[GN14]

GN65. Human trafficking is the recruitment, transportation, transfer, harboring, or receipt of persons, by means of the threat or use of force or other forms of coercion, abduction, fraud, deception, abuse of power, or of a position of vulnerability, or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Trafficking of children for labor exploitation has been identified as an international problem. Clients shall inquire about

[GN14] See ILO Convention 16: Medical Examination of Young Persons (sea) 1921, ILO Convention 77: Medical Examination of Young Persons (Industry) 1946, ILO Convention 78: Medical Examination of Young Persons (Non-Industrial Occupations) 1946, ILO Convention 79: Night Work of Young Persons (Non-Industrial Occupations) 1946, ILO Convention 90 Night Work of Young Persons (Industry) 1948, and ILO Convention 124 Medical Examination of Young Persons (Underground work) 1965.

and address these issues with third parties who supply labor so that they do not benefit from these coercive practices. More information can be found in the ILO's International Programme for the Elimination of Child Labor (IPEC) and the International Organization for Migration (IOM) (see Bibliography).

GN66. For further guidance, see IFC's Good Practice Note, Addressing Child Labor in the Workplace and Supply Chain and IFC's Measure & Improve your Labor Standards Performance Handbook.

> ***Forced Labor***
> ***22. The client will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor, or similar labor-contracting arrangements. The client will not employ trafficked persons.[13]***

[13] *Trafficking in persons is defined as the recruitment, transportation, transfer, harboring, or receipt of persons, by means of the threat or use of force or other forms of coercion, abduction, fraud, deception, abuse of power, or of a position of vulnerability, or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Women and children are particularly vulnerable to trafficking practices.*

GN67. Forced labor consists of any work or service not voluntarily performed that is exacted or coerced from a person under threat of force or penalty.[GN15] Forced labor includes any kind of involuntary or compulsory labor, such as indentured labor, bonded labor or similar labor arrangements, slavery and slavery-like practices. Bonded labor is labor that is required in order to pay off a debt. The level of the debt as a ratio to money credited for work is such that it is impossible or very difficult to ever pay off that debt. Forced labor also includes requirements of excessive monetary deposits, excessive limitations on freedom of movement, excessive notice periods, substantial or inappropriate fines, and loss or delay of wages that prevent workers from voluntarily ending employment within their legal rights. Migrant workers are most vulnerable to these types of arrangements. Obligations on forced labor are extended to the client's supply chain as outlined in paragraphs 27–29 of Performance Standard 2.

GN68. Laws in a large number of countries prohibit most forced labor practices. ILO Convention 29 on Forced Labor, which provides the basis for the definition above, has been ratified by a large majority of countries.[GN16]

GN69. The employment relationship should be freely chosen and free from threats. Forced labor is a grave abuse of the fundamental rights of the worker, and retards economic development by keeping capital in sectors that would not survive without such practices.

GN70. Forced labor practices may not be immediately apparent. If forced labor is discovered in the client's workforce, including direct and/or contracted workers, or supply chain, immediate steps should be taken to address the practice that has coerced the worker and instead offer terms of employment that can be freely chosen and do not recreate conditions of coercion. Immediate steps should also be taken to refer cases of forced labor to law enforcement authorities, as appropriate.

GN71. Clients need to avoid any type of physical or psychological coercion of workers, such as unnecessary restrictions on movement or physical punishment that create a situation whereby the worker feels compelled to work on a non-voluntary basis. Examples of such practices include locking workers in

[GN15] Based on ILO Convention 29 on Forced Labor.
[GN16] Additional guidance is provided by ILO Convention 105 on the Abolition of Forced Labor.

their workplace or worker housing. Clients may not retain worker's identity documents, such as passports, or personal belongings; such actions may, in effect, amount to a forced labor-like situation. Workers should have access to their personal documents, including government-issued documents such as passports, at all times. Security personnel employed by the client may not be used to force or extract work from workers.

GN72. Clients should avoid practices that have the effect of creating unpayable debt obligations, such as excessive charges for travel, housing and meals as part of the employment relationship. Clients should also exercise diligence with regard to key contractors and subcontractors so that they do not knowingly benefit from practices that lead to bonded or indentured status of workers.

GN73. Clients should clearly recognize and communicate worker's freedom of movement in employment contracts, including access to personal documents at all times. Contracts need to be provided in the workers' language and need to be understood by them.

GN74. Trafficked persons[GN17] and migrant workers who lack legal status in a country may be particularly vulnerable to forced labor situations, for example through debt bondage to "recruiters and brokers" who charge exorbitant fees to place workers. Clients should inquire about and address these issues with contractors who supply labor so that they do not benefit from these coercive practices. Diligence should also be exercised when the client's project is situated in an export processing zone (EPZ) since EPZs are often exempt from national labor laws or have weak enforcement of such law. Migrant workers, particularly girls and young women, are one of the groups that have been identified as more vulnerable to human trafficking and forced labor. Several institutions are addressing issues of migrant vulnerability, including the ILO and the IOM.

GN75. There are circumstances where prison labor and labor from correctional facilities will be considered to be forced labor. If prisoners are working and a private company benefits, then work will only be acceptable where the prisoners have demonstrably volunteered for the work and they are paid at a rate which is equivalent to the prevailing market rate for that job. If prison labor comprises an important and irreplaceable part of the client's supply chain, the client should provide a detailed review demonstrating that the proposed prison labor meets the above requirements.

Occupational Health and Safety

23. The client will provide a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas, including physical, chemical, biological, and radiological hazards, and specific threats to women. The client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, as far as reasonably practicable, the causes of hazards. In a manner consistent with good international industry practice,[14] as reflected in various internationally recognized sources including the World Bank Group Environmental, Health and Safety Guidelines, the client will address areas that include the (i) identification of potential hazards to workers, particularly

[14] Defined as the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances, globally or regionally.

[GN17] United Nations, Human Trafficking and Business: Good Practices to Prevent and Combat Human Trafficking, United Nations Global Initiative to Fight Human Trafficking, 2010.

those that may be life-threatening; (ii) provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; (iii) training of workers; (iv) documentation and reporting of occupational accidents, diseases, and incidents; and (v) emergency prevention, preparedness, and response arrangements. For additional information related to emergency preparedness and response refer to Performance Standard 1.

GN76. OHS refers to the range of endeavors aimed at protecting workers from injury, illness or impacts of mutagenic or teratogenic agents associated with exposure to hazards encountered in the workplace or while working. Hazards may arise from materials (including chemical, physical and biological substances and agents), environmental or working conditions (such as excessive hours of work, night work, mental or physical exhaustion, oxygen deficient environments, excessive temperatures, improper ventilation, poor lighting, faulty electrical systems or unshored trenches), or work processes (including tools, machinery and equipment). OHS practices include the identification of potential hazards and responses including design, testing, choice, substitution, installation, arrangement, organization, use and maintenance of workplaces, working environment and work processes to eliminate sources of risk or minimize workers' exposure to them. Some OHS risks may be specific to women workers. This may partly be due to the fact that men and women tend to have different types of jobs, but also because of physiological differences. Sexual harassment at the workplace is typically a risk for female workers, which should be considered when designing the grievance mechanism. This could for example, imply having staff that have the appropriate skills to receive and handle complaints related to sexual harassment. The client should provide separate toilet and locker facilities for men and women. The client may also want to consider including women on OHS committees to help ensure that policies and practices respond to women workers needs.

GN77. Most countries have laws regulating OHS and workplace conditions[GN18] and the client is expected to comply with such laws. Additional guidance on the management of OHS issues according to Good International Industry Practice is provided in the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines), both general and industry sector.

GN78. Sources of hazards to workers' health and safety should be eliminated rather than allowing the hazards to continue and providing personal protective equipment. However, when the hazard is inherent to the project activity or it is otherwise not feasible to completely eliminate the hazard, the client should take appropriate protective measures such as controlling the hazard at its source through the use of protective solutions (e.g., exhaust ventilation systems, isolation rooms, machine guarding, acoustic insulation, etc) and provide adequate personal protective equipment at no cost to the worker. Protective measures, training and equipment will be necessary to prevent occupational exposure to hazardous materials.

GN79. Asbestos, which has been classified as a Group 1 carcinogen by many national and international organizations, and asbestos-containing material (ACM), need to be addressed through practices which are specified in the General EHS Guidelines and the WBG's Good Practice Note: Asbestos Occupational and Community Health Issues. ACM should be avoided in new construction, including construction for disaster relief. In reconstruction, demolition, and removal of damaged infrastructure, asbestos hazards should be identified and a risk management plan adopted that includes disposal techniques and end-of-life sites.

[GN18] Parties to the ILO have also negotiated numerous conventions that address these matters, both at the general level and with regard to specific industries. Examples include ILO Convention 155 on Occupational Safety and Health and Protocol 155 of 2002 to Convention 155; Convention 162 on Asbestos; Convention 174 on Prevention of Major Industrial Accidents.

GN80. Training should be provided to all workers on relevant aspects of OHS associated with their daily work, including emergency arrangements and OHS briefing for visitors and other third parties accessing the premises. Workers should not face any disciplinary measures or negative consequences for reporting or raising concerns about OHS.

GN81. The client should document and report occupational injuries, illnesses and fatalities. Worker monitoring data (such as exposure levels and health testing) should be retained and reviewed. Health monitoring data should be used to check the effectiveness of protection measures to hazardous agents. Looking at such data by gender may provide useful information on how women at work may be affected differently than men.

GN82. Clients will extend a safe and healthy work environment to contracted workers and to any other workers who provide project-related work and services. Contract specifications for contractors providing workers should include provisions that they meet the OHS requirements of the client, both to satisfy the requirements of Performance Standard 2 and to minimize risk and liability to the client. Clients should monitor contractor performance on the implementation of OHS requirements and suggest corrective actions if necessary. Clients should also ensure that the contractor's workers have adequate access to first aid and medical assistance in cases of work related accidents or injuries. As a way to lessen risk and liability, and to improve performance, clients should require comparable practices of suppliers.

GN83. The overall social and environmental management system as required by Performance Standard 1 should be designed with adequate capacity for oversight of OHS matters. The management system should include regular monitoring and review of occupational health and safety matters, ambient working environments and other OHS indicators. It is good practice to apply information compiled and any corrective measures in a continuous process to improve OHS conditions and management.

> ***Workers Engaged by Third Parties***
>
> ***24. With respect to contracted workers the client will take commercially reasonable efforts to ascertain that the third parties who engage these workers are reputable and legitimate enterprises and have an appropriate ESMS that will allow them to operate in a manner consistent with the requirements of this Performance Standard, except for paragraphs 18–19, and 27–29.***
>
> ***25. The client will establish policies and procedures for managing and monitoring the performance of such third party employers in relation to the requirements of this Performance Standard. In addition, the client will use commercially reasonable efforts to incorporate these requirements in contractual agreements with such third party employers.***
>
> ***26. The client will ensure that contracted workers, covered in paragraphs 24–25 of this Performance Standard, have access to a grievance mechanism. In cases where the third party is not able to provide a grievance mechanism the client will extend its own grievance mechanism to serve workers engaged by the third party.***

GN84. Some workers working on the core business processes of a project may not be directly contracted by the client, but rather through contractors, agents, brokers or other intermediaries. Indicators determining the type of employment relationship and type of workers are included in paragraphs GN9 and GN17. This will help clients to determine if there are gaps in covering contracted workers rights. Even though workers are outsourced by the client, these workers tend to perform important functions of the client's core business processes for a substantial period as if they are substitute workers of the client. Where such workers are performing work related to the core business processes of the project, the client

has the responsibility to ensure that contractors and other intermediaries comply with the standards set out in this Performance Standard.

GN85. In cases where third parties are small and medium enterprises or have limited resources and capacity, the client will assess the type of support it can provide to improve such third party performance, which may include the use or extension of the client's systems or services to supplement those of the third party, in relation to the requirements under this Performance Standard. If third party performance cannot be improved over a reasonable timeframe, the client will need to evaluate alternative sources to these services.

GN86. The client should develop and implement procedures to manage and monitor performance of third parties. These procedures should be integrated in the day-to-day operations of the company and requirements should be clearly communicated to third parties, and if possible to workers engaged by these third parties.

GN87. Most national laws address contract labor, though the terms vary widely among countries and types of contract labor. The client should assess the employment relationship between the contractor and workers, and ensure that all contractors comply with legal requirements covering but not limited to minimum wage, hours of work, overtime payments, health and safety conditions, contributions to health insurance and pension schedules, and other legally mandated employment terms with regard to all workers engaged by third parties. There may also be national law provisions that state that contractors' workers should not work on key functions within the business.

GN88. The clients should use commercially reasonable efforts[GN19] so that they do not benefit from labor practices of third parties that are in breach of national law or the standards set out in this Performance Standard. Such efforts may include establishing contractual obligations on contractors or intermediaries who supply workers to the client; defining and enforcing policy regarding use of employment agencies and labor requirements; auditing the relationship and type of contract between third party and workers; making unannounced visits and visual inspections at the core business processes; exercising due diligence in supervising contractors and other intermediaries who supply workers; monitoring compliance of third parties; and providing training for all third party workers to explain labor and working conditions for that project. The client will assess the track record or standing of contractors and other intermediaries that will engage workers. The client should also exercise due diligence to ensure that contractors or other intermediaries engaging workers satisfy all legal requirements.

GN89. It is good practice for clients to exercise visual inspections over all those working at the client's core business processes. The clients shall ensure that a grievance mechanism is available for these workers either directly by the third party or through the company. In case the grievance mechanism is provided by the third party, the client will receive regular reporting on the grievance raised by the workers.

GN90. Where workers are employed by a third party with limited capacity to deal with workers' grievances the client should either take steps to ensure that the third party has a grievance mechanism in place, or should establish a grievance procedure which allows for the workers of the third party to directly bring complaints to the client, which the client should then bring to the attention of the third party for resolution.

[GN19] Commercially reasonable efforts refer to taking all measures necessary to achieve a purpose as long as their cost or burden is not unreasonable from a commercial perspective. For example, if a measure is uneconomical for a business to undertake, it could be deemed to be commercially unreasonable. It contrasts with "best efforts," which usually means taking any measures necessary, even if they could be excessively costly or burdensome.

GN91. When the client or third party provides services to contracted workers, these services shall be provided in a non-discriminatory manner and comply with national and international standards for quality, security, safety and professional competency. The workers should not be forced to use any of the services provided by the third party and if the third party charges for services prices should be at market rate, transparent and fair.

GN92. IFC and the European Bank for Reconstruction and Development have produced guidance (Workers' Accommodation: Processes and Standards (Workers' Accommodation: Processes and Standards) that sets out a range of standards which can be applied in relation to worker accommodation. Third parties should consider this guidance and those provided by national law and develop an agreed set of standards for the project and a plan for establishment and maintenance of accommodation and services. Conditions in the accommodation and services provided should be monitored by the client.

Supply Chain

27. Where there is a high risk of child labor or forced labor[15] in the primary supply chain, the client will identify those risks consistent with paragraphs 21 and 22 above. If child labor or forced labor cases are identified, the client will take appropriate steps to remedy them. The client will monitor its primary supply chain on an ongoing basis in order to identify any significant changes in its supply chain and if new risks or incidents of child and/or forced labor are identified, the client will take appropriate steps to remedy them.

28. Additionally, where there is a high risk of significant safety issues related to supply chain workers, the client will introduce procedures and mitigation measures to ensure that primary suppliers within the supply chain are taking steps to prevent or to correct life-threatening situations.

29. The ability of the client to fully address these risks will depend upon the client's level of management control or influence over its primary suppliers. Where remedy is not possible, the client will shift the project's primary supply chain over time to suppliers that can demonstrate that they are complying with this Performance Standard.

[15] The potential risk of child labor and forced labor will be determined during the risks and impacts identification process as required in Performance Standard 1.

GN93. Supply chain refers to materials, components, goods or products for use in ongoing operations. A supply chain of goods may include suppliers of raw material and suppliers of pieces or components for assembly and production. The supply chain of multinational corporations can be extensive and may be global in nature, whereas the supply chain of national or smaller enterprises will be smaller in scale and may be local in nature, involving local companies, and home-based workers. The term primary supplier refers to those suppliers who are providing goods, and materials essential for the core business processes of the project. The supply chain requirements of Performance Standard 2 do not apply to material or components used in the construction phase of the project.

GN94. A company's supply chain can be complex and include a large number of suppliers in different tiers. Although it might not be feasible to assess the entire supply chain, the client should identify the areas of risks and impacts related to paragraphs 27 and 28, whether due to (i) suppliers' operating context (e.g., inherent risk in country, region or sector); (ii) the particular materials, components, or products supplied (e.g., inherent risk in production, agricultural commodities or extracting process); or (iii) other relevant considerations, and prioritize assessment of those suppliers. The first step is to

undertake a mapping of the supply chain. This will include the identification of suppliers, identification of the potential significant adverse risks and impacts associated with the supply chain, and prioritization of suppliers by levels of risk. Due to the dynamic character of most supply chains, this process needs to be updated periodically. Tracking of suppliers' performance should be integrated into the overall management system. This will help clients to determine whether procedures and mitigation measures are being implemented correctly. It also provides feedback on new areas of risk and concern.

GN95. The effectiveness in addressing the supply chain will depend on the leverage that the client will likely be able to exercise. In situations where there is an integrated chain of suppliers that depend on the client for their business viability, this leverage and client risk from supplier nonperformance will be high. As the supply chain extends into commodity markets where the client's operation has little significance, the client's supply chain review will simply reflect sectoral issues, rather than opportunities for project-specific mitigation. Where the client has complex operations with multiple tiers of suppliers, its leverage will diminish toward the more distant tiers of suppliers.

GN96. With regard to child labor and forced labor as defined in Performance Standard 2, the client needs to exercise due diligence in its supply chain to avoid benefit or financial gain from these practices. Clients should make particular effort and engage in additional diligence when such practices are prevalent or known to exist within certain stages of the supply chain, in specific industries or in geographic areas. Financial gain from child labor is a specific risk when the cost of labor is a factor in the competitiveness of the client's goods or materials. Clients should utilize their influence to the fullest extent to eradicate child labor and forced labor in their supply chain. Clients should also take steps to ensure that life-threatening situations (for example, exposure to significant fall and crushing hazards, exposure to hazardous substances, and exposure to electrical hazards) are either prevented or removed from the supply chain.

GN97. Where the client discovers forced labor and child labor in the supply chain, the client should seek professional advice on the appropriate steps to take to address this issue. In the case of child labor, immediately removing children from their work is likely to worsen their financial condition. Rather, clients should immediately remove children from tasks that are dangerous, harmful, or inappropriate given their age. Children who are over the national school-leaving age should be moved to non-harmful tasks. Children under the national school-leaving age must only work in legal activities outside school hours, and in some cases it may be appropriate to provide compensation to cover their loss of wages. Implementing processes such as purchasing procedures will ensure that specific requirements on child labor, forced labor and work safety issues are included in orders and contracts with suppliers.

Annex A

Content of a Labor Assessment

A labor assessment may be carried out at different levels, depending on the initial assessment of the project risk posed by labor practices. It may take place as part of a social and environmental assessment process or as a stand-alone exercise. Any labor assessment should include a review of the potential client's employment policies, the adequacy of existing policies, and management's capacity to implement.

The assessment may include the following:

- Description of the workforce – This includes numbers of workers, types of jobs and skills, and composition of the workforce (gender, age, minority status, etc.) and numbers employed through contractors and other third parties.
- Description of working conditions and terms of employment – A copy of the client's policies and procedures covering labor relations and human resource management should be provided. The client should indicate whether the workers are organized and to which workers' organization(s) they belong. All collective bargaining agreements that apply to the project should be included.
- Description of types of employment relationships – A description of the structure of the client's supply chain will be included and an assessment of the likely labor risks in the supply chain. Description of the way in which terms and conditions are determined, including an assessment of the degree to which wages and other conditions compare to other comparable employers in the sector.
- Description of the working environment and identification of any work place health and safety issues – This includes mitigation measures to protect the welfare of the workforce or address identified risks. Both risks that arise from normal functions and operations as well as less common circumstances and accidents that are known to be a risk within the industry or locality should be covered. The assessment should identify work areas, equipment and processes that may require redesign, risk reduction or hazard control measures.
- Compliance with national employment and labor law – An explanation of the nature of any violations of applicable labor law, copies of reports from national inspectorates or other enforcement bodies and a description of remediation steps taken.
- Description of conditions in the client's project – The nature of the project, sector or country might pose risk of violation of employment and labor law or the requirements of Performance Standard 2 in the client's project or by key contractors and suppliers. This should be set out against the requirements of the Performance Standard.
- Identification of the client's employment policy where improvements may be needed in light of the requirements of Performance Standard 2 or national law – The client should take this opportunity to identify weaknesses in its policies or employment practices and changes that could improve the firm's performance.

Annex B

Content of HR Policies

Companies need to develop their HR policies taking into consideration their type of business processes. Companies should not simply copy a template for such a wide-ranging strategic document. However a good start is to use the elements of Performance Standard 2 as the outline for labor and working conditions in writing HR policies. Companies need to make sure that each policy statement is in alignment with the respective element and guiding principles of Performance Standard 2. Here is the outline of Performance Standard 2 for reference, but it should not be limited by this.

1. Working Conditions and Management of Worker Relationship
    a. Human Resources Policy
    b. Working Relationship
    c. Working Conditions & Terms of Employment
    d. Workers' Organizations
    e. Non-Discrimination & Equal Opportunity
    f. Retrenchment
    g. Grievance Mechanism
2. Protecting the Workforce
    a. Child Labor
    b. Forced Labor
3. Occupational Health & Safety
4. Workers Engaged by Third Parties
5. Supply Chain

HR policies can flow directly from Performance Standard 2. Companies need to clearly and simply state their policies with respect to each element of Performance Standard 2. They do not have to be long and technical like a legal document. Companies can simply paraphrase the guiding principles of Performance Standard 2 and customize the language for the company.

Additional information on how to develop HR policies can be found in IFC's Measure & Improve your Labor Standards Performance Handbook.

Content of HR Procedures

Procedures need to be clearly written. They need to explain step-by-step how everyone will implement the principles of Performance Standard 2 and the HR policies. They need to be clearly communicated to workers at all levels of the company, in all of the languages spoken in the company.

HR procedures should not be an isolated set of activities layered on to the company's existing business procedures. They should be integrated in the day-to-day business operations.

Additional information on HR procedures can be found in the IFC Handbook noted above.

Annex C

Information Provided to Individual Workers

The information provided to workers on the commencement of their employment will normally be covered by rules concerning such information or contracts of employment contained in national law, however initial documents and contracts should also include information on the following:

- The name and legal domicile of the employer;
- The worker's job title;
- The date employment began;
- Where the employment is not permanent, the anticipated duration of the contract;
- The place of work or, where the work is mobile, the main location;
- Hours of work, leave entitlements and other related matters;
- Rules relating to overtime and overtime compensation;
- The levels and rules relating to the calculation of salary, wages and other benefits, including any rules related to deductions;
- The pension and other social security arrangements applicable to the worker;
- The length of notice which the worker can expect to give and receive on termination of employment;
- The disciplinary procedures which are applicable to the worker, including details of representation available to the worker and any appeals mechanism;
- Details of grievance procedures, including the person to whom grievances should be addressed;
- Any collective bargaining arrangements which apply to the worker.

This information should ideally be provided to the worker upon commencement of employment, but if not, should be provided as soon as possible thereafter.

Annex D

Grievances - Principles of Grievance Mechanisms

There is no prescribed form for internal grievance mechanisms and such matters are rarely dealt with by national law – although there may be provisions in collective agreements which are relevant. There are, however, various principles that should underpin an effective grievance mechanism.

- **Provision of information**: All workers should be informed about the grievance mechanism at the time they are hired, and details about how it operates should be easily available, for example, included in worker documentation or on notice boards.
- **Transparency of the process**: Workers must know to whom they can turn in the event of a grievance and the support and sources of advice that are available to them. All line and senior managers must be familiar with their organization's grievance procedure.
- **Keeping it up to date**: The process should be regularly reviewed and kept up to date, for example, by referencing any new statutory guidelines, changes in contracts or representation.
- **Confidentiality**: The process should ensure that a complaint is dealt with confidentially. While procedures may specify that complaints should first be made to the workers' line manager, there should also be the option of raising a grievance first with an alternative manager, for example, a human resource (personnel) manager.
- **Non-retribution**: Procedures should guarantee that any worker raising a complaint will not be subject to any reprisal.
- **Reasonable timescales**: Procedures should allow for time to investigate grievances fully, but should aim for swift resolutions. The longer a grievance is allowed to continue, the harder it can be for both sides to get back to normal afterwards. Time limits should be set for each stage of the process, for example, a maximum time between a grievance being raised and the setting up of a meeting to investigate it.
- **Right of appeal**: A worker should have the right to appeal to a higher level of management if he or she is not happy with the initial finding.
- **Right to be accompanied**: In any meetings or hearings, the worker should have the right to be accompanied by a colleague, friend or union representative.
- **Keeping records**: Written records should be kept at all stages. The initial complaint should be in writing if possible, along with the response, notes of any meetings and the findings and the reasons for the findings.
- **Relationship with collective agreements**: Grievance procedures may be included in collective agreements. Any additional processes should be consistent with these.
- **Relationship with regulation**: In some countries, grievance processes are set out in employment codes. Workplace processes should be compliant with these.

Annex E

Contents of a Retrenchment Plan

Consider Costs and Alternative Solutions to Retrenchment

- Retrenchment of workers should be considered as a last resort and only implemented after other alternatives have been exhausted.
- Companies should first consider the costs of, and alternatives to, retrenchment.
- Possible alternatives to retrenchment, including those proposed by employees, management and owners, and those suggested by other stakeholders through preliminary consultations should be considered.

Description of Anticipated Retrenchment and Rationale

- Anticipated magnitude, rationale, and timeframe characteristics of the labor force (number of men and women employed by skill level and type of contract)
- Adequacy of current staffing levels and need for retrenchment from a business point of view
- Size of the planned retrenchment (number of men and women to be retrenched by skill level and type of contract)
- Retrenchment schedule.

Relevant Economic Context

- Situation of the local economy, as it relates to the retrenched workers' ability to find new jobs or start new businesses
- Importance of the firm/enterprise in the local economy
- Main trends in the sector in which the firm operates (e.g., projected growth, level of employment, wages, foreign and domestic investment).

Retrenchment Methods and Procedures

- Methods anticipated (e.g., voluntary retirement, severance packages, lay-offs)
- Consultation and negotiation (e.g., with labor organizations, workers' representatives, community organizations, government representatives, and NGOs)
- Selection criteria for worker dismissal
- Strategies to prevent the disproportionate representation of a social group (e.g., women or members of a particular ethnic or religious group) among the retrenched workers.

Management Arrangements

- Person or people who will direct/supervise the retrenchment process
- Grievance and appeal procedures.

Legal/Institutional Framework

- Legislation that applies to early retirement, provision of severance packages and lay-offs
- Legal role of trade unions or other representative bodies in the retrenchment process
- Relevant agreements with labor unions or other labor representatives
- Compliance of planned retrenchment with applicable legislation and agreements
- Coverage of retrenched workers by unemployment insurance or any other welfare programs
- Eligibility of part-time or contract workers to receive benefits or assistance.

Anticipated Impacts on Retrenched Workers and Communities

- Prospects for retrenched workers (market demand for their skills and alternative sources of income/employment) eligibility of retrenched workers for unemployment or other benefits
- Impacts on wider communities and remedial measures proposed.

Compensation and Any Additional Assistance to Be Provided to Retrenched Workers

- Compensation anticipated by skill level and type of contract
- Training programs
- Career counseling
- Assistance to set up micro-enterprises.

Monitoring of the Retrenchment Process

- Indicators to be monitored (e.g., situation of the retrenched workers, payment of entitlements, outcomes of assistance provided)
- Frequency of monitoring activities
- Party or parties that will carry out the monitoring activities.

Supporting Documentation

- References of written materials, record of consultations with affected workers, tables, and the like included in an annex.

Annotated Bibliography

International Agreements

Several of the requirements in Performance Standard 2 are partly guided by standards set by the following international agreements negotiated through the International Labour Organization (ILO) and the United Nations (UN), noted in each case:

- ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
- ILO Convention 98 on the Right to Organize and Collective Bargaining
- ILO Convention 29 on Forced Labor
- ILO Convention 105 on the Abolition of Forced Labor
- ILO Convention 138 on Minimum Age (of Employment)
- ILO Convention 182 on the Worst Forms of Child Labor
- ILO Convention 100 on Equal Remuneration
- ILO Convention 111 on Discrimination (Employment and Occupation)
- UN Convention on the Rights of the Child, Article 32.1

A list of the eight ILO conventions and the countries that have ratified them is available at the ILOLEC Database of International Labour Standards: http://www.ilo.org/ilolex/english/index.htm. The text of the ILO conventions and list of ratifying countries are available at http://www.ilo.org/ilolex/english/convdisp2.htm.

In 1998, the members of the ILO agreed on a "Declaration on Fundamental Principles and Rights at Work" (http://www.ilo.org/public/english/standards/relm/ilc/ilc86/com-dtxt.htm), which declares that "all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization, to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions." A large majority of countries have ratified at least some of the eight ILO conventions that comprise the four core labor standards. In addition, most countries have labor laws in place that reflect the eight core standards, whether or not they have ratified the conventions. Where these standards have not been expressly incorporated into national law, clients should identify and implement the relevant standards as described in the Performance Standard 2 and its accompanying Guidance Note.

Other references to ILO documents in Guidance Note 2 include the following:

- ILO Convention 155 on Occupational Safety and Health
- ILO Protocol 155 of 2002 to the Occupational Safety and Health Convention
- ILO Convention 162 on Asbestos
- ILO Convention 174 on Prevention of Major Industrial Accidents

Several of the topics covered by Performance Standard 2 (noted in relevant sections) are also within the scope of the following international agreements negotiated through the United Nations:

- UN Universal Declaration of Human Rights
- UN International Covenant on Economic, Social, and Cultural Rights
- UN International Covenant on Civil and Political Rights
- UN Convention on the Rights of the Child

- UN Convention on the Elimination of All Forms of Racial Discrimination
- UN Convention on the Elimination of All Forms of Discrimination against Women.

A list of the six UN conventions and the countries that have ratified each of them is available at http://www2.ohchr.org/english/law/index.htm. The ratification status of each convention by country is available at http://treaties.un.org/Pages/Treaties.aspx?id=4&subid=A&lang=en.

Also see the UN's "Convention on the Rights of Persons with Disabilities," which elaborates in detail the rights of persons with disabilities and sets out a code of implementation: http://www.un.org/_disabilities/convention/conventionfull.shtml. Furthermore, see the UN's "Optional Protocol to the Convention on the Rights of Persons with Disabilities" at http://www.un.org/disabilities/convention/optprotocol.shtml.

Guidance, Recommendations, and Adjudications

Resources issued by the following organizations provide useful additional guidance:

ILO (International Labour Organization). 2006. *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. 4th Edition. Geneva: ILO.* This book, available to download, offers guidance on employment, training, conditions of work and life, and industrial relations. http://www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm.

———. 2007. "The Employment Relationship: An Annotated Guide to ILO Recommendation No. 198." ILO, Geneva. http://www.ilo.org/public/english/dialogue/ifpdial/downloads/guide-rec198.pdf.

———. 2011a. "Committee on Freedom of Association." ILO, Geneva. http://www.ilo.org/global/standards/applying-and-promoting-international-labour-standards/committee-on-freedom-of-association/lang--en/index.htm. This committee investigates claimed violations of the right to organize or bargain collectively. This nine-member tripartite (government, employer, and trade union) body reviews complaints on country compliance with the principles of freedom of association and collective bargaining, whether or not a country has ratified ILO Conventions 87 and 98. To review cases, go to http://www.ilo.org/ilolex/english/index.htm and click on "Cases of the Committee on Freedom of Association." Cases are sorted by country and by case.

———. 2011b. "International Labour Standards." ILO, Geneva. http://webfusion.ilo.org/public/db/standards/normes/appl/index.cfm?lang=EN. This site reviews member countries' implementation of ratified labor conventions periodically. A searchable database can access the findings of the Committee of Experts on the Application of Conventions and Recommendations on country and issue violations.

IOM (International Organization for Migration). 2011. Homepage. IOM, Geneva. http://www.iom.int/jahia/jsp/index.jsp. IOM, an intergovernmental organization established in 1951, is committed to the principle that humane and orderly migration benefits migrants and society.

OECD (Organisation for Economic Co-operation and Development). "Guidelines for Multinational Enterprises." OECD, Paris. http://www.oecd.org/topic/0,2686,en_2649_34889_1_1_1_1_37439,00.html. This resource offers guidance on employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation.

IFC and World Bank Resources

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

IFC (International Finance Corporation). 2002. "Addressing Child Labor in the Workplace and Supply Chain." Good Practice Note 1, IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_childlabor. This note provides good practice approaches that businesses have successfully applied in managing risks associated with child labor in their own workplaces and those of their vendors and suppliers.

———. 2005. "Managing Retrenchment." Good Practice Note 4, IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_retrenchment__wci__1319579072627. This 28-page note provides guidance on how to plan and manage the process of retrenchment where significant job losses are anticipated.

———. 2006. "Non-discrimination and Equal Opportunity." Good Practice Note 5, IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_nondiscrimination. This note provides guidance to IFC clients and other employers in emerging markets on promoting both equality and diversity, and overcoming discriminatory practices, while acknowledging that this topic can often be controversial and difficult.

———. 2007a. "Labor and Working Conditions." Guidance Note 2, IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/2398880048855835bf4cff6a6515bb18/2007%2BUpdated%2BGuidance%2BNote_2.pdf?MOD=AJPERES&attachment=true&id=1322808277977. The General Environmental, Health and Safety Guidelines as well as the sector-specific IFC Environmental Health and Safety Guidelines apply to all places of work associated with IFC projects and provide guidance for general and specific aspects for occupational health and safety.

———. 2007b. "Environmental, Health, and Safety General Guidelines." IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/risk+management/sustainability+framework/sustainability+framework+-+2006/environmental%2C+health%2C+and+safety+guidelines/ehsguidelines. The guidelines contain the performance levels and measures that are normally acceptable to IFC and are generally considered to be achievable in new facilities at reasonable costs by existing technology.

———. 2010. *Measure and Improve Your Labor Standards Performance: Performance Standard 2 Handbook for Labor and Working Conditions*. IFC: Geneva. http://www1.ifc.org/wps/wcm/connect/Topics_ext_content/ifc_external_corporate_site/IFC%20Sustainability/Publications/Publications_Handbook_LaborStandardsPerformance__WCI__1319577153058?id=0b26798048d2ea1eb8c1bd4b02f32852&WCM_Page.ResetAll=TRUE&CACHE=NONE&C. This book is intended to be a practical reference and aims to provide an understanding of the management systems and internal staff capabilities required for improving the labor standards performance in a company and its supply chain.

IFC (International Finance Corporation) and EBRD (European Bank for Reconstruction and Development). 2009. "Workers' Accommodation: Processes and Standards. Guidance Note, IFC, Washington, DC, and EBRD, London. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_workersaccommodation.

World Bank. 2009. "Good Practice Note: Asbestos—Occupational and Community Health Issues." World Bank, Washington, DC. http://siteresources.worldbank.org/EXTPOPS/Resources/AsbestosGuidanceNoteFinal.pdf. This note discusses health-risks related to asbestos exposure and provides resources for international best practices.

———. 2011a. "Active Labor Market Programs and Activation Policies." World Bank, Washington, DC. http://go.worldbank.org/MVGTO42OA0. This website offers useful information for clients confronting large-scale retrenchments.

———. 2011b. "Core Labor Standards Toolkit." World Bank, Washington, DC. http://go.worldbank.org/1JZA8B2CO0. This toolkit offers general information on the International Labour Organization's four fundamental principles and rights at work. The website also provides links to other useful information sources.

Country Reports on Labor Practices

ICFTU (International Confederation of Free Trade Unions). 1997–2006. "Country Reports: WTO and Labour Standards on Trade and Labour Standards." ICFTU, Brussels. http://www.icftu.org/list.asp?Language=EN&Order=Date&Type=WTOReports&Subject=ILS. This website offers many country reports on labor rights performance.

U.S. Department of State. 1999–2010. "Country Reports on Human Rights Practices." U.S. Department of State, Washington, DC. http://www.state.gov/g/drl/rls/hrrpt/index.htm. These reports are issued on almost all countries. Section 6 of these reports covers many of the labor issues included in Performance Standard 2.

Supply Chain Management

CIPS (Chartered Institute of Purchasing and Supply). 2011. Homepage. CIPS, Mansfield, England. http://www.cips.org/. This group promotes and develops high standards of professional skill, ability, and integrity among all those engaged in purchasing and supply-chain management.

IFPSM (International Federation of Purchasing and Supply Management). 2011. Homepage. http://www.ifpmm.org/. IFPSM is the union of 43 national and regional purchasing associations worldwide. Within this circle, about 200,000 purchasing professionals can be reached.

ISM (Institute for Supply Management). 2011. Homepage. ISM, Tempe, AZ. http://www.ism.ws/. Founded in 1915, the ISM is the largest supply management association in the world.

Guidance Note 3
Resource Efficiency and Pollution Prevention

January 1, 2012

Guidance Note 3 corresponds to Performance Standard 3. Please also refer to Performance Standards 1–2 and 4–8 as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

1. Performance Standard 3 recognizes that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels.[1] There is also a growing global consensus that the current and projected atmospheric concentration of greenhouse gases (GHG) threatens the public health and welfare of current and future generations. At the same time, more efficient and effective resource use and pollution prevention[2] and GHG emission avoidance and mitigation technologies and practices have become more accessible and achievable in virtually all parts of the world. These are often implemented through continuous improvement methodologies similar to those used to enhance quality or productivity, which are generally well known to most industrial, agricultural, and service sector companies.

2. This Performance Standard outlines a project-level approach to resource efficiency and pollution prevention and control in line with internationally disseminated technologies and practices. In addition, this Performance Standard promotes the ability of private sector companies to adopt such technologies and practices as far as their use is feasible in the context of a project that relies on commercially available skills and resources.

Objectives

- ***To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities.***
- ***To promote more sustainable use of resources, including energy and water.***
- ***To reduce project-related GHG emissions.***

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

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

GN1. To achieve these objectives, clients should take into account the potential impact of their activities on ambient conditions (such as ambient air quality) and seek to avoid or minimize these impacts within the context of the nature and significance of pollutants emitted. For small- and medium-sized projects with limited potential emissions, this may be achieved through compliance with emissions and effluent standards and the application of other pollution prevention and control approaches. Large projects with potentially significant emissions and/or high impacts, however, may require monitoring of impacts on the surrounding environment (i.e., changes in ambient levels), in addition to the implementation of control measures. Further information on how to address ambient conditions is provided in paragraph 11 of this Performance Standard 3 and this Guidance Note.

GN2. The potential environmental impacts associated with the emission of greenhouse gases (GHGs) are considered to be among the most complex to predict and mitigate due to their global nature. Clients are therefore encouraged to consider their potential contribution to climate change when developing and implementing projects and to minimize GHG emissions from core business activities to the extent that this is cost-effective.

Scope of Application

3. The applicability of this Performance Standard is established during the environmental and social risks and impacts identification process. The implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Environmental and Social Management System, the elements of which are outlined in Performance Standard 1.

Requirements

4. During the project life-cycle, the client will consider ambient conditions and apply technically and financially feasible resource efficiency and pollution prevention principles and techniques that are best suited to avoid, or where avoidance is not possible, minimize adverse impacts on human health and the environment.[3] The principles and techniques applied during the project life-cycle will be tailored to the hazards and risks associated with the nature of the project and consistent with good international industry practice (GIIP),[4] as reflected in various internationally recognized sources, including the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines).

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

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[3] *Technical feasibility is based on whether the proposed measures and actions can be implemented with commercially available skills, equipment, and materials, taking into consideration prevailing local factors such as climate, geography, infrastructure, security, governance, capacity and operational reliability. Financial feasibility is based on commercial considerations, including relative magnitude of the incremental cost of adopting such measures and actions compared to the project's investment, operating, and maintenance costs.*

[4] *GIIP is defined as the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally. The outcome of such exercise should be that the project employs the most appropriate technologies in the project-specific circumstances.*

(i) Development of a new project (including major expansion of an existing operation)

GN3. Clients developing new projects or major expansions should assess and incorporate environmental aspects of the project, including total use and efficiency of use of resources, during the design phase (including project design and site selection alternatives). Considerations should include background ambient conditions (that may occur due to natural and/or anthropogenic causes not related to the project), the presence of local communities, environmentally sensitive receptors (such as potable water supplies or protected areas), the expected project demand for water, and the availability of waste disposal facilities. Potential for cumulative impacts should also be reviewed.

GN4. Key environmental impacts can occur at any phase of a project and depend on a number of factors including the nature of the industry and site location. Therefore, the design approach should encompass all physical phases of a project, from site investigation and construction through operation to decommissioning. Potential future expansions should be accounted for in the initial design, where these may reasonably be anticipated.

GN5. Environmental aspects of the decommissioning stage should be also considered, both during initial design and during periodic reviews undertaken as part of the Environmental and Social Management System (ESMS).

(ii) Modernizations and retrofits of existing facilities:

GN6. If a project involves or consists of existing facilities, then clients are expected to evaluate how to meet the requirements of Performance Standard 3, and seek to improve performance through mutually agreed milestones included in the Environmental and Social Action Plan (ESAP).

GN7. Clients with existing operations should assess investment to improve environmental and risk management to a level consistent with the objectives of this Performance Standard, by performing relevant studies such as industrial risk assessment or hazard and operability studies, taking into account facility operations at full load under routine circumstances, including possible intermittent exceedances during startups, shutdowns, and warm-up periods.

GN8. The client should refer to the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) together with other internationally recognized sources when evaluating and selecting resource efficiency and pollution prevention and control techniques for the project. The EHS Guidelines contain the performance levels and measures that are generally considered to be achievable at reasonable cost by commercially available technology. The discharged effluent, air emissions, and other numerical guidelines and performance indicators as well as other prevention and control approaches included in the EHS Guidelines are considered to be default values applicable to new projects, though the application of alternate performance levels and measures may be considered. As described in Performance Standard 3, clients that request application of alternate performance levels or measures must provide justification and explanation for any levels or measures that are less stringent than those identified in the EHS Guidelines and demonstrate consideration of impacts to ambient quality, human health, and the environment. The EHS Guidelines also provide general or industry-specific information relevant to the Occupational Health and Safety aspects of Performance Standard 2, Community Health and Safety aspects of Performance Standard 4, and Biodiversity Conservation and Sustainable Management of Living Natural Resources under Performance Standard 6.

GN9. Clients whose projects have significant emissions or whose operations are in already degraded environments must also strive to improve their performance beyond the performance levels and measures articulated in the EHS Guidelines with due consideration of airshed and watershed assimilative capacity where known.

Resource Efficiency

6. The client will implement technically and financially feasible and cost effective[5] measures for improving efficiency in its consumption of energy, water, as well as other resources and material inputs, with a focus on areas that are considered core business activities. Such measures will integrate the principles of cleaner production into product design and production processes with the objective of conserving raw materials, energy, and water. Where benchmarking data are available, the client will make a comparison to establish the relative level of efficiency.

[5] *Cost-effectiveness is determined according to the capital and operational cost and financial benefits of the measure considered over the life of the measure. For the purpose of this Performance Standard, a resource efficiency or GHG emissions reduction measure is considered cost-effective if it is expected to provide a risk-rated return on investment at least comparable to the project itself.*

GN10. The terms "Cleaner Production" and "Resource Efficiency" refer to the concept of integrating pollution reduction into the design of a product and associated production processes, or adopting an alternative production process. This involves continuous application of an integrated preventive environmental strategy to products, processes, and services in order to increase overall efficiency and reduce risks to humans and the environment by conserving raw materials, water and energy, and reducing or eliminating the use of toxic and hazardous raw materials,[GN1] and is considered to be good international industry practice. Well designed and implemented Cleaner Production projects, of which energy and water efficiency measures are a sub-set, can be highly cost-effective and often have a higher internal rate of return than the larger project to which they are applied. Almost all industrial and commercial enterprises can improve their operations through this methodology.

GN11. This clause of Performance Standard 3 refers to the core business activities[GN2] of the client. While Cleaner Production could result in cost and environmental benefits in non-core business activities, this is not required by Performance Standard 3. It is also not required to implement all technically feasible Cleaner Production measures, since this could lead to diminishing returns and inappropriate use of capital resources; the cost-effectiveness test should be taken into account.

GN12. The client should keep up to date on Cleaner Production techniques applicable to its project sector and apply them to the design of the project when technically and financially feasible and cost-effective. See Bibliography for various Cleaner Production examples. Additional guidance is provided in the General and Industry Sector EHS Guidelines. In existing facilities it may be appropriate for clients to commission external experts to undertaken Cleaner Production/Resource Efficiency studies. Such studies frequently identify no cost and low cost savings that exceed the cost of the study, as well as other highly cost-effective measures.

GN13. In many industrial and commercial sectors, where the unit of output can be readily defined, such as process industry or where resource consumption is dominated by building services, widely accepted

[GN1] United Nations Environment Programme (UNEP).
[GN2] Core business activities are those that are essential to the operation of the client's business and without which the client's business would not be viable.

benchmarks are available which describe performance in quantitative terms. For example, process energy use per tonne of product is often an accepted benchmark. Similarly, building benchmarks could refer to energy or water use per guest-night in a hotel, or energy use per unit area, in other building types, correcting for climatic variations. When these benchmarks are available, project performance that meets benchmark expectations will be taken as demonstration that the project meets this Performance Standard requirement. However, certain industrial and commercial operations, for example assembly or machining processes, do not readily lend themselves to benchmarking.

GN14. Projects using brand new machinery should reflect internationally recognized good industry practice in resource efficiency while taking account of legitimate project-specific variations from best practice.[GN3] In energy intensive sectors and when new process machinery is sourced from international vendors, the expectation is that designs will meet best practice where this is established. When a client invests in an existing manufacturing operation, or uses second-hand equipment it may not always be possible to meet best practice standards, due to physical or cost restraints. Consideration should be given to the technical and financial feasibility and cost-effectiveness of proposed measures.

GN15. Where alternative capital equipment offers have different levels of resource efficiency, the client will be expected to show that the alternatives analysis and equipment selection process did take account of resource efficiency and examined the cost-effectiveness of alternative offers. This means that when comparison is made between a low capital cost offer for inefficient equipment and a higher cost offer for more efficient equipment, the client should examine the internal rate of return of the operational cost savings of the higher capital cost option on the additional capital cost of that option.

Greenhouse Gases

7. In addition to the resource efficiency measures described above, the client will consider alternatives and implement technically and financially feasible and cost-effective options to reduce project-related GHG emissions during the design and operation of the project. These options may include, but are not limited to, alternative project locations, adoption of renewable or low carbon energy sources, sustainable agricultural, forestry and livestock management practices, the reduction of fugitive emissions and the reduction of gas flaring.

8. For projects that are expected to or currently produce more than 25,000 tonnes of CO_2-equivalent annually,[6] the client will quantify direct emissions from the facilities owned or controlled within the physical project boundary,[7] as well as indirect emissions associated with the off-site production of energy[8] used by the project. Quantification of GHG emissions will be conducted by the client annually in accordance with internationally recognized methodologies and good practice.[9]

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

[7] *Project-induced changes in soil carbon content or above ground biomass, and project-induced decay of organic matter may contribute to direct emissions sources and shall be included in this emissions quantification where such emissions are expected to be significant.*

[8] *Refers to the off-site generation by others of electricity, and heating and cooling energy used in the project.*

[9] *Estimation methodologies are provided by the Intergovernmental Panel on Climate Change, various international organizations, and relevant host country agencies.*

[GN3] Such "legitimate variations" could include project location, climatic variations, which can be expressed as heating or cooling degree days, or changes in resource prices compared with reference cases, recognizing that some definitions of best practice (for example the IPPC Best Available Techniques) include cost-effectiveness tests.

GN16. It is widely considered that anything that is worth managing must first be measured. Quantification of GHG emissions is the first step in managing and ultimately reducing these emissions in a cost-effective manner, as required by Performance Standard 3. The gathering of data needed to facilitate a client's GHG emissions calculation is likely to provide greater transparency to the consumption and cost of utilities, and comparison between different sites' performance; activities that of themselves often drive economies. Quantification will also equip clients to participate in carbon finance programs, and prepare them for possible future emissions trading regimes. Performance Standard 3 also recognizes the diminishing returns that occur at small-sized enterprises and consequently has set an emissions threshold below which GHG quantification is not required. Quantification of GHGs at the project level is part of good international industry practice from an emissions inventory management perspective. However, such quantification is undertaken on a voluntary basis by companies according to their business needs and is not related to international climate negotiations.

GN17. Direct emissions of GHGs from the client's operations and arising from within the physical boundary of the project (including Associated Facilities where present) are referred to as Scope 1 emissions, while those associated with off-site production of energy used by the project are Scope 2 emissions. There are occasions where emissions arise from within a client's site, but not from the client's operations: such emissions should not be included in this GHG quantification. Examples include emissions from aircraft using the client's airport, or emissions from vehicles using a toll road. Similarly, emissions arising from future combustion of fossil fuel would not be attributed to producers of the fuels (e.g., a hydrocarbons extraction, transport or refining project). When CO_2 emissions result from fossil fuel use, these emissions may be quantified through knowledge of fuel use. Estimation methodologies for other emission sources are available (see Annex A and Bibliography).

GN18. Indirect emissions associated with the production by others of electrical energy used by the project can be estimated by using a national average of GHG emissions performance for electricity generation (e.g., national average of CO_2 emissions per unit of electricity generated for the country). More project-specific GHG emissions performance for electricity generation should be used if available (e.g., utility average of CO_2 emissions per unit of electricity generated for the utility from which the project purchases electricity). Similarly, project-specific data should be used to account for GHG emissions associated with purchases of heating or cooling energy produced by third parties. See Bibliography for several sources providing statistics on national average GHG emissions. Annex A identifies electrical generation capacity by fuel type associated with emission of 25,000 tonnes per year of CO_2 equivalent.

GN19. Although not a formal requirement under Performance Standard 3, clients are encouraged to disclose their GHG emissions annually through corporate reports, or through other voluntary disclosure mechanisms currently being used by private sector companies internationally. See Bibliography for an example.

GN20. Many examples exist of cost-effective GHG-reducing measures. Options may include, but are not limited to product changes to reduce material use, such as lightweight glass containers or near net shape casting in industry, sustainable agricultural practices (e.g., direct drilling and optimization of nitrogen fertilizer in agriculture), material recycling (for example of metals, glass or paper), use of cement additives, use of low-carbon fuels, GHG leakage avoidance or minimization, use of low global warming potential (GWP)[GN4] chemicals, reduction of gas flaring, landfill gas collection and combustion, and multiple energy efficiency and renewable energy measures. Examples of energy efficiency measures include more energy efficient electricity generation, cogeneration of heat and power, tri-generation of heat, power and cooling, heat recovery, process changes, enhanced process control, leak elimination,

[GN4] For example, being aware that refrigerant leakage is an issue, specify a low GWP refrigerant.

insulation, and the use of more energy efficient demand-side equipment (e.g., electric motors, compressors, fans, pumps, heaters, lighting fixtures, etc.). Further guidance is provided in the General EHS Guidelines. Examples of renewable energy sources include solar power or heat generation, hydro, wind, certain types of geothermal, and biomass. Biomass-based renewable energy systems can often be combined with pollution control devices (for example anaerobic digestion of liquid effluents) and can create useful energy from organic waste. This can allow the carbon contained in this waste to be released to the atmosphere as carbon dioxide rather than as methane, a much more powerful GHG. Certain forms of agriculture and forestry can sequester large quantities of carbon dioxide from the atmosphere. Carbon Capture and Storage (CCS) has potential to remove large quantities of carbon dioxide from large concentrated point sources such as power stations or cement kilns. Additional GHG-reducing measures, such as destruction of high GWP chemicals, can be attractive if supported by carbon finance schemes.

GN21. The six GHGs of most concern to the United Nations Framework Convention on Climate Change are:

(i) Carbon dioxide (CO_2) (GWP = 1)
(ii) Methane (CH_4) (GWP = 21)
(iii) Nitrous oxide (N_2O) (GWP = 310)
(iv) Hydrofluorocarbons (HFCs) (GWPs from 140 to 11,700)
(v) Perfluorocarbons (PFCs) (GWPs from 6,500 to 9,200)
(vi) Sulphur hexafluoride (SF_6) (GWP = 23,900)

GN22. Carbon dioxide is the most significant of these GHGs, accounting for 77 percent of anthropogenic emissions. The next most significant GHG is methane, contributing to 14 percent of anthropogenic emissions, followed by nitrous oxide at 8 percent of anthropogenic emissions.[GN5] HFCs are commonly used as refrigerants and solvents and contribute to global warming when released from contained systems, for example through refrigerant leakage. PFCs are used in electronics manufacture and are formed in the aluminum refining process. Sulphur hexafluoride is used as a dielectric medium in the electrical industry as well as an inert gas in the magnesium industry and in other specialized industrial applications.

GN23. CO_2 emissions are dominated by fossil fuel combustion, but CO_2 emissions also arise from deforestation and decay of biomass, soil conversion and from certain industrial processes involving calcination of limestone (e.g., cement manufacturing) and oxidation of carbon (e.g., steelmaking). Methane is emitted during oil, gas and coal extraction, refining and processing, from livestock, rice cultivation and waste management processes. Most nitrous oxide emissions result from soil cultivation, though the compound is also emitted during combustion and by certain industrial processes. For illustrative examples of project activities that may result in potentially significant emissions of GHGs, see Annex A.

GN24. Examples of sectors that have potentially significant emissions of GHGs include energy, transport, heavy industry, building materials, agriculture, forest products and waste management. Reduction and control options considered by clients in these and other sectors include: (i) enhancement of energy efficiency, (ii) protection and enhancement of sinks and reservoirs of GHGs, (iii) promotion of sustainable forms of agriculture and forestry, (iv) promotion, development and increased use of renewable forms of energy, (v) CCS technologies, and (vi) limitation and/or reduction of methane

[GN5] Intergovernmental Panel on Climate Change, 2007: Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the IPCC. Data refer to 2004.

emissions through recovery and use in waste management, as well as in the production, transport and distribution of energy (coal, oil, and gas). Product changes can bring about significant reductions in GHG emissions, for example in blended cement highly GHG-intensive clinker is mixed with other materials. Carbon finance may create additional funding sources for pursuing reduction and control options.

Water Consumption

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

GN25. The intent of this clause of Performance Standard 3 is that clients' projects should not cause or contribute to unacceptable water stress on third parties (including local communities).

GN26. When a project is a significant net consumer of water, or contributes to depletion of water resources to the extent that third parties' ability to access water is adversely affected, then the client shall reduce the project's water consumption to a level at which these adverse impacts are adequately mitigated, as determined by a suitable community engagement process. Actions that the client should consider to achieve this objective include but are not limited to re-siting of the project, additional resource efficiency measures within the project site (e.g., reverse osmosis-based water recovery, dry cooling) in addition to those necessary to satisfy paragraph 6 of Performance Standard 3, alternative provision of water, and water consumption offsets outside the project boundary. In this context water consumption offsets should be understood to be measures to reduce others' consumption of water from the same resource as that used by the project by an amount such that adverse project effects as described earlier in this paragraph are mitigated. For example, an industrial enterprise could help a community to reduce its water consumption through leak repair, while maintaining quality of service, thus "releasing" water for use by the industrial enterprise.

GN27. If it is not technically feasible to mitigate adverse impacts adequately at the proposed project site then an alternative project site should be selected. If the cost of the technical measures required to meet the Performance Standard objective makes the project unviable, then an alternative project site should be selected.

GN28. This Performance Standard requirement does not preclude water abstraction at a rate exceeding recharge. However, any client who proposes to abstract such quantities of water will be expected to show that such abstraction does not cause adverse effects to such other users of the water that exist or can reasonably be expected to move into the area of influence of the project.

Pollution Prevention

10. The client will avoid the release of pollutants or, when avoidance is not feasible, minimize and/or control the intensity and mass flow of their release. This applies to the release of pollutants to air, water, and land due to routine, non-routine, and accidental circumstances with the potential for local, regional, and transboundary impacts.[10] Where historical pollution such as land or ground water contamination exists, the client will seek to determine whether it is responsible for mitigation measures. If it is determined that the

client is legally responsible, then these liabilities will be resolved in accordance with national law, or where this is silent, with GIIP.[11]

11. To address potential adverse project impacts on existing ambient conditions,[12] the client will consider relevant factors, including, for example (i) existing ambient conditions; (ii) the finite assimilative capacity[13] of the environment; (iii) existing and future land use; (iv) the project's proximity to areas of importance to biodiversity; and (v) the potential for cumulative impacts with uncertain and/or irreversible consequences. In addition to applying resource efficiency and pollution control measures as required in this Performance Standard, when the project has the potential to constitute a significant source of emissions in an already degraded area, the client will consider additional strategies and adopt measures that avoid or reduce negative effects. These strategies include, but are not limited to, evaluation of project location alternatives and emissions offsets.

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[10] *Transboundary pollutants include those covered under the Convention on Long-Range Transboundary Air Pollution.*

[11] *This may require coordination with national and local government, communities, and the contributors to the contamination, and that any assessment follows a risk-based approach consistent with GIIP as reflected in the EHS Guidelines.*

[12] *Such as air, surface and groundwater, and soils.*

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

GN29. The client should monitor emissions to ensure that the requirements of Performance Standard 3 are being met. The frequency with which pollutant emissions are monitored should be appropriate to the nature, scale and variability of potential impacts. This may range from continuous to daily, monthly, annually, or less frequently. Clients can obtain guidance on recommended monitoring approaches and frequencies appropriate to the nature of their operations from various internationally recognized sources including the EHS Guidelines (see Bibliography). Monitoring emissions can benefit clients by: (i) demonstrating their compliance with environmental permits or other legal obligations, (ii) providing information to evaluate project performance and determine if corrective actions are necessary, (iii) helping to identify opportunities for further improvement, and (iv) making data available for analysis of actual incremental impacts on the ambient levels (especially for projects with potentially significant emissions impacts).

GN30. Monitoring is particularly important for large projects with impacts that may be uncertain and potentially irreversible and consequently in need of more frequent evaluation of emissions levels or ambient quality. In addition, clients should include monitoring processes and indicators within their ESMS to alert them to significant increases in pollutant emissions or impacts on ambient conditions that may be an indicator of problems with manufacturing processes or pollution control equipment that could require corrective action (see Performance Standard 1 and its accompanying Guidance Note).

GN31. The ESMS may also include an element of continual improvement which, in the application of Performance Standard 3, should encourage performance levels that go beyond compliance with emissions and effluent standards or guidelines. Improvements may include efficiency gains in production processes that result in better operational, environmental, or financial performance through, for example, reductions in energy and/or water consumption or solid/liquid waste production per unit of industrial output.

GN32. Pollutant release and transfer registers that collect and disseminate data on environmental releases and transfers of pollutants from industrial facilities have been found to be effective for promoting pollution reduction in some industrial sectors—particularly where all or most industrial facilities operating within a geographic region participate and where the information is made accessible to local communities. Where such registries are not already required by law, and in addition to meeting the requirements of Performance Standard 1 for disclosure of significant potential environmental impacts, clients are encouraged to participate in voluntary initiatives that seek to establish formal pollutant release and transfer registers at the national or regional levels. See Bibliography for additional information on pollutant release and transfer registers.

GN33. Clients shall address contamination of land or ground water even if such contamination occurred many years earlier. Where such contamination is identified, the client should seek to determine who has the legal liability to manage this contamination. This liability will vary according to circumstances. The client may bear this responsibility due to its own past actions or inactions, or may have taken on this liability when acquiring the site. In other cases, contamination may have been identified and provision made legally to isolate the client from such liability when acquiring the site. If the client has responsibility to manage such contamination, then this shall be done in a manner satisfying the Performance Standard 3 objective to avoid or minimize adverse impacts on human health and the environment. Contamination management options will be site-specific, should be developed in consultation with other stakeholders, and may include contamination containment, isolation/buffer zones as well as mitigation.

Assimilative Capacity of the Environment

GN34. The client should assess the assimilative capacity of the receiving environment based upon air and water quality objectives, where known.

(i) Development of a new project (including major expansion of an existing operation):

GN35. When developing a new project that is expected to produce potentially significant emissions of pollutants, clients should evaluate whether the existing background ambient levels are in compliance with the relevant ambient quality guidelines and/or standards. Ambient quality standards are ambient quality levels established and published through national or local legislative and regulatory processes, and ambient quality guidelines refer to ambient quality levels primarily developed through clinical, toxicological, and epidemiological evidence (such as those published by the World Health Organization). Receiving water quality standards may be established on a site-by-site basis and will depend on receiving water quality objectives.

GN36. If the ambient levels exceed the relevant ambient quality guidelines or standards (i.e., ambient conditions are already deteriorated), clients are expected to demonstrate that they have explored and, if necessary, adopted a higher level of performance than would be otherwise required under less deteriorated ambient conditions as well as further mitigation measures (e.g., offsetting emissions, modifying site selection) in order to minimize further deterioration of the environment or preferably to achieve improvement. If ambient levels are in compliance with relevant ambient quality guidelines and/or standards, projects with potentially significant emissions of pollutants should be designed so as to reduce the potential for significant deterioration and to ensure continuing compliance. See Bibliography for links to internationally recognized ambient quality guidelines and standards (including those published by the World Health Organization). The project should not normally consume more than 25 percent of the assimilative capacity between the pre-project case and the relevant ambient quality guideline standards.

The General EHS Guidelines gives further guidance on this matter, including cases where ambient quality guidelines are exceeded in the pre-project case.

GN37. For projects that would discharge effluents into receiving water bodies lacking assimilative capacity, zero discharge systems and offsets shall be considered.

(ii) Modernizations and retrofits of existing facilities:

GN38. Where a project that is expected to produce potentially significant emissions of pollutants involves the modernization or retrofit of an existing facility, clients are encouraged to evaluate whether the current ambient conditions are in compliance with the ambient quality guidelines, and/or standards. If the levels exceed the ambient quality guidelines and/or standards, and if the existing facility is one of the major sources of emissions affecting such exceedances, clients are encouraged to evaluate the feasibility of options to reduce emissions and implement selected options (e.g., rehabilitation of existing operations, arranging emissions offsets outside project boundary) so that the already deteriorated ambient conditions will be improved, targeting the relevant ambient quality guidelines and/or standards.

(iii) Projects located in or near ecologically sensitive areas:

GN39. Clients with projects whose area of influence includes ecologically sensitive areas such as national parks or providers of ecosystem services should implement measures to avoid or minimize incremental impacts of the projects.

> ***Wastes***
> ***12. The client will avoid the generation of hazardous and non-hazardous waste materials. Where waste generation cannot be avoided, the client will reduce the generation of waste, and recover and reuse waste in a manner that is safe for human health and the environment. Where waste cannot be recovered or reused, the client will treat, destroy, or dispose of it in an environmentally sound manner that includes the appropriate control of emissions and residues resulting from the handling and processing of the waste material. If the generated waste is considered hazardous,[14] the client will adopt GIIP alternatives for its environmentally sound disposal while adhering to the limitations applicable to its transboundary movement.[15] When hazardous waste disposal is conducted by third parties, the client will use contractors that are reputable and legitimate enterprises licensed by the relevant government regulatory agencies and obtain chain of custody documentation to the final destination. The client should ascertain whether licensed disposal sites are being operated to acceptable standards and where they are, the client will use these sites. Where this is not the case, clients should reduce waste sent to such sites and consider alternative disposal options, including the possibility of developing their own recovery or disposal facilities at the project site.***

[14] *As defined by international conventions or local legislation.*

[15] *Transboundary movement of hazardous materials should be consistent with national, regional and international law, including the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal and the London Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter.*

GN40. Because of the risks to the environment and the ever-increasing costs and liabilities associated with the management and/or disposal of waste material, Performance Standard 3 requires clients to investigate options for waste avoidance, waste recovery and/or waste disposal during the design and

operational stages of the project. The level of effort to address this requirement depends on the risks associated with the waste materials generated by the project. Clients should inquire about the location of the final disposal of their waste and whether such locations are being operated to acceptable standards even if the disposal is conducted by a third party, and especially if the waste is considered to be hazardous to human health and the environment. If no suitable disposal method is available through commercial or other means, clients should minimize waste sent off-site and consider whether they should develop their own recovery or disposal facilities or work through their local business association or other similar entity to identify viable alternatives or approaches. Additional guidance is provided in both the General and Industry Sector EHS Guidelines.

GN41. In cases where the waste treatment, storage, or disposal alternative selected has the potential to generate polluting emissions or residues, the client should apply adequate control techniques to avoid, minimize or reduce them according to the requirements of paragraphs 12 and 13 of Performance Standard 3. Further information on the environmentally sound handling and disposal of wastes can be found in the EHS Guidelines, as well as numerous publications in support of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and of the Stockholm Convention on Persistent Organic Pollutants (see the Bibliography).

GN42. The requirement to obtain chain of custody documentation means that the client should be able to demonstrate that all solid wastes sent from the project site were transported by licensed carrier to a licensed final disposal facility in a manner meeting the Performance Standard 3 objectives.

> ***Hazardous Materials Management***
> ***13. Hazardous materials are sometimes used as raw material or produced as product by the project. The client will avoid or, when avoidance is not possible, minimize and control the release of hazardous materials. In this context, the production, transportation, handling, storage, and use of hazardous materials for project activities should be assessed. The client will consider less hazardous substitutes where hazardous materials are intended to be used in manufacturing processes or other operations. The client will avoid the manufacture, trade, and use of chemicals and hazardous materials subject to international bans or phase-outs due to their high toxicity to living organisms, environmental persistence, potential for bioaccumulation, or potential for depletion of the ozone layer.[16]***
>
> [16] *Consistent with the objectives of the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer. Similar considerations will apply to certain World Health Organization (WHO) classes of pesticides.*

GN43. The best way to prevent the release of hazardous materials is to avoid using them in the first place. Therefore clients should explore opportunities throughout the project life-cycle to use non-hazardous materials in place of hazardous materials. This is especially relevant where the risks arising from the materials cannot easily be prevented or mitigated under normal use and/or disposal at the end of their life cycle. Substitutions have been found, for example, for the use of asbestos in building materials, polychlorinated biphenyls (PCBs) in electrical equipment, persistent organic pollutants in pesticide formulations, and ozone depleting substances in refrigeration systems. See Bibliography for links to guidelines on ozone depleting substances. Hazards presented by a chemical are summarized by a Material Safety Data Sheet (MSDS) which should be readily available from the chemical supplier or other public sources.

GN44. Where a project has the potential to release toxic, hazardous, flammable or explosive material, or where project operations could result in injury to plant personnel or the public as identified in the

environmental and social risks and impacts identification process, the client should conduct a hazard analysis of its operations, and disclose information related to hazardous materials management in accordance with Performance Standards 1 and 4 and their respective Guidance Notes. Hazard analysis is often conducted in conjunction with Hazard Identification (HAZID) Hazard and Operability studies (HAZOP) Process Safety Management (PSM) and Quantitative Risk Analysis (QRA); it allows clients to systematically identify systems and procedures that could result in accidental pollutant release and quantify these risks to the extent possible, and also helps to prioritize the allocation of resources for emergency response equipment and training programs.

GN45. Clients should review the list of active ingredients included in Annexes A and B of the Stockholm Convention and ensure that no chemical formulations are manufactured, sold or used in the project that include these ingredients unless it is under the highly exceptional circumstances noted in those same annexes. Persistent Organic Pollutants are chemicals that have five characteristics of environmental and public health concern: they are toxic, long-lived, and mobile; they accumulate in fatty tissue and magnify in the food chain. Their high mobility makes them a global issue, while their other properties mean that they are hazardous to animal and human health even at low levels of exposure. Where projects have pre-existing involvement with such ingredients, including the presence of existing stockpiles of obsolete chemicals, the ESAP should include a phase-out plan for the client to meet Performance Standard 3 in a reasonable amount of time.

GN46. The client should also minimize the unintentional generation and release such as by incineration, of chemicals listed in Annex C of the Stockholm Convention. Guidance on how to identify, quantify and reduce emissions of Annex C chemicals from potentially significant sources is included in the publications in support of the Stockholm Convention (see Bibliography). Due to the association of polyvinyl chloride (PVC) with the unintentional release of Persistent Organic Pollutants, primarily through the incineration of mixed waste streams containing PVC products, when developing projects that manufacture PVC products, clients should weigh the overall benefits of the project against costs, including those to human health and the environment.

GN47. The client should also review the list of chemicals included in Annex III of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (see Bibliography) and seek to avoid their manufacture, trade and use. The use of chemicals in this list has been banned or severely restricted in one or more national jurisdictions in order to protect human health and the environment. The list includes some pesticide formulations considered severely hazardous due to their serious health or environmental effects.

GN48. The client should also review the Montreal Protocol on Substances that Deplete the Ozone Layer. Clients should avoid manufacture and consumption of the Annex A and Annex B compounds—chlorofluorocarbons (CFCs), halons, carbon tetrachloride and 1,1,1-trichloroethane. Continued use of CFC refrigerant already present within refrigeration machinery is permitted, although in these circumstances it is good practice to minimize refrigerant leakage. While the Montreal Protocol does not anticipate complete phase out of hydrochlorofluorocarbon (HCFC) refrigerants until January 1, 2040 in Article 5 countries, in many such countries zero ozone depletion potential alternatives are already proven in use, have supporting service infrastructure and are preferred to HCFCs.

Pesticide Use and Management

14. The client will, where appropriate, formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach targeting economically significant pest infestations and disease vectors of public health significance.

The client's IPM and IVM program will integrate coordinated use of pest and environmental information along with available pest control methods, including cultural practices, biological, genetic, and, as a last resort, chemical means to prevent economically significant pest damage and/or disease transmission to humans and animals.

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

16. The client will design its pesticide application regime to (i) avoid damage to natural enemies of the target pest, and where avoidance is not possible, minimize, and (ii) avoid the risks associated with the development of resistance in pests and vectors, and where avoidance is not possible minimize. In addition, pesticides will be handled, stored, applied, and disposed of in accordance with the Food and Agriculture Organization's International Code of Conduct on the Distribution and Use of Pesticides or other GIIP.

17. The client will not purchase, store, use, manufacture, or trade in products that fall in WHO Recommended Classification of Pesticides by Hazard Class Ia (extremely hazardous); or Ib (highly hazardous). The client will not purchase, store, use, manufacture or trade in Class II (moderately hazardous) pesticides, unless the project has appropriate controls on manufacture, procurement, or distribution and/or use of these chemicals. These chemicals should not be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly.

GN49. Performance Standard 3 requires that the client use pesticides only to the extent necessary to achieve the project objectives under an integrated pest management and integrated vector management approach and only after other pest management practices have failed or proven inefficient. In the event that the use of pesticides beyond isolated or incidental use is proposed as an integral aspect of the client's activities, the client should present evidence through the environmental and social risks and impacts identification process of the need to do so, and describe the proposed use and intended users, as well as the nature and degree of associated risks. Under these circumstances, clients should also take into consideration the potential impacts (both positive and negative) to the health and resources of nearby communities as described in Performance Standard 4 and its accompanying Guidance Note. See Bibliography for links to relevant international guidelines on hazardous chemicals.

GN50. Clients involved in agricultural activities that require the use of pesticides by third parties should promote the use of integrated pest management and integrated vector management approaches through all feasible means of dissemination of information about these agricultural approaches.

GN51. The client is expected to exercise a high degree of diligence in the selection of pesticides so that the pesticides selected are designed to meet the project's technical and scientific specifications. When selecting pesticides for use, the client should consider the need for appropriate precautions to prevent the improper use of the pesticides and to protect the health and safety of the project workers, affected communities and the environment in accordance with the principles and requirements of Performance Standards 2, 4, and 6.

GN52. The packaging requirements for pesticides of Performance Standard 3 are intended to protect the health and safety of persons involved in the transportation, storage and handling of the pesticides, and to reduce the need for transfer between containers or repackaging into improvised containers. The labeling requirements should clearly identify the contents of the packaging and include instructions for intended use as well as safety information. Packaging and labeling of pesticides should be done in a form that is appropriate for each specific market, but should follow the guidelines for the proper packaging and labeling of pesticides which have been published by the Food and Agriculture Organization (see Bibliography).

GN53. Purchasing pesticides manufactured under license will increase the likelihood that the pesticides meet minimum quality and purity conditions consistent with the use and safety documentation provided. The client should refer to and follow the recommendations and minimum standards described in the guidelines published by the Food and Agriculture Organization (see Bibliography).

GN54. The storage, handling, application, and disposal of pesticides according to good international industry practice should include a program to discontinue the use of pesticides listed in Annex A of the Stockholm Convention, and to store and dispose of them in an environmentally sound manner, especially when these pesticides are considered obsolete.

GN55. The client should seek to promote the responsible management and use of pesticides within the context of integrated pest management and integrated vector management by interacting with the agricultural extension services or similar organizations that may be available locally. Additional guidance is provided in the General and Industry Sector EHS Guidelines.

Annex A

Suggested GHG Quantifying and Monitoring Practice

Suggested GHG emissions estimation methodologies:

There are many GHG emission estimation methodologies available for use by private sector projects. The most authoritative and updated methodologies can be found in the 2006 Guidelines for National Greenhouse Gas Inventories of the Intergovernmental Panel on Climate Change (IPCC). Volume 1 (General Guidance and Reporting), Volume 2 (Energy), Volume 3 (Industrial Processes and Product Use), Volume 4 (Agriculture, Forestry and Other Land Use) and Volume 5 (Waste) provide suggested estimation methodologies for a number of activities and sectors.

The 2006 IPCC Guidelines build on the previous Revised 1996 IPCC Guidelines and the associated Good Practice reports, and cover new sources and gases as well as updates to previously published methods where technical and scientific knowledge have improved. Clients with projects producing significant GHG emissions who were using the Revised 1996 IPCC Guidelines are recommended to review these new 2006 IPCC Guidelines and to continue to monitor the development of newer guidelines and supplemental documents by IPCC.

In addition to the IPCC Guidelines, clients with projects that have significant GHG emissions may refer to several internationally recognized GHG estimation methodologies, which can be found in the Bibliography. Depending on the type and sector of the project the methodology that best meets the objective of estimating and reporting GHG emissions should be used.

Illustrative examples of project activities that may result in potentially significant GHG emissions (25,000 tonnes CO_2 equivalent per year or more) have been included in the following table:

Sector / Project	**Projects with 25,000 tonnes CO_2 equivalent per year**	**Assumptions**
A: Direct Emissions		
A-(i) Energy (Fossil Fuel Combustion)		
Coal-fired combustion facility	Coal consumption - 11,000 ton/yr (or 260 TJ/yr)	Emission factor – 96.9 tCO_2/TJ, Fraction of carbon oxidized – 0.98, Net calorific value – 24.05 TJ/1,000ton
Oil-fired combustion facility	Oil consumption - 8,000 ton/yr (or 320 TJ/yr)	Emission factor – 77.4 tCO_2/TJ, Fraction of carbon oxidized – 0.99, Net calorific value – 40.19 TJ/1,000ton
Gas-fired combustion facility	Gas consumption - 9,200 ton/yr (or 450TJ/yr)	Emission factor – 56.1 tCO_2/TJ, Fraction of carbon oxidized – 0.995, Net calorific value – 50.03 TJ/1,000ton
A-(ii) Energy (Electricity Generation)		
Coal-fired power generation	Generating Capacity - 4.5MW	World average emission factor in 2007–2009 – 901 gCO_2/kWh, Annual capacity factor – 70%
Oil-fired power generation	Generating Capacity - 6.1MW	World average emission factor in 2007–2009 – 666 gCO_2/kWh, Annual capacity factor – 70%
Gas-fired power generation	Generating Capacity – 10.5MW	World average emission factor in 2007–2009 – 390 gCO_2/kWh, Annual capacity factor – 70%
A-(iii) Energy (Coal Mining)		
Underground coal mining	Coal production - 93,000 ton coal/yr	Emission factor – 17.5m^3 CH_4/ton of coal, 0.67 $GgCH_4$/million m^3

	Surface coal mining	Coal production -650,000 ton coal/yr	Emission factor – 2.45m^3 CH_4ton of coal, 0.67 $GgCH_4$/million m^3
A-(iv) Heavy Industry			
	Cement production	Cement production - 33,000 ton cement/yr	Emission factor – 0.750 tCO_2/t cement
	Iron and steel production	Iron / steel production - 16,000 ton iron or steel/yr	Emission factor – 1.6 tCO2t iron or steel
A-(v) Agriculture			
	Domestic livestock (dairy cattle, Latin America)	Livestock - 14,000 cattle	Emission factor – 63 $kgCH_4$/head/yr
	Domestic livestock (dairy cattle, Africa)	Livestock- 20,000 cattle	Emission factor – 40 $kgCH_4$/head/yr
A-(vi) Forestry / Land Use Change			
	Conversion of fast growing hardwoods tropical forest	Conversion area: 1,100 ha	Annual average accumulation of dry matter as biomass – 12.5 ton dm/ha/yr, carbon fraction of dry matter – 0.5
	Conversion of Douglas fir temperate forest	Conversion area: 2,300 ha	Annual average accumulation of dry matter as biomass – 6.0 ton dm/ha/yr, carbon fraction of dry matter – 0.5
A-(vii) Oil and Gas Production (Flaring only)			
	Natural Gas Production	21,000 million m^3/yr	CO_2 emission factor of 1.2E-03 Gg per million m^3 gas production. Source: IPCC Guidelines for National Greenhouse Gas Inventories, Table 4.2.5 (2006)
	Oil Production	600,000 m^3/yr	CO_2 emission factor of 4.1E-02 Gg per thousand m^3 oil production. Source: IPCC Guidelines for National Greenhouse Gas Inventories, Table 4.2.5 (2006)
	Associated Gas Flaring	350 million standard cubic feet (SCF) gas flaring/yr	American Petroleum Institute (API) Combustions Emissions Estimation Methods, Exhibit 4.8 (2004)
B: Indirect Emissions (from Purchased Electricity)			
	Average Generation Mixture	Electricity consumption - 50 GWh/yr	World average emission factor in 2007–2009 – 504 gCO_2/kWh
	Coal-fired generation	Electricity consumption - 28 GWh/yr	World average emission factor in 2007–2009 – 901 gCO_2/kWh
	Oil-fired generation	Electricity consumption - 38 GWh/yr	World average emission factor in 2007–2009 – 666 gCO_2/kWh
	Gas-fired generation	Electricity consumption - 65 GWh/yr	World average emission factor in 2007–2009 – 390 gCO_2/kWh

Note: Assumptions are from (i) Revised 1996 and 2006 IPCC Guidelines for National Greenhouse Gas Inventories, (ii) IEA Statistics – CO_2 Emissions from Fuel Combustion, 2011 Edition, and (iii) IEA Energy Statistics Manual, 2004. These levels are for illustrative purpose only and not to be used as threshold to determine whether projects exceed 25,000 tonnes CO_2 equivalent per year.

Evaluation of GHG emissions:

Clients with projects producing significant GHG emissions are required to evaluate (i) **Scope 1 Emissions:** direct emissions from the facilities that they own or control within the physical project boundary and, if feasible and relevant, and (ii) **Scope 2 Emissions:** indirect emissions associated with the project's use of energy but occurring outside the project boundary (e.g., GHG emissions from purchased electricity, heat or cooling).

Annotated Bibliography

General Guidance

IFC (International Finance Corporation). 2007. *Environmental, Health, and Safety General Guidelines.* Washington, DC: IFC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/risk+management/sustainability+framework/sustainability+framework+-+2006/environmental%2C+health%2C+and+safety+guidelines/ehsguidelines. Technical guidance about the subject matter is covered in Performance Standard 3 and other performance standards. Separate sections describe air emissions and ambient air quality; energy conservation; wastewater and ambient water quality; water conservation; hazardous materials management; waste management; noise and contaminated land; among others. The technical guidance informs readers about those parts of the new policy structure related to environmental, health, and safety issues. The information is presented both generally and for 63 industrial and service sectors.

European Commission, Joint Research Centre, Institute for Prospective Technological Studies. 2011. "Reference Documents." European Commission, Seville, Spain. http://eippcb.jrc.es/reference/. The European Commission's Integrated Pollution Prevention and Control Bureau has prepared reference documents (or BREFs) that provide technical guidance about process selection and operations that—in the European Union—are considered to be examples of best available techniques (BAT). The BREFs also state environmental impacts, including those that are resource efficiency benchmarks in selected sectors and that are associated with BAT.

Climate Change and its Mitigation and Adaptation

IFC (International Finance Corporation). 2011a. "Climate Business." IFC, Washington, DC. http://www.ifc.org/climatebusiness. On its climate business website, IFC has compiled a variety of resources that are relevant to climate change mitigation adaptation.

———. 2011b. "GHG Accounting." IFC, Washington, DC. http://www.ifc.org/ifcext/climatebusiness.nsf/Content/GHGaccounting. The website discusses the Carbon Emissions Estimator Tool (CEET) and provides a link to download CEET, which is an Excel spreadsheet. The information is compatible with the Greenhouse Gas Protocol's carbon reporting methodologies.

IPCC (Intergovernmental Panel on Climate Change). 2006. *2006 IPCC Guidelines for National Greenhouse Gas Inventories*. Hayama, Japan: Institute for Global Environmental Strategies. http://www.ipcc-nggip.iges.or.jp/public/2006gl/index.htm. The guidelines may assist Parties in fulfilling their commitments under the UNFCCC on reporting on inventories of anthropogenic emissions by sources and removal by sinks of greenhouse gases not controlled by the Montreal Protocol, as agreed by the Parties.

Pachauri, Rajendra K., and Andy Reisinger, eds. 2007. *Climate Change 2007: Synthesis Report. Contributions of Working Groups I, II, and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*. Geneva: Intergovernmental Panel on Climate Change. http://www.ipcc.ch/publications_and_data/publications_ipcc_fourth_assessment_report_synthesis_report.htm.

UN (United Nations). 1992. "United Nations Framework Convention on Climate Change." UN, Bonn, Germany. http://unfccc.int/key_documents/the_convention/items/2853.php. The document sets an overall framework for intergovernmental efforts to tackle the challenges posed by climate change.

———. 1998. "Kyoto Protocol to the United Nations Framework Convention on Climate Change." UN, Bonn, Germany. http://unfccc.int/essential_background/kyoto_protocol/items/2830.php. The protocol sets individual, legally binding targets to limit or reduce greenhouse gas emissions to pursue the objectives of the United Nations Framework Convention on Climate Change (UNFCCC). Article 6 of the protocol defines "joint implementation," which allows an Annex I party to implement an emissions-reducing project or a project that enhances removals by sinks in the territory of another Annex I party. The Annex I party may then count the resulting emission reduction units toward its own Kyoto Protocol target. For more information on joint implementation, visit http://unfccc.int/kyoto_mechanisms/ji/items/1674.php. Article 12 of the protocol defines the Clean Development Mechanism (CDM), which assists parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the UNFCCC. The CDM also assists parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments. For more information on CDM, visit http://unfccc.int/kyoto_mechanisms/cdm/items/2718.php.

Guidance on Energy Efficiency and Greenhouse Gas Mitigation Techniques

Many sources are available with information on energy efficiency and other greenhouse gas (GHG) mitigation techniques:

Carbon Trust. 2011. Homepage. Carbon Trust, London. http://www.carbontrust.co.uk/Pages/Default.aspx. The not-for-profit company was established by the U.K. government to help businesses and public organizations reduce their emissions of carbon dioxide into the atmosphere by improving energy efficiency and developing commercial low carbon technology.

EPA (U.S. Environmental Protection Agency). 2011. "Energy Star Program." EPA, Washington, DC. http://www.energystar.gov/index.cfm?c=home.index. Among other things, the program offers guidance on energy-efficiency opportunities in the residential, commercial, and selected industrial sectors.

IEA (International Energy Agency). 2010. *CO_2 Emissions from Fuel Combustion*. Paris: IEA. http://www.iea.org/Textbase/publications/free_new_Desc.asp?PUBS_ID=1825. The book provides data to assist in understanding the evolution of carbon dioxide emissions in more than 140 countries and regions by sector and by fuel.

OECD (Organisation for Economic Co-Operation and Development) and IEA (International Energy Agency). 2004. *Energy Statistics Manual.* Paris: OECD and IEA. http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=NRG-2004.

U.S. Department of Energy. "U.S. Energy Information Administration." U.S. Department of Energy, Washington, DC. http://www.eia.doe.gov/environment.html. The homepage for the administration provides links to U.S. emission data and other useful tools.

U.S. Department of Energy. 2011. "Industrial Technologies Program." U.S. Department of Energy, Washington, DC. http://www1.eere.energy.gov/industry/index.html. As the lead U.S. government program, the Industrial Technologies Program works to increase energy efficiency of U.S. industry. Its website has a wealth of materials related to energy-efficiency topics, including (a) case studies, (b) generic and industry-specific technical information, and (c) software tools for the analysis of common energy-intensive industrial utilities. One can also subscribe to a newsletter.

Performance Standard Requirements Related to International Agreements and Guidelines

Several of the requirements set out in the performance standard relate to the following international agreements and guidelines:

Guidance on Pollutant Release and Transfer Registers

UNEP (United Nations Environment Programme). "Pollutant Release and Transfer Registers." UNEP, Geneva. http://www.chem.unep.ch/prtr/Default.htm. The International Register of Potentially Toxic Chemicals of UNEP presents data on environmental releases and transfers of toxic chemicals from industrial facilities.

Guidance on Long-Range Transboundary Air Pollution and Cleaner Production

UNECE (United Nations Economic Commission for Europe). 1979. "Convention on Long-Range Transboundary Air Pollution." UNECE, Geneva. http://www.unece.org/env/lrtap. The convention provides a framework for controlling and reducing the damage to human health and the environment caused by transboundary air pollution.

Various examples of cleaner production are being compiled by international organizations such as these:

- APO (Asian Productivity Organization), Tokyo. http://www.apo-tokyo.org.
- UNEP (United Nations Environmental Programme), Division of Technology, Industry, and Economics, Paris. http://www.unep.fr/scp/cp/.
- UNIDO (United Nations Industrial Development Organization), Vienna, Austria. http://www.unido.org.

Guidance on Waste and Hazardous Materials

IMO (International Maritime Organization). 1973. "International Convention for the Prevention of Pollution from Ships (MARPOL)." IMO, London. http://www.imo.org/About/Conventions/ListOfConventions/Pages/International-Convention-for-the-Prevention-of-Pollution-from-Ships-(MARPOL).aspx. As modified by subsequent protocols, the

convention covers prevention of pollution of the marine environment by ships from operational or accidental causes.

Institut International du Froid (International Institute of Refrigeration). 2005. "Summary Sheet on the Montreal Protocol." Institut International du Froid, Paris. http://www.lindegas.hu/en/images/MontrealProtocol70-6761.pdf.

Secretariat of the Basel Convention. 1989. "Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal." Secretariat of the Basel Convention, Geneva. http://archive.basel.int/index.html. The convention provides assistance and guidelines on legal and technical issues, gathers statistical data, and conducts training on the proper management of hazardous waste. Supporting information to the Basel Convention is available at http://basel.int/meetings/sbc/workdoc/techdocs.html.

Secretariat of the Stockholm Convention. 2001. "Stockholm Convention on Persistent Organic Pollutants." Secretariat of the Stockholm Convention, Geneva. http://chm.pops.int/. The convention promotes the reduction or elimination of releases of persistent organic pollutants (POPs) through the intentional or unintentional production of and use of chemicals, as well as from stockpiles and wastes.

———. 2011. "Guidelines on Best Available Techniques and Provisional Guidance on Best Environmental Practices." Secretariat of the Stockholm Convention, Geneva. http://chm.pops.int/Programmes/BAT/BEP/Guidelines/tabid/187/language/en-US/Default.aspx. The site provides guidance relevant to Article 5 and Annex C of the Stockholm Convention on Persistent Organic Pollutants.

UNEP (United Nations Environment Programme). 2000. "The Montreal Protocol on Substances that Deplete the Ozone Layer." UNEP, Nairobi. http://ozone.unep.org/pdfs/Montreal-Protocol2000.pdf. The protocol sets targets for reducing the production and consumption of ozone-depleting substances.

———. 2010. "Rotterdam Convention on the Prior Informed Consent for Certain Hazardous Chemicals and Pesticides in International Trade." UNEP, Nairobi. http://archive.pic.int/INCS/CRC7/b2)/English/K1063398CRC-7-2.pdf. The website presents the revised procedure for certain hazardous chemicals and pesticides in international trade (Annex III).

Guidance on Minimizing the Occurrence and Harmful Effects of Technological Accidents and Environmental Emergencies

OSHA (Occupational Health and Safety Administration). 2011. "Process Safety Management (PSM)." OSHA, Washington, DC. http://www.osha.gov/SLTC/processsafetymanagement/index.html. The site provides guidance on process safety management.

UNEP (United Nations Environmental Programme). n.d. "Awareness and Preparedness for Emergencies on a Local Level (APELL)." Sustainable Consumption and Production Branch, UNEP, Paris. http://www.uneptie.org/scp/sp/process/. The site provides technical reports and other materials to assist disaster prevention and response planning in vulnerable areas.

Internationally Recognized Ambient Quality Guidelines and Standards

In addition to earlier guidance, the requirements set out in the Performance Standard on Ambient Conditions also relate to the following.

Berglund, Birgitta, Thomas Lindvall, and Dietrich H. Schwela, eds. 1999. *Guidelines for Community Noise.* Geneva: WHO. http://www.who.int/docstore/peh/noise/guidelines2.html. This publication gives guidance to environmental health authorities and professionals who are trying to protect people from the harmful effects of noise in nonindustrial environments.

IAEA (International Atomic Energy Agency). 1996. "International Basic Safety Standards for Protection against Ionizing Radiation and for the Safety of Radiation Sources." Safety Series 115, IAEA, Vienna, Austria. http://www-pub.iaea.org/MTCD/publications/PDF/SS-115-Web/Pub996_web-1a.pdf. The report provides basic requirements for protection against the risks associated with exposure to ionizing radiation and for the safety of radiation sources that may deliver such exposure.

ICRP (International Commission on Radiological Protection). 1991. "Annals of the ICRP: Recommendations of the International Commission on Radiological Protection." ICRP Publication 60, Pergamon Press, Oxford, U.K. http://www.icrp.org/publication.asp?id=ICRPPublication60. The recommendations are intended to help regulatory and advisory agencies deal with ionizing radiation and with the protection of humans.

International Commission on Non-ionizing Radiation Protection. 1996. "Guidelines for Limiting Exposure to Time-Varying Electric, Magnetic, and Electromagnetic Fields (Up to 300 GHz)." *Health Physics* 74 (4): 494–522. http://www.icnirp.de/documents/emfgdl.pdf. The article establishes guidelines for limiting electromagnetic field exposure to protect against known adverse health effects.

WHO (World Health Organization). 2003. *Guidelines for Safe Recreational Water Environments, Volume 1: Coastal and Fresh Waters*. Geneva: WHO. http://www.who.int/water_sanitation_health/bathing/srwe1/en/. The volume describes the present state of knowledge regarding the impact of recreational use of coastal and freshwater environments on the health of users.

———. 2004. *Guidelines for Drinking-Water Quality, Volume 1: Incorporating First and Second Addenda to the Third Edition*. Geneva: WHO. http://www.who.int/water_sanitation_health/dwq/gdwq3/en/. The book sets a worldwide basis for regulation and standards to ensure the safety of drinking water.

———. 2006. "Air Quality Guidelines: Global Update 2005." WHO, Geneva. http://www.who.int/phe/health_topics/outdoorair_aqg/en/.

Additional Protection against Radiation

In addition, the requirements set out in the performance standard on GHG emissions relate to the following internationally recognized guidelines and standards.

IAEA (International Atomic Energy Agency). 2006. "Fundamental Safety Principles." IAEA Safety Standards for Protecting People and the Environment SF-1, IAEA, Vienna, Austria.
http://www-pub.iaea.org/MTCD/publications/PDF/Pub1273_web.pdf. The publication provides information on safety fundamentals and principles.

Internationally Recognized Greenhouse Gas Emissions Methodologies

The GHG Protocol is a joint initiative of the World Business Council for Sustainable Development and the World Resources Institute. For general information about the GHG Protocol, visit http://www.ghgprotocol.org. The U.S. Environmental Protection Agency's website on climate change (http://www.epa.gov/climatechange/index.html) and its website for the GHG Reporting Program (http://www.epa.gov/climatechange/emissions/ghgrulemaking.html) provide additional information on GHG emissions methodologies. Other resources include the following:

API (American Petroleum Institute). 2004. *Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry*. Austin, TX: API. http://www.api.org/ehs/climate/new/upload/2009_GHG_COMPENDIUM.pdf. The book provides companies in the oil and natural gas industry tools for measuring and reporting their GHG emissions.

DECC (U.K. Department of Energy and Climate Change) and Defra (U.K. Department for Environment, Food, and Rural Affairs). 2009. "Guidance on How to Measure and Report Your Greenhouse Gas Emissions." DECC and Defra, London.
http://www.defra.gov.uk/publications/2011/03/26/ghg-guidance-pb13309. The report provides a set of reporting guidelines and protocols for direct participants in the U.K. emissions trading scheme.

EPA (U.S. Environmental Protection Agency). 1999. "Emission Inventory Improvement Program, Volume VIII: Estimating Greenhouse Gas Emissions." EPA, Washington, DC. http://www.epa.gov/ttnchie1/eiip/techreport/volume08.

IFC (International Finance Corporation) and NCASI (National Council for Air and Stream Improvement). 2011. "The Forest Industry Carbon Assessment Tool (FICAT)." IFC and NCASI, Washington, DC. http://www.ficatmodel.org/landing/index.html. The IFC-supported tool characterizes the overall lifecycle of the GHG impact (not just that of carbon dioxide) of the forest product industry manufacturing facilities and companies.

IPIECA (International Petroleum Industry Environmental Conservation Association). 2003. "Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions." IPIECA, London. http://www.ipieca.org/publication/guidelines-greenhouse-gas-reporting-2011.
The guidance provided in this report is focused specifically on the accounting and reporting of GHG emissions, and it ranges from the facility level to the corporate level.

ISO (International Organization for Standardization). 2006. "ISO Greenhouse Gas Project Accounting Standard, Part 2." ISO 14064, ISO, Geneva.
http://www.iso.org/iso/en/CatalogueDetailPage.CatalogueDetail?CSNUMBER=38382&ICS1=13&ICS2=20&ICS3=40. The specifications provide guidance at the project level for quantifying, monitoring, and reporting GHG emission reductions or removal enhancements.

WBCSD (World Business Council for Sustainable Development) and WRI (World Resources Institute). 2004. *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.* Geneva, WBCSD; Washington, DC: WRI. http://www.wri.org/publication/greenhouse-gas-protocol-corporate-accounting-and-reporting-standard-revised-edition. The book includes additional guidance, case studies, appendices, and a new chapter on setting a GHG target.

———. 2005. *The GHG Protocol for Project Accounting.* Geneva, WBCSD; Washington, DC: WRI. http://www.ghgprotocol.org/files/ghgp/ghg_project_protocol.pdf. The book aims to be a manual as well as a tool for quantifying and reporting reductions from GHG projects. The uniqueness of the protocol lies in its ability to distinguish between policy decisions and technical accounting aspects.

———. 2011. "Calculation Tools." Geneva, WBCSD; Washington, DC: WRI. http://www.ghgprotocol.org/calculation-tools/all-tools. The site provides GHG calculation information for general industrial and commercial activities such as (a) stationary combustion, (b) purchased electricity, (c) transport or mobile sources, (d) combined heat and power plants, and (e) refrigeration and air conditioning systems. The tools also calculate GHG emissions from the following industrial sectors: aluminum, cement, iron and steel, lime, ammonia, nitric acid, chlorodifluoromethane (HCFC-22), pulp and paper, and adipic acid. Additional guidance is also available following free registration.

Example of Private Sector Disclosure of GHG Emissions

Under the Carbon Disclosure Project, institutional investors collectively sign a single global request for disclosure of information on greenhouse gas emissions. For more information about this private sector program, visit http://www.cdproject.net.

Guidance on Safe Handling of Pesticides

FAO (Food and Agriculture Organization of the United Nations). 1990. "Guidelines for Personal Protection when Working with Pesticides in Tropical Climates." FAO, Rome. http://www.fao.org/ag/AGP/AGPP/Pesticid/Code/Download/PROTECT.pdf. The document provides guidance on protecting pesticide users while ensuring that they are able to work comfortably and efficiently in tropical climates.

———. 1995. "Guidelines on Good Labelling Practice for Pesticides." FAO, Rome. http://www.bvsde.paho.org/bvstox/i/fulltext/fao11/fao11.pdf. The document provides guidance on preparing labels and gives specific advice on content and layout.

———. 1996. "Pesticide Storage and Stock Control Manual." FAO, Rome. http://www.fao.org/docrep/v8966e/v8966e00.htm. The manual is useful in many countries, particularly regarding the management and stock control of stored pesticides.

———. 1998. "Guidelines for Retail Distribution of Pesticides with Particular Reference to Storage and Handling at the Point of Supply to Users in Developing Countries." FAO, Rome. The document provides guidance on how to store and handle pesticides at the point of supply to users. http://www.fao.org/WAICENT/FAOINFO/AGRICULT/AGP/AGPP/Pesticid/Code/Download/retail.doc.

———. 1999. "Guidelines for the Management of Small Quantities of Unwanted and Obsolete Pesticides." FAO Pesticide Disposal 7, FAO, Rome. http://www.fao.org/docrep/X1531E/X1531E00.htm. The document provides guidance on the disposal of small quantities of unusable pesticide stocks, pesticide-related waste, and contaminated containers.

WHO (World Health Organization). 2010. "The WHO Recommended Classification of Pesticides by Hazard and Guidelines to Classification 2009." International Programme on Chemical Safety, WHO, Geneva. http://www.who.int/ipcs/publications/pesticides_hazard/en. The document provides a classification system to distinguish between the more hazardous and the less hazardous forms of selected pesticides on the basis of acute risk to human health.

Guidance Note 4
Community Health, Safety and Security

January 1, 2012

Guidance Note 4 corresponds to Performance Standard 4. Please also refer to Performance Standards 1–3 and 5–8 as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

1. Performance Standard 4 recognizes that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration and/or intensification of impacts due to project activities. While acknowledging the public authorities' role in promoting the health, safety, and security of the public, this Performance Standard addresses the client's responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from project related-activities, with particular attention to vulnerable groups.

2. In conflict and post-conflict areas, the level of risks and impacts described in this Performance Standard may be greater. The risks that a project could exacerbate an already sensitive local situation and stress scarce local resources should not be overlooked as it may lead to further conflict.

Objectives

- ***To anticipate and avoid adverse impacts on the health and safety of the Affected Community during the project life from both routine and non-routine circumstances.***
- ***To ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the Affected Communities.***

GN1. Consistent with the requirements of Performance Standard 1, the environmental and social risks and impacts identification process presents an opportunity for the client to identify, evaluate, and address potential risks and impacts of the project to Affected Communities, and to decrease the incidence of injuries, illnesses, and deaths from project related activities. Communities are not homogeneous, and there can be differentiated impacts within groups, including vulnerable groups, of women, men, the young, the elderly, and persons with disabilities, which should be taken into account. The breadth, depth, and type of analysis should be proportionate to the nature and scale of the proposed project's risks to and potential impacts on the health and safety of the local community.

GN2. Performance Standard 4 also recognizes that clients have a legitimate obligation and interest in safeguarding company personnel and property. If the client determines that it must use security personnel to do so, security should be provided in a manner that does not jeopardize the community's safety and security, or the client's relationship with the community. It should also be consistent with national requirements, including national laws implementing host country obligations under international law, and with the requirements of Performance Standard 4, which are consistent with good international practice.

Scope of Application

3. The applicability of this Performance Standard is established during the environmental and social risks and impacts identification process. The implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the

client's Environmental and Social Management System, the elements of which are outlined in Performance Standard 1.

4. This Performance Standard addresses potential risks and impacts to the Affected Communities from project activities. Occupational health and safety requirements for workers are included in Performance Standard 2, and environmental standards to avoid or minimize impacts on human health and the environment due to pollution are included in Performance Standard 3.

Requirements

Community Health and Safety

5. The client will evaluate the risks and impacts to the health and safety of the Affected Communities during the project life-cycle and will establish preventive and control measures consistent with good international industry practice (GIIP),[1] such as in the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) or other internationally recognized sources. The client will identify risks and impacts and propose mitigation measures that are commensurate with their nature and magnitude. These measures will favor the avoidance of risks and impacts over minimization.

[1] *Defined as the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally.*

GN3. Community health and safety considerations should be addressed through a process of environmental and social risks and impacts identification resulting in an Action Plan for disclosure to project Affected Communities. When complex health or safety issues are involved, it may be appropriate for the client to engage external experts for a free-standing assessment, complementing the risks and impacts identification process required under Performance Standard 1. Details of the Health Impact Assessment process and examples of critical elements can be found in IFC's Introduction to Health Impact Assessment. The handbook provides detailed guidance on the assessment of health impacts for projects with higher risks of health impacts of varying degrees of complexity covering such aspects as consulting with communities on health and safety aspects, assessment of baseline conditions, health monitoring by private sector companies and local governments, health risk assessment, and mitigation measures for the main categories of community health risks. Other sources of guidance on the management of health and safety aspects include applicable sections of the World Bank Group General Environmental, Health, and Safety (EHS) Guidelines (for example, Section 1.5, Hazardous Materials Management). Where mitigation measures require action by third parties, such as national or local governments, the client should, if permitted by the relevant governmental agency, be prepared to work with them in order to find a solution that helps meet the requirements of Performance Standard 4.

GN4. The community engagement requirements of Performance Standard 4 can be met through implementation of the community engagement process described in paragraphs 22 through 25 of Performance Standard 1, including the informed consultation and participation process of Affected Communities, in the case of projects with potential significant adverse impacts on them.

GN5. Community health and safety management is more than a technical issue. It also requires a sound understanding of the social and cultural processes through which communities experience, perceive, and respond to risks and impacts. Community perceptions are often conditioned less by technical or quantitative assessments, and more by the ways in which community members experience change in their environments. They are, for example, likely to have greater perception of risk where it is

involuntary, complex, beyond their personal control, or where the distribution of risks and benefits is considered inequitable.

> ***Infrastructure and Equipment Design and Safety***
> ***6. The client will design, construct, operate, and decommission the structural elements or components of the project in accordance with GIIP, taking into consideration safety risks to third parties or Affected Communities. When new buildings and structures will be accessed by members of the public, the client will consider incremental risks of the public's potential exposure to operational accidents and/or natural hazards and be consistent with the principles of universal access. Structural elements will be designed and constructed by competent professionals, and certified or approved by competent authorities or professionals. When structural elements or components, such as dams, tailings dams, or ash ponds are situated in high-risk locations, and their failure or malfunction may threaten the safety of communities, the client will engage one or more external experts with relevant and recognized experience in similar projects, separate from those responsible for the design and construction, to conduct a review as early as possible in project development and throughout the stages of project design, construction, operation, and decommissioning. For projects that operate moving equipment on public roads and other forms of infrastructure, the client will seek to avoid the occurrence of incidents and injuries to members of the public associated with the operation of such equipment.***

GN6. Qualified and experienced professionals are those with proven experience designing and constructing projects of a similar complexity. Qualifications may be demonstrated through a combination of formal technical training and practical experience, or through more formal professional registration or certification systems at the national or international levels.

GN7. The need for certification and approval of structural elements to meet the requirements of Performance Standard 4 will entail consideration of engineering safety competencies including geotechnical, structural, electrical, mechanical, and fire specialties. Clients will be expected to base this determination, which in some cases will be in addition to or beyond local regulatory requirements, on the potential risk of adverse consequences posed by the nature and use of these structural elements and the natural conditions of the area (i.e., potential for hurricanes, earthquakes, flooding, etc.). Additional guidance is provided in the General and Industry Sector EHS Guidelines.

GN8. Projects involving structures and buildings accessible to workers and the public must obtain certification of structural and fire safety aspects by engineering and fire safety professionals registered with national or international professional organizations to perform such certification and/or local regulatory agencies with oversight on these matters. Buildings accessible to the public should be designed, constructed, and operated in full compliance with local building codes, local fire department regulations, local legal/insurance requirements, and in accordance with an internationally accepted life and fire safety (L&FS) standard. Examples of the type of buildings include: health and education facilities; hotels, convention centers, and leisure facilities; retail and commercial facilities; and airports, other public transport terminals, and transfer facilities. Section 3.3 (L&FS) of the General EHS Guidelines further defines this requirement as it relates to fire and other safety standards for new buildings and buildings to be renovated. In the case of buildings destined for public access or other high risk structures, certification must be conducted at the design stage of the project and after construction. Operational phase certifications may be required in some cases where the potential for structural changes during operation is a concern. For all projects with risks to workers and the public, the client should also build its internal capacity to monitor engineering and fire safety of its operations, including periodic monitoring and internal audits.

GN9. High risk structural elements are also commonly encountered in larger projects and include those that could threaten human life in the event of failure, such as dams located upstream of communities. In these cases, a risk assessment, in addition to the local engineering certification requirements, should be performed by competent experts and external experts. Representative types of dams which may require risk assessments and/or review by external experts include hydroelectric power dams; mine tailings dams; dams for ash ponds; fluid overburden and spoils dams; water and other liquid storage dams; and dams for wastewater and storm water management. For examples of risk-based criteria that can be used to evaluate dams see Annex A.

GN10. In line with the safety concerns addressed in the previous paragraphs of this Guidance Note, consistent with the Performance Standard 1 requirements applicable to the protection of vulnerable groups as well as Performance Standard 2 requirements on non-discrimination and equal opportunity, buildings designed for access by members of the public should also address the safe and open accessibility and egress for persons with disabilities. Where new buildings will be accessed by the public, the design should be consistent with the principles of universal access. The Convention on the Rights of Persons with Disabilities, which sets out the legal obligations of States to promote and protect the rights of persons with disabilities, includes aspects of universal accessibility. Certain cultural, legal, and institutional barriers make women and girls with disabilities the victims of two-fold discrimination: as women and as persons with disabilities. The issue of accessibility is among the key principles of the Convention which should be included in the design and operation of buildings intended for public use. The concept of “Universal Design” is defined in Article 2 of the United Nations (UN) convention as follows: “*the design of products, environments, programmes and services to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design "Universal Design" shall not exclude assistive devices for particular groups of persons with disabilities where this is needed”.* The concept of “Reasonable Accommodation” can be utilized in situations where Universal Design alone is insufficient to remove barriers to accessibility. As defined in the UN convention, "Reasonable Accommodation" means “*necessary and appropriate modification and adjustments not imposing a disproportionate or undue burden, where needed in a particular case, to ensure to persons with disabilities the enjoyment or exercise on an equal basis with others of all human rights and fundamental freedoms.”*

GN11. According to the UN Global Status Report on Road Safety (2009), approximately 1.3 million people die each year on the world's roads, and between 20 and 50 million sustain non-fatal injuries. A significant proportion of these fatalities and injuries involve pedestrians, cyclists and motorcyclists. Private sector entities whose commercial activities depend on the use of owned or contracted road vehicle fleets for the transport of goods or provision of services have a particularly important role and responsibility in preventing road accidents to safeguard the lives of community residents along transport routes as well as the lives of their own employees. The role of companies is even more important in jurisdictions with poor quality infrastructure (i.e., lack of proper signaling and illumination, poor road surfaces, lack of proper pedestrian walkways and cross-walks, urban congestion, etc.), poor driver regulations and enforcement (i.e., weak driver licensing rules and enforcement and poor enforcement of road safety rules such as speed limits), and inadequate emergency response infrastructure (i.e., lack of emergency ambulatory and trauma care). Therefore, the client should implement driver and traffic safety programs proportional to the scope and nature of project activities according to the principles described in the General EHS Guidelines (Section 3.4 Traffic Safety). Where transport-related activities are performed by subcontractors, clients should use commercially reasonable efforts to influence the safety of these service providers, contractually requiring traffic safety risk analysis and adoption and implementation of driver safety programs. Management programs should include traffic emergency preparedness and response plans that address contingencies for emergency assistance to the driver and to third parties alike, particularly in remote locations or situations with little capacity to address emergencies involving trauma cases and other serious injuries.

Hazardous Materials Management and Safety

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

GN12. In addition to addressing the release of hazardous materials consistent with Performance Standard 3, clients should also evaluate the risks and impacts posed by the management of hazardous materials that may extend beyond the project's property boundary and into areas inhabited or used by the community. Clients should take steps to avoid or minimize community exposure to hazards associated with the project. One of the ways to accomplish this is by using less hazardous substitutes where they are found to be technically and financially feasible and cost effective.

GN13. Because some hazardous materials may pose a significant risk to the community at the end of their life-cycle, Performance Standard 4 requires that clients make reasonable efforts to avoid their use, unless there are no feasible alternatives or the client can ensure their safe management. Examples of materials whose use is no longer considered good practice include asbestos-containing building materials or PCBs in electrical equipment. The safe management of hazardous materials should extend into the decommissioning phase of the project when remaining wastes, including demolition wastes, must be safely managed according to the waste management requirements of Performance Standard 3. Additional guidance is provided in the General EHS Guideline (as described in Section 1.5 – Hazardous Materials Management) and relevant sections of the Industry Sector EHS Guidelines. The assessment of potential impacts due to exposure to hazardous materials should consider differentiated activities and use of resources by community members, taking into account the most vulnerable, susceptible, or potentially exposed members of the population. For example, in an evaluation of environmental exposures to contaminated media, women may be found to be the most significantly affected through exposure to contaminated water (while at work washing clothes or collecting water) or children through exposure to contaminated soils while at play. Where exposure assessments are necessary, they should be based on internationally accepted quantitative risk assessment frameworks (as described in the General EHS Guidelines, Section 1.8 – Contaminated Land).

GN14. Even if clients cannot exert direct control over the actions of their contractors and subcontractors, clients should use commercially reasonable means to investigate their capacity to address safety issues, communicate their expectations of safety performance, and otherwise influence the safety behavior of contractors, especially those involved in the transportation of hazardous materials to and from the project site.

Ecosystem Services

8. The project's direct impacts on priority ecosystem services may result in adverse health and safety risks and impacts to Affected Communities. With respect to this Performance Standard, ecosystem services are limited to provisioning and regulating services as defined in paragraph 2 of Performance Standard 6. For example, land use changes or the loss of natural buffer areas such as wetlands, mangroves, and upland forests that mitigate the

effects of natural hazards such as flooding, landslides, and fire, may result in increased vulnerability and community safety-related risks and impacts. The diminution or degradation of natural resources, such as adverse impacts on the quality, quantity, and availability of freshwater,[2] may result in health-related risks and impacts. Where appropriate and feasible, the client will identify those risks and potential impacts on priority ecosystem services that may be exacerbated by climate change. Adverse impacts should be avoided, and if these impacts are unavoidable, the client will implement mitigation measures in accordance with paragraphs 24 and 25 of Performance Standard 6. With respect to the use of and loss of access to provisioning services, clients will implement mitigation measures in accordance with paragraphs 25–29 of Performance Standard 5.

[2] *Freshwater is an example of provisioning ecosystem services.*

GN15. These requirements primarily apply to projects that may result in significant changes to the physical environment, such as natural vegetation cover, existing topography, and hydrologic regimes including projects such as mining, industrial parks, roads, airports, pipelines, and new agricultural development. In these cases, special precautions should be followed to prevent geological instability, safely manage storm water flow, prevent a reduction in the availability of surface water and groundwater for human and agricultural use (depending on the sources of water that the community has traditionally relied on), and prevent degradation in the quality of these resources. These requirements also apply to soil resources used by the community for agricultural or other purposes. Climate-dependent projects (i.e. those projects whose operation is closely tied to local or regional hydrologic regimes) such as hydroelectric power, water and sanitation, irrigated and rain-fed agriculture and forestry; projects that make use of freshwater resources in their manufacturing processes (i.e., for production or for cooling needs) and projects potentially subject to coastal or river flooding or landslides, should evaluate potential impacts due to predicted or observed changes in hydrology, including a review of reasonably accessible historical hydrologic information (including frequency and intensity of hydrologic events) and scientifically projected trends. The evaluation of climate-related risks should include a discussion of potential changes in hydrologic scenarios, and the resulting potential impacts and mitigation measures considered in the design and operation of the project. This evaluation shall be commensurate with the availability of data and with the scale of the potential impacts.

GN16. Consistent with the requirements of Performance Standard 3, the quality of soil and water as well as other natural resources such as fauna and flora, woodlands, forest products and marine resources, should be protected so as not to pose an unacceptable risk to human health, safety, and the environment due to the presence of pollutants. These requirements also apply to the project's decommissioning phase, where the client should ensure that the ambient quality of the project site is compatible with its intended future use. General information on the management and use of renewable natural resources can be found in paragraphs 21 through 22 of Performance Standard 6 and its accompanying Guidance Note.

Community Exposure to Disease

9. The client will avoid or minimize the potential for community exposure to water-borne, water-based, water-related, and vector-borne diseases, and communicable diseases that could result from project activities, taking into consideration differentiated exposure to and higher sensitivity of vulnerable groups. Where specific diseases are endemic in communities in the project area of influence, the client is encouraged to explore opportunities during the project life-cycle to improve environmental conditions that could help minimize their incidence.

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

GN17. Paragraph 9 of Performance Standard 4 applies primarily to projects that may cause significant changes in the natural hydrologic regime of an area, such as dams and irrigation schemes or projects located in areas without proper sanitary wastewater discharge and treatment infrastructure. The waterborne diseases mentioned in Performance Standard 4 and the types of project activities that may contribute to their incidence are described in further detail in Annex B. The client is encouraged to find opportunities during the project life-cycle to improve environmental conditions, such as improvement in site drainage patterns, in order to limit possible habitats for vectors linked to water-based and water-related disease, or improvements in potable water availability or sanitary wastewater collection, treatment, or discharge, especially where these can be provided at marginal cost to the project. However, health impacts to potentially Affected Communities should be broadly considered and not just restricted to infectious diseases.[GN1] In many settings, changes in natural vegetation and habitat have pronounced impacts on vector-borne diseases. Poorly designed surface water drainage and creation of construction pits and depressions can have potentially adverse impacts on adjacent local communities. Primary prevention through appropriate design and construction techniques is likely to be an extremely cost-effective strategy if applied early during the front-end engineering design cycle. In contrast, retrofitting facilities and physical structures is expensive and difficult. Significant health improvements can be captured by careful design and construction improvements in four critical sectors: (i) housing; (ii) water and sanitation; (iii) transportation; and (iv) information and communication facilities. The public health implications, both positive and negative, of physical structures are often overlooked. Building and construction activity invariably alters habitats with the potential for both short- and long-term disease consequences. For example, water storage facilities may have significant consequences for the distribution and transmission of vector-borne diseases such as malaria, schistosomiasis, and dengue fever. The evaluation of potential health impacts should include consideration of potential changes to hydrologic regimes as described in paragraph GN16 above.

GN18. Consideration of typical communicable infectious diseases is equally important. Communicable diseases can pose a risk to the viability of businesses by affecting the availability of a labor pool, the productivity of the workforce, or even the customer base. Communicable diseases, also referred to as infectious diseases, are described as illnesses that are attributable to specific infectious agents or their toxic products that arise through transmission of these agents or their products from an infected person, animal, or inanimate reservoir to a susceptible host. Transmission may occur either directly or indirectly through an intermediate plant or animal host, vector, or the inanimate environment. Examples of communicable diseases include water-borne (e.g., amoebiaisis, cholera, and typhoid), water-related (e.g., malaria and arboviral disease), food-borne (e.g., botulism, hepatitis A, and Creutzfeldt-Jakob disease), respiratory diseases (e.g., influenzas, SARS, and tuberculosis), and sexually transmitted infections (STIs) (e.g., chlamydia, syphilis, HIV/AIDS, and gonorrhea). The spread of some communicable diseases can be difficult to control without a comprehensive approach involving community members, national and local governments, and in some cases, the support of international health agencies. At the community level, the client may want to engage with and call upon women in the community to help manage any communicable diseases, particularly due to women's primary role as caretakers of ill family and community members, and due to their vulnerability and their productive and reproductive roles.

GN19. The client should have adequate surveillance programs to screen the health of its workers, which may include documenting and reporting on existing diseases as required in paragraph 21 of Performance Standard 2. If the client proposes to bring in skilled third-country national workers for short-term

[GN1] There is a clear differentiation between the traditional definition of "public health" with its disease-specific focus and the more broadly defined "environmental health" which encompasses the "human living environment" (see Environmental Health: Bridging the Gap in the Bibliography).

construction activities, then careful pre-employment screening should be considered. The disease burdens of many important communicable diseases (e.g., malaria, tuberculosis, influenza) can vary significantly from one region of the world to another. Disease resistance patterns can also vary significantly (e.g., multi-drug resistant tuberculosis). Therefore, the client should take precautions to avoid any inadvertent introduction of new or highly resistant diseases into host communities. Similarly, the reverse situation—host communities introducing diseases into "naïve" work populations—should also be anticipated and avoided. Within the local community (including workers and their families), the client is encouraged to play an active role to prevent the transmission of communicable diseases through communication and educational programs designed to raise awareness. If the client's workers are composed of a significant percentage of local community residents, they constitute an ideal "peer education" group for introducing positive health programs in host communities.

GN20. Employee or contractor actions can also have significant health impacts in relation to two key areas: (i) transmission of STIs, including HIV/AIDS; and (ii) fatalities and injuries. For example, in most settings, long-haul truckers have significantly higher rates of STIs than the host communities. Clients should carefully consider the use of specific education and training programs for transportation contractors. In the tourism industry, particularly in community contexts where there is a higher prevalence of STIs, the client may be able to prevent the further transmission of communicable diseases, after the construction phase, following best practice on the prevention of travel and tourism sexual exploitation that affects particularly women and children. The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism offers practical guidance to suppliers of tourism services.

GN21. The client should also ensure that health information obtained as part of its efforts to prevent the transmission of communicable diseases, such as through the use of pre-employment medical exams and other forms of health screening, will not be used for exclusion from employment or any other form of discrimination. For further details on good practices to address HIV/AIDS, see IFC's Good Practice Note on HIV/AIDS in the Workplace, and the HIV/AIDS Resource Guide for the Mining Sector.

> ***Emergency Preparedness and Response***
>
> ***11. In addition to the emergency preparedness and response requirements described in Performance Standard 1, the client will also assist and collaborate with the Affected Communities, local government agencies, and other relevant parties, in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to respond to such emergency situations. If local government agencies have little or no capacity to respond effectively, the client will play an active role in preparing for and responding to emergencies associated with the project. The client will document its emergency preparedness and response activities, resources, and responsibilities, and will disclose appropriate information to Affected Communities, relevant government agencies, or other relevant parties.***

GN22. Where the consequences of emergency events are likely to extend beyond the project property boundary or beyond the Affected Community or originate outside of the project property boundary (e.g., hazardous material spill during transportation on public roadways), the client is required to design emergency response plans based on the risks to the health and safety of the Affected Community and other stakeholders. Emergency plans should be developed in close collaboration and consultation with potentially Affected Communities and other stakeholders and should include detailed preparation to safeguard the health and safety of workers and the communities in the event of an emergency. Further requirements and guidance on this subject, including some of the basic elements of emergency preparedness and response plans, are provided in Performance Standard 1, and the accompanying Guidance Note 1.

GN23. The client should provide relevant local authorities, emergency services, and the Affected Communities and other stakeholders with information on the nature and extent of environmental and human health effects that may result from routine operations and unplanned emergencies at the project facility. Information campaigns should describe appropriate behavior and safety measures in the event of an incident, as well as actively seek views concerning risk management and Affected Community or other stakeholder preparedness. In addition, clients should consider including the Affected Community and other stakeholders in regular training exercises (e.g., simulations, drills, and debriefs of exercises and actual events) to familiarize them with proper procedures in the event of an emergency. Emergency plans should address the following aspects of emergency response and preparedness:

- Specific emergency response procedures
- Trained emergency response teams
- Emergency contacts and communication systems/protocols
- Procedures for interaction with local and regional emergency and health authorities
- Permanently stationed emergency equipment and facilities (e.g., first aid stations, fire extinguishers/hoses, sprinkler systems)
- Protocols for fire truck, ambulance, and other emergency vehicle services
- Evacuation routes and meeting points
- Drills (annual or more frequently as necessary)

Additional guidance is provided in the General EHS Guidelines (Section 3.7 – Emergency Preparedness and Response) and the relevant section of the Industry Sector EHS Guidelines.

Security Personnel

12. When the client retains direct or contracted workers to provide security to safeguard its personnel and property, it will assess risks posed by its security arrangements to those within and outside the project site. In making such arrangements, the client will be guided by the principles of proportionality and good international practice[3] in relation to hiring, rules of conduct, training, equipping, and monitoring of such workers, and by applicable law. The client will make reasonable inquiries to ensure that those providing security are not implicated in past abuses; will train them adequately in the use of force (and where applicable, firearms), and appropriate conduct toward workers and Affected Communities; and require them to act within the applicable law. The client will not sanction any use of force except when used for preventive and defensive purposes in proportion to the nature and extent of the threat. The client will provide a grievance mechanism for Affected Communities to express concerns about the security arrangements and acts of security personnel.

13. The client will assess and document risks arising from the project's use of government security personnel deployed to provide security services. The client will seek to ensure that security personnel will act in a manner consistent with paragraph 12 above, and encourage the relevant public authorities to disclose the security arrangements for the client's facilities to the public, subject to overriding security concerns.

[3] *Including practice consistent with the United Nation's (UN) Code of Conduct for Law Enforcement Officials, and UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.*

14. The client will consider and, where appropriate, investigate all allegations of unlawful or abusive acts of security personnel, take action (or urge appropriate parties to take action) to prevent recurrence, and report unlawful and abusive acts to public authorities.

GN24. Security arrangements to protect a client's personnel and property will typically depend in large part on security risks in the operating environment, though other factors, such as company policy or the need to protect intellectual property or hygiene in production operations, can also influence security decisions. In determining what security arrangements and equipment are necessary, clients should apply the principle of proportionality. In many circumstances, a night watchman may be all that is required, together with some basic security awareness training for staff, sign-posting, or well-placed lighting and fences. In more complex security environments, the client may have to directly employ further security personnel or engage private security contractors, or even work directly with public security forces.

GN25. It is important for clients to assess and understand the risks involved in their operations, based on reliable and regularly updated information. For clients with small operations in stable settings, a review of the operating environment can be relatively straightforward. For larger operations or those in unstable environments, the review will be a more complex and thorough risks and impacts identification process that may need to consider political, economic, legal, military, and social developments, any patterns and causes of violence and potential for future conflicts. It may be necessary for clients to also assess the record and capacity of law enforcement and judicial authorities to respond appropriately and lawfully to violent situations. If there is social unrest or conflict in the project's area of influence, the client should understand not only the risks posed to its operations and personnel but also whether its operations could create or exacerbate conflict. Conversely, if the client's operations involving the use of security personnel are consistent with Performance Standard 4, they may avoid or mitigate adverse impacts on the situation and contribute to the improvement of security conditions around the project area. Clients should consider security risks associated with the entire range and all stages of their operational activities, including personnel, products, and materials being transported. The risks and impacts identification process should also address negative impacts on workers and the surrounding communities, such as the potential for increased communal tensions due to the presence of security personnel or the risk of theft and circulation of firearms used by security personnel.

GN26. Community engagement is a central aspect of an appropriate security strategy, as good relations with workers and communities can be the most important guarantee of security. Clients should communicate their security arrangements to workers and Affected Communities, subject to overriding safety and security needs, and involve them in discussions about the security arrangements through the community engagement process described in Performance Standard 1.

GN27. Men and women usually have different security needs and experiences. Thus, in order to increase the chances of operational success, security personnel may need to consider the impact of their activities on local women, men, boys, and girls. Awareness of culturally-specific gender issues will help security staff to adjust to the Affected Community and to be more responsive to the cultural milieu in which they work, which can enhance local acceptance of the presence of private security staff. Clients may consider the inclusion of female security staff who not only can conduct searches on women, but who may also be able to take a different approach in identifying and handling security risks.[GN2]

GN28. Clients should require the appropriate conduct of security personnel they employ or engage. Security personnel should have clear instructions on the objectives of their work and permissible actions. The level of detail of the instructions will depend on the scope of permitted actions (particularly if security personnel are permitted to use force and, in exceptional circumstances, firearms) and the number of

[GN2] Private Military and Security Companies and Gender (UN INSTRAW and the Geneva Centre for the Democratic Control of Armed Forces, DCAF, 2008).

personnel. The instructions should be based on applicable law and professional standards. These instructions should be communicated as terms of employment and reinforced through periodic professional training.

GN29. If security personnel are permitted to use force, instructions must be clear on when and how force may be used, specifying that security personnel are permitted to use force only as a matter of last resort and only for preventive and defensive purposes in proportion to the nature and extent of the threat, and in a manner that respects human rights (see paragraph GN31 below). When the use of firearms is necessary, any firearms and ammunition issued should be licensed, recorded, stored securely, marked and disposed of appropriately. Security personnel should be instructed to exercise restraint and caution, clearly prioritizing prevention of injuries or fatalities and peaceful resolution of disputes. The use of physical force should be reported to and investigated by the client. Any injured persons should be transported to medical facilities.

GN30. The conduct of security personnel should be based on the principle that providing security and respecting human rights can and should be consistent. For example, if community members decide to associate, assemble, and speak out in opposition to the project, the client and any security personnel who interact with them should respect the right of the local communities to do so. The instructions for security personnel should also make clear that arbitrary or abusive use of force is prohibited.

GN31. Who provides security is as relevant as how security is provided. When employing or engaging any security personnel, the client should make reasonable inquiries to investigate the employment record and other available records, including any criminal record, of individuals or firms and should not employ or use any individuals or companies that have abused or violated human rights in the past. Clients should use only security professionals who are, and continue to be, adequately trained.

GN32. The client should record and investigate security incidents to identify any necessary corrective or preventive actions for continuing security operations. To promote accountability, the client (or other appropriate party such as the security contractor or appropriate public or military authority) should take corrective and/or disciplinary action to prevent or avoid a repetition if the incident was not handled according to instructions. Unlawful acts of any security personnel (whether employees, contractors, or public security forces) should be reported to the appropriate authorities (bearing in mind that clients may have to use their judgment about reporting violations if they have legitimate concerns about treatment of persons in custody). Clients should follow up on reported unlawful acts by actively monitoring the status of investigations and pressing for their proper resolution. The grievance mechanism required under Performance Standard 1 provides another avenue for workers, Affected Communities and other stakeholders to address concerns about security activities or personnel within the client's control or influence.

GN33. There may be cases where the government decides to deploy public security forces to protect a client's operations, whether on a routine or as needed basis. In countries where it is illegal for companies to employ private security forces, the client may have no choice but to engage public security forces to protect its assets and employees. Governments have the primary responsibility for maintaining law and order and the decision-making authority with respect to deployments. Nonetheless, clients whose assets are being protected by public security forces have an interest in encouraging those forces to behave consistently with the requirements and principles set out above for private security personnel in order to promote and maintain good relations with the community, bearing in mind that public security forces may be unwilling to accept restrictions on their ability to use offensive force where they consider necessary. Clients are expected to communicate their principles of conduct to public security forces, and express their desire that security be provided in a manner consistent with those standards by personnel with adequate and effective training. The client should request the government to disclose information about the arrangements to the client and the community, subject to overriding safety and security needs. If

clients are required or requested to compensate the public security forces or provide equipment to them, and if the option of declining the request is not available or desirable, clients may choose to provide in kind compensation, such as food, uniform, or vehicles, rather than cash or lethal weapons. Clients should also try to implement restrictions, controls, and monitoring as necessary and possible under the circumstances to prevent misappropriation or use of the equipment in a manner that is not consistent with the principles and requirements set out above.

Annex A

Examples of Risk-based Criteria for Assessment of Dams

In the case of dams and impoundments, external experts should base their evaluation of safety on specific risk criteria. External experts should initially refer to national regulations and methodologies. Should such regulations not be available in the country, existing, well-developed methodologies promulgated by authorities in countries with mature dam safety programs should be referred to and adapted as necessary to local conditions. In broad terms, risk assessment criteria may include the following aspects:

- Design flood
- Design earthquake (maximum credible event)
- Properties of construction process and properties of construction materials
- Design philosophy
- Foundation conditions
- Height of dam and volume of materials contained
- Quality control during construction
- Management capacity of the client/operator
- Provisions for financial responsibility and closure
- Financial resources for operation and maintenance, including closure when applicable
- Population at risk downstream of the dam
- Economic value of assets at risk in case of dam failure

Annex B

Definitions of Water Diseases

Waterborne	Water-based	Water-related	Water-washed
Water-borne illnesses are those caused by consuming water contaminated by human, animal, or chemical wastes. These diseases are especially prevalent in areas lacking access to adequate sanitation facilities, and include diarrhea, cholera and typhoid.	Water-based illnesses are caused by parasites that spend at least part of their life cycles in water. These include guinea worm and schistosomiasis.	Water-related illnesses are those transmitted by vectors that live and breed in or around water. Vectors are insects or animals that carry and transmit parasites between infected people or animals. This category of disease includes malaria, transmitted by mosquitoes.	Water-washed illnesses are those that can be prevented through more frequent hand washing and bathing, including trachoma and onchocerciasis.
▪ Contaminated water that is consumed may result in water-borne diseases including viral hepatitis, typhoid, cholera, dysentery and other diseases that cause diarrhea	▪ Water-based diseases and water-related vector-borne diseases can result from water supply projects (including dams and irrigation structures) that inadvertently provide habitats for mosquitoes and snails that are intermediate hosts of parasites that cause malaria, schistomsomisis, lymphatic filariasis, onchocerciasis and Japanese encephalitis	▪ Water-related vector-borne diseases can result from water supply projects (including dams and irrigation structures) that inadvertently provide habitats for mosquitoes that are intermediate hosts of parasites that cause malaria, lymphatic filariasis, and Japanese encephalitis	▪ Ascariasis (roundworm infection) ▪ Ancylostomiasis (hookworm infection)

Annotated Bibliography

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

GRI (Global Reporting Initiative) and IFC (International Finance Corporation). 2009. "Embedding Gender in Sustainability Reporting: A Practitioner's Guide." GRI, Amsterdam, and IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/Topics_ext_content/ifc_external_corporate_site/IFC%20Sustainability/Publications/Publications_Report_GenderSustainabilityReporting__WCI__1319577300362?id=032d1d8048d2eb75bed7bf4b02f32852&WCM_Page.ResetAll=TRUE&CACHE=NONE&CONTENTCACHE=NONE&CONNECTORCACHE=NONE&SRV=Page. This 90-page report helps organizations using the GRI Sustainability Reporting Framework embed material gender issues in sustainability papers.

ICMM (International Council for Mining and Metals). 2010. *Good Practice Guidance on Health Impact Assessment*. London: ICMM. http://www.icmm.com/library/hia. This 90-page book offers a set of tools to help site practitioners assess and address the risks posed by hazards in the mining and metals sector.

IFC (International Finance Corporation). 2002. "HIV/AIDS in the Workplace." Good Practice Note 2, IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_hivaids__wci__1319576749797. This note outlines the costs of HIV/AIDS to businesses and gives companies concrete advice on designing and implementing workplace programs.

———.2004. "HIV/AIDS Guide for the Mining Sector: A Resource for Developing Stakeholder Competency and Compliance in Mining Communities in Southern Africa." IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_hivaids-mining. This HIV/AIDS resource guide gives steps for developing stakeholder competency in mining communities. It also introduces a new framework for management strategies and workplace prevention, as well as care and outreach programs to help combat the disease.

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———.2009a. "Addressing Grievances from Project-Affected Communities. Guidance for Projects and Companies on Designing Grievance Mechanisms." Good Practice Note 7, IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/Topics_ext_content/ifc_external_corporate_site/IFC%20Sustainability/Publications/Publications_GPN_Grievances?id=c45a0d8048d2e632a86dbd4b02f32852&WCM_Page.ResetAll=TRUE&CACHE=NONE&CONTENTCACHE=NONE&CONNECTORCACHE=NONE&SRV=Page. This Good Practice Note provides expanded guidance for companies on basic principles of grievance management.

———.2009b. "Introduction to Health Impact Assessment." IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/Topics_ext_content/ifc_external_corporate_site/IFC%20Sustainability/Publications/Publications_Handbook_HealthImpactAssessment__WCI__1319578475704?id=8fcfe50048d2f6259ab2bf4b02f32852&WCM_Page.ResetAll=TRUE&CACHE=NONE&CONTENTCACHE=NONE&CONNECTORCACHE=NONE&SRV=Page. This document provides good practice guidance for conducting a health impact assessment on community health as a result of project development.

INDEPTH (International Network for the Demographic Evaluation of Populations and Their Health in Developing Countries). http://www.indepth-network.org. INDEPTH's members conduct longitudinal health and demographic evaluations of people in low- and middle-income countries. The organization's aim is to strengthen global capacity for health and demographic surveillance system. An extremely cost-effective and well-established program can transparently and longitudinally collect and evaluate a wide range of social, health, and economic survey data.

International Alert. 2005. "Conflict-Sensitive Business Practice: Guidance for Extractive Industries." International Alert, London. http://www.international-alert.org/sites/default/files/publications/conflict_sensitive_business_practiceforeword.pdf. This 15-page document provides a set of tools for companies that are concerned about improving their impact on host countries. It allows them to begin thinking more creatively about understanding and minimizing conflict risk and actively contributing to peace.

IPIECA (International Petroleum Industry Environmental Conservation Association) and OGP (International Association of Oil and Gas Producers). 2005. "A Guide to Health Impact Assessment in the Oil and Gas Industry." IPIECA and OGP, London. http://www.ipieca.org/library?tid[]=9&lang[]=28&datefilter[value][year]=2005&keys=Health+Impact+Assessment&x=16&y=9&=Apply. This pocket guide provides a summary checklist of activities to consider when conducting health impact assessments.

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Listorti, James A., and Fadi M. Doumani. 2001. "Environmental Health: Bridging the Gap." Discussion Paper 422, World Bank, Washington, DC. This paper, written by World Bank consultants, provides a detailed analysis of an approach to environmental health assessment.

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UNEP. United Nations Environment Programme. "APELL: Awareness and Preparedness for Emergencies on a Local Level." http://www.pnuma.org/industria_ing/emergencias_i.php. Through this website, UNEP provides technical reports and other materials to assist disaster prevention and response planning in vulnerable areas.

United Nations Global Compact Office. 2010. "Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors." UN Global Compact, New York. http://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Guidance_RB.pdf. This 45-page guide aims to assist companies in implementing responsible business practices in conflict-affected and high-risk areas.

UN-INSTRAW (United Nations International Research and Training Institute for the Advancement of Women_ and DCAF (Geneva Centre for the Democratic Control of Armed Forces). 2008. "Private Military and Security Companies and Gender." Practice Note 10, UN-INSTRAW, New York, and DCAF, Geneva. http://se2.dcaf.ch/serviceengine/Files/DCAF/47482/ipublicationdocument_singledocument/74834401-5D00-4FA5-AD26-BB5A1A6A89E7/en/Practice%2BNote%2B10.pdf. This practice note provides a short introduction to the benefits of integrating gender issues into private security companies, as well as practical information on doing so.

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WHO Statistics and Health Information Systems (database). World Health Organization, Geneva. http://www.who.int/healthinfo/global_burden_disease/en/index.html. This information system introduces the disability-adjusted life year (DALY), which is a health gap measure that extends the concept of potential years of life lost because of premature death to include equivalent years of healthy life lost by virtue of being in states of poor health or disability.

World Bank. 2009. "Good Practice Note: Asbestos—Occupational and Community Health Issues." World Bank, Washington, DC. http://siteresources.worldbank.org/EXTPOPS/Resources/AsbestosGuidanceNoteFinal.pdf. This 17-page paper discusses health risks related to asbestos exposure and provides resources for international best practices.

Guidance Note 5
Land Acquisition and Involuntary Resettlement

January 1, 2012

Guidance Note 5 corresponds to Performance Standard 5. Please also refer to Performance Standards 1–4 and 6–8 as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

1. Performance Standard 5 recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood[1]) as a result of project-related land acquisition[2] and/or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. This occurs in cases of (i) lawful expropriation or temporary or permanent restrictions on land use and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

2. Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for the Affected Communities and persons, as well as environmental damage and adverse socio-economic impacts in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided. However, where involuntary resettlement is unavoidable, it should be minimized and appropriate measures to mitigate adverse impacts on displaced persons and host communities[3] should be carefully planned and implemented. The government often plays a central role in the land acquisition and resettlement process, including the determination of compensation, and is therefore an important third party in many situations. Experience demonstrates that the direct involvement of the client in resettlement activities can result in more cost-effective, efficient, and timely implementation of those activities, as well as in the introduction of innovative approaches to improving the livelihoods of those affected by resettlement.

3. To help avoid expropriation and eliminate the need to use governmental authority to enforce relocation, clients are encouraged to use negotiated settlements meeting the requirements of this Performance Standard, even if they have the legal means to acquire land without the seller's consent.

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[1] *The term "livelihood" refers to the full range of means that individuals, families, and communities utilize to make a living, such as wage-based income, agriculture, fishing, foraging, other natural resource-based livelihoods, petty trade, and bartering.*

[2] *Land acquisition includes both outright purchases of property and acquisition of access rights, such as easements or rights of way.*

[3] *A host community is any community receiving displaced persons.*

GN1. Decades of resettlement research have shown that involuntary resettlement associated with public and private sector projects frequently results in the impoverishment of affected households and communities. The main socio-economic risks associated with involuntary resettlement—and therefore those which need to be addressed by developers—are contained in the widely used Impoverishment Risks and Reconstruction Model (Cernea, 1997, 2000), as follows (Performance Standard 5 paragraph references relating to each issue are provided in parentheses):

- Landlessness (paragraphs 27–28)
- Joblessness (paragraph 28)
- Homelessness (paragraphs 20–21)
- Marginalization (paragraphs 8 and 19)
- Food insecurity (paragraph 28)
- Increased morbidity and mortality (no specific mention in Performance Standard 5; Performance Standard 1, paragraph 7 requires that the risks and impacts identification process consider all relevant environmental and social risks and impacts)
- Loss of access to common property and services (paragraphs 5 and 28)
- Social disarticulation (paragraph 20).

GN2. Through proper resettlement planning and implementation, the client can avoid or minimize these risks in a systematic manner and, wherever possible, enhance the development impact of a project by enabling affected households and communities to participate in resettlement planning through informed consultation and participation (ICP), and to share in various project benefits and thereby improve their living standards. Investment in local economic and social development can pay dividends to the client in the form of enhanced goodwill within the affected and host communities, and an enhanced corporate reputation. Conversely, without proper planning and management, involuntary resettlement may have negative consequences that diminish the developmental impact of a project and affect the reputation of the client.

GN3. The loss of access to common property resources and natural resources is an important consideration when evaluating a project's impacts on affected communities' and households' livelihoods, as noted in GN1 above. The types of assets to which access might be lost could include, but are not limited to, pasture, fruit trees, medicinal plants, fiber, firewood, and other non-timber forest resources, croplands, fallow lands, woodlots, and fish stocks. Whilst these resources are, by definition, not owned by individual households, access to them is often a key component of affected households' livelihoods, without which they will likely face the risk of project-induced impoverishment.

GN4. Government agencies are often responsible for planning and implementing physical and economic displacement in preparation for private sector projects or as direct sponsors of such projects. Some countries have national legislation guiding the resettlement process. Government agencies follow national legal requirements, while clients are required to ensure that resettlement undertaken on their behalf meets national laws as well as the objectives of this Performance Standard 5. This may require supplementing the Government's efforts in various ways, as outlined in the section on Government led resettlement below (paragraphs GN68–GN74).

Objectives

- ***To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs.***
- ***To avoid forced eviction.***
- ***To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost[4] and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.***
- ***To improve, or restore, the livelihoods and standards of living of displaced persons.***

- ***To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure[5] at resettlement sites.***

[4] *Replacement cost is defined as the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. Market value is defined as the value required to allow Affected Communities and persons to replace lost assets with assets of similar value. The valuation method for determining replacement cost should be documented and included in applicable Resettlement and/or Livelihood Restoration plans (see paragraphs 18 and 25).*

[5] *Security of tenure means that resettled individuals or communities are resettled to a site that they can legally occupy and where they are protected from the risk of eviction.*

GN5. Companies are encouraged to avoid the acquisition of land that results in the physical or economic displacement of people. This requires a meaningful analysis of possible alternatives by the client which incorporates the social and project costs associated with displacement. Where such displacement is unavoidable, adverse impacts on individuals and communities should be minimized through adjustments in routing or siting of project facilities (e.g., pipelines, access roads, plants, depots, etc.).

GN6. If displacement is unavoidable, any project-related eviction should conform to national laws and be conducted in a manner consistent with the objectives of this Performance Standard. More specific guidance is provided in GN55, below. In addition to the guidance provided in paragraph GN55, the international human rights principles laid out in the UN Guiding Principles on Internal Displacement—particularly in Section III: Principles relating to protection during displacement—provide useful guidance regarding rights and protections for internally displaced persons.[GN1]

GN7. There may be circumstances that require special attention if project-related land acquisition occurs in an area with widespread land disputes or in a post-conflict country/region/area from which people were expelled (or chose to leave) due to conflict, and where the ownership of land is not clear at the moment of acquisition. The client should be aware that acquisition of project-related land in these circumstances will add considerable complexity to the usual challenges in land acquisition and involuntary resettlement, and may potentially exacerbate the existing land conflict. In cases where there has been displacement as a result of conflict, prior to the client's involvement, this Guidance Note supports the application of the aforementioned UN Guiding Principles.

GN8. Compensation for land and other assets should be calculated at the market value plus the transaction costs related to restoring the assets. In practice, those who suffer negative social and economic impacts as a result of the acquisition of land for a project and/or restrictions on land use, may include those having legally recognized rights or claims to the land; those with customary claims to land; and those with no legally recognized claims, as well as seasonal natural resource users such as herders, fishing families, hunters and gatherers who may have interdependent economic relations with communities located within the project area. The potential variety of land and land use claimants renders the calculation of full replacement cost in the above-mentioned situations difficult and complex.

GN9. For this reason, as part of their assessment of legal, social and reputational risks surrounding land acquisition or restriction of use, clients should identify and consult with individuals and communities that will be displaced by land acquisition and/or restrictions on land use as well as host communities who will receive those who are resettled, to obtain adequate information about land titles, claims, and use. All categories of affected households and communities should be consulted, whether individually or through

[GN1] UN Office of the High Commissioner for Human Rights: Guiding Principles on Internal Displacement: Report of the Representative of the Secretary-General, Mr. Francis M. Deng (February 1998), E/CN.

representative sampling if the numbers are large, and particular attention should be paid to vulnerable groups. Consultation should capture men's and women's views and concerns. In addition, clients should ensure all households and communities are informed early in the planning process about their options and rights regarding displacement and compensation. Affected households and communities should also have the opportunity for informed participation in key phases of resettlement planning so that the mitigation of adverse project impacts is appropriate and the potential benefits of resettlement are sustainable. More detailed information on consultation and engagement with affected households and communities is provided in Performance Standard 1 and its accompanying Guidance Note.

GN10. Many countries have legally defined rates of compensation for crops and/or land. It is recommended that clients assess the government-established compensation rates and adjust as necessary to meet the replacement rate criterion. The assessment of these rates is best achieved via the commissioning of an experienced agronomist or similarly qualified professional with a working knowledge of the host country's compensation and agricultural pricing systems.

GN11. Compensation alone does not guarantee the restoration or improvement of the livelihoods and social welfare of displaced households and communities. Restoration and improvement of livelihoods often may include many interconnected assets such as access to land (productive, fallow, and pasture), marine and aquatic resources (fish stocks), access to social networks, access to natural resources such as timber and non-timber forest products, medicinal plants, hunting and gathering grounds, grazing and cropping areas, fresh water, as well as employment, and capital. Major challenges associated with rural resettlement include restoring livelihoods based on land or natural resource use and the need to avoid compromising the social or cultural continuity of Affected Communities, including the host communities to which the displaced population may be resettled. Resettlement in urban or peri-urban areas typically affects housing, employment, and enterprises. A major challenge associated with urban resettlement is the restoration of wage-based or enterprise-based livelihoods that are often tied to location (such as proximity to jobs, customers and markets).

GN12. The following are summary recommendations for the design of measures to improve and or restore livelihoods that are land-based, wage-based and enterprise-based:

- *Land-based livelihoods*: Depending on the type of economic displacement and/or the site to which affected women and men are relocated, they may benefit from: (i) assistance in acquiring or accessing replacement land, including access to grazing land, fallow land, forest, fuel and water resources; (ii) physical preparation of farm land (e.g., clearing, leveling, access routes and soil stabilization); (iii) fencing for pasture or cropland; (iv) agricultural inputs (e.g., seeds, seedlings, fertilizer, irrigation); (v) veterinary care; (vi) small-scale credit, including rice banks, cattle banks and cash loans; and (vii) access to markets (e.g., through transportation means and improved access to information about market opportunities).

- *Wage-based livelihoods*: Wage earners in the affected households and communities may benefit from skills training and job placement, provisions made in contracts with project sub-contractors for temporary or longer term employment of local workers, and small-scale credit to finance start-up enterprises. Wage earners whose income is interrupted during physical displacement should receive a resettlement allowance that covers these and other hidden costs. Affected women and men should be given equal opportunities to benefit from such provisions. The location of resettlement housing, in the case of physically displaced persons, can be a significant contributing factor toward socio-

economic stability. Careful consideration must be given to the ability of wage earners to continue to access their place(s) of work during and after resettlement; if this ability is impaired then mitigation measures need to be implemented to ensure continuity and avoid a net loss in welfare for affected households and communities.

- *Enterprise-based livelihoods*: Established and start-up entrepreneurs and artisans may benefit from credit or training (e.g., business planning, marketing, inventory and quality control) to expand their business and generate local employment. Clients can promote local enterprise by procuring goods and services for their projects from local suppliers.

GN13. Performance Standard 5 requires provision of adequate housing and a degree of security of tenure to displaced persons at resettlement sites. Adequate housing or shelter can be measured by quality, safety, size, number of rooms, affordability, habitability, cultural appropriateness, accessibility,[GN2] security of tenure and locational characteristics. Adequate housing should allow access to employment options, markets, and other means of livelihood such as agricultural fields or forests, and also basic infrastructure and services, such as water, electricity, sanitation, health-care, and education depending on the local context and whether these services can be supported and sustained. Adequate sites should not be subject to flooding or other hazards. Whenever possible, clients should endeavor to improve aspects of adequate housing mentioned in this paragraph, including security of tenure, in order to offer better living conditions at the resettlement site, particularly to those without recognizable legal rights or claim to the land they occupy, such as informal settlers (Performance Standard 5, paragraph 17 (iii)) and/or those who are vulnerable as described in Performance Standard 1. Creation of improvement options and setting priorities for such improvements at resettlement sites should be done with the participation of those being displaced as well as host communities as appropriate.

GN14. Security of tenure is an important component of adequate housing. Security of tenure at its highest level means that residents are the legally recognized owners of their land and structures and are free to trade or collateralize their possession. At a minimum, security of tenure affords residents protection from eviction. Eviction means removal of people and their belongings from land and structures against their will and without any legal or other protection. Improving security of tenure can have a positive impact on displaced persons' standard of living. As described in Performance Standard 5, paragraph 17, displaced persons may have formal legal rights to the land; they may have recognized but not formal legal rights to land (e.g., through traditional customary claim to the land or communal possession of community land); or they may have no recognizable legal right to the land they occupy (e.g., informal or opportunistic settlers). In addition, displaced persons may be seasonal or permanent tenants, paying and non-paying or seasonal migrants. Provision of security of tenure for each category of occupant may differ as outlined in the UN Basic Principles and Guidelines on Development-Based Evictions and Displacement (UN Special Rapporteur on the Right to Housing, 2007).[GN3]

GN15. Displaced persons falling within the meaning of Performance Standard 5, paragraph 17 (iii), are vulnerable to the risk of evictions and displacement in the future by the state or others, particularly if they receive cash compensation but not a place to relocate. As a result, additional protection should be

[GN2] New housing or shelter, should where appropriate, follow the concept of universal design, and remove the physical barriers that prevent people with disabilities (including the elderly, temporarily infirm, children, etc) from fully participating in social and economic life as explored in the World Bank publication, Design for All (Hotlink to the website: http://siteresources.worldbank.org/DISABILITY/Resources/Universal_Design.pdf

[GN3] UN Office of the High Commissioner for Human Rights: Basic Principles and Guidelines on Development-Based Evictions and Displacement: report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, Mr. Miloon Kothari, 11 June 2007, A/HRC/4/18.

considered. These are described in paragraph GN45. In some cases, tenants may qualify for replacement housing and in other cases they will be resettled in similar housing under similar or improved tenure arrangements.

Scope of Application

4. The applicability of this Performance Standard is established during the environmental and social risks and impacts identification process. The implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Environmental and Social Management System, the elements of which are outlined in Performance Standard 1.

5. This Performance Standard applies to physical and/or economic displacement resulting from the following types of land-related transactions:

- ***Land rights or land use rights acquired through expropriation or other compulsory procedures in accordance with the legal system of the host country;***
- ***Land rights or land use rights acquired through negotiated settlements with property owners or those with legal rights to the land if failure to reach settlement would have resulted in expropriation or other compulsory procedures;[6]***
- ***Project situations where involuntary restrictions on land use and access to natural resources cause a community or groups within a community to lose access to resource usage where they have traditional or recognizable usage rights;[7]***
- ***Certain project situations requiring evictions of people occupying land without formal, traditional, or recognizable usage rights;[8] or***
- ***Restriction on access to land or use of other resources including communal property and natural resources such as marine and aquatic resources, timber and non-timber forest products, freshwater, medicinal plants, hunting and gathering grounds and grazing and cropping areas.[9]***

6. This Performance Standard does not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures sanctioned by the legal system of the host country if negotiations fail). It also does not apply to impacts on livelihoods where the project is not changing the land use of the affected groups or communities.[10]

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[6] This also applies to customary or traditional rights recognized or recognizable under the laws of the host country. The negotiations may be carried out by the government or by the company (in some circumstances, as an agent of the government).

[7] In such situations, affected persons frequently do not have formal ownership. This may include freshwater and marine environments. This Performance Standard may also apply when project-related biodiversity areas or legally designated buffer zones are established but not acquired by the client.

[8] While some people do not have rights over the land they occupy, this Performance Standard requires that non-land assets be retained, replaced, or compensated for; relocation take place with security of tenure; and lost livelihoods be restored.

[9] Natural resource assets referred to in this Performance Standard are equivalent to ecosystem provisioning services as described in Performance Standard 6.

[10] More generalized impacts on communities or groups of people are covered in Performance Standard 1. For example, disruption of access to mineral deposits by artisanal miners is covered by Performance Standard 1.

7. Where project impacts on land, assets, or access to assets become significantly adverse at any stage of the project, the client should consider applying requirements of this Performance Standard, even where no land acquisition or land use restriction is involved.

GN16. Performance Standard 5 applies to transactions where the buyer acquires land, or land use rights through direct negotiations with the seller, but where the buyer can resort to government authority to gain access to the land or to impose limits on land use (such as easements or rights of way) if the buyer and seller cannot agree on a price, or negotiations otherwise fail. In these cases, the seller does not have the option to retain the land. The seller must accept the buyer's best offer or face expropriation or other legal proceedings based on eminent domain. This process of land acquisition by governments is commonly known as expropriation, compulsory acquisition or eminent domain. Performance Standard 5 seeks to protect sellers from a variety of risks of negotiated transactions that occur under these conditions. It is not relevant to the application of Performance Standard 5 whether the client or the government conducts the negotiations (directly or through third parties), since the seller could feel compelled to accept inadequate compensation if he or she knows that the alternative (expropriation) is even less attractive, or if he/she lacks access to adequate information on market prices. The seller may also be forced to accept a cash settlement in situations where alternative housing or replacement land of equivalent value is not available in the area. In order for acquisition of land to be considered "willing buyer/willing seller," where the affected households voluntarily sell their property and assets, the client must not have the option of compulsory acquisition and the following conditions should apply: (i) land markets or other opportunities for the productive investment of the sales income exist; (ii) the transaction took place with the seller's informed consent; and (iii) the seller was provided with fair compensation based on prevailing market values. These principles should apply to land consolidators, aggregators, or land developers in order to ensure fair property transactions.

GN17. As stated in Performance Standard 5, paragraph 23, the client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date for eligibility. The client should nevertheless accommodate individuals or groups who are not present at the time of registration but who have a legitimate claim to membership of the Affected Community. Such groups might include absent family members engaged in migrant wage labor or nomadic pastoralists who use local resources on a seasonal basis. If there is a significant time lag between the completion of the census and implementation of the resettlement or livelihood restoration plan, planners should make provision for population movements as well as natural population increase; a repeat census may be required to allow for these natural changes. Similarly, the client should account for people who may not occupy a site required by a project at the time of enumeration, e.g., refugees or other persons internally displaced by civil conflict who may be unable or unwilling to return to a location to exercise their land claims after a conflict. Such scenarios generally occur in post-conflict situations and it is recommended that the client seek the advice of social development professionals familiar with the country context.

GN18. Project situations where involuntary restrictions on land use and access to natural resources cause a community or groups within a community to lose access to resources where they have traditional or recognizable usage rights may include, for example, loss of access to common property resources such as forest, grazing land or fishing grounds. In such situations, the impacts of project-related restriction of access to resources are typically direct, adverse and indistinguishable from the impacts of land acquisition. As noted in GN1, above, loss of access to common property resources has been identified as one of the primary impoverishment risks associated with involuntary resettlement and requires careful mitigation.

GN19. In the event of impacts by project activities other than land acquisition or restriction of access to land use, the client's social and environmental risks and impacts identification process under Performance Standard 1 should address how these risks and impacts will be avoided, minimized, mitigated or compensated for by the client. Examples include the loss of access to state-owned sub-surface mineral rights[GN4] by artisanal miners, and/or pollution or project-related disruption of access to water on land not acquired by the project or whose use is not restricted by the project. While Performance Standard 5 will not apply to these situations, the client should nonetheless consider appropriate mitigation measures for the affected people under Performance Standard 1 (see Guidance Note 1). Even if the client's assessment determines at the outset that no significant project impacts are likely to occur, project conditions could subsequently change and affect local communities adversely (e.g., future project-related pollution or the project's extraction of water that affects water resources on which communities depend). If and when such conditions occur in the future, they should be assessed by the client under Performance Standard 1. If direct project impacts become significantly adverse at any stage of the project, so that the relevant communities are left with no alternative except to resettle or become economically displaced, the client should apply the requirements of Performance Standard 5, even where no initial project-related land acquisition was involved. In these cases, an option for the client may be to acquire the relevant land that is subject to significant adverse impact, and apply the requirements of Performance Standard 5.

GN20. Impacts not directly related to land transactions, such as restrictions on land use resulting from the creation of project-related buffer zones or biodiversity offsets, as well as economic displacement associated with freshwater and marine fisheries, are covered under Performance Standard 5 and should be mitigated and compensated for according to the principles of the Performance Standard. Examples of buffer zones might include restrictions on access to fishing areas around ports, docks or shipping lanes; creation of safety zones around mines, quarries or blasting zones; or green spaces around industrial plants. While land rights or the equivalent freshwater/marine rights may not be acquired, restrictions on the use of land or freshwater/marine resources may cause physical and/or economic displacement which is indistinguishable from that associated with land acquisition transactions and must be dealt with according to the requirements of this Performance Standard. Buffer zones impacting sub-surface minerals are covered in Performance Standard 1.

Requirements

General

Project Design

8. The client will consider feasible alternative project designs to avoid or minimize physical and/or economic displacement, while balancing environmental, social, and financial costs and benefits, paying particular attention to impacts on the poor and vulnerable.

Compensation and Benefits for Displaced Persons

9. When displacement cannot be avoided, the client will offer displaced communities and persons compensation for loss of assets at full replacement cost and other assistance[11] to help them improve or restore their standards of living or livelihoods, as provided in this Performance Standard. Compensation standards will be transparent and applied

[11] *As described in paragraphs 19 and 26.*

[GN4] In most countries, surface land rights are legally distinct from sub-surface mineral rights and exploitation by individuals either illegal or highly regulated (unlike surface land rights).

consistently to all communities and persons affected by the displacement. Where livelihoods of displaced persons are land-based,[12] or where land is collectively owned, the client will, where feasible,[13] offer the displaced land-based compensation. The client will take possession of acquired land and related assets only after compensation has been made available[14] and, where applicable, resettlement sites and moving allowances have been provided to the displaced persons in addition to compensation.[15] The client will also provide opportunities to displaced communities and persons to derive appropriate development benefits from the project.

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

[13] Refer to paragraph 26 of this Performance Standard for further requirements.

[14] In certain cases it may not be feasible to pay compensation to all those affected before taking possession of the land, for example when the ownership of the land in question is in dispute. Such circumstances shall be identified and agreed on a case-by-case basis, and compensation funds shall be made available for example through deposit into an escrow account before displacement takes place.

[15] Unless government-managed resettlement is involved and where the client has no direct influence over the timing of compensation payments. Such cases should be handled in accordance with paragraphs 27–29 of this Performance Standard. Staggered compensation payments may be made where one-off cash payments would demonstrably undermine social and/or resettlement objectives, or where there are ongoing impacts to livelihood activities.

GN21. The potential cost of mitigation for economic and physical displacement should be scoped early in the project design phase and be integrated into consideration of project design and development. Mitigation and compensation for physical and economic displacement can be costly. Early assessment of this cost is important to assess the viability of alternative project designs, technologies, routes, or sites.

GN22. The rate of compensation for lost assets should be calculated at full replacement cost, (i.e., the market value of the assets plus transaction costs). The process used for determining compensation values should be transparent and easily comprehensible to project-affected people. Rates should be adjusted for inflation annually, at a minimum. For losses that cannot easily be valued or compensated for in monetary terms, in-kind compensation may be appropriate. However, this compensation should be made in goods or resources that are of equivalent or greater value, are culturally appropriate and which can be sustainably maintained by the community. With regard to land and assets, replacement costs are defined as follows:

- *Agricultural or pasture land*: land of equal productive use or potential, located in the vicinity of the affected land or the new housing site, plus the cost of preparation to levels similar to or better than those of the affected land, and transaction costs such as registration and transfer taxes or customary fees. In situations where blocks of replacement land are identified by the client in areas not immediately adjacent to affected land, the client should establish the difference between present and potential land use to ensure that replacement land is of equivalent potential. Typically this requires an independent assessment of land capacity and/or carrying capacity (e.g., soils surveys, agronomic capability mapping). Compensation for affected land with land of less productive potential may prevent the restoration of livelihoods and require a higher cost of inputs than prior to displacement. Land-based compensation strategies are the preferred form of compensation for agriculturally-based households.

- *Fallow land:* market value of land of equal productive value in the vicinity of the affected land. Where value cannot be determined or land for land compensation is not feasible, in-kind communal compensation is recommended.

- *Land in urban areas:* the market value of land of equivalent area and use, with similar or improved infrastructure and services preferably located in the vicinity of the affected land, plus transaction costs such as registration and transfer taxes.

- *Houses and other structures* (including public structures such as schools, clinics and religious buildings): the cost of purchasing or building a replacement structure, with an area and quality similar to or better than those of the affected structure, or of repairing a partially affected structure, including labor, contractors' fees and transaction costs such as registration, transfer taxes, and moving costs.

- *Loss of access to natural resources*: The market value of the natural resources which may include wild medicinal plants, firewood, and other non-timber forest products, meat or fish. However cash compensation is seldom an effective way of compensating for lost access to natural resources—as discussed in GN22–23 and GN56–66 below—and every effort should be made to provide or facilitate access to similar resources elsewhere, thereby avoiding or minimizing the need for cash compensation.

GN23. Compensation for lost land and assets should be paid prior to the client taking possession of this land or assets and where possible people should have been resettled at their new sites and moving allowances paid to them. However, there may be circumstances where delayed payment of compensation may be justified or beyond the client's control. In addition, certain activities, for example seismic surveys, may lead to temporary disruption of economic activities and damage or destruction of property which can only be assessed and compensated for after the surveys are completed, once the damage is measurable. In such cases, compensation after the fact is acceptable. There are also instances in which economic effects must necessarily be measured over time, for example the re-establishment of croplands and crop yields after temporary disruption caused by pipeline laying; again, staggered compensation payments based on measured impacts may be acceptable.

GN24. As a matter of general principle under Performance Standard 5, preference should be given to land-based resettlement strategies for physically or economically displaced persons whose livelihoods are land-based. When affected households or communities are to be physically displaced these strategies may include resettlement on public land with agreement of government or on private land purchased for resettlement. When replacement land is offered, the combined characteristics of the land, such as productive potential, advantages of location, and security of tenure, as well as the legal nature of the land title or use rights should at least be equivalent to those of the old site. If land is not the preferred option of the displaced persons, or sufficient land is not available, non-land-based options such as employment opportunities or assistance to establish businesses should be explored in addition to cash compensation for land and other affected assets. Transitioning displaced people from land-based livelihoods to non land-based livelihoods is extremely challenging. In cases of economic displacement, the preference for land-based strategies means that the compensation, targeted assistance, and transitional support to be offered to economically displaced persons should be consistent with their land-based livelihood. For additional guidance, see paragraphs GN57–66 below. Persons identified as vulnerable should be assisted to fully understand their options for resettlement and compensation, and encouraged to choose the option(s) with the lowest risk.

GN25. Cash compensation may be offered to those people who do not wish to continue their land-based livelihoods or who prefer to purchase land on their own. When payment of cash compensation is considered, the abilities of the affected population to utilize cash to restore standards of living should be carefully assessed. Because short-term consumption of cash compensation can result in hardship for

susbsistence-based economies or poorer households, payment of in-kind compensation (e.g., livestock or other moveable/transferable property) or vouchers earmarked for specific types of goods and services may be more appropriate. Detailed guidance on opportunities to derive appropriate development benefits from the project can be found in IFC's Handbook for Preparing a Resettlement Action Plan.

> ***Community Engagement***
> ***10. The client will engage with Affected Communities, including host communities, through the process of stakeholder engagement described in Performance Standard 1. Decision-making processes related to resettlement and livelihood restoration should include options and alternatives, where applicable. Disclosure of relevant information and participation of Affected Communities and persons will continue during the planning, implementation, monitoring, and evaluation of compensation payments, livelihood restoration activities, and resettlement to achieve outcomes that are consistent with the objectives of this Performance Standard.[16] Additional provisions apply to consultations with Indigenous Peoples, in accordance with Performance Standard 7.***
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> ***Grievance Mechanism***
> ***11. The client will establish a grievance mechanism consistent with Performance Standard 1 as early as possible in the project development phase. This will allow the client to receive and address specific concerns about compensation and relocation raised by displaced persons or members of host communities in a timely fashion, including a recourse mechanism designed to resolve disputes in an impartial manner.***

[16] *The consultation process should ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation. Addressing livelihood impacts may require intra-household analysis in cases where women's and men's livelihoods are affected differently. Women's and men's preferences in terms of compensation mechanisms, such as compensation in kind rather than in cash, should be explored.*

GN26. Effective resettlement planning requires regular consultation and engagement with a wide range of project stakeholders. For the purpose of Performance Standard 5, the key stakeholder groups are the economically and/or physically displaced persons and the host community as well as any governmental or other parties responsible for approving and/or delivering resettlement-related plans and assistance. Early communication helps to manage public expectations concerning the impact of a project and its expected benefits. This early engagement is very important where resettlement is envisaged, to enable affected households, communities and other stakeholders to fully understand the implications of such impacts on their lives and to actively participate in the associated planning processes or decide upon trusted representatives to participate for them. While the establishment of resettlement committees can support the resettlement plan and communication efforts, steps should be taken to ensure that all potentially displaced people are informed and invited to participate in decision making related to resettlement.

GN27. As described in Performance Standard 1, informed participation involves organized and iterative consultation, leading to the client's incorporating into its decision-making process the views of the affected households and communities on matters that affect them directly, such as the identification or project alternatives to minimize the need for resettlement, proposed resettlement planning milestones and mitigation measures (e.g., alternative resettlement site selection, eligibility criteria, design and layout of replacement housing and social amenities, timing of relocation and identification of vulnerable persons with the Affected Community), the sharing of development benefits and opportunities, livelihood restoration plans and resettlement implementation issues. The client will document the informed

consultation and participation process in the Resettlement and/or Livelihood Restoration Plan. The Resettlement and/or Livelihood Restoration Plan will provide a clear indication as to how directly affected households and communities (including host communities) will be involved in an ongoing process of organized, iterative consultation throughout the process of resettlement planning, implementation and monitoring. As described below in GN41 and GN47, the participation process needs to be adapted to ensure that women's concerns are adequately captured and factored into all key stages of resettlement planning and implementation.

GN28. Disclosure of displacement eligibility and entitlements including compensation and livelihood restoration packages should take place sufficiently early in the project's planning process to allow potentially displaced people sufficient time to consider their options. Engagement of third party experts who can provide additional information on the conditions and benefits of the Resettlement Action Plan for the benefit of the affected people may reduce the imbalance of power and knowledge between the client and the community. Special provisions apply to consultation with Indigenous Peoples (see Performance Standard 7), as well as individuals belonging to vulnerable groups. For requirements and guidance on the informed consultation and participation process (ICP), see the section on Stakeholder Engagement, paragraphs 25 to 33 of Performance Standard 1 and its accompanying Guidance Note 1. Additional guidance on effective public consultation can be found in the IFC publication Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets.

GN29. Vulnerable or "at-risk" groups include people who, by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage or social status may be more diversely affected by displacement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits. Vulnerable groups in the context of displacement also include people living below the poverty line, the landless, the elderly, women- and children-headed households, Indigenous Peoples, ethnic minorities, natural resource dependent communities or other displaced persons who may not be protected through national land compensation or land titling legislation. These groups should be identified either through the process of Environmental and Social Impact Assessment (Performance Standard 1) or through the social baseline studies component of resettlement planning. Special measures may include focus groups with vulnerable and at-risk groups; ensuring that resettlement committees include members of vulnerable, at-risk and disadvantaged groups, and ensuring that Project staff has representatives from these groups (such as women, elderly, disabled). In some cases special efforts must be made to ensure that vulnerable members have access to consultation events or discussion forums. Examples of how this can be done include provision of transportation and visits to individual households. Persons identified as vulnerable should be assisted to fully understand their options for resettlement and compensation, and encouraged to choose the option with the lowest risk.

GN30. Regardless of scale, involuntary resettlement may give rise to grievances among affected households and communities over issues ranging from rates of compensation and eligibility criteria to the location of resettlement sites and the quality of services at those sites. Timely redress of grievances through an effective and transparent grievance mechanism is vital to the satisfactory implementation of resettlement and to completion of the project on schedule.

GN31. The client should make every effort to resolve grievances at the community level without impeding access to any judicial or administrative remedies that may be available. The client should ensure that designated staff are trained and available to receive grievances and coordinate efforts to redress those grievances through the appropriate channels, taking into consideration any customary and traditional methods of dispute resolution within the Affected Communities. Affected households and

communities should be informed, as part of the consultation effort, of the process for registering grievances, should have access to this grievance mechanism, and know the possibilities of legal recourse available. As with the Resettlement Action Plan (see paragraph 19 of Performance Standard 5), the scope of the grievance mechanism will vary with the magnitude and complexity of the project and its associated displacement. It should be readily accessible to all and provide for fair, transparent and timely redress of grievances and special accommodations for women and vulnerable and marginalized groups to voice their concerns or make complaints. Further guidance on establishing grievance procedures can be found in IFC's Good Practice Note—Addressing Grievances from Project-Affected Communities (2009).

Resettlement and Livelihood Restoration Planning and Implementation

12. Where involuntary resettlement is unavoidable, either as a result of a negotiated settlement or expropriation, a census will be carried out to collect appropriate socio-economic baseline data to identify the persons who will be displaced by the project, determine who will be eligible for compensation and assistance,[17] and discourage ineligible persons, such as opportunistic settlers, from claiming benefits. In the absence of host government procedures, the client will establish a cut-off date for eligibility. Information regarding the cut-off date will be well documented and disseminated throughout the project area.

13. In cases where affected persons reject compensation offers that meet the requirements of this Performance Standard and, as a result, expropriation or other legal procedures are initiated, the client will explore opportunities to collaborate with the responsible government agency, and, if permitted by the agency, play an active role in resettlement planning, implementation, and monitoring (see paragraphs 30–32).

14. The client will establish procedures to monitor and evaluate the implementation of a Resettlement Action Plan or Livelihood Restoration Plan (see paragraphs 19 and 25) and take corrective action as necessary. The extent of monitoring activities will be commensurate with the project's risks and impacts. For projects with significant involuntary resettlement risks, the client will retain competent resettlement professionals to provide advice on compliance with this Performance Standard and to verify the client's monitoring information. Affected persons will be consulted during the monitoring process.

15. Implementation of a Resettlement Action Plan or Livelihood Restoration Plan will be considered completed when the adverse impacts of resettlement have been addressed in a manner that is consistent with the relevant plan as well as the objectives of this Performance Standard. It may be necessary for the client to commission an external completion audit of the Resettlement Action Plan or Livelihood Restoration Plan to assess whether the provisions have been met, depending on the scale and/or complexity of physical and economic displacement associated with a project. The completion audit should be undertaken once all mitigation measures have been substantially completed and once displaced persons are deemed to have been provided adequate opportunity and assistance to sustainably restore their livelihoods. The completion audit will be undertaken

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

by competent resettlement professionals once the agreed monitoring period is concluded. The completion audit will include, at a minimum, a review of the totality of mitigation measures implemented by the Client, a comparison of implementation outcomes against agreed objectives, and a conclusion as to whether the monitoring process can be ended.[18]

16. Where the exact nature or magnitude of the land acquisition or restrictions on land use related to a project with potential to cause physical and/or economic displacement is unknown due to the stage of project development, the client will develop a Resettlement and/or Livelihood Restoration Framework outlining general principles compatible with this Performance Standard. Once the individual project components are defined and the necessary information becomes available, such a framework will be expanded into a specific Resettlement Action Plan or Livelihood Restoration Plan and procedures in accordance with paragraphs 19 and 25 below.

[18] *The completion audit of the Resettlement Action Plan and/or Livelihood Restoration Plan, will be undertaken by external resettlement experts once the agreed monitoring period is concluded, and will involve a more in-depth assessment than regular resettlement monitoring activities, including at a minimum a review of all mitigation measures with respect to the physical and/or economic displacement implemented by the Client, a comparison of implementation outcomes against agreed objectives, a conclusion as to whether the monitoring process can be ended and, where necessary, a Corrective Action Plan listing outstanding actions necessary to met the objectives.*

GN32. Effective resettlement planning entails conducting a detailed socio-economic census of displaced persons and an inventory of affected land and assets at the household, enterprise, and community level. The date of completion of the census and assets inventory represents a cut-off date. Individuals taking up residence in the project area after the cut-off date are not eligible for compensation or resettlement assistance provided that notification of the cut-off date has been well communicated, documented, and disseminated. Similarly, the loss of fixed assets (such as built structures, crops, fruit trees, and woodlots) established after the cut-off date should not be compensated. A common complication encountered with respect to cut-off dates involves “historic” cut-off dates, which were established at the time a project was ready for development but, due to project delays, have become forgotten or outdated. In such scenarios, natural population growth from eligible households leads to “new” households not listed in the initial surveys: these are to be considered eligible for resettlement benefits and assistance. Another complication is the extent to which the government process of establishing the cut-off date can be considered to be adequately documented and disseminated to affected households and communities within the project area. If this is considered not to have been achieved or if the associated census of affected persons is outdated or otherwise inadequate, then additional study is required to re-assess eligibility for benefits under Performance Standard 5. Seasonal resource users, such as nomadic herders, may not be present in the project area during the time of the census and special consideration should be given to the claims of these users.

GN33. Establishment of restrictions on activities such as construction, agricultural activities, and home improvements after the establishment of cut-off dates can represent a moderate to severe hardship for affected households and communities. Often there are delays between the cut-off date (and the subsequent establishment of restrictions) and the development of the project, including compensation for losses and resettlement of affected households and communities. The time between the establishment of the cut-off date and compensation of displaced individuals and communities should be limited. Losses generated by this restriction of land use should be compensated for by the client. The client should also consider ways to minimize impacts from cut-off restrictions such as planning development activities, so that affected farmers can harvest crops prior to displacement. Also a firm timetable should be adhered to

or the client must be prepared to pay compensation for the delay. For example, when communities do not plant crops in anticipation of a move, which is then delayed, the community may need assistance in meeting their food needs because they did not have a harvest that year.

GN34. If the affected households or communities reject an offer of compensation from the client that meets the requirements of Performance Standard 5 and, as a result, expropriation or other legal procedures are initiated, the responsible government agencies may offer affected households or communities compensation based on the assessed value of the land. The matter may proceed to litigation and may take a number of years to be resolved. The court's final determination may confirm compensation based on assessed value. Because there is a risk of impoverishment from loss of the income base or livelihood of the affected people or communities from a protracted process and depressed compensation, the client will ascertain whether government or court assessed value in cases of such expropriation is consistent with Performance Standard 5 by requesting information on the level of compensation offered by the government and the procedures used to estimate these values under such expropriation. The client may be asked to verify that these rates reflect the current market replacement values for the assets in question. Compensation payments for those affected by resettlement could be held in an escrow account set up by the client for earmarking the funds until a decision is made regarding the payment timing and amount owed. The client should be engaged during these expropriation processes and support outcomes that are consistent with the objectives of Performance Standard 5. Whether the client will be permitted to play an active role will depend in part on the applicable national law and the judicial and administrative processes and practices of the responsible government agency. See paragraphs GN63–GN69 below related to private sector responsibilities under government managed resettlement for more guidance in this situation.

GN35. The client is responsible for carrying out a Resettlement Completion Audit in circumstances where resettlement is deemed to pose the risk of significant adverse social impacts, i.e., generally in projects which have been categorized "A" solely or partially on the basis of anticipated resettlement impacts. The elevated social risk associated with the close-out audit requirement may be related to the scale of a resettlement, to the particular vulnerability of the affected households (e.g., Indigenous Peoples or others with a strong attachment to particular lands and/or natural resources) or to other social and/or political factors to be determined by competent social science professionals on a project-by-project basis. As stated in Performance Standard 5, paragraph 15, the completion audit will be undertaken by qualified resettlement professionals once the agreed monitoring period is concluded. The key objective of a completion audit is to determine whether the client's efforts to restore the living standards of the affected population have been properly conceived and executed. The audit should verify that all physical inputs committed to in the Resettlement Action Plan have been delivered and all services provided. In addition, the completion audit should evaluate whether the mitigation actions described in the Resettlement Action Plan have had the desired outcome. The socio-economic standards and livelihoods of the affected population should ideally be measured against the baseline conditions of the population prior to resettlement and improved or at least restored to pre project levels. For further guidance, see Annex B: Completion Audit Table of Contents.

GN36. The completion audit should be undertaken once all the key commitments in the Resettlement Action Plan (including any livelihood restoration activities as well as other developmental commitments). have been implemented. The timing of the audit will enable the client to complete time bound corrective actions, if any, as recommended by the auditors. In the majority of cases, the completion of corrective actions identified by the completion audit should bring the client's responsibility for resettlement, compensation, livelihood restoration, and development benefits to a close.

GN37. In cases of land acquisition based on negotiated settlement that does not result in the physical displacement of people, the client should provide the affected people with information on current property values and methods of value appraisal. The client should document the procedures for determining and awarding compensation in a Livelihood Restoration Framework that: (i) identifies all affected people; (ii) provides an inventory of affected assets; (iii) describes the methods applied for valuing land and other affected assets at full replacement cost; (iv) indicates the rates of compensation to be paid; (v) outlines a schedule of land take and compensation payments and the methods to receive payments; and (vi) describes the process whereby affected people can appeal property valuations they deem to be inadequate. The client should summarize this information for public disclosure to ensure that affected people understand the land acquisition procedures and know what to expect at the various stages of the transaction (e.g., when an offer will be made to them, how long they will have to respond, grievance mechanism, legal procedures to be followed if negotiations fail). The client should provide the affected households and communities the opportunity to participate in the negotiations based on the established procedures.

GN38. Land-based compensation should be offered to affected people in cases where their livelihoods are land-based and the proposed land take is significant enough to render a land holding economically unviable.[GN5] If it is not possible to offer replacement land (in cases of displaced persons under paragraph 17(i) or 17(ii) of Performance Standard 5), the client will provide opportunities that enable sellers of land to restore their livelihoods and standards of living to levels equivalent to, or better than, those maintained at the time of sale. Persons identified as vulnerable (such as those under paragraph 17(iii) below), should be assisted to fully understand their options for compensation, and encouraged to choose the option with the lowest risk. A detailed description of how this restoration will be achieved should be included in the Resettlement Action Plan and/or Livelihood Restoration Plan.

> ***Displacement***
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> ***17. Displaced persons may be classified as persons (i) who have formal legal rights to the land or assets they occupy or use; (ii) who do not have formal legal rights to land or assets, but have a claim to land that is recognized or recognizable under national law;[19] or (iii) who have no recognizable legal right or claim to the land or assets they occupy or use. The census will establish the status of the displaced persons.***
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> ***18. Project-related land acquisition and/or restrictions on land use may result in the physical displacement of people as well as their economic displacement. Consequently, requirements of this Performance Standard in respect of physical displacement and economic displacement may apply simultaneously.[20]***
>
> *[19] Such claims could be derived from adverse possession or from customary or traditional tenure arrangements.*
>
> *[20] Where a project results in both physical and economic displacement, the requirements of paragraphs 25 and 26 (Economic Displacement) should be incorporated into the Resettlement Action Plan or Framework (i.e., there is no need to have a separate Resettlement Action Plan and Livelihood Restoration Plan).*

GN39. Where physical displacement is unavoidable, resettlement should be planned and executed in a manner that provides displaced persons with opportunities to participate in the planning and implementation of resettlement activities to improve or at least restore their standards of living. The baseline situation—to be established prior to resettlement—may include a socio-economic survey, census and enumeration of household assets. Resettlement planning and implementation should focus

[GN5] In OP 4.12, Involuntary Resettlement, World Bank, footnote 18, the general principle would apply if the land taken constitutes more than 20 percent of the total productive area.

on, at a minimum, restoration of people's livelihoods; more specifically, in keeping with the key impoverishment risks identified in GN1, "restoration" should aim to comprehensively address the following (as applicable): providing adequate agricultural land and sufficient assistance to bring this land into production where livelihoods are land-based; ensuring that there is no net loss in employment among affected households as a result of resettlement (i.e., finding or creating employment opportunities where necessary); improving affected persons' housing and access to social services such as education and healthcare; careful consideration of social networks and how these can be re-created at resettlement sites, especially regarding vulnerable people; consideration of and project support to the local institutional structures necessary to implement and support resettlement; design of explicit mitigation measures to address food security, especially in the early phases of resettlement implementation (including provision of direct supplements where necessary); and provision of adequate access to alternative common property and natural resources. Clients are encouraged to explore and implement the principle of benefit sharing for resettled households, in addition to livelihood restoration, in order to improve affected persons' livelihoods wherever possible.

GN40. At a minimum, under the above circumstances of unavoidable resettlement, the following steps should be undertaken: (i) engage effectively to inform affected people of their options and entitlements concerning relocation and involve them in a process that considers alternatives to the project that minimize displacement; (ii) provide technically and economically feasible options for resettlement through a process of informed consultation and participation with affected people and assessment of resettlement alternatives; (iii) provide displaced people with prompt and effective compensation at full replacement value for any loss of assets due to project activities; (iv) provide relocation assistance (see below); and (v) provide temporary housing (if necessary), permanent housing sites, and resources (in cash or in kind) for construction of permanent housing inclusive of all fees, taxes, customary tributes, and utility hook-up charges.

GN41. Women are frequently the first to suffer when resettlement is badly planned or executed as they are often a disproportionately large number of the poor; have more limited access to resources, opportunities, and public services than men; and as a result rely more heavily on informal support networks within their existing communities. The resettlement process should specifically take into account women's situations, adapting the engagement process as necessary to provide women a role in decision making. Special effort should be made to identify women's: (i) means of income generation and livelihoods, including non-formal activities such as gathering natural resources, trading and bartering services and wares; (ii) social and economic networks including extended family ties; and (iii) ownership of affected assets including land and crops in order to appropriately compensate the owners. Women may, for example, put particular emphasis on maintaining the social continuity of the displaced community.

> ***Physical Displacement***
> ***19. In the case of physical displacement, the client will develop a Resettlement Action Plan that covers, at a minimum, the applicable requirements of this Performance Standard regardless of the number of people affected. This will include compensation at full replacement cost for land and other assets lost. The Plan will be designed to mitigate the negative impacts of displacement; identify development opportunities; develop a resettlement budget and schedule; and establish the entitlements of all categories of affected persons (including host communities). Particular attention will be paid to the needs of the poor and the vulnerable. The client will document all transactions to acquire land rights, as well as compensation measures and relocation activities.***

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

21. In the case of physically displaced persons under paragraph 17 (i) or (ii), the client will offer the choice of replacement property of equal or higher value, security of tenure, equivalent or better characteristics, and advantages of location or cash compensation where appropriate. Compensation in kind should be considered in lieu of cash. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.[21]

[21] Payment of cash compensation for lost assets may be appropriate where (i) livelihoods are not land-based; (ii) livelihoods are land-based but the land taken for the project is a small fraction of the affected asset and the residual land is economically viable; or (iii) active markets for land, housing, and labor exist, displaced persons use such markets, and there is sufficient supply of land and housing.

GN42. Performance Standard 5 requires that compensation be made for all land acquired from persons and communities having legally recognized claims to that land. This condition applies to legal owners, as per 17(i) of the Performance Standard: those who, prior to the cut-off date, have formal legal rights to land. It also applies to claimants, as per 17(ii), who, prior to the cut-off date, do not have formal legal rights to land but who have a claim to such land or assets.

GN43. A Resettlement Action Plan should be prepared for any project that results in physical displacement i.e., projects that involve the relocation of people from their homes. Clients undertaking projects that entail land acquisition but require no physical displacement of people will prepare a Livelihood Restoration Plan, as outlined in paragraph 25 of Performance Standard 5. The scope and level of detail of the Resettlement Action Plan will vary with the magnitude of displacement and the complexity of the measures required to mitigate adverse impacts. In all cases, the Resettlement Action Plan will describe the manner in which the objectives of Performance Standard 5 will be achieved. At a minimum, the Resettlement Action Plan should: (i) identify all people to be displaced; (ii) demonstrate that displacement is unavoidable; (iii) describe efforts to minimize resettlement (iv) describe the regulatory framework; (v) describe the process of informed consultation and participation with affected people regarding acceptable resettlement alternatives, and the level of their participation in the decision-making process; (vi) describe the entitlements for all categories of displaced people and assess risks to vulnerable groups of the various entitlements; (vii) enumerate the rates of compensation for lost assets, describe how they were derived and demonstrate that these rates are adequate, i.e., at least equal to the replacement cost of lost assets; (viii) provide details on replacement housing; (ix) outline plans for livelihood restoration if applicable; (x) describe relocation assistance to be provided; (xi) outline the institutional responsibility for the implementation of the Resettlement Action Plan and procedures for grievance redress; (xii) provide details of the arrangements for monitoring and evaluation and Affected Communities' involvement in this phase; and (xiii) provide a timetable and budget for the implementation of the Resettlement Action Plan. More detailed guidance can be obtained from of IFC's Handbook for Preparing a Resettlement Action Plan. An outline of a Resettlement Action Plan is provided in Annex A.

GN44. Relocation assistance should be provided to people who are physically displaced by a project. Assistance may include transportation, food, shelter, and social services that are provided to affected people during the relocation to their new site. Additional measures, such as the provision of emergency health care, should be designed for vulnerable groups during physical relocation, particularly pregnant women, children, the elderly, and the handicapped. Assistance may also include cash allowances that compensate affected people for the inconvenience associated with resettlement and defray the expenses of relocating to a new location, such as moving and lost workdays.

GN45. In the case of physically displaced persons who do not have formal or customary rights to their land, as under paragraph 17(iii), the client can improve their security of tenure through formalization of their tenure status on replacement land. This could include supporting project affected people in formally registering land for titling, paying for transaction costs associated with titling, and providing knowledge and legal resources to support the titling process.

GN46. The Resettlement Action Plan should include measures to ensure that documentation of ownership or occupancy, such as title deeds and lease agreements, and compensation (including the bank accounts established for payment of compensation), are issued in the names of both spouses or of single women heads of households, as relevant to each situation. Under circumstances in which national law and local customary tenure systems do not give women equal opportunities or rights with regard to property, provision should be made to ensure that the access of women to security of tenure is equivalent to that of men and does not further disadvantage women.

GN47. As a matter of compliance with Performance Standard 5 clients are responsible for ensuring women's circumstances are not worsened by the project in relation to the pre-project situation. Clients are not expected to become involved in law-making but are encouraged to raise the profile of gender related matters in discussions with government agencies and other relevant groups in the course of resettlement planning, and in so doing encourage more equitable treatment of affected women.

> ***22. In the case of physically displaced persons under paragraph 17 (iii), the client will offer them a choice of options for adequate housing with security of tenure so that they can resettle legally without having to face the risk of forced eviction. Where these displaced persons own and occupy structures, the client will compensate them for the loss of assets other than land, such as dwellings and other improvements to the land, at full replacement cost, provided that these persons have been occupying the project area prior to the cut-off date for eligibility. Based on consultation with such displaced persons, the client will provide relocation assistance sufficient for them to restore their standard of living at an adequate alternative site.[22]***
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> ***23. The client is not required to compensate or assist those who encroach on the project area after the cut-off date for eligibility, provided the cut-off date has been clearly established and made public.***

[22] *Relocation of informal settlers in urban areas may involve trade-offs. For example, the relocated families may gain security of tenure, but they may lose advantages of location. Changes in location that may affect livelihood opportunities should be addressed in accordance with the principles of this Performance Standard (see in particular paragraph 25).*

24. Forced evictions[23] will not be carried out except in accordance with law and the requirements of this Performance Standard.

[23] The permanent or temporary removal against the will of individuals, families, and/or communities from the homes and/or lands which they occupy without the provision of, and access to, appropriate forms of legal and other protection.

GN48. Physically displaced persons with no recognizable legal right or claim to the land they occupy (paragraph 17(iii) above in Performance Standard 5), are entitled to adequate housing with security of tenure. These persons are frequently from the most vulnerable groups in society. For a description of adequate housing and security of tenure, see earlier paragraphs GN13–GN14. Options for providing security of tenure will depend on national law and tenure systems, but may include the following:

- a title deed to land owned by the client
- a title deed to land donated by the local government
- communal titles
- a pay-to-own scheme sponsored by a housing agency
- a long-term leasing or occupancy arrangement
- cooperative housing.

GN49. Where land tenure arrangements are not clearly defined through national legislation or practice, none of the above may be viable options for clients due to the absence of the necessary land titling and transfer systems. In such cases, clients will endeavor to relocate affected persons to land(s) from which there is no likely threat of eviction in the foreseeable future and, where appropriate, to monitor their status over a reasonable period.

GN50. Resettlement sites should be selected for locational advantage in terms of availability of basic services and employment opportunities that enable the displaced persons to improve or at least restore their livelihoods and standards of living. Options should be generated in consultation with the displaced persons so that their priorities and preferences can be reflected in the options from which they can make a selection. Vulnerable groups and people at risk of impoverishment should be encouraged to choose the option with the lowest risk.

GN51. Persons with no recognizable legal right or claim are not entitled to compensation for land, but they should be compensated for the structures that they own and occupy, and for any other improvements to land at full replacement cost. In addition, they should be offered resettlement assistance sufficient to restore their standards of living at a suitable alternative site. Options for resettlement assistance should be generated through consultation with the displaced persons and reflect their priorities and preferences. These provisions apply to persons who are occupying the project area prior to the cut-off date.

GN52. The construction or upgrading of infrastructure projects in urban settings often requires the relocation of residential and commercial structures from areas that are legally required to be free of occupants, such as rights-of-way of roads and transmission lines, sidewalks, parks, and hazardous areas. Families living or conducting businesses in these areas should be offered opportunities to move to sites that can be occupied legally. Compensation in kind that facilitates the transition to the new site (down payment for land, provision of building materials, construction of basic infrastructure at the new site, etc.) is more likely to lead to permanent housing solutions than compensation in cash. Cash payments to illegal occupants are often used for consumption and may also result in informal resettlement in other

unsafe or public areas. The absence of opportunities to move to alternative resettlement sites may also prompt displaced persons to resettle in informal settlements elsewhere, perpetuating their informal status and potential illegal settlements in new areas. In designing resettlement plans for both legal occupants as well as informal settlers on private or public lands, clients should take care not to create economic incentives for the displaced persons to occupy public or hazardous areas or to invade and occupy privately or publicly owned land. As stated in Performance Standard 5, paragraph 23 and described in more detail in GN17 above, the client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date for eligibility.

GN53. In the event that Affected Communities of Indigenous Peoples are to be relocated from their communally held traditional land or customary lands under their use, the client will follow the requirements as described in Performance Standard 7, in addition to the requirements under Performance Standard 5 that pertain to Resettlement Action Plans and/or Livelihood Restoration Plans and their implementation. Where individual members of the Affected Communities of Indigenous Peoples hold legal title, or where relevant national law recognizes customary rights for individuals, the requirements of Performance Standard 5 will apply, rather than those under Performance Standard 7.

GN54. Social disarticulation is, as noted in GN1 above, a significant risk to consider in many resettlement scenarios. Identifying and respecting the existing social and cultural institutions and bonds of the displaced and those of host communities is often a key component of successful resettlement planning and implementation, especially in rural contexts. The social bonds affected by resettlement may be kinship, neighborly ties, or village-specific ties (i.e., people who know and trust each other wanting to remain together); leadership arrangements (so that people know who to turn to in resettlement areas); religious or ethnic ties and so forth.

GN55. The term “forced eviction” is defined by the UN Office of High Commissioner for Human Rights as the “permanent or temporary removal against their will of individuals, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection.”[GN6] According to the UN, the prohibition on forced evictions does not, however, apply to evictions carried out by force in accordance with the law and in conformity with the provisions of the International Covenants on Human Rights.[GN7] Performance Standard 5 contains many of the substantive and procedural safeguards necessary for involuntary resettlement to be carried out without resort to forced evictions. When such eviction is unavoidable, it should conform to all the relevant requirements of this Performance Standard. In addition, the UN Office of High Commissioner enumerates the following key procedural protections: (a) an opportunity for genuine consultation with those affected; (b) adequate and reasonable notice for all affected persons prior to the scheduled date of eviction; (c) information on the proposed evictions, and, where applicable, on the alternative purpose for which the land or housing is to be used, to be made available in reasonable time to all those affected; (d) especially where groups of people are involved, government officials or their representatives to be present during an eviction; (e) all persons carrying out the eviction to be properly identified; (f) evictions not to take place in particularly bad weather or at night unless the affected persons consent otherwise; (g) provision of legal remedies; and (h) provision, where possible, of legal aid to persons who are in need of it to seek redress from the courts. Even in such situations, clients should avoid direct involvement in implementing evictions and should exercise caution and monitor the implementation of evictions carefully in order to manage the associated reputational and operational risks. The use of independent third party monitors is

[GN6] The right to adequate housing (Art. 11.1): forced evictions: 05/20/1997. CESCR General comment 7, paragraph 3, contained in document E/1998/22, annex IV.
[GN7] Ibid.

recommended in such situations, in order to ensure independent oversight and effective risk management.

Economic Displacement

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

26. If land acquisition or restrictions on land use result in economic displacement defined as loss of assets and/or means of livelihood, regardless of whether or not the affected people are physically displaced, the client will meet the requirements in paragraphs 27–29 below, as applicable.

27. Economically displaced persons who face loss of assets or access to assets will be compensated for such loss at full replacement cost.

- ***In cases where land acquisition or restrictions on land use affect commercial structures, affected business owners will be compensated for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery, or other equipment.***
- ***In cases affecting persons with legal rights or claims to land which are recognized or recognizable under national law (see paragraph 17 (i) and (ii)), replacement property (e.g., agricultural or commercial sites) of equal or greater value will be provided, or, where appropriate, cash compensation at full replacement cost.***
- ***Economically displaced persons who are without legally recognizable claims to land (see paragraph 17 (iii)) will be compensated for lost assets other than land (such as crops, irrigation infrastructure and other improvements made to the land), at full replacement cost. The client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date for eligibility.***

28. In addition to compensation for lost assets, if any, as required under paragraph 27, economically displaced persons whose livelihoods or income levels are adversely affected will also be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels, and standards of living:

- ***For persons whose livelihoods are land-based, replacement land that has a combination of productive potential, locational advantages, and other factors at least equivalent to that being lost should be offered as a matter of priority.***
- ***For persons whose livelihoods are natural resource-based and where project-related restrictions on access envisaged in paragraph 5 apply, implementation of measures will be made to either allow continued access to affected resources or provide access to alternative resources with equivalent livelihood-earning potential and accessibility.***

Where appropriate, benefits and compensation associated with natural resource usage may be collective in nature rather than directly oriented towards individuals or households.

- ***If circumstances prevent the client from providing land or similar resources as described above, alternative income earning opportunities may be provided, such as credit facilities, training, cash, or employment opportunities. Cash compensation alone, however, is frequently insufficient to restore livelihoods.***

29. Transitional support should be provided as necessary to all economically displaced persons, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels, and standards of living.

GN56. A Livelihood Restoration Plan should identify the full range of impacts to livelihoods as a result of project land acquisition or restrictions to land use, identify affected persons and provide a detailed plan for compensation and livelihood restoration. The Plan should, at a minimum, provide the following information: (i) an introduction to the project; (ii) summary of project impacts; (iii) summary of the social baseline; (iv) regulatory framework; (v) results of stakeholder engagement; (vi) eligibility criteria; (vii) entitlement matrix; (viii) timeframe for implementation; (ix) organizational capacity; (x) monitoring, evaluation, and reporting; and (xi) budget and resources.

GN57. Economic displacement results from an action that interrupts or eliminates people's access to jobs or productive assets, whether or not the affected persons must move to another location. In other words, there can be economic displacement with or without physical displacement. While project-related land acquisition or restrictions on land use do not necessarily entail the relocation of people occupying or using the land, they may have an impact on the income, living standards, and livelihood of people who depend on resources located in, on or around that land. For example, a farming family may lose a portion of its land to a project without having to vacate its homestead. Nevertheless, the loss of even a portion of its land may reduce the overall productivity of that farm. This threat is magnified among some agrarian populations where farm fields are typically small and often widely scattered, or are not owned by the people who cultivate them (sharecroppers for example).

GN58. Compensation for economic displacement resulting from land acquisition should be made promptly and wherever possible prior to impact, in order to minimize adverse impacts on the income stream of those who are displaced. In the event that compensation is paid by the responsible governmental agency, the client should collaborate with the agency to help accelerate payments. Where compensation payments cannot be made promptly, due to government policy or practice, the client will explore resettlement assistance options such as an allowance to help the displaced people transition through the period it takes to restore any loss of income.

GN59. In cases where land acquisition affects commercial structures, the affected business owner is entitled to compensation for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery, or other equipment. Assistance should also be made available to the employees of the business to compensate for their temporary loss of employment.

GN60. In addition, land acquisition may restrict a community's access to commonly held natural resource assets such as rangeland, pasture, fallow land, and non-timber forest resources (e.g., medicinal plants, construction, and handicraft materials), woodlots for timber and fuelwood, or riverine fishing grounds. The client will provide either land based compensation in the form of suitable replacement land, or access to

other areas of natural resources that will offset the loss of such resources to a community. Such assistance could take the form of initiatives that enhance the productivity of the remaining resources to which the community has access (e.g., improved resource management practices or inputs to boost the productivity of the resource base), in-kind or cash compensation for loss of access, or provide access to alternative sources of the lost resource.

GN61. In footnote 9 of Performance Standard 5, natural resource assets are related to the ecosystem service concept incorporated into Performance Standard 6. Ecosystem services are the benefits people, including businesses, derive from ecosystems, as defined in Performance Standard 6, paragraphs 2 and 3, the most important of which is what is referred to as "provisioning services" – the products people obtain from ecosystems. Examples of provisioning services include crops, livestock, capture fisheries, aquaculture, wild foods, timber and wood fiber products, other fibers, biomass fuel, fresh water, genetic resources and natural medicines. Loss of access to these services is an important consideration in the development of a Livelihood Restoration Plan, in particular when assessing the suitability of replacement land and/or access to natural resources for resettlers.

GN62. Where possible, the client should allow local communities and Indigenous Peoples to exercise pre-existing access or usage rights to client-controlled land. The exercise of such rights, however, is subject to reasonable measures by the client to maintain a safe and healthy working environment for workers under Performance Standard 2, safeguards for community health, safety and security under Performance Standard 4, and the client's reasonable operating requirements.

GN63. For example, nomadic peoples may have rights—whether legal or customary—to pass through client-controlled land periodically or seasonally, for subsistence and traditional activities. Their rights may be linked to certain natural resources such as an oasis or water spring, herds of migratory animals or plants that grow naturally and can be harvested only at a particular time of the year. In its due diligence, the client should establish whether nomadic peoples have such rights, and, if possible, with the safeguards mentioned above, the client should allow them to exercise these rights on company-controlled land.

GN64. Also, if the client purchases or leases land containing essential resources necessary for the livelihood or survival of the local community (e.g., water, timber, or plants used for natural medicine) the client should, subject to the safeguards mentioned above, take measures to safeguard local community access to the resources on the land or provide alternative access to such resources, or ecosystem services.

GN65. In cases where project-related land acquisition results in loss of livelihoods or income of those without any legal title or legally recognized or recognizable claim to land, they are normally entitled to a range of assistance, including compensation for lost assets and any structures on land, as well as targeted assistance and transitional support. The nature and extent of such assistance will in part depend on whether the livelihood of those affected is land-based, wage-based, or enterprise-based (see guidance under paragraph GN12 above). Land-based compensation in these circumstances does not necessarily mean title to land, but may include continued access to land under similar tenure arrangements to enable the affected people to maintain their land-based livelihoods. It will be necessary to tailor compensation and entitlement options to the needs of the displaced. In cases where land acquisition does not result in the loss of livelihoods or loss of income, the client will pay fair compensation for the acquired land and lost assets on such land, as appropriate, at their replacement cost.

GN66. Special attention should be paid to economically displaced people who are vulnerable and/or marginalized as these groups are typically less resilient to change and may be made more vulnerable by project impacts. These groups may include households headed by women or children, people with disabilities, the extremely poor, the elderly and groups that suffer social and economic discrimination, including Indigenous Peoples and minorities. Members of vulnerable groups may require special or supplementary resettlement assistance because they are less able to cope with the displacement than the general population. Elderly farmers, for example, may not be able to clear replacement fields; increased distance from agricultural fields to homes may mean that disabled farmers cannot walk the extra distance. Indigenous communities may be more attached to their customary lands, natural resources and/or unique physical features of an affected area than other social groups. Compensation and restoration packages for vulnerable people should include additional forms of support, and should favor the lowest risk mitigation options wherever possible, e.g., in-kind compensation over cash-compensation. It is good practice that the identification of vulnerable households and individuals is undertaken or at least verified by community leaders, community based organizations (CBOs, e.g., church groups) and/or Non-Governmental Organizations (NGOs), whose grasp of local socio-economic realities may be more reliable or provide important local context to complement the results of standard-form surveys undertaken by external consultants.

GN67. In the event that Affected Communities of Indigenous Peoples are physically or economically displaced as a result of project-related land acquisition, the client will follow the requirements under Performance Standard 7, in addition to the requirements under Performance Standard 5 that pertain to Resettlement Action Plans and/or Livelihood Restoration Plans and implementation. In certain cases, this may include obtaining the Free, Prior and Informed Consent (FPIC) of the Indigenous Peoples prior to displacement taking place. The circumstances requiring FPIC are described in paragraphs 13 through 22 of Performance Standard 7.

Private Sector Responsibilities Under Government-Managed Resettlement

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

31. In the case of acquisition of land rights or access to land through compulsory means or negotiated settlements involving physical displacement, the client will identify and describe[24] government resettlement measures. If these measures do not meet the relevant requirements of this Performance Standard, the client will prepare a Supplemental Resettlement Plan that, together with the documents prepared by the responsible government agency, will address the relevant requirements of this Performance Standard (the General Requirements and requirements for Physical Displacement and Economic Displacement above). The client will need to include in its Supplemental Resettlement Plan, at a minimum (i) identification of affected people and impacts; (ii) a description of regulated activities, including the entitlements of displaced persons provided under applicable national laws and regulations; (iii) the supplemental measures to achieve the requirements of this Performance Standard as described in paragraphs 19–29 in a way that is permitted

[24] *Government documents, where available, may be used to identify such measures.*

by the responsible agency and implementation time schedule; and (iv) the financial and implementation responsibilities of the client in the execution of its Supplemental Resettlement Plan.

32. In the case of projects involving economic displacement only, the client will identify and describe the measures that the responsible government agency plans to use to compensate Affected Communities and persons. If these measures do not meet the relevant requirements of this Performance Standard, the client will develop an Environmental and Social Action Plan to complement government action. This may include additional compensation for lost assets, and additional efforts to restore lost livelihoods where applicable.

GN68. Host governments are often responsible for planning, and implementing the physical and economic displacement, carrying out the land acquisition, compensation payments, and resettlement in preparation for a private sector project or as a direct sponsor of such projects. The outcome of this process should be consistent with the requirements of Performance Standard 5. In such cases, clients should take an active role during the preparation, implementation and monitoring of the process and should coordinate with the relevant government authorities those aspects of the process that can be facilitated more efficiently by the client or other agents such as consultants or civil society organizations. Whether the client will be permitted to play an active role will depend in part on applicable national law and the judicial and administrative processes and practices of the responsible government agency. Some countries have national legislation guiding the resettlement process though this may not meet all the requirements of this Performance Standard. Government agencies follow national legal requirements, while clients are required to ensure resettlement undertaken on their behalf meets the objectives of this Performance Standard. The client will assess at appraisal the extent to which the client will be able to collaborate with the responsible government agency and agree on the key outcomes that need to be achieved to ensure consistency with Performance Standard 5. Where the client ascertains that the outcome of the government-managed resettlement is unlikely to meet the requirements of Performance Standard 5, and the client is unable or not permitted to fill the gaps required to meet those requirements, consideration should be given to not proceeding with the project.

GN69. Because there is a risk of impoverishment from loss of the income base or livelihoods of the affected households or communities from a protracted expropriation process and depressed compensation under government-managed resettlement, the client will review such expropriation to ascertain consistency with Performance Standard 5.

GN70. Under certain circumstances, a government agency or other authority may provide a client with an unoccupied project site, unencumbered of any current claims, whose prior residents or land users were displaced. If resettlement from the site has occurred in anticipation of the project, but not immediately preceding project implementation, the client should make a determination as to whether those resettled were compensated in a manner consistent with the requirements of Performance Standard 5 and, if not, any corrective action is feasible to address the situation. Under such circumstances, the following factors should be considered: (i) the length of the intervening period between land acquisition and project implementation; (ii) the process, laws and actions by which the resettlement was carried out; (iii) the number of people affected and the significance of the impact of land acquisition; (iv) the relationship between the party that initiated the land acquisition and the client; and (v) the current status and location of the people affected. If corrective action is feasible and would improve the standard of living of the displaced people, the client should undertake corrective measures prior to the implementation of the project.

GN71. Under government-managed resettlement, the client should collaborate with the appropriate agencies to establish methods for determining and providing adequate compensation to the affected people in the Resettlement Action Plan or Framework. Where national law or policy does not provide for compensation at full replacement cost, or where other gaps exist between national law or policy and the requirements with respect to displaced people detailed in Performance Standard 5, the client should apply alternative measures to achieve outcomes consistent with the objectives of Performance Standard 5. Such measures could range from making or arranging for the payment of supplementary allowances in cash or in kind, to arranging for the provision of dedicated support services. These gaps and measures should be addressed in a Supplemental Action Plan.

GN72. The client should collaborate with local government authorities in the distribution of compensation payments. Those eligible for compensation should be given advance notice of the date, time and place of payments via public announcement. Receipts should be signed by all those receiving compensation payments and retained for auditing purposes. In cases where illiteracy is an issue, culturally acceptable alternative communication and signature processes (for example finger-printing) should be identified. The payment of compensation and resettlement assistance should be monitored and verified by representatives of the client as well as representatives of the Affected Communities, which can often include CBOs. It may be appropriate for the client and the government authorities to engage the services of a registered auditing firm to monitor compensation payments.

GN73. Where the responsible government agency will enable the client to participate in the ongoing monitoring of affected persons, the client should design and carry out a program of monitoring with particular attention to those who are poor and vulnerable so as to track their standards of living and effectiveness of resettlement compensation, assistance, and livelihood restoration. Because resettlement can be stressful on individuals, households and communities, it may have gender-differentiated consequences on nutrition and health status, particularly of children. The client and the responsible agency should agree to an appropriate allocation of responsibilities with respect to completion audits and corrective actions. Where the client is prevented from adequately monitoring the implementation of the Resettlement Plan and there exists a risk that the Plan will not be monitored according to Performance Standard 5, the client may choose not to proceed with the project.

GN74. While government agencies are often mandated to lead resettlement efforts, experience indicates that there are generally opportunities for clients to either influence or supplement the planning, implementation and monitoring of government-led resettlement to achieve outcomes consistent with Performance Standard 5.

Annex A

Outline of a Resettlement Action Plan

1. *Description of the project*: General description of the project and identification of the project area.

2. *Potential impacts*: Identification of
   a) the project component or activities that give rise to resettlement;
   b) the zone of impact of such component or activities;
   c) the alternatives considered to avoid or minimize resettlement; and
   d) the mechanisms established to minimize resettlement, to the extent possible, during project implementation.

3. *Objectives and studies undertaken:* The main objectives of the resettlement program and a summary of studies undertaken in support of resettlement planning / implementation, e.g., census surveys, socio-economic studies, meetings, site selection studies…etc.

4. *Regulatory framework:* Relevant laws of the host country, client policies and procedures, performance standards.

5. *Institutional framework:* Political structure, NGOs.

6. *Stakeholder engagement:* Summary of public consultation and disclosure associated with resettlement planning, including engagement with affected households, local and/or national authorities, relevant CBOs and NGOs and other identified stakeholders, including host communities. This should include, at a minimum, a list of key stakeholders identified, the process followed (meetings, focus groups etc), issues raised, responses provided, significant grievances (if any) and plan for ongoing engagement throughout the resettlement implementation process.

7. *Socioeconomic characteristics*: The findings of socioeconomic studies to be conducted in the early stages of project preparation and with the involvement of potentially displaced people, including results of household and census survey, information on vulnerable groups, information on livelihoods and standards of living, land tenure and transfer systems, use of natural resources, patterns of social interaction, social services and public infrastructure.

8. *Eligibility*: Definition of displaced persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.

9. *Valuation of and compensation for losses*: The methodology used in valuing losses to determine their replacement cost; and a description of the proposed types and levels of compensation under local law and such supplementary measures as are necessary to achieve replacement cost for lost assets.

10. *Magnitude of displacement:* Summary of the numbers of persons, households, structures, public buildings, businesses, croplands, churches, etc., to be affected.

11. *Entitlement framework:* Showing all categories of affected persons and what options they were/are being offered, preferably summarized in tabular form.

12. *Livelihood restoration measures:* The various measures to be used to improve or restore livelihoods of displaced people.

13. *Resettlement sites:* Including site selection, site preparation, and relocation, alternative relocation sites considered and explanation of those selected, impacts on host communities.

14. *Housing, infrastructure, and social services*: Plans to provide (or to finance resettlers' provision of) housing, infrastructure (e.g., water supply, feeder roads), and social services (e.g., schools, health services); plans to ensure comparable services to host populations; any necessary site development, engineering, and architectural designs for these facilities.

15. *Grievance procedures:* Affordable and accessible procedures for third-party settlement of disputes arising from resettlement; such grievance mechanisms should take into account the availability of judicial recourse and community and traditional dispute settlement mechanisms.

16. *Organizational responsibilities*: The organizational framework for implementing resettlement, including identification of agencies responsible for delivery of resettlement measures and provision of services; arrangements to ensure appropriate coordination between agencies and jurisdictions involved in implementation; and any measures (including technical assistance) needed to strengthen the implementing agencies' capacity to design and carry out resettlement activities; provisions for the transfer to local authorities or resettlers themselves of responsibility for managing facilities and services provided under the project and for transferring other such responsibilities from the resettlement implementing agencies, when appropriate.

17. *Implementation schedule*: An implementation schedule covering all resettlement activities from preparation through implementation, including target dates for the achievement of expected benefits to resettlers and hosts, and implementing the various forms of assistance. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project.

18. *Costs and budget*: Tables showing itemized cost estimates for all resettlement activities, including allowances for inflation, population growth, and other contingencies; timetables for expenditures; sources of funds; and arrangements for timely flow of funds, and funding for resettlement, if any, in areas outside the jurisdiction of the implementing agencies.

19. *Monitoring, evaluation and reporting*: Arrangements for monitoring of resettlement activities by the implementing agency, supplemented by independent monitors to ensure complete and objective information; performance monitoring indicators to measure inputs, outputs, and outcomes for resettlement activities; involvement of the displaced persons in the monitoring process; evaluation of the impact of resettlement for a reasonable period after all resettlement and related development activities have been completed; using the results of resettlement monitoring to guide subsequent implementation.

Annex B

Completion Audit Table of Contents

1. *Executive Summary:* Concise summary of resettlement undertaken to date, need for any on-going resettlement, magnitude of displacement, activities undertaken, grievances and key issues addressed, outstanding and on-going monitoring and evaluation processes and key recommendations.

2. *Background:* A brief description of the monitoring process to date covering the project and impacted communities, magnitude of displacement, key resettlement and livelihood impacts, legal framework, eligibility criteria and entitlement framework, timing of the various components of physical and economic displacement undertaken, resettlement and/or livelihood restoration activities and compensation provided and major or outstanding issues or grievances.

3. *Review Objectives:* Outline of the main objectives of the resettlement and/or livelihood restoration plan and a summary of studies and activities undertaken in support of resettlement implementation and livelihood restoration (e.g., preliminary and on-going consultation, stakeholder mapping and census surveys, asset surveys, socio-economic baseline studies, participatory planning meetings, site selection studies, organizational structures for implementation), and assessment of the process and evaluation of the outcome (including any participatory monitoring and evaluation methodologies used).

4. *Key Findings:* Issues to be considered may include, among others:[1]

    - Extent of public information and consultation in advance of land acquisition, and adequacy of ongoing consultation
    - Types of compensation provided and adequacy of that compensation (e.g., sufficient to cover replacement costs of lost assets, housing conditions, compensation/entitlements, income restoration and livelihood sustainability measures)
    - Level of participation of affected people in decisions regarding compensation rates, location of new resettlement sites and options for livelihood restoration
    - Adequacy of replacement housing in terms of physical structure, location, and access to resources and services (such as health, education, water and sanitation, transportation, social and medical security, agricultural and pastoral land, employment opportunities and training and community development initiatives);
    - Effectiveness of livelihood restoration measures
    - Integration into host communities
    - Impact on cultural property
    - Measures taken to protect (affected) vulnerable persons and groups
    - Adequacy of the grievance redress process and outcomes
    - Monitoring and evaluation process and outcomes.

5. *Conclusion and Key Recommendations/Corrective Actions:* Concise summary of conclusions and recommendations, and for any gaps or outstanding issues, provide a proposed time bound Corrective Action Plan with Key Actions, dedicated Human Resources, proposed Timeline for close-out and a Budget.

[1] Content will vary on a project-by-project basis, depending on the level of impact and local circumstances.

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World Bank. 2008. *Design for All: Implications for Bank Operations.* Washington, DC: World Bank. http://siteresources.worldbank.org/DISABILITY/Resources/Universal_Design.pdf. New housing or shelter should, where appropriate, follow the concept of universal design and should remove the physical barriers that prevent people with disabilities (including the elderly, temporarily infirmed, and children) from fully participating in social and economic life as explored in this World Bank publication.

Guidance Note 6

Biodiversity Conservation and Sustainable Management of Living Natural Resources

January 1, 2012

Guidance Note 6 corresponds to Performance Standard 6. Please also refer to Performance Standards 1–5 and 7–8 as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

1. Performance Standard 6 recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development. The requirements set out in this Performance Standard have been guided by the Convention on Biological Diversity, which defines biodiversity as "the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems."

2. Ecosystem services are the benefits that people, including businesses, derive from ecosystems. Ecosystem services are organized into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.[1]

3. Ecosystem services valued by humans are often underpinned by biodiversity. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services. This Performance Standard addresses how clients can sustainably manage and mitigate impacts on biodiversity and ecosystem services throughout the project's lifecycle.

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[1] *Examples are as follows: (i) provisioning services may include food, freshwater, timber, fibers, medicinal plants; (ii) regulating services may include surface water purification, carbon storage and sequestration, climate regulation, protection from natural hazards; (iii) cultural services may include natural areas that are sacred sites and areas of importance for recreation and aesthetic enjoyment; and (iv) supporting services may include soil formation, nutrient cycling, primary production.*

GN1. The requirements set out in Performance Standard 6 and the interpretation of those requirements as provided in this Guidance Note are guided by the Convention on Biological Diversity (CBD) including the CBD's Strategic Plan for Biodiversity 2011–2020 and the Aichi Biodiversity Targets.[GN1] As emphasized by the Biodiversity for Development Program of the CBD, biodiversity loss can result in critical reductions in the goods and services provided by the earth's ecosystems, all of which contribute to economic prosperity and human development. This is especially relevant in developing countries where natural resource-based livelihoods are often prevalent.

GN2. The definition of ecosystem services provided in paragraph 2 of Performance Standard 6 is derived from the Millennium Ecosystem Assessment.[GN2] All four categories of ecosystem services (provisioning, regulating, cultural and supporting services) are recognized in this Performance Standard. Performance Standard 6 recognizes that sustainable development cannot be achieved if either biodiversity or ecosystem services are lost or degraded by development efforts. While recognizing that these two dimensions are inextricably linked, Performance Standard 6 provides separate client requirements for biodiversity and ecosystem services. This is in part because biodiversity management involves expertise and scientific knowledge found mainly in the community of practice of ecologists and conservation biologists, while the implementation of assessment, mitigation and management programs

[GN1] Revised and updated biodiversity targets for the 2011–2020 Strategic Plan for the Convention on Biological Diversity; Decision X/2 of the tenth Conference of the Parties (COP-10).

[GN2] This website houses the Millennium Assessment reports, including *Ecosystems and Human Well-being: Opportunities and Challenges for Business and Industry* (2006), with links to full and synthesis reports as well as graphic resources, presentations, and videos and other useful resources. http://www.maweb.org

for ecosystem services often require the expertise of social specialists and other specialists (for example, agronomists, geologists, hydrologists and hydrogeologists, soil and erosion control specialists, water management specialists, etc.) and direct engagement with Affected Communities.

GN3. Biodiversity and ecosystem services are especially relevant to sectors that develop living natural resources as commodities, such as agriculture, forests, fisheries, and livestock. Sustainable management practices for many such sectors have been codified in internationally-recognized standards. For this reason, additional requirements are provided for companies involved in the primary production of living natural resources as commodities.

Objectives

- ***To protect and conserve biodiversity.***
- ***To maintain the benefits from ecosystem services.***
- ***To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities.***

Scope of Application

4. The applicability of this Performance Standard is established during the environmental and social risks and impacts identification process. The implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Environmental and Social Management System (ESMS), the elements of which are outlined in Performance Standard 1.

5. Based on the risks and impacts identification process, the requirements of this Performance Standard are applied to projects (i) located in modified, natural, and critical habitats; (ii) that potentially impact on or are dependent on ecosystem services over which the client has direct management control or significant influence; or (iii) that include the production of living natural resources (e.g., agriculture, animal husbandry, fisheries, forestry).

GN4. The application of Performance Standard 6 is established during the social and environmental risks and impacts identification process. General client requirements for this process are provided in paragraphs 7–12 of Performance Standard 1, and accompanying guidance is provided in paragraphs GN15–GN28 of Guidance Note 1. The risks and impacts identification process should include scoping of potential issues relating to biodiversity and ecosystem services. Scoping may take the form of an initial desktop analysis and literature review, including a review of regional studies and assessments, the use of global or regional screening tools such as the Integrated Biodiversity Assessment Tool (IBAT) and field reconnaissance. Scoping for ecosystem services may also take place through consultation with Affected Communities as part of Stakeholder Engagement requirements outlined in paragraphs 25–33 in Performance Standard 1 and its accompanying guidance (see paragraphs GN91–GN105 in Guidance Note 1).

GN5. The risks and impacts identification process will vary depending on the nature and scale of the project. At a minimum, the client should screen and assess the risks to and potential impacts on biodiversity and ecosystem services in the project area of influence, taking into account the following: (i) the location and scale of project activities, including those of associated facilities; (ii) its supply chains (as required in paragraph 30 of Performance Standard 6); (iii) the project's proximity to areas of known biodiversity value or areas known to provide ecosystem services; and (iv) the types of technology that will be used (e.g., underground mining versus open pits, directional drilling and multi-well pads versus high-density single well pads, air cooled condensers versus wet cooling towers, etc.) and efficiencies of the proposed equipment. Performance Standard 6 will not be applicable where no known risks to biodiversity

and ecosystem services, including risks related to potential knowledge gaps, are identified through this screening.

GN6. With respect to ecosystem services, Performance Standard 6 will in most cases apply when the (main) direct beneficiaries of such services are the Affected Communities, as defined in paragraph 1[GN3] of Performance Standard 1. Performance Standard 6 will not apply in instances where a client, through its project, does not have direct management control or significant influence over such services; such as regulating ecosystem services where the benefits of such services are received on a global scale (e.g., carbon storage or climate regulation). Impacts on this scale are covered as part of the risks and impacts identification process in Performance Standard 1 and some additional guidance is provided in paragraphs GN31–GN35 of its accompanying Guidance Note. Client requirements for Greenhouse Gas emissions are described in paragraphs 7 and 8 of Performance Standard 3 and in paragraphs GN16–GN26 of its accompanying Guidance Note.

GN7. Regarding living natural resources, Performance Standard 6 will apply for all projects involved in the primary production of such resources.

Requirements

General

6. The risks and impacts identification process as set out in Performance Standard 1 should consider direct and indirect project-related impacts on biodiversity and ecosystem services and identify any significant residual impacts. This process will consider relevant threats to biodiversity and ecosystem services, especially focusing on habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, and pollution. It will also take into account the differing values attached to biodiversity and ecosystem services by Affected Communities and, where appropriate, other stakeholders. Where paragraphs 13–19 are applicable, the client should consider project-related impacts across the potentially affected landscape or seascape.

7. As a matter of priority, the client should seek to avoid impacts on biodiversity and ecosystem services. When avoidance of impacts is not possible, measures to minimize impacts and restore biodiversity and ecosystem services should be implemented. Given the complexity in predicting project impacts on biodiversity and ecosystem services over the long term, the client should adopt a practice of adaptive management in which the implementation of mitigation and management measures are responsive to changing conditions and the results of monitoring throughout the project's lifecycle.

8. Where paragraphs 13–15 are applicable, the client will retain competent professionals to assist in conducting the risks and impacts identification process. Where paragraphs 16–19 are applicable, the client should retain external experts with appropriate regional experience to assist in the development of a mitigation hierarchy that complies with this Performance Standard and to verify the implementation of those measures.

GN8. Paragraphs 6–8 refer to the completeness of the risks and impacts identification process once it has been determined that Performance Standard 6 applies to a particular project. The risks and impacts identification process may take the form of an Environmental and Social Impact Assessment (ESIA) and should be ongoing as part of the Environmental and Social Management System (ESMS). The scope of the assessment will depend on the nature and scale of the project and sensitivities in terms of biodiversity attributes and ecosystem services. With respect to biodiversity, clients should refer to good practice

[GN3] Further guidance on this definition is provided in paragraph GN92 of Guidance Note 1.

guidelines and other relevant reference documents on biodiversity assessment and management, some of which are provided in the Bibliography. With respect to ecosystem services, clients should refer to paragraphs GN126–GN142, which provide guidance on the assessment of ecosystem services and describe the Ecosystem Services Review (ESR) process.

GN9. As part of the ESIA, baseline studies should be conducted for the relevant biodiversity attributes and ecosystem services. Baseline studies should comprise some combination of literature review, stakeholder engagement and consultation, in-field surveys and other relevant assessments. The extensiveness of the baseline will vary depending on the nature and scale of the project. For sites with potentially significant impacts on natural and critical habitats and ecosystem services, the baseline should include in-field surveys over multiple seasons and conducted by competent professionals and external experts, as necessary. In-field surveys/assessments should be recent and data should be acquired for the actual site of the project's facilities, including related and associated facilities, and the project's area of influence.

GN10. Baseline studies should be informed by a literature review and initial desktop analysis. The extent of the literature review will depend on the sensitivity of the biodiversity attributes associated with the project's area of influence and the ecosystem services that may be impacted. Literature reviews could comprise a number of sources such as peer-reviewed journals, regional assessments, national or regional planning documents (e.g., the National Biodiversity Strategy and Action Plan (NBSAP) and Local Biodiversity Action Plans (LBAPs)), existing assessments and studies in the project site and its area of influence, web-based data such as information provided in the International Union for Conservation of Nature (IUCN) Red List of Threatened Species, landscape prioritization schemes including systematic conservation planning assessments and plans, and masters/doctoral theses, among others.

GN11. Depending on the nature and scale of the project, existing spatial data and landscape mapping may form part of the literature review and initial desktop analysis. This is especially important for project sites in natural and critical habitats. This includes land classification and land use maps, satellite imagery or aerial photographs, vegetation type and ecosystem maps, topographical and hydrological mapping such as watersheds and interfluvial zones. Numerous regional ecosystem mapping efforts have been completed or are currently underway by academic and governmental institutions, intergovernmental organizations, and nongovernmental organizations (NGOs) (e.g., United Nations Environment Programme-World Conservation Monitoring Centre (UNEP-WCMC); Ocean Data Viewer;[GN4] UN Food and Agriculture Organization (FAO) Forest Resource Assessments; The Nature Conservancy; NatureServe (Terrestrial Ecosystems Map for South America); Global Forest Watch; Conservation International; BirdLife International; Integrated Biodiversity Assessment Tool (IBAT); International Union for Conservation of Nature (IUCN); Group on Earth Observation (GEO) Global Earth Observation System of Systems (GEOSS); etc.). This information can directly inform the ESIA and any related assessments of landscape integrity, resource development and management analyses, ecosystem services valuations, and reporting and prediction of environmental trends.

GN12. Stakeholder engagement and consultation is one of the key means to understanding impacts on biodiversity and identifying appropriate responses to such impacts. The ESIA or any follow-up biodiversity/ecosystem services-related assessment will be expected to take into account the differing values attached to biodiversity and ecosystem services by Affected Communities. This is especially relevant when projects may affect ecosystem services of relevance to Indigenous Peoples.[GN5] For

[GN4] UNEP-WCMC's mapping tools for protected areas are provided in paragraph GN114 and additional resources are provided in the Bibliography.

[GN5] See Performance Standard 7 and Guidance Note 7 for requirements for Indigenous Peoples.

ecosystem services, this process will form part of the ESR and is described in paragraphs GN135–GN142. Regarding biodiversity, the client should consider the differing values attached to particular biodiversity attributes by relevant local, national and international stakeholders. Biodiversity will be viewed differently depending on the stakeholders and will vary from region to region. Note that for critical habitat, the biodiversity values that must be considered, at a minimum, are made explicit in paragraph 16 of Performance Standard 6. Stakeholders with whom to consult include Affected Communities, governmental officials, academic and research institutions, recognized external experts for the biodiversity attributes of concern, and national and international conservation NGOs, as appropriate. Together, the literature review, stakeholder engagement and consultation and in-field surveys/ assessments should establish a core set of "biodiversity values," which would form the basis of impact analysis and the definition of mitigation and management measures. The same is true for ecosystem services, although the ESR will largely inform that process.

GN13. For some projects, biodiversity values and ecosystem services associated with a site might be numerous, and clients would benefit from the prioritization of such features. Biodiversity and ecosystem services can be prioritized along two axes: (i) based upon the number of spatial options left where conservation can occur (i.e., spatial limitation or the feature's *irreplaceability*); and (ii) based on the time available for conservation to occur before the feature is lost (i.e., temporal limitation as caused by threats to the feature in question, which will provide an understanding of its *vulnerability*). These concepts can be applied to both biodiversity and ecosystem services. For example, a sacred lake may hold particularly unique significance for local communities, one patch of forest may provide a type of fiber or medicinal plant found nowhere else, a low ridge in the land may provide singular flood control, a species may be endemic to a single site or an ecosystem may be singular in the landscape. These are all spatially-limited biodiversity values/ecosystem services, in that they are relatively irreplaceable in the landscape. The concept of threat or vulnerability is equally applicable: the probability of a species being lost in a defined time as measured by lists of threatened species such as that of IUCN, the speed of loss of an ecosystem service such as pollination or flood regulation, and the continuing erosion of an Indigenous People's culturally valued site due to in-migration are all examples of time limitations or threats. The relative importance with respect to conserving the feature as part of project operations could therefore be determined by its status in terms of these two axes: its *irreplaceability* in the landscape/seascape and its *vulnerability* in being able to remain there.

GN14. Paragraph 6 lists a number of threats to biodiversity and ecosystem services that the client should consider as part of the ESIA and its ESMS. Other threats may also be considered depending on the regional/local context. The client should provide an accurate account of threats, including regional level threats that are relevant to the project site and its area of influence. The client should describe any pre-existing threats and the extent to which the project might exacerbate them. An analysis of threats should be used to inform the impact assessment. For example, if illegal bushmeat hunting or timber extraction is ongoing, would project-induced access further this situation?

GN15. The ESIA should spell out project-related direct, indirect and residual impacts on populations, species and ecosystems and on ecosystem services identified in the baseline studies. Direct impacts might include habitat loss and disturbance (noise, light, land or shipping traffic), emissions and effluents, alterations of surface hydrology and land forms, edge effects and forest gaps, loss of provisioning ecosystem services or access to such services, degradation of regulating, cultural and supporting ecosystem services, etc. Indirect impacts might include the accidental introduction and spread of invasive species, project-induced access by third parties, in-migration and associated impacts on resource use. Mitigation and management measures should then be defined to address all impacts identified as adverse to biodiversity or ecosystem services. Residual impacts are significant project-related impacts that might remain after on-site mitigation measures (avoidance, management controls, abatement,

restoration, etc.) have been implemented. In critical habitats, any significant residual impacts must be mitigated using biodiversity offsets. It should be noted that a reliable determination of residual impacts on biodiversity needs to take into account the uncertainty of outcomes due to mitigation measures. This is especially relevant with respect to restoration and the client's ability to ensure adequate restoration of biodiversity and ecosystem services. Where there is significant uncertainty, the client should take a conservative approach in ascertaining the significance of residual impacts. Regarding cumulative impacts, the client is responsible for considering such impacts in line with paragraph 8 of Performance Standard 1 and as described in its accompanying Guidance Note.

GN16. Clients are expected to fully exercise the mitigation hierarchy, which is defined in the Objectives section of Performance Standard 1 and is further elaborated in paragraph 7 of Performance Standard 6 and in this paragraph (GN16). Performance Standard 6 places considerable emphasis on the avoidance of impacts on biodiversity and ecosystem services. This is reflected in the first sentence of paragraph 7. Avoidance of impacts is sometimes the only means to prevent irreplaceable loss of biodiversity and associated ecosystem services; the emphasis on avoidance in the mitigation hierarchy should thus be proportional to the irreplaceability and vulnerability of the affected biodiversity/ecosystem service as described in paragraph GN13. In order to implement the mitigation hierarchy with respect to Performance Standard 6, an assessment of project infrastructure and the existing landscape can inform the identification, screening and design of alternatives as a form of avoidance. Alternatives may include variations in the layout of the project facilities, alternative engineering and manufacturing processes and construction practices, the selection of different sites or routing of linear facilities, and selection of alternative suppliers through screening to identify those with appropriate environmental/social risk management systems. Secondly, once the preferred alternatives have been chosen, minimization of impacts may be possible through modifications to drainage systems, methods of road construction (for example to reduce dust and noise), the pattern of vegetation clearance, selection of different pollution abatement treatments, the implementation of erosion and sedimentation control measures, the construction of wildlife thruways (e.g., trench plugs or bridges in the case of linear infrastructure) and the layout of infrastructure. Minimization measures are elaborated on in paragraph GN46 with respect to natural habitats. Thirdly, where disturbance to biodiversity and ecosystem services has occurred, remediation may be possible in the form of rehabilitation[GN6] and restoration.[GN7] This may include vegetation rehabilitation (erosion control and facilitated natural regeneration of ecosystems); restoration of the original habitat type (where appropriate techniques are known or can be developed); and restoration of major ecosystem services, such as facilitated watercourse flow with dewatering water in the case of mining operations. Mitigations should be designed or reviewed by appropriate biological and engineering specialists to ensure that mitigation has been optimized in accordance with the hierarchy. For impacts on biodiversity, the mitigation hierarchy includes the use of biodiversity offsets.

GN17. As stated in paragraph 6 of Performance Standard 6, in natural and critical habitats clients should consider project-related impacts across the potentially affected landscape or seascape. Note that the term "landscape" includes freshwater aquatic habitats that exist within the overall landscape. The term "landscape/seascape" does not necessarily correspond to any one pre-defined unit of geographical space. It is a broadly defined term that might correspond to an ecoregion, a biome, or any other

[GN6] Rehabilitation is defined as the stabilization of the terrain, assurance of public safety, aesthetic improvement, and return of the land to what, within the regional context, is considered to be a useful purpose. Revegetation may entail the establishment of only one or a few species. Rehabilitation is used interchangeably with the term "reclamation" in this Guidance Note.

[GN7] Restoration is defined as the process of assisting the recovery of an ecosystem that has been degraded, damaged, or destroyed. An ecosystem has recovered when it contains sufficient biotic and abiotic resources to continue its development without further assistance or subsidy. It would sustain itself structurally and functionally, demonstrate resilience to normal ranges of environmental stress and disturbance, and interact with contiguous ecosystems in terms of biotic and abiotic flows and cultural interactions.

ecologically significant unit of space on a regional level (i.e., not site-specific). In some cases the "landscape/seascape" unit might be defined in terms of an administrative or territorial boundary or a particular zoned area within international waters. In either case, the intention of the requirement is that clients identify project-related impacts, especially those on habitat connectivity and/or on downstream catchment areas, outside the boundaries of the project site. Landscape/seascape analysis is a fundamental step in determining ecologically-appropriate mitigation options that align with broader conservation efforts in the region. Such analyses support decision-making as to whether impacts should be avoided or are appropriate for offsets, and support the selection and design of a mitigation strategy, including offset mitigation, that contributes to regional-level conservation goals rather than solely site-level impacts. Landscape/seascape analysis does not necessarily imply in-field data collection outside the project site. Desktop assessment, including mapping exercises and consultation with regional specialists, can help the client understand its project site in the context of the greater landscape/seascape. This type of analysis is especially important in preventing the degradation and fragmentation of natural habitat, especially from cumulative impacts.

GN18. Large-scale and complex projects that involve significant risks and impacts across multiple biodiversity values and ecosystem services would benefit from applying an "ecosystem approach" to understanding the environment in which the project is located. As described by the Convention on Biological Diversity, the ecosystem approach is "*a strategy for the integrated management of land, water and living resources that promotes conservation and sustainable use in an equitable way.*" The CBD defines "ecosystem" as a "*dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit*." This definition does not specify any particular spatial unit or scale. Instead, the CBD advises that scale of analysis and action should be determined by the problem being addressed. Performance Standard 6 also takes a similar approach when defining "habitats."

GN19. The ecosystem approach focuses on the relationship between components and processes in an ecosystem. It acknowledges that the many components of biodiversity control the stores and flows of energy, water and nutrients within ecosystems, which provide resistance to major perturbations. Knowledge of ecosystem structure and function contributes to an understanding of ecosystem resilience and the effects of biodiversity loss and habitat fragmentation. The ecosystem approach acknowledges that functional biodiversity in ecosystems provides many goods and services of economic and social importance (i.e., ecosystem services). This approach should be considered when developing the risks and impact identification process, which often analyzes impacts in isolation from one another and prescribes mitigation measures in the same manner. Clients should consider implementing integrated, innovative and real-time approaches to assessing the *socio-ecological* environment, especially for large-scale and complex projects with significant unique, multiple and/or diverse environmental and/or social impacts.

GN20. An essential element in the ecosystem approach, and a client requirement defined in paragraph 7 of Performance Standard 6, is the adoption of adaptive management practices. The premise of adaptive management is that ecosystem management must involve a learning process, which helps to adapt methodologies and practices to the ways in which these systems are being managed and monitored. For the private sector, adaptive management is a concept that should be rooted in the client's ESMS. As is often the case in determining the risks to and impacts on biodiversity and ecosystem services, data gaps exist even after a sometimes lengthy data collection period or due to changing conditions. The client's mitigation strategy is designed based on what is known at the time of completion of the ESIA or additional studies. While the client's mitigation strategy should be designed to the best of the client's abilities, and should take a risk-averse approach that explicitly accommodates uncertainty about outcomes of mitigation measures, flexibility should also be built into the client's ESMS so that the client's mitigation

and management approach can be adapted based on new findings. New findings may arise from the client's monitoring program or from independent sources. In either case, the client has the responsibility to update its approach to continually improve upon the existing management of biodiversity, ecosystem services and living natural resources.

GN21. Clients are responsible for identifying competent professionals able to identify biodiversity values and ecosystem services and propose appropriate mitigation options. The range of specialists is large, and the necessary skillsets will vary. For example, ecologists with regionally-specific experience, biologists with expertise in a specific taxon, and evolutionary or landscape biologists might be suitable for the identification of certain biodiversity values. Biodiversity management specialists who are familiar with the relevant industry (e.g., extractive industries versus forestry and other agribusiness specialists) will bring a different skillset in terms of identifying mitigation options in line with current good international practices in the sector. A single project may need to work with various specialists to adequately characterize its environment and a mitigation strategy. Ecosystem services assessment may require several specialists, depending on the service in question (e.g., soil and erosion control specialists, geologists and hydrologists, agronomists, rangeland ecologists, specialists in the economic valuation of natural resources, resettlement and social specialists with expertise in natural resource-based livelihood, etc).

GN22. For projects located in critical habitat (including legally protected/recognized areas), clients must ensure that external experts with regional experience are involved in the biodiversity and/or critical habitat assessment. If habitat is critical due to the presence of Critically Endangered and Endangered species, recognized species specialists must be involved (for example, including individuals from IUCN Species Survival Commission Specialist Groups). In areas of critical habitat, clients should consider establishing a mechanism for external review of the project's risks and impacts identification process and proposed mitigation strategy. This is especially relevant where uncertainty is high, where potential impacts are complex and/or controversial and/or where no precedent exists for proposed mitigations (such as some types of offsets). Such a mechanism would also promote the sharing of good international practice between projects and improve transparency in decision-making.

GN23. Clients are encouraged to develop partnerships with recognized and credible conservation organizations and/or academic institutes. This is especially relevant with respect to potential developments in natural or critical habitat. Partnering organizations may bring regional experience in biodiversity management that multinational companies are often lacking. Partnering organizations may be helpful in identifying species specialists, in designing rapid assessment programs and biodiversity monitoring programs, in developing Biodiversity Action Plans (BAPs), or in managing relations with civil society groups and other local stakeholders.

Protection and Conservation of Biodiversity

9. Habitat is defined as a terrestrial, freshwater, or marine geographical unit or airway that supports assemblages of living organisms and their interactions with the non-living environment. For the purposes of implementation of this Performance Standard, habitats are divided into modified, natural, and critical. Critical habitats are a subset of modified or natural habitats.

10. For the protection and conservation of biodiversity, the mitigation hierarchy includes biodiversity offsets, which may be considered only after appropriate avoidance,

minimization, and restoration measures have been applied.[2] A biodiversity offset should be designed and implemented to achieve measurable conservation outcomes[3] that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity; however, a net gain is required in critical habitats. The design of a biodiversity offset must adhere to the "like-for-like or better" principle[4] and must be carried out in alignment with best available information and current practices. When a client is considering the development of an offset as part of the mitigation strategy, external experts with knowledge in offset design and implementation must be involved.

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[2] Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate avoidance, minimization and restoration measures have been taken.

[3] Measurable conservation outcomes for biodiversity must be demonstrated in situ (on-the-ground) and on an appropriate geographic scale (e.g., local, landscape-level, national, regional).

[4] The principle of "like-for-like or better" indicates that biodiversity offsets must be designed to conserve the same biodiversity values that are being impacted by the project (an "in-kind" offset). In certain situations, however, areas of biodiversity to be impacted by the project may be neither a national nor a local priority, and there may be other areas of biodiversity with like values that are a higher priority for conservation and sustainable use and under imminent threat or need of protection or effective management. In these situations, it may be appropriate to consider an "out-of-kind" offset that involves "trading up" (i.e., where the offset targets biodiversity of higher priority than that affected by the project) that will, for critical habitats, meet the requirements of paragraph 17 of this Performance Standard.

GN24. In developing requirements for biodiversity, Performance Standard 6 is guided by and supports the implementation of applicable international law and conventions including:

- The Convention on Biological Diversity, 1992 (CBD).
- The Convention on the Conservation of Migratory Species of Wild Animals, 1979 (Bonn Convention).
- The Convention on International Trade in Endangered Species of Wild Flora and Fauna, 1975 (CITES).
- The Convention on Wetlands of International Importance especially as Waterfowl Habitat, 1971 (Ramsar Convention).
- The Convention Concerning the Protection of World Cultural and Natural Heritage, 1972 (UNESCO World Heritage Convention).

GN25. A summary of good practice guidelines on integrating biodiversity into impact assessment and on biodiversity management is provided in the Bibliography. Clients should make use of such reference documents when project-related impacts on biodiversity are expected. The literature on this topic is vast and these references are indicative only. Extensive regional and sector-specific[GN8] guidance and case studies are widely available. Academic journals dedicated to environmental impact assessment are another rich source of information.

GN26. Paragraph 9 of Performance Standard 6 purposely provides a broad definition of habitats as geographical units (that include marine and freshwater aquatic areas as well as airway passages), which is clearly a departure from a classic ecological definition of habitat (i.e., the place or type of site where an organism or population naturally occurs). Modified, natural and critical habitat refers to the biodiversity value of the area as determined by species, ecosystems and ecological processes.

[GN8] For example, see IFC's Guide to Biodiversity for the Private Sector for Sector-Specific Biodiversity Issues. Lessons from experience and case studies are also provided via this website.

GN27. In practice, natural and modified habitats exist on a continuum that ranges from largely untouched, pristine natural habitats to intensively managed modified habitats. In reality, project sites will often be located among a mosaic of habitats with varying levels of anthropogenic and/or natural disturbance. Clients are responsible for delineating the project site as best as possible in terms of modified and natural habitat. This determination is made based on the level of human-induced disturbance (e.g., presence of invasive species, level of pollution, extent of habitat fragmentation, viability of existing naturally-occurring species assemblages, resemblance of existing ecosystem functionality and structure to historical conditions, degree of other types of habitat degradation, etc.) and the biodiversity values of the site (e.g., threatened species and ecosystems, culturally important biodiversity features, ecological processes necessary for maintaining nearby critical habitats). When delineating modified and natural habitats, clients should not focus on the project site in isolation. The level of anthropogenic impact should be determined with respect to the greater landscape/seascape in which the project is located. In other words, is the project site (or parts of it) located in a disturbed area amidst an otherwise intact landscape? Is the project site (or parts of it) an island of natural habitat within a heavily disturbed or managed landscape? Is the project site located near areas of high biodiversity value (e.g., wildlife refuges, corridors or protected areas)? Or, is the project site located in a mosaic of modified and natural habitats that contain various degrees of biodiversity values of importance to conservation? The client should be prepared to define its project site in these terms as part of the risks and impacts identification process.

GN28. Both natural and modified habitats may contain high biodiversity values, thereby qualifying as critical habitat. Performance Standard 6 does not limit its definition of critical habitat to *critical natural* habitat. An area may just as well be *critical modified* habitat. The extent of human-induced modification of the habitat is therefore not necessarily an indicator of its biodiversity value or the presence of critical habitat.

GN29. As stated in paragraph 10 of Performance Standard 6, biodiversity offsets may be considered "*only after appropriate avoidance, minimization and restoration measures have been applied.*" The decision to undertake a biodiversity offset therefore would never be a substitute for the implementation of good management practices on the actual project site. Biodiversity offsets are only to be undertaken if significant residual impacts remain after all prior steps in the mitigation hierarchy have been fully assessed and implemented.

GN30. A biodiversity offset serves as a risk management tool for developers whose projects will have an impact on biodiversity. It involves an agreed set of conservation actions or "measurable conservation outcomes," which could demonstrate how biodiversity losses caused by the development project will be balanced by equivalent biodiversity gains. The offset may be implemented as one project or as several projects. In either case, the client is expected to quantify biodiversity losses and equivalent gains, as feasible. In cases where a quantitative approach is not possible, expert judgment is required to determine appropriate offsets depending on the nature and scale of the project. The actions for achieving biodiversity gains must be designed to deliver long-term "on-the-ground" conservation outcomes, usually at one or several offset sites located within the region but generally not within project boundaries. The outcomes need to demonstrate no net loss in biodiversity (or a net gain in critical habitats) relative to the project impacts and must be over and above existing conservation interventions. In footnote 3 of Performance Standard 6, the term "on-the-ground" is used interchangeably with "in situ." Another way of expressing this concept may be "in the field." These terms are intended to emphasize the importance of demonstrating measurable conservation outcomes that can be realized in the natural environment and on an appropriate geographic scale with respect to the particular biodiversity value in question. Providing training or capacity building or financing research would rarely, if ever, be considered a demonstrable outcome "on-the-ground." Note also that "in situ" should not be interpreted as on the "project site," but

rather "in the natural environment" and on an ecologically relevant scale with respect to the biodiversity value in question.

GN31. Actions to deliver no net loss/net gain conservation outcomes for a specific development project will include one or several of the three following interventions: (i) positive conservation management interventions, such as the restoration, enhancement, or arrested degradation of biodiversity components at suitable offset sites; (ii) where this has been demonstrated as feasible, the creation or reconstruction of an ecologically equivalent ecosystem and associated biodiversity values; and (iii) averted risk interventions which result in on-the-ground protection of biodiversity in an area demonstrated to be under threat of imminent or projected loss of that biodiversity (due to factors other than the development project in question). In addition, where socioeconomic and cultural uses of biodiversity (i.e., ecosystem services) are at issue, biodiversity offsets may include the provision of compensation packages for Affected Communities impacted by the development project and offset. Note that ecosystem services are covered in paragraphs 24 and 25 of Performance Standard 6, and compensation for ecosystem services is covered in Performance Standards 5, 7, and 8.

GN32. Key biodiversity offset design steps and elements include: (i) ensuring that the development project meets all applicable laws, regulations and policies pertaining to biodiversity offsets; (ii) establishing an effective process for Affected Communities to participate in designing and implementing the biodiversity offset; (iii) describing the project's scope and predicted impacts on biodiversity, applying and documenting the steps in the mitigation hierarchy to limit those impacts while taking into account various sources of uncertainty (e.g., restoration outcomes) and using defensible metrics that properly account for biodiversity to calculate residual impacts; (iv) within the context of the relevant landscape/seascape, identifying suitable opportunities (potential offset sites, activities and mechanisms) for achieving "like-for-like or better" biodiversity gains to balance the losses due to the development; (v) quantifying (using the same metrics as those used in the loss calculations) or, depending on the nature and scale of the project, taking a semi-quantitative approach with expert opinion to demonstrate that the required biodiversity gains to achieve a no net loss or net gain outcome, and selecting the preferred locations and activities to provide these gains; and (vi) setting the specific offset activities and locations in a biodiversity offset management plan to guide implementation. A good biodiversity offset design should meet internationally-recognized practices, such as the Principles on Biodiversity Offsets[GN9] developed by the Business and Biodiversity Offset Program (BBOP). BBOP and others have published sets of documents to guide biodiversity offset design and implementation.

GN33. Important elements for the successful implementation of a biodiversity offset, and for securing long-term conservation outcomes, include: clarifying the roles and responsibilities of all stakeholders; setting up the legal arrangements to secure the biodiversity offset site(s); developing a comprehensive biodiversity offset management plan; establishing appropriate financial mechanisms, such as a conservation trust fund or non-fund options, to ensure sufficient and sustainable financial flows to implement the offset and ensure that all necessary gains are delivered; and setting up a system for monitoring, evaluation and adaptive management for the implementation of the conservation outcomes required for the offset.

GN34. Depending on the nature and scale of the project, clients should consider identifying additional opportunities to enhance habitat and protect and conserve biodiversity as part of their operations. While net gains of biodiversity are a requirement in critical habitat (see paragraph 18 of Performance Standard 6), clients should also endeavor to implement additional measures in modified and natural habitats, for example, in modified habitat, the restoration of relevant biodiversity values or other habitat

[GN9] See http://bbop.forest-trends.org/guidelines/principles.pdf.

enhancement measures, such as the removal of invasive species. For natural habitats, an example might be the development of strategic frameworks with other companies and/or with the government through the design of joint mitigation measures. Clients might also opt to catalyze funding from third-party financiers for appropriate and integrated land use planning exercises by relevant government structures or partner in research programs with local universities. Such initiatives would need to be identified with the assistance of competent professionals. Clients developing projects in all habitats are encouraged to demonstrate their intentions and willingness to be good stewards of the environments in which they live through these and other innovative approaches.

GN35. Certain sectors, most notably agriculture and forestry, refer to High Conservation Value (HCV) areas when determining the conservation value of a land area or management unit. The HCV Resource Network, an internationally-recognized group that includes environmental and social NGOs, international development agencies, timber and forest product certifiers, suppliers and buyers, and forest managers, provides information and support on the evolving usage of HCV to ensure a consistent approach. The Network recognizes six HCV types, which are based on both biodiversity and ecosystem services. Because intrinsic biodiversity values of an area and human value (or anthropogenic value) in terms of ecosystem services are treated separately in Performance Standard 6, HCV areas do not directly correspond with definitions in Performance Standard 6 for modified, natural and critical habitat. For convenience however, each HCV type is outlined below along with guidance on its most likely corresponding Performance Standard 6 designation:

High Conservation Value Types and Performance Standard 6

HCV Type	Performance Standards
HCV 1: Areas containing globally, regionally or nationally significant concentrations of biodiversity values	Critical habitat in most cases. See paragraphs GN55–GN112 for further guidance.
HCV 1.1: Protected areas	
HCV 1.2: Rare, threatened or endangered species	
HCV 1.3: Endemic species	
HCV 1.4: Seasonal concentrations of species	
HCV 2: Globally, regionally or nationally significant large landscape-level areas where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.	Natural habitat, and may be critical habitat if areas contain high biodiversity values as identified in paragraph 16 of Performance Standard 6.
HCV 3: Areas that are in or contain rare threatened or endangered ecosystems	Critical habitat
HCV 4: Areas that provide basic ecosystem services in critical situations	Priority ecosystem services as defined by paragraph 24 of Performance Standard 6. See paragraphs GN126–GN142 for further guidance.
HCV 4.1: Areas critical to water catchments	
HCV 4.2: Areas critical to erosion control	
HCV 4.3: Areas providing critical barriers to destructive fire	
HCV 5: Areas fundamental to meeting basic needs of local communities	Priority ecosystem services as defined by paragraph 24 of Performance Standard 6. Client requirements defined in Performance Standard 5 are also applicable. See paragraphs GN126–GN142 for further guidance.
HCV 6: Areas critical to local communities' traditional cultural identify (areas of cultural, ecological, economic	Priority ecosystem services as defined by paragraph 24 of Performance Standard 6. Client requirements

HCV Type	Performance Standards
or religious significance identified in cooperation with such local communities.	defined in Performance Standard 8 are also applicable. See paragraphs GN126–GN142 for further guidance.

GN36. Good practice guidance documents for HCV assessments are provided in the Bibliography.

> ***Modified Habitat***
>
> ***11. Modified habitats are areas that may contain a large proportion of plant and/or animal species of non-native origin, and/or where human activity has substantially modified an area's primary ecological functions and species composition.[5] Modified habitats may include areas managed for agriculture, forest plantations, reclaimed[6] coastal zones, and reclaimed wetlands.***
>
> ***12. This Performance Standard applies to those areas of modified habitat that include significant biodiversity value, as determined by the risks and impacts identification process required in Performance Standard 1. The client should minimize impacts on such biodiversity and implement mitigation measures as appropriate.***
>
> [5] *This excludes habitat that has been converted in anticipation of the project.*
>
> [6] *Reclamation as used in this context is the process of creating new land from sea or other aquatic areas for productive use.*

GN37. Definitions of what constitutes a modified or a degraded area are variable and are sometimes pre-defined as part of a country's land-use regulations and concession licensing systems. Given the range of habitats in which projects take place, there is no prescriptive set of metrics for determining if an area is to be considered modified or not. The client should determine the level to which human-derived activities have modified the ecological structure and functions of the habitat and its naturally-occurring biodiversity. It is recognized that the term "naturally-occurring" is in itself imprecise, as some ecosystems, such as savanna landscapes that have evolved through the use of human-induced fires, call into question what could be considered "natural" or not. Again, no formula exists to determine *a priori* if a habitat's disturbance regime and species assemblages could be considered naturally-occurring. Decision-making of this type will vary from place to place and should be informed by competent professionals with reference to applicable land-use requirements and licensing systems.

GN38. The presence of modified habitat will trigger Performance Standard 6 only when "*areas of modified habitat…include significant biodiversity value, as determined by the risks and impacts identification proces*s" (paragraph 12 of Performance Standard 6). The reason for adding this caveat is two-fold. Firstly, Performance Standard 6 is designed to protect and conserve biodiversity (among the other objectives listed). Secondly, as almost any converted area could be considered "modified," without this specification the Performance Standard would be potentially triggered for almost any project regardless of the biodiversity value of the area.

GN39. Overall however, clients should endeavor to site project facilities, infrastructure and associated facilities on modified habitat rather than on natural habitat, and demonstrate this effort through the alternative analysis conducted during the risks and impacts identification process. As part of that process, the client is responsible for determining if biodiversity attributes associated with the modified habitat might be considered "significant biodiversity values." Significant biodiversity value (or conservation value) is a general term meant to capture biodiversity attributes that might have intrinsic value as determined by scientific consensus (e.g., riparian areas, umbrella species) or cultural value (fauna or flora species of

significance to local communities). Some modified habitats might contain high biodiversity values or areas that trigger a critical habitat designation, such as ancient hedges in European agricultural landscapes, tembawang rubber plantations in Kalimantan or relict riparian areas in flyways for migratory species. In either case, biodiversity values shall be assigned based on scientific merit or values as attributed by relevant stakeholders such as local communities, government authorities and NGOs.

GN40. In managed landscapes such as agricultural and forestry areas, clients will often be responsible for conducting a High Conservation Value (HCV) assessment as required by many voluntary standards (e.g., Forest Stewardship Council (FSC), the Roundtable for Sustainable Oil Palm (RSPO), the Better Sugarcane Initiative (Bonsucro), or the Sustainable Agriculture Network (SAN)), which would identify biodiversity values in addition to important ecosystem services.

GN41. Paragraph 12 requires that clients minimize impact to identified biodiversity values and implement mitigation measures "*as appropriate*." Mitigation measures vary considerably and the stringency of the mitigation will depend on the biodiversity value in question. Mitigation measures might take the form of fencing or other physical controls, erosion and sediment control measures, effluent treatment, light and noise reduction, or habitat restoration. It is important to consider that modified habitats vary greatly in their significance for biodiversity conservation. At one extreme are many modern agricultural landscapes, particularly large-scale expanses of monoculture crops, that harbor relatively few species in general and none of conservation interest. At the other end of the spectrum are agricultural or agro-forestry systems that provide important surrogate habitats to many wild species, including some of conservation concern. For example, shade coffee and cacao plantations, when grown under a relatively dense tree canopy of diverse height and species composition, harbor many forest-based animal and plant species. These species include some that likely could not survive without this modified habitat; a case in point is the threatened Pink-legged Graveteiro (*Acrobatornis fonsecai*), a bird of shaded cocoa cultivation in a small area of northeast Brazil where the original native forest is mostly gone. On the other hand, coffee grown under open sun or minimal shade typically contains very little biodiversity. Similarly, some types of rice cultivation serve as surrogate wetlands for many birds and other aquatic species, while other kinds of rice production systems do not contribute to biodiversity conservation. In those agricultural or other modified habitats of some biodiversity significance, mitigation measures should be implemented "*as appropriate*" in order to maintain or enhance these biodiversity values.

GN42. Footnote 5 of Performance Standard 6 raises the question of "*for how much time does habitat degradation have to occur before it is considered a 'modified' habitat*?" In other words, if the area was substantially modified only in the last year, would it be considered a modified habitat? Habitat will be considered modified if it has existed in such condition for an extended period of time and is not otherwise likely to be returned to a natural state. Habitat will not be considered modified if the client's own activities were responsible for substantially modifying the habitat in anticipation of lender financing. Similarly, a previously intact habitat only recently impacted by unsustainable land use practices by third parties would not result in a modified habitat designation. Natural disturbances such as forest fire, hurricane or tornado affecting a natural habitat would also not lead to a modified habitat designation. Also, as relevant to the Sustainable Management of Living Natural Resources section of Performance Standard 6, Performance Standard 6 will respect cut-off dates for the conversion of natural habitat as established by internationally-recognized voluntary standards, such as FSC and RSPO.

Natural Habitat

13. Natural habitats are areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition.

14. The client will not significantly convert or degrade[7] natural habitats, unless all of the following are demonstrated:

- ***No other viable alternatives within the region exist for development of the project on modified habitat;***
- ***Consultation has established the views of stakeholders, including Affected Communities, with respect to the extent of conversion and degradation;[8] and***
- ***Any conversion or degradation is mitigated according to the mitigation hierarchy.***

15. In areas of natural habitat, mitigation measures will be designed to achieve no net loss[9] of biodiversity where feasible. Appropriate actions include:

- ***Avoiding impacts on biodiversity through the identification and protection of set-asides;[10]***
- ***Implementing measures to minimize habitat fragmentation, such as biological corridors;***
- ***Restoring habitats during operations and/or after operations; and***
- ***Implementing biodiversity offsets.***

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[7] Significant conversion or degradation is (i) the elimination or severe diminution of the integrity of a habitat caused by a major and/or long-term change in land or water use; or (ii) a modification that substantially minimizes the habitat's ability to maintain viable populations of its native species.

[8] Conducted as part of the stakeholder engagement and consultation process, as described in Performance Standard 1.

[9] No net loss is defined as the point at which project-related impacts on biodiversity are balanced by measures taken to avoid and minimize the project's impacts, to undertake on-site restoration and finally to offset significant residual impacts, if any, on an appropriate geographic scale (e.g., local, landscape-level, national, regional).

[10] Set-asides are land areas within the project site, or areas over which the client has management control, that are excluded from development and are targeted for the implementation of conservation enhancement measures. Set-asides will likely contain significant biodiversity values and/or provide ecosystem services of significance at the local, national and/or regional level. Set-asides should be defined using internationally recognized approaches or methodologies (e.g., High Conservation Value, systematic conservation planning).

GN43. As described in paragraph GN37 in the section on modified habitats, there are no prescribed metrics available to identify what constitutes a natural habitat. The determination of natural habitat will be made using credible scientific analysis and best available information. An assessment and comparison of current and historic conditions should be conducted, and local knowledge and experience should be utilized. Natural habitats are not to be interpreted as untouched or pristine habitats. It is assumed that the majority of habitats designated as natural will indeed have undergone some degree of historic or recent anthropogenic impact. The question is the degree of impact. If the habitat still largely contains the principal characteristics and key elements of its native ecosystem(s), such as complexity, structure and diversity, than it should be considered a natural habitat regardless of the presence of some invasive species, secondary forest, human habitation or other human-induced alteration.

GN44. Significant conversion or degradation of natural habitat will not take place unless the client is able to demonstrate that all three requirements in paragraph 14 have been undertaken and the company has demonstrated that its proposed activities comply with land-use and licensing regulations. The first bullet point is that no viable alternatives exist for that project on modified habitat (within the region). This is especially relevant to agribusiness projects where it might be feasible in some cases to site the project on heavily modified and degraded lands rather than in areas that have recently been deforested or on other forms of natural habitat (e.g., tropical savanna). In these cases, a well-developed locations alternative

analysis should be conducted to explore potential viable options for development on modified habitat. The term "viable" includes, but is not limited to, technically and financially feasible alternatives. This analysis will in most cases be in addition to the alternative analysis included as part of the risks and impacts identification process. It should be a considerably more in-depth analysis than what is typically included in an ESIA, and should provide specifics on alternatives in the landscape for developing the project as well as the breakdown of cost increases for developing modified versus natural habitat.

GN45. The second bullet point in paragraph 14 is with respect to stakeholder engagement and consultation. If a project has the potential to result in significant conversion or degradation of natural habitats, relevant stakeholder groups must be engaged as part of a rigorous, fair and balanced multi-stakeholder dialogue. Client requirements for stakeholder engagement are described in Performance Standard 1 and related guidance can be found in Guidance Note 1. Stakeholders should specifically be engaged with respect to (i) the extent of conversion and degradation; (ii) the alternatives analyses; (iii) biodiversity and ecosystem services values associated with the natural habitat; (iv) options for mitigation, including set-asides and biodiversity offsets; and (v) identification of additional opportunities for biodiversity conservation (see paragraph GN34). Clients must keep a record of such stakeholder engagement and consultation activities and demonstrate how viewpoints have been reviewed and integrated into the project design. Stakeholders should include a diverse set of opinions, including scientific and technical experts, relevant authorities/agencies responsible for biodiversity conservation or the regulation/management of ecosystem services, and members of the national and international conservation NGO community, in addition to Affected Communities.

GN46. The third bullet in paragraph 14 again emphasizes the importance of demonstrating implementation of the mitigation hierarchy. General guidance on the mitigation hierarchy is provided in paragraph GN16; however further guidance is provided here with respect to the implementation of on-site mitigation measures as a means to minimize habitat degradation, which is of particular importance to operating in natural habitats. With respect to on-site mitigation, the types of possible measures are numerous and are often best identified by environmental engineers, erosion control and reinstatement specialists in addition to biodiversity management specialists. Overall, clients should seek to minimize habitat degradation by adhering to a footprint minimization principle throughout the project life-cycle. Habitat degradation is one of the most significant potential direct threats to biodiversity associated with projects involving significant land development. In addition to footprint minimization, the client should implement appropriate ecological restoration strategies, including physical reinstatement and rehabilitation and revegetation (or restoration) planning and methods, at the earliest possible stage in project planning. The basic principles should include (i) protection of topsoil and restoration of vegetation cover as quickly as possible after construction or disturbance; (ii) reestablishment of original habitat to its preconstruction/pre-disturbance conditions; (iii) minimization measures including management controls and workforce education; and, (iv) where native species (especially protected species) cannot be retained *in situ*, consideration of conservation techniques such as translocation/relocation. On-site mitigation measures should be included in a Biodiversity Management or Ecological Management Plan (see Annex A for guidance).

GN47. As described in paragraph 15 of Performance Standard 6, in all areas of natural habitat, regardless of the prospects of significant conversion and degradation, the client should design mitigation measures to achieve "no net loss" of biodiversity, where feasible, through the application of various on-site and offset mitigation measures. "No net loss" is defined in footnote 9 of Performance Standard 6 as "*the point at which project-related impacts on biodiversity are balanced by measures taken to avoid and minimize the project's impacts, to undertake on-site restoration and finally to offset significant residual impacts, if any, on an appropriate geographic scale (e.g., local, landscape-level, national, regional).*" No net loss refers to the biodiversity values of interest associated with the particular project site and their

conservation on an ecologically relevant scale. This argument of scale is emphasized numerous times in the Performance Standard (e.g., footnote 3 (offsets), footnote 12 (critical habitat)) and several times in this Guidance Note. A variety of methods exist to calculate loss of identified biodiversity values and to quantify residual losses. Such methods would then need to be paired with an assessment to determine if losses could be compensated by gains made through mitigation measures, including offset mitigation. Appropriate methods and metrics will vary from site to site, and the client will need to retain competent specialists to demonstrate that no net loss could be achieved. Depending on the nature and scale of the project, as well as the extent of natural habitat, loss/gain calculations for determining offset mitigation may be substituted with expert judgment in determining the appropriateness of the offset.

GN48. Paragraph 15 then describes a series of potential mitigation measures that conform to the mitigation hierarchy but are of particular relevance to achieving no net loss in natural habitat. The first bullet identifies "set-asides," which are land areas, usually within the project site or in other adjacent areas over which the client has management control, that are "*excluded from development and targeted for the implementation of conservation enhancement measures*" (footnote 10). Set-asides are a common form of mitigation in the agribusiness and forestry sectors. The terminology is less familiar to mining and oil & gas operators, other industrial sectors (e.g., cement manufacturing and construction material extraction), and the housing and infrastructure development sectors. Set-asides may also be High Conservation Value (HCV) areas (see paragraph GN35). The set-aside terminology has been incorporated in the 2011 version of Performance Standard 6 to be more consistent with some forms of governmental legislation and with the many mature and evolving international voluntary standards, such as the Forest Stewardship Council (FSC) and the Roundtable for Sustainable Palm Oil (RSPO). Although other industrial/infrastructure development sectors do not typically subscribe to the set-aside terminology, their practice is essentially the same in that areas of relatively higher biodiversity value within the project site or concession area are avoided and set aside for conservation purposes.

GN49. Set-asides and biodiversity offsets are related but different concepts. Biodiversity offsets are intended to compensate for significant residual impacts, and must demonstrate no net loss, and preferably net positive gains of biodiversity. Set-asides are the equivalent to avoidance measures along the mitigation hierarchy and are sometimes prescribed by the government to be a certain percentage (e.g., 20 percent) of the land area to be converted. Unlike a set-aside, the design of a biodiversity offset would require practitioners to carry out an assessment to determine if the loss of biodiversity on-site is compensated by the gains in biodiversity at the offset site. See paragraph 10 in Performance Standard 6 and related guidance on offsets as provided in paragraphs GN29–GN33.

GN50. The second bullet of paragraph 15 of Performance Standard 6 places emphasis on the client's consideration of mitigation measures aimed at reducing habitat fragmentation. Habitat fragmentation is one of the most pervasive impacts to biodiversity in natural habitats and often leads to long-term habitat degradation due to edge effects, increased third-party access into previously undisturbed areas, and sometimes genetic isolation of fauna and flora populations. When a project is located in an expansive intact wilderness, the client should seek to define mitigation measures to limit fragmentation such as the design of wildlife corridors or other measures to help ensure connectivity between habitats or existing metapopulations. This requirement is also linked to the requirement in paragraph 6 of Performance Standard 6 on landscape/seascape level considerations (also see paragraph GN17). Landscape/ seascape level analyses would help the client to identify mitigation measures of value on a larger scale. Indirect impacts associated with induced third-party access can be especially detrimental to biodiversity and are related to the topic of habitat fragmentation. Clients developing linear infrastructures and/or access roads should, as a matter of priority, develop strict means to control third-party use of such areas. Mitigation measures should be fully discussed with both project construction and operations managers to ensure a coordinated and long-term approach. The government should be made fully aware of project

commitments as it may be interested in maintaining project access routes for public use after the construction phase and/or project decommissioning. Mitigation measures of this nature are best implemented through an Induced Access Management Plan.

GN51. With respect to the third bullet in paragraph 15 of Performance Standard 6, see relevant guidance in paragraph GN16 on habitat restoration. Both avoidance and habitat restoration are especially important in high carbon forested areas as well as in marine and coastal habitats that are vulnerable to the effects of climate change or which contribute to climate-change mitigation, such as mangroves, peatlands, tidal salt-marshes, kelp forests and seagrass beds.

GN52. Finally, with respect to the fourth bullet of paragraph 15 in Performance Standard 6, the implementation of biodiversity offsets is one important means by which the client may obtain no net loss of biodiversity in natural habitat. Guidance on biodiversity offsets is provided in paragraphs GN29–GN33. Where credible and relevant biodiversity offset/conservation banking schemes do exist, the client's investment in such programs could potentially meet offset requirements. Clients are expected to demonstrate the credibility and long-term viability of such initiatives, and all the same requirements defined in paragraph 10 of Performance Standard 6 for biodiversity offsets would also apply in these situations (e.g., like-for-like or better, measurable conservation outcomes demonstrated *in situ*, or on-the-ground, etc.).

GN53. Especially relevant, but not limited to, extractive industries, reclamation[GN10] funding mechanisms should be established by clients for projects located in natural habitats and characterized by potentially significant impacts due to their footprint, the footprint of their associated facilities, and related land conversion. The costs associated with reclamation and/or with post-decommissioning activities should be included in business feasibility analyses during the planning and design stages. Minimum considerations should include the availability of all necessary funds, by appropriate financial instruments, to cover the cost of reclamation and project closure at any stage in the project's lifetime, including provision for early or temporary reclamation or closure. Reclamation funding mechanisms are well-established in the mining industry and are described in Section 1.4 of the World Bank Group Environmental, Health and Safety (EHS) Guidelines for Mining. A similar mechanism should also be established when biodiversity offsets are implemented.

GN54. Biodiversity and ecology related mitigation measures should be captured in the client's ESMS. Where biodiversity offsets are part of the mitigation strategy or where other measures have not been fully incorporated into the client's ESMS, a Biodiversity Action Plan should be developed. See Annex A for further guidance.

Critical Habitat

16. Critical habitats are areas with high biodiversity value, including (i) habitat of significant importance to Critically Endangered and/or Endangered[11] species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally

[11] As listed on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species. The determination of critical habitat based on other listings is as follows: (i) If the species is listed nationally / regionally as critically endangered or endangered, in countries that have adhered to IUCN guidance, the critical habitat determination will be made on a project by project basis in consultation with competent professionals; and (ii) in instances where nationally or regionally listed species' categorizations do not correspond well to those of the IUCN (e.g., some countries more generally list species as "protected" or "restricted"), an assessment will be conducted to determine the rationale and purpose of the listing. In this case, the critical habitat determination will be based on such an assessment.

[GN10] See definition as provided in footnote 4 of paragraph GN16 of this Guidance Note.

significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes.

Critical Habitat Definition

GN55. The critical habitat definition presented in paragraph 16 of Performance Standard 6 is in line with criteria captured from a wide range of definitions of priority habitat for biodiversity conservation in use by the conservation community and incorporated in related governmental legislation and regulations. Critical habitats are areas of high biodiversity value that may include at least one or more of the five values specified in paragraph 16 of Performance Standard 6 and/or other recognized high biodiversity values. For ease of reference, these values are referred to as critical habitat criteria for the remainder of this document. Each criterion is described in detail in paragraphs GN71–GN97. Critical habitat criteria are as follows and should form the basis of any critical habitat assessment:

- Criterion 1: Critically Endangered (CR) and/or Endangered (EN) species
- Criterion 2: Endemic and/or restricted-range species
- Criterion 3: Migratory and/or congregatory species
- Criterion 4: Highly threatened and/or unique ecosystems
- Criterion 5: Key evolutionary processes

GN56. The determination of critical habitat however is not necessarily limited to these criteria. Other recognized high biodiversity values might also support a critical habitat designation, and the appropriateness of this decision would be evaluated on a case-by-case basis. Examples are as follows:

- Areas required for the reintroduction of CR and EN species and refuge sites for these species (habitat used during periods of stress (e.g., flood, drought or fire)).
- Ecosystems of known special significance to EN or CR species for climate adaptation purposes.
- Concentrations of Vulnerable (VU) species in cases where there is uncertainty regarding the listing, and the actual status of the species may be EN or CR.
- Areas of primary/old-growth/pristine forests and/or other areas with especially high levels of species diversity.
- Landscape and ecological processes (e.g., water catchments, areas critical to erosion control, disturbance regimes (e.g., fire, flood)) required for maintaining critical habitat.
- Habitat necessary for the survival of keystone species.[GN11]
- Areas of high scientific value such as those containing concentrations of species new and/or little known to science.

GN57. In general, internationally and/or nationally recognized areas of high biodiversity value will likely qualify as critical habitat; examples include the following:

- Areas that meet the criteria of the IUCN's Protected Area Management Categories Ia, Ib and II, although areas that meet criteria for Management Categories III-VI may also qualify depending on the biodiversity values inherent to those sites.
- UNESCO Natural World Heritage Sites that are recognized for their Global Outstanding Value.

[GN11] Defined here as a species that has a disproportionate effect on its environment relative to its biomass and whose removal initiates significant changes in ecosystem structure and loss of biodiversity.

- The majority of Key Biodiversity Areas (KBAs),[GN12] which encompass *inter alia* Ramsar Sites, Important Bird Areas (IBA), Important Plant Areas (IPA) and Alliance for Zero Extinction Sites (AZE).
- Areas determined to be irreplaceable or of high priority/significance based on systematic conservation planning techniques carried out at the landscape and/or regional scale by governmental bodies, recognized academic institutions and/or other relevant qualified organizations (including internationally-recognized NGOs).
- Areas identified by the client as High Conservation Value (HCV) using internationally recognized standards, where criteria used to designate such areas is consistent with the high biodiversity values listed in paragraph 16 of Performance Standard 6.

Gradients of Critical Habitats

GN58. There are *gradients* of critical habitat or a continuum of degrees of biodiversity value associated with critical habitats based on the relative vulnerability (degree of threat) and irreplaceablity (rarity or uniqueness) of the site. This gradient or continuum of criticality is true for all criteria as listed in paragraph 16 of Performance Standard 6. Even within a single site designated as critical habitat there might be habitats or habitat features of higher or lower biodiversity value. There also will be cases where a project is sited within a greater area recognized as critical habitat, but the project site itself has been highly modified.

GN59. In order to facilitate decision-making, numerical thresholds have been defined for the first three critical habitat criteria (i.e., CR/EN species; endemic/restricted-range species; migratory/congregatory species). The thresholds presented in this Guidance Note were obtained from globally standardized numerical thresholds published by the IUCN as Best Practice Protected Area Guidelines.[GN13] For this section, citations are kept in the body of the text for ease of reference.

GN60. The thresholds form the basis of a tiered approach, in that numerical thresholds are used to assign Criteria 1 through 3 to a Tier 1 or a Tier 2 critical habitat designation. A summary of the tiers with respect to the thresholds for each criterion is provided in the table that follows paragraph GN89. Paragraphs GN71–GN97 discuss each criterion with respect to the tiers in more detail. It should be emphasized that *both the thresholds and associated tiers are indicative and serve as a guideline for decision-making only*. There is no universally accepted or automatic formula for making determinations on critical habitat. The involvement of external experts and project-specific assessments is of upmost importance, especially when data are limited as will often be the case.

GN61. Both a Tier 1 and a Tier 2 habitat would qualify as critical but the likelihood of project investment in a Tier 1 habitat is generally considered to be substantially lower than in a Tier 2 habitat. Given the sensitivity of Tier 1 habitats, however, if a development is located in such a habitat, or a habitat of comparative importance for Criteria 4 and 5, it is considered unlikely that the client will be able to comply with paragraphs 17–19 of Performance Standard 6.

GN62. Regarding Criteria 4 and 5, internationally agreed numerical thresholds have not been sufficiently developed. While thresholds may be appropriate, especially for highly threatened and/or unique ecosystems (Criterion 4), international consensus on a single standard is currently lacking. There are

[GN12] Key Biodiversity Areas are nationally mapped sites of global significance for biodiversity conservation that have been selected using globally standard criteria and thresholds based on the framework of vulnerability and irreplaceability widely used in systematic conservation planning. See Langhammer, P. F. *et al*, 2007 in the Bibliography.

[GN13] See Langhammer, P.F. *et al*. 2007. *Identification and Gap Analysis of Key Biodiversity Areas: Targets for Comprehensive Protected Area Systems*. Best Practice Protected Area Guideline Series No. 15. IUCN, Gland, Switzerland.

efforts underway to develop such methods however and IUCN's Commission on Ecosystem Management is leading an initiative to put together criteria and categories for endangered and rare ecosystems.[GN14,GN15] Until these are more firmly established and readily accessible to a wide range of practitioners, best available scientific information and expert opinion would be used to guide the decision-making with respect to the relative "criticality" of a habitat triggered by these criteria. It is emphasized however that in the critical habitat determination process, *all criteria are equally weighed* in terms of potential compliance with paragraphs 17–19 of Performance Standard 6. There is no one criterion that is more important than another for making critical habitat designations or for determining compliance with Performance Standard 6. Tiered (Criteria 1 through 3) and non-tiered (Criteria 4 and 5) criteria are equally important in this regard.

Determination of Critical Habitat

GN63. Considering the breadth of ecosystems (e.g., forests, grasslands, deserts, freshwater and marine habitats), the various forms of critical habitat (e.g., habitats required for the survival of threatened and migratory species, areas containing unique evolutionary processes) and the range of species (e.g., benthos, plants, insects, birds, reptiles/amphibians, wide-ranging megafauna) covered under Performance Standard 6, specific methods for the assessment of biodiversity will inherently be project- and site-specific. Guidance Note 6 therefore does not provide methodologies for conducting biodiversity assessments. Instead, three broad-level steps are provided below to direct the client in designing the overall scope of a critical habitat assessment.

GN64. It should be emphasized that *relatively broad landscape and seascape units might qualify as critical habitat.* The scale of the critical habitat assessment therefore depends on the biodiversity attributes particular to the habitat in question and the ecological processes required to maintain them. *A critical habitat assessment therefore must not solely focus on the project site.* The client should be prepared to conduct desktop assessments, consult with experts and other relevant stakeholders to obtain an understanding of the relative importance or uniqueness of the site with respect to the regional and even the global scale, and/or conduct field surveys beyond the boundaries of the project site. These considerations would form part of the landscape/seascape analyses as referred to in paragraph 6 of Performance Standard 6 and in paragraph GN17.

GN65. For Criteria 1 through 3, the project should determine a sensible boundary (ecological or political) which defines the area of habitat to be considered for the Critical Habitat Assessment. This is called the "discrete management unit," an area with a definable boundary within which the biological communities and/or management issues have more in common with each other than they do with those in adjacent areas (adapted from the definition of discreteness by the Alliance for Zero Extinction). A discrete management unit may or may not have an actual management boundary (e.g., legally protected areas, World Heritage sites, KBAs, IBAs, community reserves) but could also be defined by some other sensible ecologically definable boundary (e.g., watershed, interfluvial zone, intact forest patch within patchy modified habitat, seagrass habitat, coral reef, concentrated upwelling area, etc.). The delineation of the management unit will depend on the species (and, at times, subspecies) of concern.

GN66. Three steps are outlined below to summarize the major methods that should be used to identify and characterize critical habitats. Note that the project type, its impacts and its mitigation strategy are irrelevant in carrying out Steps 1 through 3. The definition of the critical habitat and the impacts of a

[GN14] For further information see http://www.iucn.org/about/union/commissions/cem/cem_work/tg_red_list/

[GN15] See Rodriguez, J.P. *et al*. 2011. *Establishing IUCN Red List Criteria for Threatened Ecosystems*. Conservation Biology 25(1): 21–29; and Rodriguez, J.P. *et al*. 2007. *Assessing extinction risk in the absence of species-level data: quantitative criteria for terrestrial ecosystems*. Biodiversity and Conservation 16(1): 183–209.

particular project are two unrelated concepts. The definition of the critical habitat is based on the presence of high biodiversity values whether or not a project is to be undertaken in that habitat. Clients should not argue that they are not in critical habitat on the basis of the project's footprint or its impacts. For example, if the biodiversity value triggering the critical habitat designation is a regionally significant population of an Endangered reptile (Criterion 1), and the client is developing a windfarm in such critical habitat, the client would be in a critical habitat regardless of the impacts (or "non-impacts") of that windfarm. In either case, the client is responsible for recognizing the existing biodiversity values of the area in which it is located. The steps outlined below focus on this. The next step would be to develop an appropriate mitigation strategy. Guidance for this is found in paragraphs GN98–GN112.

Step 1 - Stakeholder Consultation/Initial Literature Review
Aim: To obtain an understanding of biodiversity within the landscape from the perspective of all relevant stakeholders.
Process: In-field consultation exercises and desktop research.

GN67. A substantive initial literature review and consultation with relevant stakeholders including established conservation organizations, governmental or other relevant authorities, academic or other scientific institutions and recognized external experts, including species specialists, is essential in determining if a project site is located in critical habitat. The stakeholder consultation/literature review should provide a sense of the biodiversity values associated with the project's area of influence. This step is similar to the guidance provided in paragraphs GN10–GN12 for the general client requirements for Performance Standard 6, but would be expected to be more rigorous for projects located in critical habitat. This stage of the assessment should not focus on whether biodiversity values actually qualify the area as critical habitat and/or if the project will have an impact on a particular biodiversity value. The focus of this initial stage should be to acquire an impartial understanding of the landscape/seascape with respect to biodiversity values. Note that critical habitat determinations should be made in alignment with existing landscape prioritization schemes for biodiversity conservation as established by the existing in-country network of conservation organizations, global conservation groups, academic institutions and/or the local/national government. Therefore, systematic conservation planning assessments carried out by governmental bodies, recognized academic institutions and/or other relevant qualified organizations (including internationally-recognized NGOs) should also be sought at this stage. These may provide information on threatened ecosystems, vegetation types and land classes.

Step 2: In-field Data Collection and Verification of Available Information
Aim: To collect field data and verify available detailed information necessary for the critical habitat assessment.
Process: Engage qualified specialists to collect field data as necessary both within and outside of the project area/discrete management unit.

GN68. Field biodiversity data may have already been acquired as part of the project's overall ESIA as described in paragraphs GN8–GN9. In cases where these data are inadequate or where quantified unaggregated data/metrics were not considered as part of the ESIA, the client should collect such data using a combination of methods, e.g., biodiversity baseline surveys, ecological research, expert consultation and data obtained from recent scientific literature and National Biodiversity Strategies and Action Plans (NBSAPs),[GN16] as available. Information should be gathered on species, habitats, ecosystems, evolutionary processes and ecological processes—both within the project's area of influence and also in the broader national, regional and global contexts, as relevant. Note that the data gathered as part of Step 2 might also be of use to the separate, but related topic of ecosystem services. Coordination

[GN16] See http://www.cbd.int/nbsap

and information-sharing with social specialists might be important for some projects, especially when Affected Communities engage in natural resource-based livelihoods. Regarding species, the client is expected to consult the current version of the IUCN Red List of Threatened Species, any in-country Red Data Books and Red Lists and best available scientific data.

Step 3: Critical Habitat Determination
Aim: Determine whether the project is situated in critical habitat.
Process: Analysis and interpretation of the desktop and field data collected.

GN69. Based on the broad pool of biodiversity data obtained as part of Steps 1 and 2, data and information should be screened using critical habitat criteria and thresholds, as appropriate. The analysis of such data should be conducted with the overall scope of determining the relative irreplaceability and vulnerability of any biodiversity values that trigger Criteria 1 through 5 on a scale that is ecologically relevant as made explicit in footnote 12 of Performance Standard 6 (see also paragraph GN13). Note that the scale on which critical habitat determinations are made might be different for each biodiversity value. With respect to Criteria 1 through 3, species data should be screened against quantitative thresholds. For example, in an assessment against Criterion 1, relevant information might include species threat status, size of population and range at global, national and project site level and the estimated known sites for the species. Given the paucity of scientific data available for species in many places around the world, especially for invertebrates and freshwater and marine species, expert opinion and professional judgment will be necessary to make final determinations with respect to the thresholds. The client will be required to consult with recognized species specialists who either have access to particular data or are qualified to make professional judgment on a species' likely distribution and occurrence, as well as with relevant agencies, institutions or organizations known to have reliable biodiversity information.

GN70. Through carrying out these steps, the client should be in a position to determine if the project is located in critical habitat based on identified high biodiversity values. Following this determination, which is independent of the project type or its mitigation strategy, the client should then demonstrate if and how the project might comply with paragraphs 17–19 of Performance Standard 6 over the long term given the suite of mitigation and management measures to be implemented. Guidance on paragraphs 17–19 is provided in paragraphs GN98–GN112.

Guidance by Criterion

Criterion 1: Critically Endangered and Endangered Species
GN71. Species threatened with global extinction and listed as CR and EN on the IUCN Red List of Threatened Species shall be considered as part of Criterion 1.[GN17] Critically Endangered species face an extremely high risk of extinction in the wild. Endangered species face a very high risk of extinction in the wild.

GN72. As described in footnote 11 of Performance Standard 6, the inclusion of species in Criterion 1 that are listed nationally/regionally as CR or EN in countries that have adhered to IUCN guidance,[GN18,GN19] shall be determined on a project-by-project basis. The same is true in instances where nationally or regionally-listed species categories do not correspond well to those of the IUCN (e.g., some countries more generally list species as protected or restricted), although in these cases an assessment might be

[GN17] Available at www.iucnredlist.org

[GN18] See http://www.nationalredlist.org/site.aspx

[GN19] IUCN. 2003. *Guidelines for Application of IUCN Red List Criteria at Regional Levels: Version 3.0*. IUCN Species Survival Commission. IUCN, Gland, Switzerland and Cambridge, UK.

conducted on the rationale and purpose of the listing. In either case, this decision-making would take place in consultation with competent professionals.

GN73. The client should determine if the project site is located in a Tier 1 or Tier 2 critical habitat with respect to Criterion 1.

GN74. Tier 1 sub-criteria for Criterion 1 are defined as follows:[GN20]

- Habitat required to sustain ≥ 10 percent of the global population of an IUCN Red-listed CR or EN species where there are known, regular occurrences[GN21] of the species and where that habitat could be considered a discrete management unit[GN22] for that species.[GN23]
- Habitat with known, regular occurrences of CR or EN species where that habitat is one of 10 or fewer discrete management sites globally for that species.

GN75. Tier 2 sub-criteria for Criterion 1 are defined as follows:

- Habitat that supports the regular occurrence of a single individual of an IUCN Red-listed CR species and/or habitat containing regionally-important concentrations of an IUCN Red-listed EN species where that habitat could be considered a discrete management unit for that species.
- Habitat of significant importance to CR or EN species that are wide-ranging and/or whose population distribution is not well understood and where the loss of such a habitat could potentially impact the long-term survivability of the species.
- As appropriate, habitat containing nationally/regionally-important concentrations of an EN, CR or equivalent national/regional listing.

GN76. In special circumstances, and through consultation with a recognized species specialist, the guidance provided for Criterion 1 may be extended to some subspecies. This determination would be made on a case-by-case basis and require rigorous consensus-based justification and not simply the opinion of a single taxonomist. This statement applies to Criteria 1 through 3.

[GN20] In terms of the definition of Tier 1 habitat, special consideration might be given to some wide-ranging, large EN and CR mammals that would rarely trigger Tier 1 thresholds given the application of the discrete management unit concept. For example, special consideration should be given to great apes (i.e., family Hominidae) given their anthropological and evolutionary significance in addition to ethical considerations. Where populations of CR and EN great apes exist, a Tier 1 habitat designation is probable, regardless of the discrete management unit concept.

[GN21] Regular occurrence: Occurring continuously in the habitat (e.g., physical residence), seasonally or cyclically (e.g., migratory sites) or episodic (e.g., temporary wetlands). Regular occurrence does not include vagrancies, marginal occurrence and historical records or unconfirmed anecdotal evidence, but it does include migratory species in transit. Adapted from definition of "regularly occurs" in Langhammer *et al*. (2007).

[GN22] As stated in GN65, a discrete management unit is defined as an area with a definable boundary within which the character of biological communities and/or management issues have more in common with each other than they do with those in adjacent areas (adapted from the definition of "discreteness" by the AZE). A discrete management unit may or may not have an actual management boundary (e.g., legally protected areas, World Heritage sites, KBAs, IBAs, community reserves) but could also be defined by some other sensible ecologically definable boundary (e.g., watershed, interfluvial zone, intact forest patch within patchy modified habitat, seagrass habitat, coral reef, concentrated upwelling area, etc.). The delineation of the management unit will depend on the species (and, at times, subspecies) of concern.

[GN23] Note that all AZE sites would automatically qualify as Tier 1 critical habitat per Criterion 1 as the AZE threshold is set at 95 percent of CR and EN species (in a discrete management unit). See Ricketts, T.H., *et al*. 2005. *Pinpointing and Preventing Imminent Extinctions*. Proceedings of the National Academy of Sciences - US. 51: 18497–18501.

GN77. Where estimates of the species' global population and/or local population are not available (or obtainable by reasonable means through an in-field assessment in the case of the local population), the client is expected to use expert opinion to determine the significance of the discrete management unit with respect to the global population. Surrogates of population size (e.g., extent of occurrence,[GN24] estimates of total area of known sites, estimates of area of occupied habitat) will be essential in this decision-making. This statement applies to Criteria 1 through 3.

GN78. Clients should always consult the IUCN Red List of Threatened Species; however, there are limitations of the Red List, especially for organisms other than mammals, birds and amphibians. Consultation with experts on the species in question is essential. Furthermore, the many endemic, restricted-range, and scientifically undescribed species that have not yet been evaluated by the IUCN are also relevant. Where such species could be affected by the project, clients may be expected in certain cases to recruit appropriate species specialists to evaluate the species using the Red List decision criteria. Those species found to meet the criteria for CR or EN species would be treated in critical habitat determinations and subsequent decisions as if they appeared in those categories on the actual Red List.

Criterion 2: Endemic and Restricted-range Species

GN79. An endemic species is defined as one that has ≥ 95 percent of its global range inside the country or region of analysis.[GN25]

GN80. A restricted-range species is defined as follows.

- For terrestrial vertebrates, a restricted-range species is defined as those species which have an extent of occurrence[GN26] of 50,000 km^2 or less.
- For marine systems, restricted-range species are provisionally being considered those with an extent of occurrence of 100,000 km^2 or less.[GN27]
- For freshwater systems, standardized thresholds have not been set at the global level. However an IUCN study[GN28] of African freshwater biodiversity applied thresholds of 20,000 km^2 for crabs, fish, and mollusks and 50,000 km^2 for odonates (dragonflies and damselflies). These can be taken as approximate guidance, although the extent to which they are applicable to other taxa and in other regions is not yet known.
- For plants, restricted-range species may be listed as part of national legislation. Plants are more commonly referred to as "endemic," and the definition provided in paragraph GN79 would apply.[GN29] Particular attention should therefore be paid to endemic plants of smaller countries which are likely, by definition, to be globally rarer and therefore of higher overall priority.

[GN24] Extent of occurrence is defined as the area contained within the shortest continuous imaginary boundary which can be drawn to encompass all the known, inferred or projected sites of present occurrence of a taxon, excluding cases of vagrancy. This measure may exclude discontinuities or disjunctions within the overall distributions of taxa (e.g., large areas of obviously unsuitable habitat). Extent of occurrence can often be measured by a minimum convex polygon (the smallest polygon in which no internal angle exceeds 180 degrees and which contains all the sites of occurrence). See the definition provided in IUCN (2001) Red List Categories and Criteria: version 3.1. IUCN, Gland and Cambridge.

[GN25] Note that "region" may also be a landscape/seascape or other sensible geographical unit within the country itself or in coastal and marine habitats.

[GN26] Definition provided above in footnote 24 of this Guidance Note.

[GN27] See Edgar, G. J. *et al*. 2009. *Key biodiversity areas as globally significant target sites for the conservation of marine biological diversity*. Aquatic Conservation: Marine and Freshwater Ecosystems. 18: 969–983.

[GN28] Holland, R.A., Darwall, W.R.T. and Smith, K.G. (In Review). *Conservation priorities for freshwater biodiversity: the Key Biodiversity Area approach refined and tested for continental Africa.*

[GN29] Plantlife International. 2004. *Identifying and Protecting the World's Most Important Plant Areas.* Salisbury, UK.

GN81. The client should determine if the project site is located in a Tier 1 or Tier 2 critical habitat with respect to Criterion 2.

GN82. The Tier 1 sub-criterion for Criterion 2 are defined as follows:

- Habitat known to sustain ≥ 95 percent of the global population of an endemic or restricted-range species where that habitat could be considered a discrete management unit for that species (e.g., a single-site endemic).

GN83. Tier 2 sub-criteria for Criterion 2 are defined as follows:

- Habitat known to sustain ≥ 1 percent but < 95 percent of the global population of an endemic or restricted-range species where that habitat could be considered a discrete management unit for that species, where adequate data are available and/or based on expert judgment.

GN84. Also see paragraph GN78 above with respect to data gaps in the IUCN Red List and endemic species.

Criterion 3: Migratory and Congregatory Species

GN85. Migratory species are defined as any species of which a significant proportion of its members cyclically and predictably move from one geographical area to another (including within the same ecosystem).

GN86. Congregatory species are defined as species whose individuals gather in large groups on a cyclical or otherwise regular and/or predictable basis; examples include the following:

- Species that form colonies.
- Species that form colonies for breeding purposes and/or where large numbers of individuals of a species gather at the same time for non-breeding purposes (e.g., foraging, roosting).
- Species that move through bottleneck sites where significant numbers of individuals of a species pass over a concentrated period of time (e.g., during migration).
- Species with large but clumped distributions where a large number of individuals may be concentrated in a single or a few sites while the rest of the species is largely dispersed (e.g., wildebeest distributions).
- Source populations where certain sites hold populations of species that make an inordinate contribution to recruitment of the species elsewhere (especially important for marine species).

GN87. The client should determine if the project site is located in a Tier 1 or Tier 2 critical habitat with respect to Criterion 3.

GN88. The Tier 1 sub-criterion for Criterion 3 are defined as follows:

- Habitat known to sustain, on a cyclical or otherwise regular basis, ≥ 95 percent of the global population of a migratory or congregatory species at any point of the species' life-cycle where that habitat could be considered a discrete management unit for that species.

GN89. The Tier 2 sub-criteria for Criterion 3 are defined as follows:

- Habitat known to sustain, on a cyclical or otherwise regular basis, ≥ 1 percent but < 95 percent of the global population of a migratory or congregatory species at any point of the species' life-cycle and where that habitat could be considered a discrete management unit for that species, where adequate data are available and/or based on expert judgment.
- For birds, habitat that meets BirdLife International's Criterion A4 for congregations and/or Ramsar Criteria 5 or 6 for Identifying Wetlands of International Importance.[GN30,GN31]
- For species with large but clumped distributions, a provisional threshold is set at ≥5 percent of the global population for both terrestrial and marine species.
- Source sites that contribute ≥ 1 percent of the global population of recruits.

Quantitative thresholds[GN32] for Tiers 1 and 2 of Critical Habitat Criteria 1 through 3

Criteria	Tier 1	Tier 2
1. Critically Endangered (CR)/ Endangered (EN) Species	(a) Habitat required to sustain ≥ 10 percent of the global population of a CR or EN species/subspecies where there are known, regular occurrences of the species and where that habitat could be considered a discrete management unit for that species. (b) Habitat with known, regular occurrences of CR or EN species where that habitat is one of 10 or fewer discrete management sites globally for that species.	(c) Habitat that supports the regular occurrence of a single individual of a CR species and/or habitat containing regionally- important concentrations of a Red-listed EN species where that habitat could be considered a discrete management unit for that species/ subspecies. (d) Habitat of significant importance to CR or EN species that are wide-ranging and/or whose population distribution is not well understood and where the loss of such a habitat could potentially impact the long-term survivability of the species. (e) As appropriate, habitat containing nationally/regionally important concentrations of an EN, CR or equivalent national/regional listing.
2. Endemic/ Restricted Range Species	(a) Habitat known to sustain ≥ 95 percent of the global population of an endemic or restricted-range species where that habitat could be considered a discrete management unit for that species (e.g., a single-site endemic).	(b) Habitat known to sustain ≥ 1 percent but < 95 percent of the global population of an endemic or restricted-range species where that habitat could be considered a discrete management unit for that species, where data are available and/or

[GN30] See IBA global criteria in http://www.birdlife.org/datazone/info/ibacriteria

[GN31] See http://www.ramsar.org/cda/en/ramsar-about-faqs-what-are-criteria/main/ramsar/1-36-37%5E7726_4000_0__

[GN32] These thresholds are based on globally standardized numerical thresholds published by the IUCN as Best Practice Protected Area Guidelines. See Langhammer, P.F. *et al*. 2007. *Identification and Gap Analysis of Key Biodiversity Areas: Targets for Comprehensive Protected Area Systems. Best Practice Protected Area Guideline Series No. 15.* IUCN, Gland, Switzerland.

Criteria	Tier 1	Tier 2
		based on expert judgment.
3. Migratory/ Congregatory Species	(a) Habitat known to sustain, on a cyclical or otherwise regular basis, ≥ 95 percent of the global population of a migratory or congregatory species at any point of the species' lifecycle where that habitat could be considered a discrete management unit for that species.	(b) Habitat known to sustain, on a cyclical or otherwise regular basis, ≥ 1 percent but < 95 percent of the global population of a migratory or congregatory species at any point of the species' lifecycle and where that habitat could be considered a discrete management unit for that species, where adequate data are available and/or based on expert judgment. (c) For birds, habitat that meets BirdLife International's Criterion A4 for congregations and/or Ramsar Criteria 5 or 6 for Identifying Wetlands of International Importance. (d) For species with large but clumped distributions, a provisional threshold is set at ≥5 percent of the global population for both terrestrial and marine species. (e) Source sites that contribute ≥ 1 percent of the global population of recruits.

Criterion 4: Highly Threatened and/or Unique Ecosystems

GN90. Highly threatened or unique ecosystems are those (i) that are at risk of significantly decreasing in area or quality; (ii) with a small spatial extent; and/or (iii) containing unique assemblages of species including assemblages or concentrations of biome-restricted species. Areas determined to be irreplaceable or of high priority/significance based on systematic conservation planning techniques carried out at the landscape and/or regional scale by governmental bodies, recognized academic institutions and/or other relevant qualified organizations (including internationally-recognized NGOs) or that are recognized as such in existing regional or national plans, such as the NBSAP, would qualify as critical habitat per Criterion 4. An example of a unique ecosystem would be one that occurs in very limited numbers in the region, such as the only lowland dipterocarp forest. An example of a highly threatened ecosystem would be one that is losing a high percentage of its area each year.

GN91. Highly threatened or unique ecosystems are defined by a combination of factors that determine their importance for conservation action. The prioritization of rare and endangered ecosystems employs similar factors to those used for the IUCN Red List of Threatened Species. The ecosystem prioritization factors include long-term trend, rarity, ecological condition, and threat. All of these values contribute to the relative biodiversity and conservation value of the particular ecosystem. IUCN's Commission on

Ecosystem Management is leading an initiative to put together criteria and categories for threatened ecosystems.[GN33,GN34]

GN92. For regional scale biodiversity conservation applications, ecosystems are classified and mapped at specific scales with a focus on vegetation structure and composition, land cover, and key abiotic factors. Data used to create these regional-scale ecosystem maps typically include vegetation and land use maps, and other driving environmental factors including climate, hydrology, geochemistry and landscape position (elevation and aspect).

GN93. To implement this criterion, the client must first conduct a substantive literature search and consult with established conservation organizations or other relevant authorities in the area of interest to secure a standardized ecosystem map for the region that includes the project site. If regional ecosystem mapping has not been conducted in the area of interest and/or depending on the nature and scale of the project type, the client could also use expert opinion to determine the significance, uniqueness and/or rarity of the ecosystem in question with respect to the national, regional and/or international scale.

Criterion 5: Key Evolutionary Processes

GN94. The structural attributes of a region, such as its topography, geology, soil, temperature and vegetation and combinations of these variables can influence the evolutionary processes that give rise to regional configurations of species and ecological properties. In some cases, spatial features that are unique or idiosyncratic of the landscape have been associated with genetically unique populations or subpopulations of plant and animal species. Physical or spatial features have been described as surrogates or spatial catalysts for evolutionary and ecological processes, and such features are often associated with species diversification. Maintaining these key evolutionary processes inherent in a landscape as well as the resulting species (or subpopulations of species) has become a major focus of biodiversity conservation in recent decades, particularly the conservation of genetic diversity. By conserving species diversity within a landscape, the processes that drive speciation, as well as the genetic diversity within species, ensures the evolutionary flexibility in a system, which is especially important in a rapidly changing climate.

GN95. This criterion therefore is defined by: (i) the physical features of a landscape that might be associated with particular evolutionary processes; and/or (ii) subpopulations of species that are phylogenetically or morphogenetically distinct and may be of special conservation concern given their distinct evolutionary history. The latter includes evolutionarily significant units (ESUs)[GN35] and Evolutionarily Distinct and Globally Endangered (EDGE) species.[GN36]

GN96. For illustrative purposes, some potential examples of spatial features associated with evolutionary processes are as follows:

- *Isolated areas* (e.g., islands, mountaintops, lakes) are associated with populations that are phylogenetically distinct.
- Areas of high *endemism* often contain flora and/or fauna with unique evolutionary histories (note overlap with Criterion 2, endemic and restricted-range species).

[GN33] For further information see http://www.iucn.org/about/union/commissions/cem/cem_work/tg_red_list/

[GN34] See Rodriguez, J.P. *et al.*2011. *Establishing IUCN Red List Criteria for Threatened Ecosystems*. Conservation Biology 25 (1): 21–29*;* and Rodriguez, J.P. *et al*. 2007. *Assessing extinction risk in the absence of species-level data: quantitative criteria for terrestrial ecosystems*. Biodiversity and Conservation 16 (1): 183–209.

[GN35] As defined by Crandall, K.A. *et al*. 2000. *Considering evolutionary processes in conservation biology*. TREE 15(7*):* 290–295.

[GN36] As defined by the Zoological Society of London (ZSL). http://www.edgeofexistence.org/index.php.

- Landscapes with high spatial *heterogeneity* are a driving force in speciation as species are naturally selected on their ability to adapt and diversify.
- *Environmental gradients*, also known as *ecotones*, produce transitional habitat which has been associated with the process of speciation and high species and genetic diversity.
- *Edaphic interfaces* are specific juxtapositions of soil types (e.g., serpentine outcrops, limestone and gypsum deposits), which have led to the formation of unique plant communities characterized by both rarity and endemism.
- *Connectivity* between habitats (e.g., biological corridors) ensures species migration and gene flow, which is especially important in fragmented habitats and for the conservation of metapopulations. This also includes biological corridors across altitudinal and climatic gradients and from "crest to coast."
- Sites of demonstrated importance to *climate change adaptation* for either species or ecosystems are also included within this criterion.

GN97. The significance of structural attributes in a landscape that may influence evolutionary processes will be determined on a case-by-case basis, and determination of habitat that triggers this criterion will be heavily reliant on scientific knowledge. In the majority of cases, this criterion will be triggered in areas that have been previously investigated and that are already known or suspected to be associated with unique evolutionary processes. While systematic methods to measure and prioritize evolutionary processes in a landscape do exist, they are typically beyond a reasonable expectation of studies conducted by the private sector. At the very least though, the client should be aware of what constitutes a "key evolutionary process" (i.e., landscape feature and/or subpopulations of species with unique evolutionary history) so that this aspect may be covered as part of its assessment through a literature search, complemented as needed by an in-field assessment.

17. In areas of critical habitat, the client will not implement any project activities unless all of the following are demonstrated:

- ***No other viable alternatives within the region exist for development of the project on modified or natural habitats that are not critical;***
- ***The project does not lead to measurable adverse impacts on those biodiversity values for which the critical habitat was designated, and on the ecological processes supporting those biodiversity values;[12]***
- ***The project does not lead to a net reduction in the global and/or national/regional population[13] of any Critically Endangered or Endangered species over a reasonable period of time;[14] and***
- ***A robust, appropriately designed, and long-term biodiversity monitoring and evaluation program is integrated into the client's management program.***

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[12] *Biodiversity values and their supporting ecological processes will be determined on an ecologically relevant scale.*

[13] *Net reduction is a singular or cumulative loss of individuals that impacts on the species' ability to persist at the global and/or regional/national scales for many generations or over a long period of time. The scale (i.e., global and/or regional/national) of the potential net reduction is determined based on the species' listing on either the (global) IUCN Red List and/or on regional/national lists. For species listed on both the (global) IUCN Red List and the national/regional lists, the net reduction will be based on the national/regional population.*

[14] *The timeframe in which clients must demonstrate "no net reduction" of Critically Endangered and Endangered species will be determined on a case-by-case basis in consultation with external experts.*

18. In such cases where a client is able to meet the requirements defined in paragraph 17, the project's mitigation strategy will be described in a Biodiversity Action Plan and will be

designed to achieve net gains[15] of those biodiversity values for which the critical habitat was designated.

19. In instances where biodiversity offsets are proposed as part of the mitigation strategy, the client must demonstrate through an assessment that the project's significant residual impacts on biodiversity will be adequately mitigated to meet the requirements of paragraph 17.

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[15] *Net gains are additional conservation outcomes that can be achieved for the biodiversity values for which the critical habitat was designated. Net gains may be achieved through the development of a biodiversity offset and/or, in instances where the client could meet the requirements of paragraph 17 of this Performance Standard without a biodiversity offset, the client should achieve net gains through the implementation of programs that could be implemented in situ (on-the-ground) to enhance habitat, and protect and conserve biodiversity.*

Client Requirements in Critical Habitat

GN98. The first bullet in paragraph 17 emphasizes the importance of seeking to avoid critical habitats entirely as the first means of demonstrating compliance with the mitigation hierarchy. This is required for any proposed project in critical habitat regardless of the size of its footprint.

GN99. The specific types of mitigation measures that are able to realize the objectives of paragraph 17 of Performance Standard 6 and the management strategy needed to implement such measures over the long term will inherently be case-specific. The selection of mitigation measures should factor in existing non-project related threats to biodiversity values (e.g., bushmeat hunting, agricultural encroachment, unsustainable cattle grazing, invasive species, overharvesting, climate change, etc.). See also paragraph GN14.

GN100. There are numerous factors involved in decision-making as to the client's ability to comply with paragraphs 17–19 of Performance Standard 6. Most predominant are the following:

(i) The relatively irreplaceability and vulnerability of the biodiversity values (see paragraph GN13);

(ii) The quality of the biodiversity assessment and/or critical habitat assessment;

(iii) The type of project;

(iv) The management capacity, commitment and track record of the client, including the comprehensiveness of its ESMS;

(v) The comprehensiveness of the client's mitigation strategy and consideration of biodiversity offsets;

(vi) The level of confidence in predictions and assurance of outcomes of measures in the mitigation hierarchy;

(vii) The timing of these measures in contexts of high risk and uncertainty;

(viii) The willingness of the client to engage external experts, advisory and/or other types of scientific panels;

(ix) The willingness of the client to establish effective, long-term strategic partnerships with the government, academic and research institutions, Affected Communities and/or internationally recognized conservation NGOs;

(x) The capacity of the host government; and

(xi) Degree of information uncertainty.

GN101. The second bullet of paragraph 17 is applicable to all high biodiversity values and requires "no measureable adverse impacts." The following definitions are provided:

- **Measurable**: identified using a quantitative or semi-quantitative biodiversity monitoring program throughout the project's life-cycle.

- **Adverse impacts**: project-related direct or indirect impacts that irreversibly alter the critical habitat in such a way as to substantially reduce the critical habitat's ability to support the identified biodiversity values and ecological processes.

- **Ecological processes**: biophysical processes (e.g., hydrologic regimes, local climatic regimes, soil chemistry/nutrient cycling, fires, floods and other natural disturbance regimes, herbivory, predation, ecological corridors, migration routes) necessary for the critical habitat to persist in the landscape or seascape for the long term.[GN37]

GN102. The client is responsible for demonstrating no measurable impacts on the biodiversity values for which the critical habitat was designated and *on the ecological processes supporting such values* as stated in the second bullet of paragraph 17 of Performance Standard 6. This requirement explicitly focuses on the biodiversity values for which the critical habitat was designated *as a means of emphasizing the importance of considering biodiversity values across an ecologically relevant scale*, including the landscape/seascape scale. All too often similar requirements have been interpreted as no measurable adverse impacts in the project site itself, which, in ecological terms is almost always a meaningless entity. *Hence, the intention behind the current language is to encourage projects to work with recognized external ecologists and species specialists in defining critical habitat based on the biodiversity values triggering that critical habitat designation*, not based on an imposed artificial project boundary in a landscape/seascape (i.e., the project site/concession area). In either case, the second bullet of paragraph 17 includes the ecological processes supporting those biodiversity values. The conservation of the ecological process necessary to maintain the critical habitat is clearly as important as the conservation of the individual values themselves. Furthermore, many biodiversity values are interdependent and cannot be conserved in isolation of one another.[GN38]

GN103. The third bullet of paragraph 17 is applicable to Criterion 1 only (CR and EN species). Projects will not lead to a net reduction in these species on the global and/or the national/regional scale. Net reduction is defined in footnote 13 of Performance Standard 6. Footnote 13 also provides insight on what is meant by "and/or," i.e., when compliance is determined on the scale of the global population and when it is determined on the national/regional scale. This depends on the species listing by which the critical habitat is determined in the first place. This is explained in footnote 11 of Performance Standard 6. In most cases, the habitat will be critical based on the global IUCN Red List, and in these cases, net reduction will be determined with respect to the global population. In instances where the habitat is determined to be critical for Criterion 1 based on the regional and/or national threatened species listing, the net reduction will be determined with respect to the regional and/or national population. Decision-making of this type must take place in consultation with competent professionals, including individuals from IUCN Species Survival Commission Specialist Groups.

[GN37] Note that ecological/biophysical processes are not to be confused with ecosystem services unless an identifiable group of persons is directly benefiting from that process as well.

[GN38] See the Ecosystem Approach described in paragraphs GN18 and GN19.

GN104. The third bullet of paragraph 17 also uses the terminology "over a reasonable period of time." This concerns the question of when the client is expected to be able to demonstrate no net reduction. The timeframe is inherently case-specific. It will depend on the type of species (and, importantly, its reproductive cycle) as well as the client's selected mitigation strategy (e.g., on-site protection measures versus translocation versus offset). It might also depend on the client's selection of monitoring indicators. The acceptable reduction in population should also not be interpreted as the survival of every individual on-site. Although this might be the case in some situations, for example for CR species nearing extinction in the wild, no net reduction is based on the species "*ability to persist at the global and/or regional/national scales for many generations or over a long period of time*" (footnote 13 of Performance Standard 6).

GN105. A biodiversity monitoring and evaluation program is a fundamental aspect of ensuring compliance with paragraph 17 and is a requirement of Performance Standard 6 as listed in the fourth bullet of this paragraph. The monitoring and evaluation program should be designed at two levels: (i) in-field monitoring of relevant biodiversity values (e.g., species, ecosystems); and (ii) monitoring of the implementation (and therefore effectiveness) of mitigation measures and management controls (as part of the client's ESMS). In some cases, the project should also monitor the status of ongoing threats in its vicinity such as bushmeat hunting and agricultural expansion. If a biodiversity offset(s) is part of the mitigation strategy, a separate program should be designed to monitor and evaluate the success of the offset program. The monitoring program should be quantitative or semi-quantitative and preferably statistically defensible. In some cases, such as tropical forests, it might be more practicable (and sensible) to use benchmarks instead of using a Before-After-Control-Impact approach as the heterogeneity of the landscape can make monitoring based on a pre-construction baseline difficult or impossible. In either case, the client is expected to develop a sensible set of indicators (metrics) for each biodiversity value and the ecological processes supporting those values. Indicators should be developed in consultation with external specialists and other relevant stakeholders. Acceptable ranges of variability should be established for each biodiversity value, which may be the actual attribute that renders the habitat critical (e.g., CR/EN species, migratory species) or proxies of those attributes (e.g., vegetation cover). Qualified external experts should be utilized to identify such thresholds. Measurable results that exceed identified thresholds over a set period of time indicate non-compliance with paragraph 17. For reference, see the Energy and Biodiversity Initiative's (EBI) publication, Biodiversity Indicators for Monitoring Impacts and Conservation Actions (2003).

GN106. The biodiversity monitoring and evaluation program should be integrated into the project's overall ESMS. In this way, the results of the program can be explicitly linked to management actions, be they corrective or adaptive. This is also in line with Performance Standard 1, which emphasizes a "plan, do, check and act" management system. The client should ensure that results from monitoring are used to evaluate the effectiveness of its mitigation strategy. Paragraph GN20 describes the general Performance Standard 6 requirement of developing mitigation and monitoring measures through adaptive management. This is especially relevant to projects located in critical habitat.

GN107. In addition to the requirements in paragraph 17, in areas of critical habitat the client will be expected to demonstrate net gains (also known as "net positive gains") of the biodiversity values for which the critical habitat was designated, as stated in paragraph 18 of Performance Standard 6. Net gains are defined in footnote 15 of Performance Standard 6 and could be considered "no net loss *plus*;" therefore, the requirements defined for critical habitat build upon and expand those defined for natural habitat. The client's mitigation strategy, which will be designed to comply with paragraph 17 and to achieve net gains, must be described in a Biodiversity Action Plan (BAP). Where the client has prepared a sufficient Biodiversity (or Ecological) Management Plan (BMP) that adequately describes

on-site mitigation measures, the BAP could be reserved for describing how the client plans to achieve net gains. See Annex A for an explanation of the difference between a BMP and a BAP and for guidance on developing both. Net gains may be achieved through the biodiversity offset, and in instances where a biodiversity offset is not part of the client's mitigation strategy (i.e., there are no significant residual impacts), net gains would be obtained by identifying additional opportunities to enhance habitat and protect and conserve biodiversity (see also paragraph GN34). As described in footnote 15 of Performance Standard 6, net gains of biodiversity values must involve measurable, additional conservation outcomes. Such gains must be demonstrated on an appropriate geographic scale (e.g., local, landscape-level, national, regional) as determined by external experts. In other words, the "on-the-ground" and "like for like or better" requirements for biodiversity offsets also apply to other proposed measures for achieving net gains of relevant biodiversity values.

GN108. In general, projects with large, expansive footprints in either Tier 1 or Tier 2 habitats will find it difficult (or impossible) to comply with paragraph 17 of Performance Standard 6. With respect to project-related impacts in Tier 1 habitats for Criteria 1 through 3, most impacts are not considered to be offsetable. Impacts on critical habitat per Criteria 4 and 5 might also be very difficult (or impossible) to offset. In either case, this would be determined on a case-by-case basis.

GN109. Any offset attempted in critical habitat should be identified, designed and managed according to best international practice and be sustainable over the long term. If biodiversity offsets are part of the client's mitigation strategy, the client must demonstrate that the offset has the potential to compensate for significant residual impacts on the critical habitat. In order to do so, biodiversity offset gains should be quantified or semi-quantified using scientifically-sound metrics that accurately represent the biodiversity values at stake. When developing an offset for residual impacts in critical habitat, clients are advised to adhere to current, internationally recognized best practices. For example, the members of the Business and Biodiversity Offsets Program (BBOP) are the first to have developed a set of internationally-recognized Principles on Biodiversity Offsets.[GN39] The guidance on biodiversity offsets provided in paragraphs GN29–GN33 also applies to critical habitat.

GN110. Securing government buy-in, which at best would include a legally binding commitment, is extremely important in ensuring the long-term sustainability of biodiversity offsets. Engagement of the client with the broader, regional-level conservation goals of the host government will facilitate this process. An equally important element is an accurate assessment of the real costs required to effectively implement the offset(s) in the long term. A conservation financing assessment of offset operational and administrative costs should be undertaken for this purpose. The assessment should also factor in a range of market conditions such as inflation, fluctuations in exchange rates, analysis of the rates of return, investment yield and drawdown on funds if a capital investment in a fund is envisioned. As the exact costs of the offset will be difficult to estimate before it is fully designed, clients could also consider establishing an offset funding mechanism, which would be akin to the reclamation funding mechanism as described in paragraph GN53. Partnership with relevant credible organizations/authorities with scientific expertise in offset planning, design and management is highly encouraged.

GN111. The development of "aggregated offsets" is especially encouraged. Aggregated offsets are defined as measurable conservation outcomes resulting from coordinated actions designed to compensate for the combined residual adverse biodiversity impacts arising from more than one development project in a specific geographical area (after appropriate prevention and minimization measures have been taken). In areas where multiple private sector companies are operating in the

[GN39] See http://bbop.forest-trends.org/guidelines/principles.pdf.

same landscape associated with high biodiversity values (for example, when governments grant concessions to numerous companies in such landscapes), companies are encouraged to merge their efforts and develop joint (or "aggregated") offset programs. In such cases, offsets could be incorporated into existing landscape or regional planning.

GN112. Clients should be aware that, if local communities are not adequately engaged as part of offset selection and design, the establishment of a biodiversity offset could potentially result in adverse impacts on them, especially if their usage rights are not legally recognized. In these cases, the client requirements of Performance Standard 5 are applicable, as explicitly stated in footnote 7 of that Performance Standard. Clients should consult the Cost-Benefit Handbook[GN40] of the BBOP toolkit, which applies to this topic.

> ***Legally Protected and Internationally Recognized Areas***
> ***20. In circumstances where a proposed project is located within a legally protected area[16] or an internationally recognized area,[17] the client will meet the requirements of paragraphs 13 through 19 of this Performance Standard, as applicable. In addition, the client will:***
>
> - ***Demonstrate that the proposed development in such areas is legally permitted;***
> - ***Act in a manner consistent with any government recognized management plans for such areas;***
> - ***Consult protected area sponsors and managers, Affected Communities, Indigenous Peoples and other stakeholders on the proposed project, as appropriate; and***
> - ***Implement additional programs, as appropriate, to promote and enhance the conservation aims and effective management of the area.[18]***
>
> ---
>
> *[16] This Performance Standard recognizes legally protected areas that meet the IUCN definition: "A clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values." For the purposes of this Performance Standard, this includes areas proposed by governments for such designation.*
>
> *[17] Exclusively defined as UNESCO Natural World Heritage Sites, UNESCO Man and the Biosphere Reserves, Key Biodiversity Areas, and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).*
>
> *[18] Implementing additional programs may not be necessary for projects that do not create a new footprint.*

GN113. Paragraph 20 of Performance Standard 6 applies to legally protected areas that meet the IUCN definition, as provided in footnote 16 of Performance Standard 6, and "internationally recognized areas," which are areas of recognized importance to biodiversity conservation but are not always legally protected. Areas that will qualify as "internationally recognized" per Performance Standard 6 are explicitly defined in footnote 17. Performance Standard 6 adopts the terminology "internationally *recognized* area" instead of "internationally *designated* area," as "designated" is often used to describe protected areas that are designated by governments. In terms of international designations, conventions differ in their terminology (e.g., inscribed, adopted, designated, recognized, etc.), and therefore the more generic term "recognized" was deemed more appropriate.

GN114. If a project is located in or near a legally protected or internationally recognized area, the client should consult the following sources, which were developed by UNEP-WCMC.

- *World Database on Protected Areas.*[GN41] The World Database on Protected Areas (WDPA) is a global inventory of protected areas. Information is provided to the WDPA from national

[GN40] See http://bbop.forest-trends.org/guidelines/cbh.pdf.

[GN41] See http://www.protectedplanet.net.

governments, NGOs, international conventions and regional partners. It is managed and developed through collaboration between UNEP-WCMC and IUCN.

- *A to Z Areas of Biodiversity Importance.*[GN42] The A to Z is an online guide with detailed information for a number of recognized systems to prioritize and protect areas of biodiversity importance that fall into two main categories: areas under protected area frameworks that are supported by national or sub-national institutions as well as international conventions and programs, and global prioritization schemes that are developed by academic and conservation organizations.

GN115. With respect to mitigation, clients are expected to comply with requirements for natural or critical habitat, depending on the biodiversity values present in the legally protected (including areas officially proposed for protection) or internationally recognized area. This will be based on the client's risks and impacts identification process, including the ESIA, biodiversity assessment and/or critical habitat assessment. Within the list of recognized areas of high biodiversity value provided in paragraph GN57, legally protected areas with an IUCN Management Category of Ia, Ib and II, UNESCO Natural World Heritage Sites and Ramsar sites will be treated as critical habitat. Key Biodiversity Areas (KBA) that correspond to the definition of critical habitat per paragraph 16 of Performance Standard 6 will also be treated as critical habitat. Areas that meet IUCN Management Categories III–VI or other types of areas that are offered some type of legal protection, restriction and/or management (e.g., forest reserves) might also qualify as critical habitat if these areas support high biodiversity values as defined in paragraph 16 of Performance Standard 6. An assessment would be required to make this determination.

GN116. When projects are located in legally protected and internationally recognized areas, clients should ensure that project activities are consistent with any national land use, resource use, and management criteria (including Protected Area Management Plans, National Biodiversity Strategy and Action Plans (NBSAPs) or similar documents). This will entail securing the necessary approvals from the responsible government agencies, and consulting with protected area sponsors and Affected Communities, Indigenous Peoples and other relevant stakeholders. Note that stakeholder engagement and consultation is required for all projects located in legally protected and internationally recognized areas. The terminology "as appropriate" in the third bullet of paragraph 20 of Performance Standard 6 refers to the appropriateness/relevance of stakeholder groups to engage as part of this process. For internationally recognized areas that are not legally protected, clients would need to consult with the appropriate conservation agencies responsible for the designation. Client requirements for stakeholder engagement are described in paragraphs 26–33 of Performance Standard 1 and related guidance can be found in paragraphs GN91–GN105 of Guidance Note 1. Related client requirements are covered in Performance Standard 7 with respect to Indigenous Peoples and in Performance Standard 8 with respect to cultural heritage, and their accompanying Guidance Notes.

GN117. Projects proposed inside legally protected or internationally recognized areas should result in tangible benefits to the conservation objectives of that area, and clear conservation advantages should be gained by the presence of the project. This can be achieved through implementing programs that, for example, provide support for park management, address alternative livelihoods for Affected Communities, or support and/or carry out research needed for the conservation aims of the protected area. The only exception to this might be for projects that are not creating a new footprint (see footnote 18 of Performance Standard 6).

[GN42] See http://www.biodiversitya-z.org.

GN118. If no management plan exists for the protected or designated area, the client may want to consider supporting the development of one with the suitable government agencies and conservation organizations. This type of activity might also suffice as the "additional program" per the fourth bullet of paragraph 20 of Performance Standard 6 if developed and/or implemented in a way that involved endorsement by relevant stakeholders.

> ***Invasive Alien Species***
>
> ***21. Intentional or accidental introduction of alien, or non-native, species of flora and fauna into areas where they are not normally found can be a significant threat to biodiversity, since some alien species can become invasive, spreading rapidly and out-competing native species.***
>
> ***22. The client will not intentionally introduce any new alien species (not currently established in the country or region of the project) unless this is carried out in accordance with the existing regulatory framework for such introduction. Notwithstanding the above, the client will not deliberately introduce any alien species with a high risk of invasive behavior regardless of whether such introductions are permitted under the existing regulatory framework. All introductions of alien species will be subject to a risk assessment (as part of the client's environmental and social risks and impacts identification process) to determine the potential for invasive behavior. The client will implement measures to avoid the potential for accidental or unintended introductions including the transportation of substrates and vectors (such as soil, ballast, and plant materials) that may harbor alien species.***
>
> ***23. Where alien species are already established in the country or region of the proposed project, the client will exercise diligence in not spreading them into areas in which they have not already been established. As practicable, the client should take measures to eradicate such species from the natural habitats over which they have management control.***

GN119. An alien or non-native plant or animal species is one that is introduced beyond its original range of distribution. Invasive alien species are non-native species that may become invasive or spread rapidly by outcompeting other native plants and animals when they are introduced into a new habitat that lacks their controlling factors as determined by natural evolution. Invasive alien species are now recognized to be a major global threat to biodiversity and to ecosystem services.

GN120. The introduction of any alien species as part of the client's operations should be assessed for compliance with the existing host country regulatory framework for such introductions. The client will not intentionally introduce any new alien species (i.e., those that are not currently established in the country or region in which the project is operating) unless this is carried out in accordance with the existing regulatory framework, if such is present. If not, a risk assessment should be conducted on the invasiveness of the species, in coordination with competent professionals with knowledge of the particular species in question. Alien species of known high risk of invasive behavior shall not be introduced into a project site under any circumstances, even if such an introduction is not forbidden by the host country regulatory framework.

GN121. Despite the risk assessment and the existing regulatory framework, accidental introduction of invasive fauna and flora species are extremely difficult to predict. Clients should take all preventive measures designed to reduce the risk of transportation or transmission of invasive alien plant or animal species, pests and pathogens through their activities. In area where invasive species are known to pose a significant risk to natural and critical habitats, survey and review for such invasive species should be included in the client's pre-construction baseline and the potential spread of such species should be monitored throughout the life of the project. In these situations, a dedicated management plan should be

developed (e.g., Invasive Species, Pests and Pathogens Management Plan), which specifies preventative and mitigation measures such as inspection, washdown and quarantine procedures specifically designed to address the spread of invasive species. A management plan of this type is of particular relevance for projects located in critical habitats and where the spread of invasive species in such habitats poses a significant risk. Alternatively, and depending on the level of threat, mitigations could be included as part of the more general Biodiversity or Ecological Management Plan (see Annex A).

GN122. Preventative and mitigation measures are essential when the project includes a linear infrastructure, such as a pipeline, transmission line, road or rail development, as the right-of-way will likely traverse, and link, several habitats through one corridor, providing optimal means for a species to quickly spread through the region. In certain cases, and especially for projects operating in largely undisturbed habitats, clients should also include provisions in suppliers' contracts to prevent alien species from arriving in-country if cargo is transported from outside the country. This may include requirements for inspection and quarantine of containers and heavy equipment, as needed. Equipment should arrive "clean as new" to prevent risk of introductions.

GN123. With respect to the international shipping of goods and services, clients are expected to comply with appropriate obligations developed in the framework of the International Convention for the Control and Management of Ships' Ballast Water and Sediments Convention (the Ballast Water Management Convention). Clients should also refer to Guidelines for the Control and Management of Ships' Ballast Water to Minimize the Transfer of Harmful Aquatic Organisms and Pathogens, published by the International Maritime Organization (1997).[GN43]

GN124. In many cases, invasive species will have already been established in the region in which the project is located. In these cases, the client has the responsibility to take measures to prevent the species from further spread into areas in which it has not already been established. For example, in the case of linear infrastructure, invasive weeds might be spread into forested habitats, especially if the forest canopy is not able to reestablish itself (due to maintenance of the right-of-way for operational purposes). This is exacerbated if opportunistic agricultural or logging activities further widen the right-of-way, thereby facilitating spread. In these cases, the client is expected to determine the severity of the threat and the mode of spread of that species. The situation should be monitored as part of the overall ESMS, and the client should seek effective mitigation measures in coordination with local and national authorities.

GN125. Living Modified Organisms (LMO) can also be considered to be alien species, with similar potential for invasive behavior as well as potential for gene flow to related species. Any new introduction of such organisms should be assessed with due regard to the Cartagena Protocol on Biosafety.

Management of Ecosystem Services

24. Where a project is likely to adversely impact ecosystem services, as determined by the risks and impacts identification process, the client will conduct a systematic review to identify priority ecosystem services. Priority ecosystem services are two-fold: (i) those services on which project operations are most likely to have an impact and, therefore, which result in adverse impacts to Affected Communities; and/or (ii) those services on which the project is directly dependent for its operations (e.g., water). When Affected Communities are likely to be impacted, they should participate in the determination of priority ecosystem services in accordance with the stakeholder engagement process as defined in Performance Standard 1.

[GN43] See http://globallast.imo.org/868%20english.pdf.

> ***25. With respect to impacts on priority ecosystem services of relevance to Affected Communities and where the client has direct management control or significant influence over such ecosystem services, adverse impacts should be avoided. If these impacts are unavoidable, the client will minimize them and implement mitigation measures that aim to maintain the value and functionality of priority services. With respect to impacts on priority ecosystem services on which the project depends, clients should minimize impacts on ecosystem services and implement measures that increase resource efficiency of their operations, as described in Performance Standard 3. Additional provisions for ecosystem services are included in Performance Standards 4, 5, 7, and 8.[19]***
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> [19] *Ecosystem service references are located in Performance Standard 4, paragraph 8; Performance Standard 5, paragraphs 5 and 25–29; Performance Standard 7, paragraphs 13–17 and 20; and Performance Standard 8, paragraph 11.*

GN126. Performance Standard 6 defines ecosystem services as "*the benefits that people, including businesses, obtain from ecosystems*" (paragraph 2), which is in line with the definition provided by the Millennium Ecosystem Assessment.[GN44] As described in paragraph 2 and footnote 1 of Performance Standard 6, ecosystem services are organized into four major categories:

- *Provisioning ecosystem services* include *inter alia* (i) agricultural products, seafood and game, wild foods and ethnobotanical plants; (ii) water for drinking, irrigation and industrial purposes; (iii) forest areas which provide the basis for many biopharmaceuticals, construction materials, and biomass for renewable energy.

- *Regulating ecosystem services* include *inter alia* (i) climate regulation and carbon storage and sequestration; (ii) waste decomposition and detoxification; (iii) purification of water and air; (iv) control of pests, disease and pollination; (v) natural hazard mitigation.

- *Cultural services* include *inter alia* (i) spiritual and sacred sites; (ii) recreational purposes such as sport, hunting, fishing, ecotourism; (iii) scientific exploration and education.

- *Supporting services* are the natural processes that maintain the other services such as (i) nutrient capture and recycling; (ii) primary production; (iii) pathways for genetic exchange.

GN127. Performance Standard 6 also recognizes the importance of The Economics of Ecosystems and Biodiversity (TEEB) initiative, a long-term study that draws on expertise from around the world to evaluate the costs of the loss of biodiversity and the associated decline in ecosystem services worldwide. The TEEB initiative defines ecosystem services as "*the direct and indirect contributions of ecosystems to human well being*." TEEB also makes references to the concept of natural capital in that, from an economic point of view, the flows of ecosystem services can be seen as the dividend that society receives from natural capital, and that maintaining stocks of natural capital allow the sustained provision of future flows of ecosystem services, and thereby help to ensure enduring human well-being.

GN128. Ecosystem services are indeed services because there is an identified (human) beneficiary (i.e., the user). Ecosystem services are related to biophysical processes in the environment, but until there is a person or group of persons benefiting from the process, it is not a service. The beneficiary might be on the local, regional or even global scale. For example, wild foods and freshwater collected by local communities accrue benefits to users on a local scale; the capacity for ecosystems to reduce damage

[GN44] Millennium Ecosystem Assessment, Ecosystems and Human Well-being: Opportunities and Challenges for Business and Industry (2006).

caused by natural disasters such as hurricanes and tornados might benefit recipients of such services on the regional scale (as well as the local scale); and intact forests that capture and store carbon dioxide and regulate climate benefit recipients of such services on the global scale.

GN129. In recent years, a variety of reports, guidance documents, mapping tools and toolkits have been developed as resources to support the application of these concepts. A large body of literature on Payments for Ecosystem Services (PES) has existed for many years but is not directly applicable to Performance Standard 6 and is therefore not referenced in this Guidance Note. Client requirements are focused on the mitigation of impacts on ecosystem services and the benefits that ecosystem services might bring to companies rather than on the economic valuation for such services. If PES schemes exist in or near areas where clients are doing business, the client should be aware of them in accordance with any existing regulatory framework and/or other ongoing initiatives.

GN130. Guidance documents and tools for consideration of ecosystem services other than PES have been developed. Some are more oriented towards policy-making, regional planning, education and awareness, while others may be useful in private sector field applications. Clients should make use of relevant and appropriate guidance documents and mapping tools when ecosystem services are a key focus of the project, while recognizing that not all tools have been robustly tested in private sector project applications. Specific tools may be appropriate for different stages of the project's life-cycle, and multiple tools could be used in combination with one another to integrate the ecological and social considerations of ecosystem services into assessment, mitigation and management planning.[GN45] A list of resources (descriptions for each tool/document) relevant to ecosystem services under Performance Standard 6 is provided in the Bibliography. They include, among others, the following:

- *The Corporate Ecosystem Services Review: Guidelines for Identifying Business Risks and Opportunities Arising from Ecosystem Change* (2008) developed by the World Resources Institute (WRI), World Business Council for Sustainable Development (WBCSD) and Meridian Institute.

- *Ecosystem Services Review for Impact Assessment* (2011) developed by WRI.

- *Ecosystem services guidance: Biodiversity and ecosystem services guide and checklists* (2011), developed by International Petroleum Industry Environmental Conservation Association (IPECA).

- Related documents and toolkit of the *Natural Value Initiative* (NVI), an initiative of Flora and Fauna International, UNEP-Finance Initiative, Nyenrode Business University, the Dutch Association of Investors for Sustainable Development and the Brazilian Business School FGV.

- Related reports of TEEB, including *The Economics of Ecosystems and Biodiversity: Mainstreaming the Economics of Nature* (2010).

GN131. Degradation and loss of ecosystem services can pose operational, financial and reputational risks to project sustainability. In terms of risk, ecosystem services can generally be grouped as follows: (i) those that might potentially pose a risk to clients if project-related impacts are incurred on such services; and (ii) those that present an opportunity for clients in that there is a direct dependence on such services for the client's business operations (e.g., water in hydropower projects). Furthermore, ecosystems are increasingly recognized and protected under legal and regulatory frameworks. Some

[GN45] For example, see the Business for Social Responsibility (BSR) reports listed in the Bibliography, which provides an assessment of specific tools.

countries have included ecosystem services within legislation at the national and provincial level. Clients should be familiar with such legislation in the countries in which they are working.

GN132. Ecosystem services is a transdisciplinary topic; hence, it is covered under a number of the Performance Standards. With respect to provisioning and cultural ecosystem services, it is the community of practice of social development specialists (notably resettlement specialists and livelihood restoration specialists) and cultural heritage specialists who are most familiar with the assessment and evaluation of this topic; this is especially true given the importance of stakeholder engagement and consultation. On the other hand, biodiversity management specialists and environmental engineers might be the best placed to evaluate technical mitigation options for regulating ecosystem services. In either case, ecosystem services are a *socio-ecological* topic, which require collaboration between the client's environmental and social specialists. As already stated in paragraph GN21, a single assessment may require any number of specialists, depending on the service in question; these include soil and land capability and soil erosion control specialists, geologists and hydrologists, agronomists, rangeland ecologists, specialists in the economic valuation of natural resources, land use planning and resettlement specialists with expertise in natural resource-based livelihood, livelihood restoration specialists and cultural anthropologists.

GN133. The concept of ecosystem services is covered in Performance Standard 4 (Community Health, Safety and Security), Performance Standard 5 (Land Acquisition and Involuntary Resettlement), Performance Standard 7 (Indigenous Peoples) and Performance Standard 8 (Cultural Heritage). Performance Standard 3 (Resource Efficiency and Pollution Prevention) is also relevant in terms of ecosystem services on which the client's business operations are dependent (i.e., the section on Resource Efficiency; paragraphs 6–9). A summary table is provided in Annex B to demonstrate the integration of this topic throughout the Performance Standards and the relation to Performance Standard 6.

GN134. Client requirements in Performance Standard 6 for ecosystem services are applicable only when the client has "direct management control or significance influence" over such services. Therefore, ecosystem services whose beneficiaries are at the global scale, and sometimes the regional scale,[GN46] are not covered under Performance Standard 6. These include regulating ecosystem services, such as carbon storage or climate regulation, where the benefits of such services are received on a global scale. Project-related impacts on ecosystem services where the client does not have direct management control or significance influence will be assessed per Performance Standard 1.

GN135. As described in paragraphs GN4–GN6, the risks and identification process will include a scoping for ecosystem services, which should primarily take place through literature review and consultation with Affected Communities as part of the Stakeholder Engagement process outlined in Performance Standard 1. Stakeholder engagement is covered under paragraphs GN91–GN105 of Guidance Note 1. Of particular relevance to ecosystem system services is engagement with poor and vulnerable communities, especially Indigenous Peoples (see related ecosystem services requirements in Performance Standard 7). Particular emphasis should also be paid to engaging with women as they are some of the most likely users of natural resources. Where potentially significant project-related risks to ecosystem services are identified, clients will be responsible for identifying priority ecosystem services. Priority ecosystem services are defined in paragraph 24 of Performance Standard 6 as (i) those services on which project operations are most likely to have an impact and, therefore, which result in adverse impacts

[GN46] Performance Standard 6 requirements could apply to ecosystem services whose beneficiaries are at the regional scale as projects with very large footprints could cause impacts on regional level ecosystem services (e.g., large wetlands or coastal areas required for natural hazard mitigation). The client, through the application of mitigation measures, may be determined to have significant influence over such services.

to Affected Communities; and/or (ii) those services on which the project is directly dependent for its operations (e.g., water). Priority ecosystem services should be identified using a systematic review and prioritization (paragraph 24 of Performance Standard 6). For the purposes of this Guidance Note, this process is referred to as an Ecosystem Services Review (ESR).[GN47]

GN136. For the purposes of Performance Standard 6 implementation and the ESR, ecosystem services are categorized as two types:

- **Type I**: Provisioning, regulating, cultural and supporting ecosystem services, over which the client has direct management control or significant influence, and where impacts on such services **may adversely affect communities**.

- **Type II**: Provisioning, regulating, cultural and supporting ecosystem services, over which the client has direct management control or significant influence, and on which **the project directly depends for its operations** (examples of this type of ecosystem service are provided below in paragraph GN142).

GN137. Where a project is likely to have an impact on ecosystem services, the ESR should screen for all Type I and Type II ecosystem services in the project site and its area of influence and prioritize ecosystem services based on the following: (i) the project's likelihood to have an impact on the service; and (ii) the project's direct management control or significant influence over that service.

GN138. Type I ecosystem services will be considered priority, under the following circumstance:

- Project operations are likely to result in a significant impact on the ecosystem service;
- The impact will result in a direct adverse impact on Affected Communities" livelihood, health, safety and/or cultural heritage; and
- The project has direct management control or significant influence over the service.

GN139. Type II ecosystem services will be considered priority under the following circumstance:

- The project directly depends on the service for its primary operations; and,
- The project has direct management control or significant influence over the service

GN140. For Type I ecosystem services, the ESR must be conducted as part of a participatory stakeholder consultation process. Social specialists will be the primary agents conducting this consultation, and requirements are defined in paragraphs 25–33 of Performance Standard 1; related guidance can be found in paragraphs GN91–GN105 of Guidance Note 1. As part of the ESR, the client should consider the following:

- Review the nature and extent of ecosystem services in the project site and its area of influence
- Identify the condition, trends and external (non-project) threats to such services
- Distinguish the beneficiaries of such services
- Assess the extent to which the project depends upon or may impact identified services

[GN47] The ESR terminology was developed by the World Resources Institute (WRI) in its Corporate Ecosystems Service Review publication (2008). The use of this term in this Guidance Note is not meant to be an exact duplication of WRI's application of this term. WRI's ESR method is one of several recommended methods that clients may choose to utilize to assess this topic.

- Assess the significance of the services in terms of livelihoods, health, safety and cultural heritage
- Identify the associated key social, operational, financial, regulatory and reputational risks
- Identify courses of action and mitigation measures which can reduce identified risks.

GN141. For **Type I** ecosystem services determined to be priority services, clients will implement the mitigation hierarchy to avoid impacts, and if impacts are unavoidable, clients will minimize them and implement mitigation measures to maintain the "*value and functionality of priority services*" as stated in paragraph 25 of Performance Standard 6. Considering the significant variation in mitigation measures that could be implemented to achieve this objective, mitigation measures are not detailed in this Guidance Note. They should be identified with the relevant environmental and social specialists. Note that compensation requirements with respect to natural resource-based livelihoods and access to natural resources are provided in Performance Standard 5. Clients are expected to demonstrate implementation of the mitigation hierarchy, in terms of avoidance, minimization and restoration, before compensation is considered.

GN142. For **Type II** ecosystem services determined to be priority services, clients should minimize impacts on ecosystem services and implement measures that increase resource efficiency of their operations as stated in paragraph 25 of Performance Standard 6. This requirement refers to actions that clients can implement within the natural environment to maintain the services that ecosystems provide to business operations. For example, maintaining vegetation along forested slopes might increase dam reservoir capacity and power output for hydropower projects; protecting mangroves or other nearshore ecosystems that provide juvenile habitat to fish and other aquatic species might benefit fisheries and other aquaculture operations; protecting coral reefs and other marine resources would improve the recreational value of coastal resources of importance to the tourism industry. All of these actions are means of optimizing the company's reliance on provisioning, regulating and cultural ecosystem services. The requirements are related to, but different than, those contained in Performance Standard 3, which cover resource efficiency for energy and water consumption as part of project design and production processes (i.e., "in-house" efficiency measures).

Sustainable Management of Living Natural Resources

26. Clients who are engaged in the primary production of living natural resources, including natural and plantation forestry, agriculture, animal husbandry, aquaculture, and fisheries, will be subject to the requirements of paragraphs 26 through 30, in addition to the rest of this Performance Standard. Where feasible, the client will locate land-based agribusiness and forestry projects on unforested land or land already converted. Clients who are engaged in such industries will manage living natural resources in a sustainable manner, through the application of industry-specific good management practices and available technologies. Where such primary production practices are codified in globally, regionally, or nationally recognized standards, the client will implement sustainable management practices to one or more relevant and credible standards as demonstrated by independent verification or certification.

GN143. Primary production is defined for the purpose of this Performance Standard as being the cultivation of plants and animals for human or animal consumption and use, both in the wild or in a cultivated situation. It includes: all types of forestry, whether in natural forests or in plantations, as well as non-timber forest products which may be harvested from natural forests; all types of agriculture, including both annual and perennial crops and animal husbandry, including livestock; and both wild and capture

fisheries including all types of marine and freshwater organisms, both vertebrate and invertebrate. This scope is intended to be broad enough to cover all cases where living natural resources are being managed by the client for the public's benefit.

GN144. The overriding principle is that clients who are involved in these activities are required to manage the resource in a sustainable manner. This means that the land or water resource maintains its productive capacity over time, and that agricultural and aquacultural practices do not degrade the surrounding environment. Sustainable management also ensures that people who are dependent on these resources are properly consulted, enabled to participate in development, and share equitably in the benefits of that development.

GN145. Paragraph 26 of Performance Standard 6 states that sustainable management will be achieved through the application of industry-specific good management practices and available technologies. Depending on the industry sector and geographic region, there is a range of such resources which should be consulted. These focus largely on environmental and occupational health and safety aspects, although social aspects are increasingly being addressed. The EHS Guidelines, and IFC's Good Practice Notes and related publications are a useful initial source of references for clients. Such industry-specific guidance is very dynamic and new materials are being published regularly. A diligent internet search will reveal a range of useful and up-to-date sources. Two exceptional sources for updates on standards and management practices include the International Trade Centre's Standards Map[GN48] and Practitioners Network.[GN49]

GN146. In recent years a number of industry sectors have developed and/or adopted formal environmental and social sustainability standards which incorporate good environmental and social practice. Adherence to such formal standards, which incorporate principles, criteria and indicators specific to the needs of a sector or geographic region, can then be subject to independent audit and verification of compliance. In the forestry sector, sustainable forest management standards include those developed by the Forest Stewardship Council (FSC), as well as a range of national forest standards (e.g., Sustainable Forestry Initiative (SFI) in the United States; Canadian Standards Association Sustainable Forest Management Standard (CSA); *Programa Brasileiro de Certificação Florestal* (CERFLOR) in Brazil; *Sistema Chileno de Certificación de Manejo Forestal Sustentable* (CERTFOR) in Chile; etc.). The Sustainable Agriculture Network (SAN) was created in 1992 and is now applied across many high value crops. More recently commodity-specific multi-stakeholder initiatives have been developed such as the Roundtable on Sustainable Palm Oil (RSPO). Implemented in 2008, RSPO has standards based on their Principles and Criteria for the production of palm oil, and there are comparable initiatives currently under development in other commodity sectors (sugar cane, cotton, soy, etc.). If a sector has in place an "appropriate" (as defined below) environmental and social sustainability standard, Performance Standard 6 requires that clients apply that standard and obtain independent verification or certification and that they are in conformity for all operations which they own directly or over which they have management control.

GN147. Paragraph 26 also makes explicit that, "*where feasible, the client will locate land-based agribusiness and forestry projects on unforested land or land already converted*." This requirement should be implemented in conjunction with paragraph 14 (first bullet) of Performance Standard 6 (see natural habitats), which requires clients to demonstrate that there are "*no other viable alternatives within the region…for development of the project on modified habitat.*"

[GN48] See www.standardsmap.org.

[GN49] See www.tradestandards.org.

27. Credible globally, regionally, or nationally recognized standards for sustainable management of living natural resources are those which (i) are objective and achievable; (ii) are founded on a multi-stakeholder consultative process; (iii) encourage step-wise and continual improvements; and (iv) provide for independent verification or certification through appropriate accredited bodies for such standards.[20]

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

GN148. While a large number of standards have been proposed, many of these lack adequate coverage of relevant sustainability issues, or may lack the ability to be independently and uniformly applied. For a standard to be appropriate for use, it should:

- Be objective and achievable—based on a scientific approach to identifying issues, and realistic in assessing how these issues can be addressed on the ground under a variety of practical circumstances.
- Be developed or maintained through a process of ongoing consultation with relevant stakeholders—there should be balanced input from all relevant stakeholder groups, including producers, traders, processors, financiers, local people and communities, Indigenous Peoples, and civil society organizations representing consumer, environmental and social interests, with no group holding undue authority or veto power over the content.
- Encourage step-wise and continual improvement—both in the standard and its application of better management practices, and require the establishment of meaningful targets and specific milestones to indicate progress against principles and criteria over time.
- Be verifiable through independent certifying or verifying bodies—which have defined and rigorous assessment procedures that avoid conflicts of interest, and are compliant with ISO guidance on accreditation and verification procedures.

GN149. In general, standards which conform to the ISEAL[GN50] Code of Good Practice for Setting Social and Environmental Standards and the ISEAL Code of Good Practice for Verifying Compliance with Social and Environmental Standards will be consistent with the above requirements.

GN150. Performance Standard 6 requires external verification or certification to an appropriate voluntary standard as a way of providing additional assurance that clients are adequately addressing environmental and social sustainability issues. While requiring external verification or certification of sustainable resource management (if an appropriate standard exists), Performance Standard 6 does not endorse any particular standard as meeting its requirements, since standards can change in both content and application on the ground over time. Standards are considered for application on a case-by-case basis, making a determination of whether the standard and its external verification or certification system are generally consistent with the above requirements.

GN151. Verification or certification to multiple standards may be unnecessary if one standard covers the key issues, but clients may choose to become certified to a number of standards, depending on their own needs for risk management, complexity of their supply chains, and the demands of their target markets.

[GN50] See various ISEAL good practice documents at: http://www.isealalliance.org/code.

Clients are encouraged to select standards which meet the requirements outlined above and help them minimize environmental and social risks.

GN152. Where there is a lack of a single comprehensive standard and criteria for a particular commodity, Performance Standard 6 allows for the verification or certification to a combination of standards which cover relevant biodiversity and ecosystem services aspects and may be combined with other standards that cover other environmental and social issues such as occupational health and safety, social and labor issues, product quality and environmental management.

> ***28. Where relevant and credible standard(s) exist, but the client has not yet obtained independent verification or certification to such standard(s), the client will conduct a pre-assessment of its conformity to the applicable standard(s) and take actions to achieve such verification or certification over an appropriate period of time.***

GN153. In cases where there is a relevant standard, but the client has not yet achieved verification or certification, clients are required, in the early stages of project design, to undertake a pre-assessment or gap analysis of conformity with the selected standard, carried out by a suitably experienced practitioner, to indicate areas where the client needs to develop materials and procedures and improve practice, prior to scheduling a formal compliance audit for verification or certification. The pre-assessment will form the basis of an action plan to address those issues, with an appropriate timeline. In agreeing to an appropriate timeline for achieving conformance with standard(s) as well as appropriate verification or certification, the nature and scale of the client's operations and the client's human resource capabilities should also be considered.

> ***29. In the absence of a relevant and credible global, regional, or national standard for the particular living natural resource in the country concerned, the client will:***
>
> - ***Commit to applying good international industry operating principles, management practices, and technologies; and***
> - ***Actively engage and support the development of a national standard, where relevant, including studies that contribute to the definition and demonstration of sustainable practices.***

GN154. Where a relevant standard has not yet been developed, or a national interpretation of a generic global standard has yet to be approved for use in a specific geographic region or country, clients are required to operate in the spirit of internationally-accepted good industry practices (as referenced in paragraphs GN145 and GN146 above) which are likely to be incorporated into the standard. The intent is that clients would use this period to prepare for eventual verification or certification in the future. Further, clients are expected to actively engage in the development process for a relevant standard, to the extent appropriate to the nature and scale of their operations. Such participation could include, among others, hosting and/or participating in local workshops, or pilot field testing of specific requirements which are planned for inclusion in the standard. When the standard is developed, clients will apply for and achieve verification or certification to that standard, for all operations which they own directly or over which they have management control.

> ***Supply Chain***
>
> ***30. Where a client is purchasing primary production (especially but not exclusively food and fiber commodities) that is known to be produced in regions where there is a risk of significant conversion of natural and/or critical habitats, systems and verification practices will be adopted as part of the client's ESMS to evaluate its primary suppliers.[21] The systems and verification practices will (i) identify where the supply is coming from and the habitat***

type of this area; (ii) provide for an ongoing review of the client's primary supply chains; (iii) limit procurement to those suppliers that can demonstrate that they are not contributing to significant conversion of natural and/or critical habitats (this may be demonstrated by delivery of certified product, or progress towards verification or certification under a credible scheme in certain commodities and/or locations); and (iv) where possible, require actions to shift the client's primary supply chain over time to suppliers that can demonstrate that they are not significantly adversely impacting these areas. The ability of the client to fully address these risks will depend upon the client's level of management control or influence over its primary suppliers.

[21] *Primary suppliers are those suppliers who, on an ongoing basis, provide the majority of living natural resources, goods, and materials essential for the core business processes of the project.*

GN155. Clients may purchase food, fiber, wood, animals, and animal products, and related commodities for further processing or trade, while not being directly involved in the growing or harvesting of such products. In addition, such products may pass through several intermediaries before being acquired by clients. Clients should be aware that there may be substantial reputational risks to their involvement in such supply chains where significant negative impacts on biodiversity have been identified in the production of these products.

GN156. Negative concerns and impacts include areas and situations where there has been significant conversion of natural and critical habitat as defined in paragraphs 13 and 16, respectively, of Performance Standard 6.

GN157. Clients involved with processing or trading of such commodities should develop and implement appropriate policies and procedures as part of their ESMS to identify their supply chains risks, and to assess their operational and reputational exposure to such risks. Clients should have appropriate quality assurance and traceability systems which allow them to identify with accuracy the source and origin of their products. Such traceability or chain-of-custody systems should be adequate to allow the client to eliminate products or suppliers who do not meet their policies and procedures and pose risks to biodiversity.

GN158. In situations where such concerns are identified, clients will identify ways to address them and reduce their risks, in a manner commensurate with their degree of control and influence over their supply chain. In particular, clients should identify their primary suppliers, who, on an ongoing basis, provide the majority of the living natural resources, goods and materials essential for the core processes of the client's business.

GN159. Clients should work with those primary suppliers to encourage and assist them in identifying where risks and concerns arise in their supply chains, and if possible, in identifying where and how those primary suppliers can work to prevent significant conversion and/or degradation of natural and critical habitat and secure sustainable management of living natural resources through the application of industry-specific good management practices and available technologies. As part of their ESMS, clients should develop and implement or adopt monitoring tools, metrics and methods to measure ongoing performance of primary suppliers, where relevant.

GN160. Where there are appropriate certification and verification systems in place for sustainable natural resource management in the country of origin, clients are encouraged to consider the procurement of certified product and demonstrated certification or verification under a credible chain-of-custody scheme relevant to the commodity or product in question.

Annex A

Developing a Biodiversity Action Plan/Biodiversity Management Plan

Where biodiversity values of importance to conservation are associated with a project site or its area of influence, the preparation of a Biodiversity Action Plan (BAP) and/or a Biodiversity Management Plan (BMP)[1] provides a useful means to focus a project's mitigation and management strategy. The development of a BAP/BMP might be required under a company's own biodiversity policy, or International Finance Institutions (IFI or "Lenders") might request a BAP/BMP to help demonstrate compliance with Lender standards. Other parties, such as government agencies, conservation organizations or Affected Communities, might also be interested in the development of a BAP/BMP to address a specific topic of concern.

A stand-alone BAP/BMP sends a clear message to stakeholders not only on a company's selected mitigation strategy, but also on its working philosophy and its ability to operate responsibly in areas of known conservation value. Companies might also opt to incorporate biodiversity-related mitigation and management measures into other, more general, Environmental Management Plans or Action Plans. The risk in this case is that commitments might appear less evident or buried among many others, and possibly be less focused. The development of a BAP is a Performance Standard 6 requirement when operating in critical habitats and should be developed when operating in natural habitats. A BMP is highly encouraged in both. A BAP/BMP may also be useful in modified habitats if biodiversity values of importance to conservation are associated with those areas.

Development of Biodiversity Action Plan

In general, a BAP consists of any number of biodiversity-related actions that need to be carried out by a company to fulfill the needs of a particular requirement, request or expectation (e.g., Lender compliance, legal requirement, stakeholder concerns). BAP are often developed when there are information gaps in a project's ESIA or its ESMS. Gaps that are frequently encountered with respect to biodiversity management include the following: (i) insufficient or inadequate baseline data (often due to time and/or seasonal constraints during baseline collection); (ii) inadequate or non-existent processing of data in a manner that clearly defines high biodiversity values; (iii) inadequate engagement and consultation with stakeholders, especially with external specialists; (iv) substandard consideration of impacts and lack of quantified impact analysis; (v) inadequate identification of mitigation measures, including those needed to mitigate significant residual impacts; and, (vi) inadequate or non-existent monitoring procedures. Whatever the case, the function of the BAP is to identify corrective action measures and a framework for their implementation.

A BAP might also serve as a means to demonstrate leading practice for those companies that choose to go beyond compliance. In this case, additional opportunities for conservation identified in consultation with relevant stakeholders could also be implemented through a BAP.

One of the most important elements of a BAP is the definition of its overarching goal, supported by a set of objectives. For example, if the purpose of a BAP is to mitigate significant residual impacts in critical habitat, the goal might be to design a biodiversity offset that achieves net gains of relevant biodiversity values, and the objectives would spell out how that goal is to be achieved. A BAP should not include a lofty goal with the motive of moving project activities forward or placating external stakeholders. The goal/objectives should be realistic and based on measurable targets. Each objective should outline a

[1] May take many names, including Ecological Management Plan (EMP) or Flora and Fauna Management Plan.

series of actions and include completion indicators or monitoring targets, and the responsible party and a timeframe. All of the above should be developed in consultation with relevant stakeholders, including government, external specialists, local/international conservation organizations and Affected Communities.

Considerable guidance is available on the development of BAPs for the public sector, but these are of limited value to the private sector. The International Petroleum Industry Environmental Conservation Association (IPIECA) provides one working example,[2,3] but there are relatively few other publically available guidance documents on this topic. This is partially due to the fact that the private sector is vast, and the overall purpose of the BAP is inherently context and project-specific. Even within the same company, project conditions and assessments will vary considerably, and the BAP will be used to respond to different needs. Furthermore, the terminology "BAP" is not well-defined for private sector purposes, and there is no one widely recognized, cross-sectoral framework for its development (as there is, for example, with a Resettlement Action Plan).

Development of Biodiversity Management Plan

The BMP is developed when the baseline, impact assessment and proposed mitigation measures are adequate and the only remaining issue is to collate such information into one implementable and auditable Management Plan. The Plan should spell out the mitigation measures, parties responsible for their implementation (e.g., company, contractor, government), monitoring requirements and the monitoring schedule (e.g., weekly, monthly, biannual). Like any other Environmental or Social Management Plan, the BMP should be integrated into the company's ESMS and not remain an outlier to the system. See *Integrating Biodiversity into Environmental Management Systems* published by the Energy and Biodiversity Initiative for reference.[4] In the case of biodiversity offsets, the Management Plan might take the form of a more elaborate Implementation Plan, and external expertise would be required for its development (especially as offsets are often managed by third parties). See the *Biodiversity Offset Implementation Handbook* developed by the Business and Biodiversity Offsets Program (Forest Trends, 2009) for reference.[5]

There is a difference between the monitoring requirements included in a BMP and a Biodiversity Monitoring and Evaluation Program. The former is standard operating practice for all Management Plans in that monitoring requirements for the *implementation of mitigation measures* are defined within the Plan. For projects with significant, diverse and unprecedented impacts key performance indicators are often defined for each Plan as the basis for monitoring. However, a Biodiversity Monitoring and Evaluation Program is a different concept and a technical discipline within the field of conservation biology. The monitoring of biodiversity does not lend itself well to standardized methods, such as those defined for air quality, noise or wastewater monitoring. Biodiversity Monitoring and Evaluation programs (for use in private sector field applications) require the development of metrics to monitor, for example, the

[2] *A Guide to Developing Biodiversity Action Plans for the Oil and Gas Sector* (2005).
See http://www.ipieca.org/publication/guide-developing-biodiversity-action-plans-oil-and-gas-sector.

[3] See also discussion papers by Maguire, S., *et al*. 2010. *Developing a Biodiversity Action Plan Through an Integrated Phased Approach*. Society of Petroleum Engineers (SPE) International Conference on Health, Safety and Environment (HSE) in Oil and Gas Exploration and Production, 12-14 April 2010, Rio de Janeiro, Brazil; Paper no. 127208-MS (describes experience from Peru LNG Project, Hunt Oil); and Croucher, T. and Dholoo, E. 2010. *To BAP or not to BAP? Challenges and Opportunities in the Adoption of Biodiversity Actions Plans for the Oil and Gas Sector*. SPE International Conference on HSE in Oil and Gas Exploration and Production, 12–14 April 2010, Rio de Janeiro, Brazil; Paper no. 127133-MS.

[4] http://www.theebi.org/products.html See also *Biodiversity Management Systems: Proposal for the integrated management of biodiversity at Holcim Sites*. IUCN, Gland, Switzerland (2010) for an example from the cement sector. http://cmsdata.iucn.org/downloads/biodiversity_management_system___final.pdf

[5] http://bbop.forest-trends.org/guidelines/.

persistence of a particular species in the landscape/seascape or the succession of fauna and flora communities with respect to project-related disturbance. Given the diversity of species and ecosystems, the development of accurate metrics will always require the expertise of specialists. Like the BAP, fundamental to a Biodiversity Monitoring and Evaluation Program is the definition of a goal and its objectives. For private sector field applications, the goal/objectives should always be linked to measuring biodiversity values *with respect to project-related impacts*. See *Biodiversity Indicators for Monitoring Impacts and Conservation Actions* published by the Energy and Biodiversity Initiative for reference.[6]

Given the complexity of natural (and many modified) habitats, biodiversity management needs to be considered within the context of adaptive management. Companies should evaluate findings from monitoring programs and adapt management and mitigation responses as necessary to more effectively ensure the protection of the biodiversity values in question.

[6] http://www.theebi.org/products.html.

Annex B

References to Ecosystem Services in Other Performance Standards

Performance Standard	Paragraph Number	Reference and Relation to Performance Standard 6
1	Paragraph 8/ first bullet	With respect to the definition of the project's area of influence, indirect project impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent are to be accounted for.
4	Paragraph 8	Describes the client's responsibility to take into account the project's potential direct impacts on priority ecosystem services that may result in adverse health and safety impacts to Affected Communities. Ecosystem services are limited to provisioning and regulating services. Client requirements link back to paragraph 25 in Performance Standard 6.
5	Paragraph 1/ footnote 1	Footnote explains that natural resource-based livelihoods are considered "livelihoods" per Performance Standard 5.
	Paragraph 5/ third bullet	Notes that Performance Standard 5 applies when economic displacement caused by project-related restrictions on land use and access to natural resources causes a community (or groups within a community) to lose access to resource usage.
	Paragraph 5/ footnote 9	States that the term "natural resource assets" as referred to in Performance Standard 5 are equivalent to the ***provisioning ecosystem services*** terminology of Performance Standard 6.
	Paragraph 27	Describes general client requirements for economically displaced persons who face loss of assets or access to assets, which includes natural resource assets.
	Paragraph 28/ second bullet	Describes additional client requirements for livelihood restoration for persons whose livelihoods are natural resource-based livelihoods and where there are project-related restrictions on access to natural resources, i.e., these would be considered ***priority provisioning ecosystem services*** of relevance to ***Affected Communities*** per Performance Standard 6***.***
7	Paragraph 11/ footnote 5	States that the term "natural resources and natural areas with cultural value" as referred to in Performance Standard 7 are equivalent to the provisioning and cultural ecosystem services terminology in Performance Standard 6.
	Paragraph 13/ footnote 6	States that the term "natural resource assets" as referred to in Performance Standard 7 is equivalent to the ***provisioning ecosystem services*** terminology of Performance Standard 6.
	Paragraph 14	Describes client requirements if the client proposes to locate a project, or commercially develop natural resources on lands traditionally owned

Performance Standard	Paragraph Number	Reference and Relation to Performance Standard 6
		by, or under customary use of Indigenous Peoples.
	Paragraph 14/ footnote 9	States that the term "natural resources and natural areas of importance" as referred to in Performance Standard 7 is equivalent to ***priority ecosystem services*** as defined in Performance Standard 6. This footnote is slightly different than footnote 5 in that it states that where impacts on natural resources and natural areas of importance trigger client requirements in Performance Standard 7, ***they will be considered priority ecosystem services*** per Performance Standard 6.
	Paragraph 16/ footnote 13	Describes client requirements with respect to impacts on critical cultural heritage for Indigenous Peoples. Footnote 13 explains that this includes "natural areas with cultural and/or spiritual value," which would be considered ***priority cultural ecosystem services*** per Performance Standard 6.
8	Paragraph 3	Explains that "unique natural features or tangible objects that embody cultural values" (such as sacred groves, rocks, lakes and waterfalls) is covered under Performance Standard 8 (unless these are cultural sites of Indigenous Peoples in which case they are covered under paragraph 16 of Performance Standard 7). "Unique natural features or tangible objects that embody cultural values" are equivalent to the ***cultural ecosystem services*** terminology used in Performance Standard 6.
	Paragraphs 11 and 12	Describes the client requirements for "Replicable" and "Non-replicable" cultural heritage. Cultural ecosystem services that meet definition 3(ii) of paragraph 3 in Performance Standard 8 will be covered by the requirements in paragraphs 11 or 12, as appropriate. The definitions of "Replicable" and "Non-replicable" cultural heritage are provided in footnotes 3 and 5 of Performance Standard 8.
	Paragraph 11/ footnote 4	Describes client requirements for "Replicable" cultural heritage and includes the mitigation hierarchy as it applies to Performance Standard 8. These requirements place emphasis on "maintaining or restoring any ecological processes needed to support (the cultural heritage)." The "ecological processes" term is essentially equivalent to ***priority regulating ecosystem services*** as defined in Performance Standard 6.

Annex C

Example Ecosystem Services Review Template

Below is an illustrative example of an Ecosystem Services Review (ESR) template. In general, ESR procedures are nascent and dynamic, and the following offers a potential framework. Type I priority services would depend on the Degree of Impact, Relevance to Affected Communities and Degree of Management Control. Type II priority services would depend on the Degree of Dependence (on project operations) and the Degree of Management Control.

Ecosystem Service	Degree of Impact (Type I)	Degree of Dependence (Type II)	Relevance to Affected Community (Type I)	Degree of Management Control (Type I/II)
Provisioning				
Crops				
Livestock				
Capture fisheries				
Aquaculture				
Wild foods				
Timber and other wood fiber				
Other fibers (e.g., cotton, hemp, silk)				
Biomass fuel				
Freshwater				
Genetic resources				
Biochemicals, natural medicines, and pharmaceuticals				
Regulating				
Air quality regulation				
Global climate regulation				
Regional/local climate regulation				

Ecosystem Service	Degree of Impact (Type I)	Degree of Dependence (Type II)	Relevance to Affected Community (Type I)	Degree of Management Control (Type I/II)
Water regulation				
Erosion regulation				
Water purification and waste treatment				
Disease regulation				
Pest regulation				
Pollination				
Natural hazard regulation				
Cultural				
Sacred or spiritual sites				
Areas used for religious purposes				
Supporting				
Nutrient capture and recycling				
Primary production				
Pathways for genetic exchange				

Annotated Bibliography

International Agreements

Several of the requirements set out in Performance Standard 6 relate to standards set by the following international agreements:

CMS (Convention on Migratory Species) Secretariat and UNEP (United Nations Environment Programme). 1979. "Convention on the Conservation of Migratory Species of Wild Animals" CMS Secretariat, Bonn, Germany, and UNEP, Nairobi. http://www.cms.int/index.html. Known as the Bonn Convention, this intergovernmental treaty strives to conserve terrestrial, marine, and avian migratory species; their habitats; and their migration routes.

IMO (International Maritime Organization). 2004. "International Convention for the Control and Management of Ships' Ballast Water and Sediments Convention." IMO, London. http://www.imo.org/About/Conventions/ListOfConventions/Pages/International-Convention-for-the-Control-and-Management-of-Ships'-Ballast-Water-and-Sediments-(BWM).aspx. This convention is intended to prevent the spread of harmful aquatic organisms carried by ships' ballast water from one region to another.

IUCN (International Union for Conservation of Nature). 1975. "Convention on International Trade in Endangered Species of Wild Fauna and Flora." IUCN, Gland, Switzerland. http://www.cites.org. This international agreement is aimed at ensuring that international trade in specimens of wild animals and plants does not threaten their survival.

Ramsar Secretariat. 1971. "Convention on Wetlands of International Importance, especially as Waterfowl Habitat." Ramsar Secratariat, Gland, Switzerland. http://www.ramsar.org. This intergovernmental treaty provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.

Secretariat of the CBD (Convention on Biological Diversity). 1992. "Convention on Biological Diversity." Secretariat of the CBD, Montreal. http://www.cbd.int/. The convention was developed from agreements adopted at the 1992 Earth Summit in Rio de Janeiro. CBD is an international treaty to sustain the diversity of life on Earth. The convention's three main goals are the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of the benefits from the use of genetic resources.

———. 2000. "Cartagena Protocol on Biosafety to the Convention on Biological Diversity." Secretariat of the CBD, Montreal. http://www.cbd.int/biosafety/default.html. This protocol is a supplement to the Convention on Biological Diversity. Its objective is to ensure the safe handling, transport, and use of living modified organisms resulting from modern biotechnology that may have adverse effects on biological diversity or cause risks to human health.

———. 2011. "Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization to the Convention on Biological Diversity." Secretariat of the CBD, Montreal. http://www.cbd.int/abs. This international agreement aims to share the benefits that arise from the use of genetic resources in a fair and equitable way, including by appropriate access to genetic resources and transfer of relevant technologies. The Nagoya Protocol will be open for signature by parties to the convention from February 2, 2011, to February 1, 2012.

UNESCO (United Nations Educational, Scientific, and Cultural Organization). 1972. "Convention Concerning the Protection of World Cultural and Natural Heritage." UNESCO, Paris. http://whc.unesco.org/en/conventiontext. Known as the World Heritage Convention, this international agreement aims to identify and conserve the world's cultural and natural heritage. Its World Heritage List contains sites of outstanding cultural and natural value.

Biodiversity Conservation and Management

The following resources provide guidance and other references relevant to biodiversity conservation and management:

Biodiversity Action Plans

For guidance on the development of biodiversity action plans, see the following resources:

Croucher, Toby, and Erica Dholoo. 2010. "To BAP or Not to BAP? Challenges and Opportunities in the Adoption of Biodiversity Actions Plans for the Oil and Gas Sector." Paper 127133-MS presented at the Society of Petroleum Engineers International Conference on Health, Safety, and Environment in Oil and Gas Exploration and Production, Rio de Janeiro, April 12–14.

IPIECA (International Petroleum Industry Environmental Conservation Association). 2005. "A Guide to Developing Biodiversity Action Plans for the Oil and Gas Sector." IPIECA, London. http://www.ipieca.org/publication/guide-developing-biodiversity-action-plans-oil-and-gas-sector.

Maguire, Simon, Carolina Casaretto, David Vexler, Richard Kingham, and Scott Rolseth. 2010. "Developing a Biodiversity Action Plan through an Integrated Phased Approach." Paper 127208-MS presented at Society of Petroleum Engineers International Conference on Health, Safety, and Environment in Oil and Gas Exploration and Production, Rio de Janeiro, April 12–14.

Biodiversity and Environmental Impact Assessments

For guidance on biodiversity and ecological impact assessments, see the following resources:

CMS (Convention on Migratory Species) Secretariat and UNEP (United Nations Environment Programme). 2002. "Convention on the Conservation of Migratory Species of Wild Animals: Resolution 7.2—Impact Assessment and Migratory Species." CMS Secretariat, Bonn, Germany, and UNEP, Nairobi. http://www.cms.int/bodies/COP/cop7/proceedings/pdf/en/part_I/Res_Rec/RES_7_02_Impact_Assessment.pdf.

IEEM (Institute of Ecology and Environmental Management). 2006. "Guidelines for Ecological Impact Assessment in the United Kingdom." IEEM, Winchester, U.K. http://www.ieem.net/ecia/EcIA%20Approved%207%20July%2006.pdf.

Energy and Biodiversity Initiative. 2003c. "Measuring Impacts and Actions on Biodiversity." In *Integrating Biodiversity Conservation into Oil and Gas Development*, 43–46. Washington, DC: Energy and Biodiversity Initiative. http://www.theebi.org/pdfs/ebi_report.pdf. This document and chapter give further information on measuring biodiversity values with respect to project-related impacts.

Ramsar Secretariat. 2007. "Ramsar Handbook for the Wise Use of Wetlands, Volume 13: Impact Assessment." Ramsar Secretariat, Gland, Switzerland. http://www.ramsar.org/pdf/lib/lib_handbooks2006_e13.pdf.

———. 2008. "Ramsar Convention on Wetlands, Resolution X.17, Environmental Impact Assessment and Strategic Environmental Assessment: Updated Scientific and Technical Guidance." Ramsar Secretariat, Gland, Switzerland. http://www.ramsar.org/pdf/res/key_res_x_17_e.pdf.

Secretariat of the CBD (Convention on Biological Diversity). 2006a. "Biodiversity in Impact Assessment: Background Document to Decision VIII/28 of the Convention on Biological Diversity: Voluntary Guidelines on Biodiversity-Inclusive Impact Assessment." CBD Technical Series 26, Secretariat of the CBD, Montreal. http://www.cbd.int/doc/publications/cbd-ts-26-en.pdf.

———. 2006b. "Voluntary Guidelines on Biodiversity-Inclusive Impact Assessment." Decision VIII/28, Secretariat of the CBD, Montreal. http://www.cbd.int/doc/decisions/cop-08-dec-28-en.pdf.

Slootweg, Roel, Asha Rajvanshi, Vinod Mathur, and Arend Kolhoff. 2009. *Biodiversity in Environmental Assessment: Enhancing Ecosystem Services for Human Well-Being*. Cambridge, U.K.: Cambridge University Press.

Treweek, Jo. 1999. *Ecological Impact Assessment*. Oxford, U.K.: Blackwell Science.

World Bank. 2000. "Biodiversity and Environmental Assessment Toolkit." World Bank, Washington, DC. http://go.worldbank.org/QPXINZOES0.

Biodiversity Management Systems

For guidance on the development of biodiversity management systems, see the following resources:

Energy and Biodiversity Initiative. 2003. "Integrating Biodiversity into Environmental Management Systems." In *Integrating Biodiversity Conservation into Oil and Gas Development*. Washington, DC: Energy and Biodiversity Initiative. http://www.theebi.org/products.html.

Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety. 2010. "Corporate Biodiversity Management Handbook." Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety, Berlin http://www.bmu.de/english/nature/downloads/doc/46144.php. This publication offers businesses a practical tool for implementing a biodiversity management system. For more information, visit the Biodiversity in Good Company Initiative, http://www.business-and-biodiversity.de.

IUCN (International Union for Conservation of Nature). 2010. *Biodiversity Management Systems: Proposal for the Integrated Management of Biodiversity at Holcim Sites*. Gland Switzerland: IUCN. http://cmsdata.iucn.org/downloads/biodiversity_management_system___final.pdf. The Holcim Group–IUCN Independent Expert Panel developed this system. This comprehensive document was prepared for the cement sector but is of relevance to biodiversity management in all sectors.

Partnerships

The following sample documents on partnerships between biodiversity conservation organizations and the private sector are provided for the mining, oil and gas, and cement industries:

Holcim. 2010. "Partnership for Biodiversity: Making Biodiversity Part of Business." Jona, Switzerland, Holcim. http://www.holcim.com/holcimcms/uploads/CORP/partnership_for_biodiverstiy/index.html

ICMM (International Council of Mining and Metals). "Work Programs: Resources for Partnerships." ICCM, London. http://www.icmm.com/mpd/resources.

IPIECA (International Petroleum Industry Environmental Conservation Association). 2006. *Partnerships in the Oil and Gas Industry*. London: IPIECA. http://www.ipieca.org/publication/partnerships-oil-and-gas-industry.

Other Resources

American Bird Conservancy. 2011. "Alliance for Zero Extinction." American Bird Conservancy, Washington, DC. http://www.zeroextinction.org. The Alliance for Zero Extinction (AZE) is a global initiative of biodiversity conservation organizations that identifies sites in critical need of protection and safeguarding to prevent imminent species extinctions. Information on AZE sites, species, and selection criteria is available at Taylor H. Ricketts, Eric Dinerstein, Tim Boucher, Thomas M. Brooks, Stuart H. M. Butchart, Michael Hoffmann, John F. Lamoreux, John Morrison, Mike Parr, John D. Pilgrim, Ana S. L. Rodrigues, Wes Sechrest, George E. Wallace, Ken Berlin, John Bielby, Neil D. Burgess, Don R. Church, Neil Cox, David Knox, Colby Loucks, Gary W. Luck, Lawrence L. Master, Robin Moore, Robin Naidoo, Robert Ridgely, George E. Schatz, Gavin Shire, Holly Strand, Wes Wettengel, and Eric Wikramanayak, 2005, "Pinpointing and Preventing Imminent Extinctions," *Proceedings of the National Academy of Sciences* 102 (51): 18497–501.

BBOP (Business and Biodiversity Offsets Program). Homepage. Forest Trends, Washington, DC. http://bbop.forest-trends.org. The BBOP guidelines and principles establish a framework for designing and implementing biodiversity offsets programs and for measuring their conservation outcomes. Numerous publications, guidance, and references are available on biodiversity offsets and related topics through BBOP's online library and toolkit. See also BBOP, 2005, "BBOP Phase One: Overview, Principles, Interim Guidance, and Supporting Materials," BBOP, Washington, DC, http://bbop.forest-trends.org/guidelines, and BPOP, n.d., "Principles on Biodiversity Offsets," BBOP, Washington, DC, http://bbop.forest-trends.org/guidelines/principles.pdf.

BirdLife International. Homepage. BirdLife International, Cambridge, U.K. http://www.birdlife.org. BirdLife International is a global partnership of conservation organizations that focuses on conservation of birds, bird habitats, and global biodiversity. BirdLife International makes available data on endangered bird species and important bird areas (IBA) through its publications and online database. For IBA criteria, see BirdLife International, "BirdLife International Data Zone," BirdLife International, Cambridge, U.K. http://www.birdlife.org/datazone/info/ibacriteria.

Bishop, Joshua, Sachin Kapila, Frank Hicks, Paul Mitchell, and Francis Vorhies. 2008. *Building Biodiversity Business*. London: Shell International; Gland, Switzerland: International Union for Conservation of Nature. http://data.iucn.org/dbtw-wpd/edocs/2008-002.pdf. This publication covers various sectors, such as forestry, agriculture, and carbon.

Conservation International. 2011. "RAP Tool Kit." https://learning.conservation.org/biosurvey/RAP/Toolkit/Pages/default.aspx#. The RAP (Rapid Assessment Program) Tool Kit provides information, resources, and tools related to rapid biodiversity assessment.

Earthwatch Institute (Europe). 2011. "Business and Biodiversity Resource Centre." http://www.businessandbiodiversity.org/index.html. This site provides a wealth of sector-specific resources on biodiversity management.

Edgar, Graham J., Penny F. Langhammer, Gerry Allen, Thomas M. Brooks, Juliet Brodie, William Crosse, Naamal De Silva, Lincoln D. C. Fishpool, Matthew N. Foster, David H. Knox, John E. McCosker, Roger McManus, Alan J. K. Millar, and Robinson Mugo. 2009. "Key Biodiversity Areas as Globally Significant Target Sites for the Conservation of Marine Biological Diversity." *Aquatic Conservation: Marine and Freshwater Ecosystems* 18 (6): 969–83. This publication discusses key marine biodiversity areas.

Energy and Biodiversity Initiative. 2003a. "Deciding Where to Work." In *Integrating Biodiversity Conservation into Oil and Gas Development*, 38–42. Washington, DC: Energy and Biodiversity Initiative. http://www.theebi.org/pdfs/ebi_report.pdf.

———. 2003b. "Good Practice in the Prevention and Mitigation of Primary and Secondary Biodiversity Impacts." Energy and Biodiversity Initiative, Washington, DC. http://www.theebi.org/pdfs/practice.pdf.

Food and Agriculture Organization (FAO) of the United Nations. Homepage. FAO, Rome. http://www.fao.org. FAO specializes in agriculture, forestry, and fisheries.

———. 2010. *Global Forest Resources Assessment 2010*. Rome: FAO. http://www.fao.org/forestry/fra/en. The assessment is based on data provided to FAO by countries in response to a questionnaire.

———. 2011a. "Biodiversity for a World without Hunger." FAO, Rome. http://www.fao.org/biodiversity. FAO's biodiversity webpage provides information on biodiversity aspects in food and agriculture, including issues related to agro-ecosystems and biotechnology.

———. 2011b. "National Forest Monitoring and Assessment—NFMA." FAO, Rome. http://www.fao.org/forestry/nfma/en. This website provides links to information on the current status of forest resources and their changes over time from FAO's global and national forest assessment and monitoring programs.

GEO (Group on Earth Observations). Homepage. http://www.geoportal.org/web/guest/geo_home. GEO coordinates the international efforts to build a Global Earth Observation System of Systems (GEOSS). Its website offers access to a wide array of instruments and systems for monitoring and forecasting global environmental change, including a single internet access point for existing global databases and portals. For more information on GEOSS, visit http://www.earthobservations.org/geoss.shtml.

GISP (Global Invasive Species Programme). Homepage. GISP, Nairobi. http://www.gisp.org. GISP was established in 1997 to address global threats caused by invasive alien species and to support the implementation of Article 8(h) of the Convention on Biological Diversity. GISP's website contains links to databases and related information on invasive species.

HCV (High Conservation Value) Resource Network. Homepage. HCV Resource Network, Oxford, U.K. http://www.hcvnetwork.org. This site's resource center provides guidance, manuals, tools, and studies for assessing high conservation value areas. Visit http://www.hcvnetwork.org/resources for more information.

Holland, Robert A., William R. T. Darwall, and Kevin Smith. Forthcoming. "Conservation Priorities for Freshwater Biodiversity: The Key Biodiversity Area Approach Refined and Tested for Continental Africa." *Biological Conservation*.

IAIA (International Association for Impact Assessment). Homepage. IAIA, Fargo, ND. http://www.iaia.org. IAIA provides a variety of resources on the impact assessment process. See also the IAIA Wiki site, which provides a variety of information on biodiversity, ecosystems and ecosystem services, and impact assessment consideration and approaches: http://www.iaia.org/IAIAWiki/(X(1)S(50zqs2rmrpdcul55maeul545))/Default.aspx?Page=biodiv&NS=&AspxAutoDetectCookieSupport=1.

———. 2005. "Biodiversity in Impact Assessment." Special Publication Series 3, IAIA, Fargo, ND.

IBAT (Integrated Biodiversity Assessment Tool). Homepage. https://www.ibatforbusiness.org. IBAT is a joint project of BirdLife International, Conservation International, International Union for Conservation of Nature, and United Nations Environment Programme's World Conservation Monitoring Centre. IBAT allows users access to information on biodiversity and ecosystems, including high-priority sites for conservation, such as protected areas and key biodiversity areas.

ICMM (International Council on Mining and Metals). Homepage. ICMM, London. http://www.icmm.com. Within ICMM's environment work program is sector-specific information on biodiversity management, including its landmark publication and other discussion papers on biodiversity offsets. See http://www.icmm.com/biodiversity.

———. 2006. *Good Practice Guidance for Mining and Biodiversity.* London: ICMM.

———. 2010. *Mining and Biodiversity: A Collection of Case Studies—2010*. London: ICMM.

IFC (International Finance Corporation). 2007. "Environmental, Health, and Safety Guidelines for Mining." IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/risk+management/sustainability+framework/sustainability+framework+-+2006/environmental%2C+health%2C+and+safety+guidelines/ehsguidelines.

———. 2011. "A Guide to Biodiversity for the Private Sector: Why Biodiversity Matters and How It Creates Business Value." IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/biodiversityguide. This online guide is designed to help companies that are operating in emerging markets to better understand their relationship to biodiversity issues and how they can effectively manage those issues to improve business performance

and to benefit from biodiversity. It provides a useful source of sector-specific biodiversity management issues.

IMO (International Maritime Organization). 1997. "Guidelines for the Control and Management of Ships' Ballast Water to Minimize the Transfer of Harmful Aquatic Organisms and Pathogens." IMO, London. http://globallast.imo.org/868%20english.pdf. These voluntary guidelines provide relevant authorities with guidance on ways to improve ballast water management and to prevent the introduction of unwanted aquatic organisms and pathogens.

IPIECA (International Petroleum Industry Environmental Conservation Association). Homepage. IPIECA, London. http://www.ipieca.org. Biodiversity is one of IPIECA's main focus areas. Sector-specific information on biodiversity management has been developed by the IPIECA–International Association of Oil and Gas Producers Biodiversity Working Group.

———. 2010. "Alien invasive species and the oil and gas industry: Guidance for prevention and management." IPIECA, London.
http://www.ipieca.org/sites/default/files/publications/alien_invasive_species.pdf.
This document delivers practical information to on-the-ground staff at onshore and offshore projects and operations, helping them to identify key issues and solutions and to embed active consideration of alien invasive species (AIS) from the earliest stages of the project.

IUCN (International Union for Conservation of Nature). 2003. "Guidelines for Application of IUCN Red List Criteria at Regional Levels: Version 3.0," IUCN Species Survival Commission, IUCN, Gland, Switzerland. This document provides guidance on the application of Red List criteria at the regional level.

———. 2011a. "About the Species Survival Commission."
http://www.iucn.org/about/work/programmes/species/about_ssc. This site includes information about the Species Survival Commission and its work, with links to publications and technical guidelines, as well as a specialists group directory and profiles.

———. 2011b. "Ecosystems Red List." IUCN, Gland Switzerland. http://www.iucn.org/about/union/commissions/cem/cem_work/tg_red_list. For information on the initiative to establish criteria and categories for threatened and unique ecosystems, see http://www.iucn.org/about/union/commissions/cem/.

———. 2001c. "Global Business and Biodiversity Programme." IUCN, Gland, Switzerland. http://www.iucn.org/about/work/programmes/business/bbp_aboutus. The Global Business and Biodiversity Programme was established to influence and support private partners in addressing environmental and social issues. The program's key priority, which is based on a strategy approved by the IUCN Council, is to engage the business sectors that have a significant impact on natural resources and livelihoods. Numerous related resources, including IUCN–private sector projects, can be found on IUCN's website.

———. 2011d. "The IUCN Red List of Threatened Species." http://www.iucnredlist.org. This site provides comprehensive data related to the risk of extinction and conservation status of plant and animal species.

———. 2011e. "Protected Area Management Categories." IUCN, Gland, Switzerland. http://www.iucn.org/about/work/programmes/pa/pa_products/wcpa_categories. This site summarizes the definitions of the six protected area management categories and contains links to full texts of the guidelines for protected areas management categories.

Langhammer, Penny F., Mohamed I Bakarr, Leon A. Bennun, Thomas M. Brooks, Rob P. Clay, Will Darwall, Naamal De Silva, Graham J. Edgar, Güven Eken, Lincoln D. C. Fishpool, Gustavo A. B. da Fonseca, Matthew N. Foster, David H. Knox, Paul Matiku, Elizabeth A. Radford, Ana S. L. Rodrigues, Paul Salaman, Wes Sechrest, and Andrew W. Tordoff. 2007. "Identification and Gap Analysis of Key Biodiversity Areas: Targets for Comprehensive Protected Area Systems." Best Practice Protected Area Guideline Series 15, International Union for Conservation of Nature, Gland, Switzerland. This publication discusses key biodiversity issues in general.

Miranda, Marta, Philip Burris, Jessie Froy Bincang, Phil Shearman, José Oliver Briones, Antonio La Viña, and Stephen Menard. 2003. "Mining and Critical Ecosystems: Mapping the Risks" World Resources Institute, Washington, DC. This publication was made in collaboration with the Environmental Science for Social Change and Papua New Guinea NGO Environmental Watch Group.

NatureServe. NatureServe database. NatureServe, Arlington, VA. http://www.natureserve.org/getData/LACecologyData.jsp. The website gives access to the completed, working classification of terrestrial ecological systems in Latin America and the Caribbean.

Plantlife International. 2004. "Identifying and Protecting the World's Most Important Plant Areas." Plantlife International, Salisbury, U.K. This publication discusses key plant biodiversity areas.

Ramsar Secretariat. 2009. "What Are the Criteria for Identifying Wetlands of International Importance." Ramsar Secretariat, Gland, Switzerland. http://www.ramsar.org/cda/en/ramsar-about-faqs-what-are-criteria/main/ramsar/1-36-37%5E7726_4000_0. This webpage gives overview of the criteria adopted for the identification of Ramsar sites.

Rodriguez, Jon Paul, Jennifer K. Balch, and Kathryn M. Rodriguez-Clark. 2007. "Assessing Extinction Risk in the Absence of Species-Level Data: Quantitative Criteria for Terrestrial Ecosystems," *Biodiversity and Conservation* 16 (1): 183–209.

Rodriguez, Jon Paul, Kathryn M. Rodriguez-Clark, Jonathan E. M. Baillie, Neville Ash, John Benson, Timothy Boucher, Claire Brown, Neil D. Burgess, Ben Collen, Michael Jennings, David A. Keith, Emily Nicholson, Carmen Revenga, Belinda Reyers, Mathieu Rouget, Tammy Smith, Mark Spalding, Andrew Taber, Matt Walpole, Irene Zager, and Tara Zamin. 2011. "Establishing IUCN Red List Criteria for Threatened Ecosystems." *Conservation Biology* 25 (1): 21–29.

Secretariat of the CBD (Convention on Biological Diversity). 2002. "Guiding Principles for the Prevention, Introduction, and Mitigation of Impacts of Alien Species That Threaten Ecosystems, Habitats, or Species." Decision VI/23 in the Sixth Conference of the Parties (COP-6) to the CBD, Secretariat of the CBD, Montreal. http://www.cbd.int/doc/decisions/cop-06-dec-23-en.pdf.

———. 2004a. "Addis Ababa Principles and Guidelines for the Sustainable Use of Biodiversity." Secretariat of the CBD, Montreal. http://www.cbd.int/doc/publications/addis-gdl-en.pdf. These guidelines were developed as part of the CBD.

———. 2004b. "Akwé: Kon Guidelines." Secretariat of the CBD, Montreal. http://www.cbd.int/doc/publications/akwe-brochure-en.pdf. These guidelines were developed as part of the Convention on Biological Diversity.

———. 2004c. "Guidelines on Biodiversity and Tourism Development." Secretariat of the CBD, Montreal. http://www.cbd.int/doc/publications/tou-gdl-en.pdf. Also see the accompanying user's manual, *Managing Tourism and Biodiversity: User's Manual on the CBD Guidelines on Biodiversity and Tourism Development* (Montreal: CBD), http://www.cbd.int/doc/programmes/tourism/tourism-manual-en.pdf.

———. 2008a. "Biodiversity for Development Program." Secretariat of the CBD, Montreal. http://www.cbd.int/development. The program's website provides various materials on the role that biodiversity can play in poverty alleviation and development, including case studies and best practice documents.

———. 2008b. "'Biodiversity in Good Company' Initiative." Secretariat of the CBD, Montreal. http://www.business-and-biodiversity.de/en/about-the-initiative.html. This initiative was developed following Decision IX/26 in the Ninth Conference of the Parties (COP-9) to the CBD and is an initiative with international participation under the CBD. Various publications from the initiative are offered through the website.

———. 2010. "Aichi Biodiversity Targets." Secretariat of the CBD, Montreal. http://www.cbd.int/decision/cop/?id=12268. Revised and updated biodiversity targets are provided for the 2011–2020 Strategic Plan for the Convention on Biological Diversity, specifically Decision X/2 of the 10th Conference of the Parties (COP-10).

———. 2011a. "Ecosystem Approach." Secretariat of the CBD, Montreal. http://www.cbd.int/ecosystem. This webpage offers information on the CBD's Ecosystem Approach Program, including background, implementation guidance and case studies, and the "Ecosystem Approach Sourcebook."

———. 2011b. "National Biodiversity Strategies and Action Plans (NBSAPs)." Secretariat of the CBD, Montreal. http://www.cbd.int/nbsap. The website gives access to NBSAPs and related documents for the implementation of the CBD at the national level.

SER (Society for Ecological Restoration International). Homepage. SER, Washington, DC. http://www.ser.org. SER serves the field of ecological restoration by facilitating dialogue among restorationists, encouraging research, promoting awareness, contributing to public policy discussions, and promoting ecological restoration. The website offers numerous resources on ecological restoration.

SPE (Society of Petroleum Engineers). OnePetro database. SPE, Richardson, TX. http://www.onepetro.org. This multisociety library operated by SPE on behalf of participants allows users to search and purchase papers from organizations in the oil and gas sector in a single transaction. A search of the keyword "biodiversity" will reveal many related publications on biodiversity management in the oil and gas sector.

UNEP (United Nations Environment Programme) Finance Initiative. Homepage. UNEP, Geneva. http://www.unepfi.org. This program is a global partnership between UNEP and the financial sector. More than 190 institutions, including banks, insurers, and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance. Through peer-to-peer networks, research, and training, the UNEP Finance

Initiative carries out its mission to identify, promote, and realize the adoption of best environmental and sustainability practices at all levels of financial institution operations.

UNEP (United Nations Environment Programme)–WCMC (World Conservation Monitoring Centre). "A to Z Areas of Biodiversity Importance." UNEP-WCMC, Cambridge, U.K. http://www.biodiversitya-z.org. This online glossary contains detailed information for a number of recognized systems to prioritize and protect areas of biodiversity importance that fall into two main categories: (a) areas under protected area frameworks that are supported by national or subnational institutions and by international conventions and programs and (b) global prioritization schemes that are developed by academic and conservation organizations.

———. CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) Trade Database. UNEP-WCMC, Cambridge, U.K. http://www.unep-wcmc.org/citestrade/trade.cfm. CITES is a unique resource and currently holds more than 10 million records of trade in wildlife and 50,000 scientific names of taxa. More than 750,000 records of trade in CITES-listed species of wildlife are reported annually.

———. "Ocean Data Viewer." UNEP-WCMC, Cambridge, U.K. http://data.unep-wcmc.org. Developed by UNEP-WCMC, this website provides an overview and access to a range of data, including data from the World Database on Protected Areas and relevant conventions related to the conservation of marine and coastal biodiversity.

———. World Database on Protected Areas—Marine. UNEP-WCMC, Cambridge, U.K. http://www.wdpa-marine.org. Developed by UNEP-WCMC, the database is dedicated to providing the most comprehensive set of marine protected areas data available.

UNEP (United Nations Environment Programme)–WCMC (World Conservation Monitoring Centre) and IUCN (International Union for Conservation of Nature). "Protected Planet." UNEP-WCMC, Cambridge, U.K. http://www.protectedplanet.net. Developed by UNEP-WCMC and IUCN, Protected Planet is the new face of the World Database on Protected Areas, a joint initiative between IUCN and UNEP-WCMC. The website allows viewers to search in any language to find information about individual protected areas.

WBCSD (World Business Council for Sustainable Development) Cement Sustainability Initiative. Homepage. WBCSD, Geneva, Switzerland. http://www.wbcsdcement.org. The Cement Sustainability Initiative (CSI) is a global initiative of the leading cement producers to manage and minimize the impacts of cement production. Quarry rehabilitation is one of CSI's focus topics.

WWF (World Wildlife Fund) and World Bank. "Forests: WWF/World Bank Alliance." http://www.worldwildlife.org/what/globalmarkets/forests/worldbankalliance.html. WWF, Washington, DC. This website includes information on the identification and conservation of high conservation value forests and forest certification systems.

ZSL (Zoological Society of London). 2011. "National Red Lists." ZSL, London. http://www.nationalredlist.org/site.aspx. The website provides data on the conservation status of species at the regional and national levels.

ZSL (Zoological Society of London) EDGE of Existence Program. Homepage. ZSL, London. http://www.edgeofexistence.org/index.php. This program uses a scientific framework to identify the world's most evolutionarily distinct and globally endangered (EDGE) species. The

EDGE of Existence program is the only global conservation initiative to focus specifically on threatened species that represent a significant amount of unique evolutionary history. For more information on evolutionary processes and conservation concerns, see Keith A. Crandall, Olaf R. P. Bininda-Emonds, Georgina M. Mace, and Robert K. Wayne, 2000, "Considering Evolutionary Processes in Conservation Biology," *Trends in Ecology and Evolution* 15 (7): 290–95.

Assessment and Management of Ecosystem Services

Guidance, tools, and other references with respect to the assessment and management of ecosystem services include the following:

ARIES Consortium. Homepage. http://ariesonline.org. This site is developed by a consortium of groups that include the University of Vermont's Gund Institute for Ecological Economics, Conservation International, and Earth Economics, as well as experts at Wageningen University. The computer model and decision-support system aims to assist decision makers and researchers by estimating and forecasting ecosystem services provision and their correspondent range of economic values in a specific area.

BBOP (Business and Biodiversity Offsets Program). 2009. "Biodiversity Offset Cost-Benefit Handbook." BBOP, Washington, DC. This handbook addresses the management of biodiversity and the design of an offset primarily for the sustained yield of particular ecosystem services on which affected communities are dependent.

BSR (Business for Social Responsibility Environmental Services, Tools, and Markets Working Group). Homepage. http://www.bsr.org. BSR, San Francisco, CA. Reports include identification of a wide range of ecosystem services tools and in-depth assessments of key selected tools of particular relevance to the private sector.

IPIECA (International Petroleum Industry Environmental Conservation Association). 2011. "Ecosystem services guidance: Biodiversity and ecosystem services guide and checklists." http://www.ipieca.org/sites/default/files/publications/ecosystem_services_guidance_8.pdf. This document explains the relationship between biodiversity, ecosystem services and the oil and gas industry; it provides a set of checklists to help identify the main ecosystem service dependencies and impacts of oil and gas developments; and, it highlights key associated risks and opportunities for oil and gas companies, and provides guidance on potential measures for managing them.

Millennium Ecosystem Assessment. Homepage. http://www.maweb.org. This site houses the Millennium Assessment reports, including *Millennium Ecosystem Assessment, 2006*; *Ecosystems and Human Well-Being: Opportunities and Challenges for Business and Industry*; and links to full synthesis reports, graphic resources, presentations, and videos.

National Capital Project. "Integrated Valuation of Ecosystem Services and Tradeoffs (InVEST)." National Capital Project, Stanford University, Stanford, CA. http://www.naturalcapitalproject.org. InVEST is a family of online planning tools developed by the Natural Capital Project, a joint venture of Stanford University's Woods Institute for the Environment, The Nature Conservancy, the World Wildlife Fund, and the University of Minnesota's Institute on the Environment. The tools are a decision-making aid to map and value ecosystem services and to assess the trade-offs linked to different natural resource management scenarios.

NVI (Natural Value Initiative). Homepage. http://www.naturalvalueinitiative.org. Flora and Fauna International, Cambridge, U.K. The initiative was created by Flora and Fauna International, the United Nations Environment Programme Finance Initiative, Nyenrode Business University, the Dutch Association of Investors for Sustainable Development, and the Brazilian Business School FGV. The initiative enables the finance sector to (a) evaluate how well the food, beverage, and tobacco sectors are managing biodiversity and ecosystem services risks and opportunities and (b) engage with companies in such sectors to reduce their risk exposure through the responsible management and harvesting of natural resources.

——. The NVI toolkit includes the "Ecosystem Services Benchmark: A Tool for Investors to Assess the Management of Biodiversity and Ecosystem Services Risks and Opportunities in Companies with an Agricultural Supply Chain," Flora and Fauna International, Cambridge, U.K. http://www.naturalvalueinitiative.org/content/003/303.php.

——. 2011. "Tread Lightly: Biodiversity and Ecosystem Services Risk and Opportunity Management Within the Extractive Industry." http://www.naturalvalueinitiative.org/download/documents/Publications/NVI%20Extractive%20Report_Tread%20lightly_LR.pdf.

Secretariat of the CBD (Convention for Biological Diversity). 2010. "International Conference on Biological and Cultural Diversity: Diversity for Development—Development for Diversity." Montreal, June 8–10. http://www.cbd.int/meetings/icbcd/. The conference aimed to bring together stakeholder groups of various backgrounds, including representatives of indigenous and local populations, to exchange knowledge and practices linking biological and cultural diversity. Various informational documents relevant to cultural ecosystem services, including sacred sites, are available on the conference's website.

———. 2011. "The Tkarihwaié:ri Code of Ethical Conduct to Ensure Respect for the Cultural and Intellectual Heritage of Indigenous and Local Communities—COP-10, Decision X/42." Secretariat of the CBD, Montreal. http://www.cbd.int/decision/cop/?id=12308. This code of conduct is relevant to cultural ecosystem services.

TEEB (The Economics of Ecosystems and Biodiversity). Homepage. TEEB, Geneva. http://www.teebweb.org. This site includes reports and resources for businesses, local and regional policies related to the evaluation of ecosystem services, the economic costs of biodiversity loss, and the costs and benefits of actions to reduce losses.

University of Vermont Gund Institute for Ecological Economics. Multiscale Integrated Models of Ecosystem Services (MIMES). Burlington, VT. http://www.uvm.edu/giee/mimes/. MIMES is a multiscale, integrated suite of models that enables understanding of the contributions of ecosystem services by quantifying the effects of varying environmental conditions derived from land use change. The models evaluate land use changes and subsequent effects on ecosystem services on global, regional, and local levels.

WBCSD (World Business Council for Sustainable Development). Homepage. WBCSD, Geneva. http://www.wbcsd.org. Ecosystems constitute one of the four key focus areas of the WBCSD. WBCSD argues the business case for the conservation of ecosystems. The site contains related publications on ecosystem services and discusses the business risks associated with the loss and degradation of ecosystems on which businesses depend.

WBCSD (World Business Council on Sustainable Development), IUCN (International Union for the Conservation of Nature), PricewaterhouseCoopers, and Environmental Resources

Management. 2011. "Guide to Corporate Ecosystem Valuation: A Framework for Improving Corporate Decision-Making." WBCSD, Geneva. The document defines corporate ecosystem valuation (CEV) as a process to make better-informed business decisions by explicitly valuing both ecosystem degradation and the benefits provided by ecosystem services. The document provides a set of screening questions for companies to determine the need to undertake a CEV as well as a basic methodology.

WRI (World Resources Institute), WBCSD (World Business Council on Sustainable Development), and Meridian Institute. 2008. "Corporate Ecosystem Services Review: Guidelines for Identifying Business Risks and Opportunities Arising from Ecosystem Change." WRI, Washington, DC; WBCSD, Geneva, Switzerland; and Meridian Institute, Washington, DC. http://www.wri.org/publication/corporate-ecosystem-services-review. This document provides a structured methodology that helps managers proactively develop strategies to manage business risks and opportunities arising from their company's dependence and impact on ecosystems. To date, the review is arguably one of the most relevant to the private sector in terms of conceptualizing ecosystem services and integrating this concept into environmental and social assessments.

——. 2011. "Ecosystem Services Review for Impact Assessment." http://www.wri.org/publication/ecosystem-services-review-for-impact-assessment. The Ecosystem Services Review for Impact Assessment (ESR for IA) provides practical instructions to environmental and social practitioners on how to incorporate ecosystem services throughout environmental and social impact assessment.

Commodity Roundtables and Standards Setting Websites

The following websites provide information on commodity roundtables and standards setting:

AWS (Alliance for Water Stewardship). Homepage. http://www.allianceforwaterstewardship.org. AWS aims to establish a global water stewardship program that will recognize and reward responsible water managers and users by creating opportunities for enhanced community standing and competitive advantage.

BAP (Best Aquaculture Practices). Homepage. BAP, Crystal River, FL. http://www.aquaculturecertification.org. This certification system combines site inspections and effluent sampling with sanitary controls, therapeutic controls, and traceability.

Bonsucro (Better Sugar Cane Initiative). Homepage. Bonsucro, London. http://www.bonsucro.com. Bonsucro is dedicated to reducing the environmental and social impacts of sugar cane production.

CERFLOR (Brazilian National Forestry Certification Scheme). Homepage. CERFLOR, Brasília. http://www.inmetro.gov.br/qualidade/cerflor.asp. CERFLOR is Brazil's autonomous national forest certification scheme.

CSA (Canadian Standards Association) International. Homepage. http://www.csa-international.org. CSA International provides product testing and certification services.

FSC (Forest Stewardship Council). Homepage. FSC, Minneapolis. http://www.fsc.org/. FSC promotes responsible management of the world's forests.

GAA (Global Aquaculture Alliance). Homepage. http://www.gaalliance.org. GAA is an international, non-profit trade association dedicated to advancing environmentally and socially responsible aquaculture and has developed the Best Aquaculture Practices certification standards.

GlobalG.A.P. Homepage. GlobalG.A.P., Cologne, Germany. http://www.globalgap.org. GlobalG.A.P. sets voluntary standards for the certification of production processes of agricultural products around the globe.

IFOAM (International Federation of Organic Agriculture Movements). Homepage. IFOAM, Bonn, Germany. http://www.ifoam.org. IFOAM promotes the adoption of systems based on the principles of organic agriculture.

International Trade Centre. "Standards Map." http://www.standardsmap.org. This online tool enables analyses and comparisons of private and voluntary standards. The map analysis tool can be accessed by all registered users.

ISEAL Alliance. "ISEAL Codes of Good Practice." ISEAL Alliance, London. http://isealalliance.org/code. ISEAL is the global association for social and environmental standards. Working with established and emerging voluntary standard systems, ISEAL develops guidance and helps strengthen the effectiveness and impact of these standards.

ISO (International Organization for Standardization). "Standards Development." ISO, Geneva. http://www.iso.org/iso/standards_development.htm.

Leonardo Academy. "Sustainable Agriculture Standard." Leonardo Academy, Madison. http://www.leonardoacademy.org/programs/standards/agstandard/development.html. See also the Leonardo Academy's Sustainable Agriculture Standard Reference Library at https://sites.google.com/a/leonardoacademy.org/sustainableag-referencelibrary/standards.

MSC (Marine Stewardship Council). Homepage. MSC, London. http://www.msc.org. MSC's fishery certification program and seafood ecolabel recognize and reward sustainable fishing.

PEFC (Programme for the Endorsement of Forest Certification). Homepage. PEFC, Geneva. http://www.pefc.org/. PEFC is promotes sustainable forest management.

Rainforest Alliance. "Standards for Sustainable Agriculture." Rainforest Alliance, New York. http://www.rainforest-alliance.org/agriculture/standards.

RSB (Roundtable on Sustainable Biofuels). Homepage. RSB, Lausanne, Switzerland. http://rsb.epfl.ch. RSB is an international initiative that brings together farmers, companies, nongovernmental organizations, experts, governments, and intergovernmental agencies concerned with ensuring the sustainability of biofuels production and processing.

RSPO (Roundtable on Sustainable Palm Oil). Homepage. RSPO, Kuala Lumpur. http://www.rspo.org. RSPO promotes the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

RTRS (Round Table on Responsible Soy Association). Homepage. RTRS, Buenos Aires. http://www.responsiblesoy.org. This multistakeholder initiative aims to facilitate a global dialogue on soy production that is economically viable, socially equitable, and environmentally sound.

SAN (Sustainable Agriculture Network). Homepage. SAN, San José, Costa Rica. http://sanstandards.org/sitio. SAN promotes efficient and productive agriculture, biodiversity conservation, and sustainable community development by creating social and environmental standards.

SFI (Sustainable Forestry Initiative). Homepage. SFI, Washington, DC. http://www.sfiprogram.org. SFI maintains, oversees, and improves an internationally recognized sustainable forestry certification program.

TSPN (Trade Standards Practitioners Network). Homepage, Eschborn, Germany. http://www.tradestandards.org/en/Index.aspx. TSPN's mission is to improve the effectiveness of initiatives that support developing-country capacity and participation in the development and implementation of trade-related social, environmental, and food safety standards and associated measures in agriculture, forestry and fisheries, with a focus on voluntary standards.

WWF (World Wildlife Fund). "Aquaculture Dialogues." WWF, Washington, DC. http://www.worldwildlife.org/what/globalmarkets/aquaculture/aquaculturedialogues.html.

Guidance Note 7
Indigenous Peoples

January 1, 2012

Guidance Note 7 corresponds to Performance Standard 7. Please also refer to the Performance Standards 1–6 and 8 as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

1. Performance Standard 7 recognizes that Indigenous Peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalized and vulnerable segments of the population. In many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. Indigenous Peoples are particularly vulnerable if their lands and resources are transformed, encroached upon, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also come under threat. As a consequence, Indigenous Peoples may be more vulnerable to the adverse impacts associated with project development than non-indigenous communities. This vulnerability may include loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and diseases.

2. Private sector projects can create opportunities for Indigenous Peoples to participate in, and benefit from project-related activities that may help them fulfill their aspiration for economic and social development. Furthermore, Indigenous Peoples may play a role in sustainable development by promoting and managing activities and enterprises as partners in development. Government often plays a central role in the management of Indigenous Peoples' issues, and clients should collaborate with the responsible authorities in managing the risks and impacts of their activities.[1]

Objectives

- ***To ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples.***
- ***To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts.***
- ***To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner.***
- ***To establish and maintain an ongoing relationship based on informed consultation and participation with the Indigenous Peoples affected by a project throughout the project's life-cycle.***
- ***To ensure the Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples when the circumstances described in this Performance Standard are present.***
- ***To respect and preserve the culture, knowledge, and practices of Indigenous Peoples.***

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[1] *In addition to meeting the requirements under this Performance Standard, clients must comply with applicable national law, including those laws implementing host country obligations under international law.*

GN1. IFC recognizes that key United Nations (UN) Human Rights Conventions (see Bibliography) form the core of international instruments that provide the rights framework for members of the world's Indigenous Peoples. In addition, some countries have passed legislation or ratified other international or regional conventions for the protection of Indigenous Peoples, such as the International Labour Organization (ILO) Convention 169, ratified by 17 countries.[GN1] In addition, various declarations and resolutions address rights of Indigenous Peoples, including the UN Declaration on the Rights of Indigenous Peoples (2007). While such instruments address the responsibilities of states, it is increasingly expected that private sector companies conduct their affairs in a way that would uphold these rights and not interfere with states' obligations under these instruments. It is in recognition of this emerging business environment that private sector projects are increasingly expected to foster full respect for the human rights, dignity, aspirations, cultures, and customary livelihoods of Indigenous Peoples.

GN2. Many Indigenous Peoples' cultures and identities are inextricably linked to the lands on which they live and the natural resources on which they depend. In many cases, their cultures, identities, traditional knowledge, and oral histories are connected to, and maintained through the use of, and relationships with, these lands and natural resources. These lands and resources may be sacred or have a spiritual significance. Use of sacred sites and other places of cultural significance may have important functions for the conservation and sustainable use of the natural resources upon which Indigenous Peoples rely for their livelihoods and well-being. Thus, project impacts on lands, forests, water, wildlife, and other natural resources may affect their institutions, livelihoods, economic development, and their ability to maintain and develop their identities and cultures. Performance Standard 7 sets out specific requirements when projects affect these relationships.

GN3. The objectives of Performance Standard 7 underscore the need to avoid adverse project impacts on Indigenous Peoples' communities living in the project's area of influence, or where avoidance is not feasible, to minimize and/or compensate for these impacts in a manner commensurate with the scale of project risks and impacts, the vulnerability of the Affected Communities of Indigenous Peoples, and through mechanisms that are tailored to their specific characteristics and expressed needs.

GN4. The client and the Affected Communities of Indigenous Peoples should establish an ongoing relationship throughout the life of the project. To this end, Performance Standard 7 requires the client to engage in a process of informed consultation and participation (ICP). In the special circumstances described in paragraphs 13–17 of Performance Standard 7, the client's engagement process will ensure the Free, Prior and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples. As noted in Performance Standard 7 there is no universally accepted definition of FPIC and thus, for the purposes of Performance Standards 1, 7, and 8, FPIC has the meaning described in paragraph 12 of Performance Standard 7. This meaning is further elaborated in paragraphs GN24–GN26. Taking into account the Indigenous Peoples' understanding of the changes brought about by a project helps to identify both positive and negative project impacts. Similarly, the effectiveness of impact avoidance, mitigation and compensation measures is enhanced if the points of views of Indigenous Peoples on matters that affect them are taken into consideration and form part of project decision-making processes.

Scope of Application

3. The applicability of this Performance Standard is established during the environmental and social risks and impacts identification process. The implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the

[GN1] See ILO 169 and the Private Sector, IFC's practical guide for IFC clients who operate in countries that have ratified ILO 169.

client's Environmental and Social Management System, the elements of which are outlined in Performance Standard 1.

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

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

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

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

7. The client may be required to seek inputs from competent professionals to ascertain whether a particular group is considered as Indigenous Peoples for the purpose of this Performance Standard.

GN5. Over the past 20 years, "Indigenous Peoples" have emerged as a distinct group of human societies under international law and in the national legislation of many countries. However, there is no internationally accepted definition of "Indigenous Peoples." Further the term "indigenous" may also be considered to be sensitive in certain circumstances. For this reason, Performance Standard 7 does not define, use, or require use of the term "Indigenous Peoples" to determine the applicability of Performance Standard 7. Rather it is recognized that various terms including but not limited to indigenous ethnic minorities, hill tribes, scheduled tribes, minority nationalities, first nations or tribal groups may all be used to identify Indigenous Peoples. Accordingly, for the purposes of this Performance Standard applicability is determined on the basis of the four characteristics presented in paragraph 5 of Performance Standard 7. Each characteristic is evaluated independently, and no characteristic weighs more than the others. In addition, Performance Standard 7 applies to groups or communities, rather than individuals. A determination that a group or community is indigenous for the purpose of Performance Standard 7 does not affect the political or legal status of such a group or community within specific countries or states. Instead, such determination leads the client to meet the requirements of Performance Standard 7 in terms of avoidance of impacts, the process of engagement and management of potentially high risk circumstances.

GN6. Clients will need to exercise judgment in determining whether a group or communities should be considered "indigenous" for the purpose of Performance Standard 7. In making this determination, the client may undertake a number of activities, including investigation of the applicable national laws and regulations (including laws reflecting host country obligations under international law), archival research, ethnographic research (including documentation of culture, customs, institutions, customary laws, etc.), and participatory appraisal approaches with the Affected Communities of Indigenous Peoples. Both legal recognition and precedents in recognition of a group or community as indigenous should be given due consideration but are not determining factors for triggering Performance Standard 7. The client should retain competent experts to assist in this work.

GN7. The Performance Standard applies to groups or communities of Indigenous Peoples who maintain a collective attachment to distinct habitats or ancestral territories, and the natural resources therein. This may include:

- Communities of Indigenous Peoples who are resident upon the lands affected by the project as well as those who are nomadic or who seasonally migrate over relatively short distances, and whose attachment to ancestral territories may be periodic or seasonal in nature;
- Communities of Indigenous Peoples who do not live on the lands affected by the project, but who retain ties to those lands through traditional ownership and/or customary usage, including seasonal or cyclical use. This may include Indigenous Peoples resident in urban settings who retain ties to lands affected by a project;
- Communities of Indigenous Peoples who have lost collective attachment to lands and territories in the project area of influence, occurring within the concerned group members' lifetime, as a result of forced severance, conflict, involuntary resettlement programs by governments, dispossession from their lands, natural calamities or incorporation into an urban area but who retain ties to lands affected by a project;
- Groups of Indigenous Peoples who reside in mixed settlements, such that the Affected Indigenous Peoples only form one part of the more broadly defined community; or
- Communities of Indigenous Peoples with collective attachment to ancestral lands located in urban areas.

GN8. The Performance Standard is applicable to groups and/or communities of Indigenous Peoples who, by virtue of their economic, social, and legal status and/or their institutions, custom, culture and/or language may be characterized as distinct from mainstream society and who may be disadvantaged in the development process as a result of their identity. Projects affecting Indigenous Peoples who are resident within the project-affected area and who are part of a larger regional population of Indigenous Peoples, or who are substantially integrated with mainstream society, are still required to meet the requirements of this Performance Standard. However, in these cases the mitigation measures (as described in subsequent sections) should be tailored to the specific circumstances of the Affected Communities of Indigenous Peoples.

GN9. Performance Standard 7 addresses vulnerabilities pertinent to Indigenous Peoples. Other vulnerable groups affected economically, socially, or environmentally by project impacts are addressed through the environmental and social risks and impacts assessment process, and by the management of environmental and social impacts set out in Performance Standard 1 and Guidance Note 1.

Requirements

General

Avoidance of Adverse Impacts

8. The client will identify, through an environmental and social risks and impacts assessment process, all communities of Indigenous Peoples within the project area of influence who may be affected by the project, as well as the nature and degree of the expected direct and indirect economic, social, cultural (including cultural heritage[2]), and environmental impacts on them.

9. Adverse impacts on Affected Communities of Indigenous Peoples should be avoided where possible. Where alternatives have been explored and adverse impacts are unavoidable, the client will minimize, restore, and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the vulnerability of the Affected Communities of Indigenous Peoples. The client's proposed actions will be developed with the informed consultation and participation of the Affected Communities of Indigenous Peoples and contained in a time-bound plan, such as an Indigenous Peoples Plan, or a broader community development plan with separate components for Indigenous Peoples.[3]

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

[3] *The determination of the appropriate plan may require the input of competent professionals. A community development plan may be appropriate in circumstances where Indigenous Peoples are a part of larger Affected Communities.*

GN10. The screening phase of the environmental and social risks and impacts assessment process should identify the existence of communities of Indigenous Peoples in the project's area of influence (as defined in paragraphs 7 and 8 of Performance Standard 1) that may be potentially affected by the client's project. If the screening indicates potentially adverse impacts on Indigenous Peoples, further analysis should be undertaken to collect baseline data on those communities, covering key environmental and socioeconomic aspects that may be impacted by the project. The analysis should also identify positive impacts and potential benefits of the project to Indigenous Peoples and consider ways to enhance them. Further guidance on possible social impacts and mitigation approaches is provided in IFC Good Practice Note: Addressing the Social Dimensions of Private Sector Projects and guidance on the conduct of cultural, environmental, and social impact assessments is available in the Akwé: Kon Guidelines.

GN11. The breadth, depth, and type of assessment should be proportional to the nature and scale of the proposed project's potential impacts on the Affected Communities and the vulnerability of the Affected Communities of Indigenous Peoples. The analysis of vulnerability will include consideration of Indigenous Peoples': (i) economic, social, and legal status; (ii) their institutions, customs, culture, and/or language; (iii) their dependence on natural resources; and (iv) their past and ongoing relationship to dominant groups and the mainstream economy. When used in the context described above, vulnerability refers to group- and/or community-level vulnerability defined by the nature of the relationship between the Affected Communities of Indigenous Peoples and mainstream society rather than household or individual level indicators of vulnerability. A competent expert should be engaged to carry out a vulnerability analysis as part of the project's assessment. Such analysis should use participatory approaches and reflect the views of the Affected Communities of Indigenous Peoples on expected project risks, impacts, and benefits.

GN12. Projects can adversely impact Indigenous Peoples' identity, natural resource-based livelihoods, food security and cultural survival. For these reasons, clients should avoid such impacts. Instead, clients

should explore viable alternative project designs, consult the Affected Communities of Indigenous Peoples, and seek advice of competent experts in an effort to avoid such impacts.

GN13. If adverse impacts are unavoidable, the client will minimize and/or compensate for these impacts in a manner commensurate with the nature and scale of impacts and the vulnerability of the Affected Communities of Indigenous Peoples. The client should prepare an Indigenous Peoples Plan (IPP) outlining the actions to minimize and/or compensate for adverse impacts in a culturally appropriate manner. Depending on local circumstances, a free-standing IPP may be prepared, or it may be a component of a broader community development plan where Affected Communities of Indigenous Peoples exist in the same area with other similarly Affected Communities or where the Indigenous Peoples are integrated within a larger affected population. The plan should detail actions to minimize and/or compensate for adverse social and economic impacts, and identify opportunities and actions to enhance positive impacts of the project on the Indigenous Peoples. Where appropriate, the plan may also include measures to promote conservation and sustainable management of the natural resources on which the Indigenous Peoples depend, in a manner consistent with Performance Standard 6 or measures by the project to manage land usage by the Affected Communities of Indigenous Peoples. The plan should include a clear statement of roles and responsibilities, funding and resource inputs, a time-bound schedule of activities, and a budget. See Annex 1 for recommended contents of an IPP. Further guidance on community development programs is provided in IFC's Community Development Resource Guide, Investing in People: Sustaining Communities through Improved Business Practice.

Participation and Consent

10. The client will undertake an engagement process with the Affected Communities of Indigenous Peoples as required in Performance Standard 1. This engagement process includes stakeholder analysis and engagement planning, disclosure of information, consultation, and participation, in a culturally appropriate manner. In addition, this process will:

- ***Involve Indigenous Peoples' representative bodies and organizations (e.g., councils of elders or village councils), as well as members of the Affected Communities of Indigenous Peoples; and***
- ***Provide sufficient time for Indigenous Peoples' decision-making processes.[4]***

11. Affected Communities of Indigenous Peoples may be particularly vulnerable to the loss of, alienation from or exploitation of their land and access to natural and cultural resources.[5] In recognition of this vulnerability, in addition to the General Requirements of this Performance Standard, the client will obtain the FPIC of the Affected Communities of Indigenous Peoples in the circumstances described in paragraphs 13–17 of this Performance Standard. FPIC applies to project design, implementation, and expected outcomes related to impacts affecting the communities of Indigenous Peoples. When any of these circumstances apply, the client will engage external experts to assist in the identification of the project risks and impacts.

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[4] *Internal decision making processes are generally but not always collective in nature. There may be internal dissent, and decisions may be challenged by some in the community. The consultation process should be sensitive to such dynamics and allow sufficient time for internal decision making processes to reach conclusions that are considered legitimate by the majority of the concerned participants.*

[5] *Natural resources and natural areas with cultural value referred to in this Performance Standard are equivalent to ecosystem provisioning and cultural services as described in Performance Standard 6.*

12. There is no universally accepted definition of FPIC. For the purposes of Performance Standards 1, 7 and 8, "FPIC" has the meaning described in this paragraph. FPIC builds on and expands the process of informed consultation and participation described in Performance Standard 1 and will be established through good faith negotiation between the client and the Affected Communities of Indigenous Peoples. The client will document: (i) the mutually accepted process between the client and Affected Communities of Indigenous Peoples, and (ii) evidence of agreement between the parties as the outcome of the negotiations. FPIC does not necessarily require unanimity and may be achieved even when individuals or groups within the community explicitly disagree.

General Principles of Engagement

GN14. The client should engage with the Affected Communities of Indigenous Peoples within the project's area of influence through a process of information disclosure and ICP. The general characteristics of engagement with Affected Communities are described in Performance Standard 1 and the accompanying Guidance Note, and are further described below as they apply to Indigenous Peoples.[GN2]

GN15. The process of ICP entails consultation that occurs freely and voluntarily, without any external manipulation, interference or coercion, and without intimidation. In addition, the Affected Communities of Indigenous Peoples should have access to relevant project information prior to any decision making that will affect them, including information on potential adverse environmental and social impacts affecting them at each stage of project implementation (i.e., design construction, operation and decommissioning). To achieve this objective, consultations should take place prior to and during project planning.

GN16. The engagement process will take account of existing social structures, leadership, and decision-making processes as well as social identities such as gender and age, and be cognizant of, inter alia:

- The existence of patriarchal traditions and social norms and values that may limit women's participation in leadership roles and decision-making processes;
- The need to protect and ensure the legal rights of indigenous women; and
- Marginal or vulnerable groups' potentially limited realization of their economic and social rights as a consequence of poverty and limited access to economic resources, social services, or decision-making processes.

GN17. Clients should adopt ICP approaches that build upon existing customary institutions and decision-making processes utilized by the Affected Communities of Indigenous Peoples. However clients should assess the capacity of the existing institutions and decision-making processes to deal with the wide array of new issues introduced by the project. In many situations, projects introduce issues that existing institutions and decision-making processes are poorly equipped to address. Inadequate capacity and experience may result in decisions and outcomes that have detrimental consequences for the Affected Communities and project relations with them. Specifically, poor processes, decisions, and outcomes may lead to challenges to existing institutions, decision-making processes, and recognized leadership, and to disputes over agreements between the Affected Communities of Indigenous Peoples and the project. Building awareness and capacity to address issues that can reasonably be predicted to occur can strengthen both Affected Communities and project agreements with them. Such capacity building can be done in a number of ways, including but not limited to involving competent local organizations such as

[GN2] Further guidance on engagement processes is provided in (i) Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets, and (ii) Indigenous Peoples and Mining, Good Practice Guide, ICMM 2010.

civil society organizations (CSOs) or government extension agencies; contracting with academic or research organizations undertaking applied or action research involving communities; linking up with existing support programs for local communities run by government or other agencies; and providing resources and technical support for local municipal authorities in facilitating community engagement and strengthening.

GN18. Clients should keep in mind that the communities of Indigenous Peoples are not necessarily homogeneous and there can be divergent views and opinions within them. Experience demonstrates that: the views of the traditional elders or leaders may differ from those who have received formal education; the views of the elderly may differ from those of the youth; and the views of men may differ from women. Nonetheless in many cases, community elders or leaders, who are not necessarily the elected officials of these communities, play a key role. Furthermore, some segments of the community such as women, youth, and the elderly, may be more vulnerable to project impacts than others. The consultation should take into account the interests of these segments in the community while being cognizant of traditional cultural approaches that may exclude segments of the community from the decision-making process.

GN19. The ICP processes with and within Affected Communities of Indigenous Peoples will frequently span an extended period of time. Providing adequate information to the members of the indigenous community about a project's potential adverse impacts and proposed minimization and compensation measures may involve an iterative process involving various segments of the community. Thus, (i) consultation should start as early as possible in the risks and impacts assessment process; (ii) client engagement processes should aim to ensure that the entire population of Affected Communities of Indigenous Peoples is aware of and understands the risks and impacts associated with project development; (iii) project information should be made available in an understandable format, using indigenous languages where appropriate; (iv) the communities should have sufficient time for consensus building and developing responses to project issues that impact upon their lives and livelihoods; and (v) clients should allocate sufficient time to fully consider and address Indigenous Peoples' concerns and suggestions about the project in the project design and implementation.

GN20. Assessment of the capacity of the Affected Communities of Indigenous Peoples to engage in a process of ICP should inform the engagement process. The client may consider effective communication and capacity building programs to enhance the effectiveness of the ICP process with Indigenous Peoples and their informed participation in key aspects of the project. For example the client:

- Should seek the active participation of the Affected Communities of Indigenous Peoples throughout the key stages of the risks and impacts assessment process on matters that pertain to them.
- May provide members of the Affected Communities with an opportunity to assess the potential risks and impacts associated with project development by facilitating cross-visits to comparable projects.
- May enable Indigenous Peoples' access to legal advice about their rights and entitlements to compensation, due process, and benefits under national law.
- Should ensure that all groups' views are adequately represented in decision making.
- Should facilitate a culturally appropriate decision-making process for communities where no established decision-making process or leadership exists.
- May promote capacity building and involvement in areas such as participatory monitoring and community development.

GN21. Affected Communities of Indigenous Peoples should be enabled to raise and receive client responses to grievances and complaints. The client may utilize the general grievance mechanism for the project in accordance with the requirements of Performance Standard 1 or a grievance mechanism

specifically dedicated to the Affected Communities of Indigenous Peoples that meets the requirements of Performance Standard 1 to achieve this objective. The grievance mechanism should be designed in consultation with the Affected Communities of Indigenous Peoples. The grievance mechanism should be culturally appropriate and should not interfere with any existing processes or institutions within the Affected Communities of Indigenous Peoples to settle differences among them. The grievance mechanism should provide for fair, transparent, and timely redress of grievances at no cost, and if necessary provide special provisions for women, youth and the elderly. As part of the engagement process, all members of the Affected Communities of Indigenous Peoples should be informed of the client's grievance mechanism.

GN22. For successful outcomes to be achieved for the mutual benefit of all parties, it is important that the parties have a shared view of the process for achieving ICP and, where applicable, FPIC itself. These processes should ensure the meaningful participation of Indigenous Peoples in decision-making, focusing on achieving agreement while not conferring veto rights to individuals or sub-groups, or requiring the client to agree to aspects not under their control. The client and Affected Communities of Indigenous Peoples should agree on appropriate engagement and consultation processes as early as possible, commensurate with the scale of impact and vulnerability of the communities. This should ideally be done through a framework document or plan that identifies representatives of Affected Communities of Indigenous Peoples, the agreed consultation process and protocols, the reciprocal responsibilities of parties to the engagement process and agreed avenues of recourse in the event of impasses occurring (see GN23). Where appropriate, it should also define what would constitute consent from Affected Communities of Indigenous Peoples. The client should document support for the agreed process from the affected population.

GN23. Companies have a responsibility to work with Affected Communities of Indigenous Peoples to ensure a meaningful engagement process, including on achieving FPIC where appropriate. Affected Communities of Indigenous Peoples are similarly expected to work with the client to establish an acceptable engagement process and to participate in this process. It is recognized that differences of opinion may arise, which in some cases may lead to setbacks or delays in reaching agreement. At the outset the parties should agree on reasonable tests or avenues of recourse to be applied in such situations. This might include seeking mediation or advice from mutually acceptable third parties. As noted in GN26, the engagement process between the client and Affected Communities of Indigenous Peoples required in the Performance Standards is separate from project-related processes and decisions of the government.

Definition of Free, Prior and Informed Consent

GN24. It is recognized that there is no universally accepted definition of FPIC and that the definition and practices related to FPIC are evolving. For the purposes of this Performance Standard, FPIC is defined in Paragraph 12 of Performance Standard 7 and further elaborated below.

GN25. FPIC comprises a process and an outcome. The process builds upon the requirements for ICP (which include requirements for free, prior and informed consultation and participation) and additionally requires Good Faith Negotiation (GFN) between the client and Affected Communities of Indigenous Peoples. GFN involves on the part of all parties: (i) willingness to engage in a process and availability to meet at reasonable times and frequency; (ii) provision of information necessary for informed negotiation; (iii) exploration of key issues of importance; (iv) use of mutually acceptable procedures for negotiation; (v) willingness to change initial position and modify offers where possible; and (vi) provision of sufficient time for decision making. The outcome, where the GFN process is successful, is an agreement and evidence thereof.

GN26. States have the right to make decisions on the development of resources pursuant to applicable national law, including those laws implementing host country obligations under international law. Performance Standard 7 does not contradict the state's right to develop its resources. A state may have obligations or commitments to ensure that Indigenous Peoples provide their free, prior, and informed consent for matters pertaining to the overall development of indigenous territories. Such state-level obligations are distinct from the project-level FPIC requirements described in Performance Standard 7. As described in GN62–65, where government processes involve project-level decision and actions, the client should review these processes in relation to the requirements of the Performance Standard and address identified gaps where feasible.

Requirement for Free, Prior and Informed Consent

GN27. Over and above the requirement for ICP for projects adversely impacting Indigenous Peoples, projects are required to facilitate a process of FPIC with the Affected Communities of Indigenous Peoples with regard to project design, implementation and expected outcomes if these are associated with any of the potentially adverse impacts identified below:

- Impacts on lands and natural resources subject to traditional ownership or under customary use;
- Relocation of Indigenous Peoples from lands and natural resources subject to traditional ownership or under customary use;
- Significant impacts on critical cultural heritage that is essential to the identity and/or cultural, ceremonial, or spiritual aspects of Indigenous Peoples lives, including natural areas with cultural and/or spiritual value such as sacred groves, sacred bodies of water and waterways, sacred trees, and sacred rocks;[GN3] or
- Use of cultural heritage, including knowledge, innovations or practices of Indigenous Peoples for commercial purposes.

Application of Free, Prior and Informed Consent

GN28. FPIC applies to those aspects of project design, activities, and outcomes associated with the specific potential adverse impacts described in GN27, and which directly affect communities of Indigenous Peoples. In some cases, the scope of FPIC will be limited and targeted to specific portions of land or aspects of a project. Examples of such targeted FPIC include: (i) linear projects that pass through multiple human habitats may only require FPIC for the component that traverses Indigenous Peoples' lands; (ii) projects with multiple facilities and/or comprising multiple sub-projects, some of which are located on Indigenous Peoples' lands, may only require FPIC for the facilities and/or sub-projects located on Indigenous Peoples' lands; (iii) for projects involving an expansion of existing facilities, FPIC should focus on the new project activities to the extent possible.

GN29. In certain cases it may not be possible to define all aspects of the project and its locations, identify Affected Communities (including Indigenous Peoples) and review project environmental and social assessment and related mitigation plans before decisions are taken about project design aspects (e.g., exploration phase activities in the extractive industries). In the absence of these elements, achieving FPIC prior to approving a project may not be feasible and/or considered meaningful because the determination should be closely related to the defined impacts of a known project on directly Affected Communities. The appropriate sequencing of achieving FPIC is generally to first agree on key principles through an overall framework, and then consult on specific aspects once designs are further advanced and locations are determined. In such circumstances the client should (i) develop forward-looking stakeholder engagement strategies that ensure that relevant stakeholders are aware of potential

[GN3] Natural areas with cultural value are equivalent to priority ecosystem services as defined in Performance Standard 6 in that they may be central to the identity and/or cultural, ceremonial, or spiritual aspects of Indigenous Peoples' lives.

development pathways; (ii) ensure that stakeholders have adequate awareness, understanding and access to information concerning their resource rights (lands, forests, tenure systems, government established compensation frameworks, etc); and (iii) commit to implementing a process of FPIC for any subsequent project development adversely impacting Indigenous Peoples in the manner described in GN27, once such impacts become known. Documents that may be submitted in the process of achieving FPIC may include a framework agreement on engagement and consultation, agreements demonstrating FPIC, and IPPs.

GN30. Similarly, there may be situations where likely project scope and location are known, but where the engagement process with Affected Communities of Indigenous Peoples is not yet sufficiently advanced to have obtained FPIC at the time of project approval. In such cases the overall principles and engagement process, and criteria for obtaining FPIC, should be agreed on before project approval. As a minimum FPIC should be obtained prior to any of the circumstances requiring FPIC taking place.

GN31. Circumstances may arise where a project is required to achieve both ICP for mainstream communities impacted by the project, and FPIC for Indigenous Peoples impacted by the project, such as linear projects that traverse both non-Indigenous and Indigenous Peoples' lands; and projects implemented in areas where both mainstream society and Indigenous Peoples reside in proximate but separate communities or in mixed communities. Since the achievement of ICP and FPIC as separate processes with different groups within a community or between proximate communities may be difficult and in some cases be a cause of division within the community, a single engagement process resulting in one agreement is generally recommended. In such cases the process and agreement should reference the higher standard (i.e., GFN and agreement demonstrating FPIC). Whether the agreement entails different benefits for the differently affected groups will depend on the project context, the Affected Communities and the nature of project impacts.

GN32. Where government decision-making processes have been directly applied at a project level (e.g., land acquisition, resettlement), the client's due diligence process should assess whether these processes have occurred in a manner consistent with the requirements of this Performance Standard and, if not, if any corrective action is feasible to address the situation (see GN63). Where key project decisions such as land acquisition and resettlement are not managed by the client, it may not be possible for the client to achieve all elements of this Performance Standard, including the requirement of FPIC (see also GN23). In these cases, the client should access the overall risks from proceeding with its project when aspects of Performance Standards are not met.

GN33. The FPIC process and outcome do not require unanimous support from all members of Affected Communities of Indigenous Peoples. FPIC should be viewed as a process that both allows and facilitates Affected Communities of Indigenous Peoples to build and agree upon a collective position with regard to the proposed development cognizant that individuals and groups within the Affected Communities may retain differing views on various issues pertaining to the proposed development. Such collective "community consent" should derive from the group of Affected Communities as a whole, representing their view vis-à-vis the proposed development. Thus, an FPIC agreement captures the Affected Communities' broad agreement on the legitimacy of the engagement process and the decisions made.

GN34. FPIC entails consent for specific project activities, impacts and mitigation measures as anticipated at the time when consent is given. While the agreement should be valid for the duration of the project, for projects with an extended operational lifespan, it is good practice to monitor IPPs or similar action plans and be flexible in adapting them as needed if circumstances change, while maintaining the overall principles, commitments, and mutual accountabilities outlined in the agreement.

Process of Achieving Free, Prior and Informed Consent

GN35. Achieving FPIC requires that the client address both process (i.e., GFN) and outcome (i.e., evidence of agreement). The client should document (i) the mutually accepted engagement and negotiation process between the client and Affected Communities of Indigenous Peoples; and (ii) evidence of agreement between the parties regarding the outcome of the negotiations. Impacts on vulnerable groups within the Affected Communities of Indigenous Peoples should be adequately addressed during negotiation and in relevant documentation.

GN36. Designing a process to achieve the FPIC of Affected Communities of Indigenous Peoples should, inter alia, take account of the following:

(i) While the project environmental and social risks and impacts assessment process typically defines the project area of influence and identifies the population of directly Affected Communities of Indigenous Peoples, in certain circumstances the formal and informal leaders and decision-making bodies of the Affected Communities of Indigenous Peoples may be located outside this area;
(ii) As with many communities, communities of Indigenous Peoples may be affected by issues related to governance, leadership and representativeness. Assessment of these issues will inform the engagement and negotiation process. Where administrative and traditional systems recognize different leaders, where leadership is known to be highly politicized and/or only marginally representative of the affected population or if there are multiple groups representing different interests, FPIC should rely on identification, recognition and engagement of greater numbers or representativeness of stakeholder sub-groups;
(iii) The occurrence of conflict—whether past or present—within the Affected Communities of Indigenous Peoples or between the Affected Communities of Indigenous Peoples and other stakeholders (e.g., non-Indigenous Peoples, companies, and/or the state) should be assessed in terms of the nature of the conflict, the different interest groups and the Affected Communities' approaches to conflict management and resolution mechanisms;
(iv) The role, responsibilities and participation of external stakeholders with vested interests in the outcome; and
(v) The possibility of unacceptable practices (including bribery, corruption, harassment, violence, and coercion) by any of the interested stakeholders both within and outside the Affected Communities of Indigenous Peoples.

GN37. The process of achieving the FPIC of Affected Communities of Indigenous Peoples may require investment in building relevant institutions, decision-making processes and the capacity of Affected Communities. Clients should approach the achievement of FPIC from a development perspective that prioritizes the sustainability of development activities implemented with the Affected Communities of Indigenous Peoples.

GN38. FPIC will be established through a process of GFN between the client and Affected Communities of Indigenous Peoples. Where the GFN process is successful, an agreement should document the roles and responsibilities of both parties and specific commitments. This may include: (i) agreed engagement and consultation process; (ii) environmental, social and cultural impact management (including land and resource management); (iii) compensation and disbursement framework or arrangements; (iv) employment and contracting opportunities; (v) governance arrangements; (vi) other commitments such as those pertaining to continued access to lands, contribution to development, etc;[GN4] and

[GN4] Refer to ICMM 2010, Indigenous Peoples and Mining, Good Practice Guide for additional guidance on the various aspects of such agreements.

(vii) agreed implementation/delivery mechanisms to meet each party's commitments. The agreement between parties should include requirements to develop time-bound implementation plans such as a Community Development Plan or an IPP. Examples of agreements include a memorandum of understanding, a letter of intent, and a joint statement of principles.

GN39. Confirmation of support for agreements is an important step in concluding the agreement. Agreements should have demonstrable support from the constituency defined through the risks and impacts assessment process and with whom the process of engagement and GFN has occurred. However as noted in GN33, the FPIC process and outcome does not require unanimous support from all members of the Affected Communities of Indigenous People. Documentation of the agreement (GN41) should include evidence of support from the Affected Communities of Indigenous Peoples. Where either the appropriate engagement process or agreement cannot be achieved, consideration should be given to third party advice and mediation as described in paragraph GN23.

GN40. As noted in GN33, FPIC can only be provided at a single point in time. Projects with long life cycles may elect to develop an agreement that involves commitments being delivered through periodic development plans (e.g., IPP) covering defined project planning periods. The evolution of such agreements is project- and context-specific. Nonetheless it may be anticipated that such agreements will typically evolve from a focus on project impact mitigation and development measures towards Indigenous Peoples'-managed development models supported by defined project contributions and/or benefit-sharing mechanisms.

GN41. Different types of documents, plans and agreements will typically be produced during the various phases of a project cycle. The Environmental and Social Impact Assessment process as described in Performance Standard 1 should be seen as an ongoing, iterative process combining analytical and diagnostic work; stakeholder engagement; and the development and implementation of specific action plans with appropriate monitoring mechanisms. The overall, guiding principle should be that while these documents may be prepared at any time during the project cycle, implementation action plans such as IPPs should be in place and mitigation measures taken prior to any direct adverse impacts on Communities of Indigenous Peoples occurring. Key documents normally produced are:

- A framework document containing, inter alia, the principles of engagement, project design and implementation process as it relates to the Communities of Indigenous Peoples, and principles for obtaining FPIC where required (see below).
- An IPP or similar action plan.
- An FPIC agreement reflecting the mutual consent to the process and proposed actions, by the client and the Affected Communities of Indigenous Peoples. This agreement may refer to and endorse a proposed IPP or similar action plan, but it may also establish that an IPP or similar action plan be developed or finalized subsequent to FPIC having been obtained.

Circumstances Requiring Free, Prior, and Informed Consent

Impacts on Lands and Natural Resources Subject to Traditional Ownership or Under Customary Use

13. Indigenous Peoples are often closely tied to their lands and related natural resources.[6] Frequently, these lands are traditionally owned or under customary use.[7] While Indigenous Peoples may not possess legal title to these lands as defined by national law, their use of these lands, including seasonal or cyclical use, for their livelihoods, or cultural, ceremonial, and spiritual purposes that define their identity and community, can often be substantiated and documented.

14. If the client proposes to locate a project on, or commercially develop natural resources on lands traditionally owned by, or under the customary use of, Indigenous Peoples, and adverse impacts[8] can be expected, the client will take the following steps:

- ***Document efforts to avoid and otherwise minimize the area of land proposed for the project;***
- ***Document efforts to avoid and otherwise minimize impacts on natural resources and natural areas of importance[9] to Indigenous People;***
- ***Identify and review all property interests and traditional resource uses prior to purchasing or leasing land;***
- ***Assess and document the Affected Communities of Indigenous Peoples' resource use without prejudicing any Indigenous Peoples' land claim.[10] The assessment of land and natural resource use should be gender inclusive and specifically consider women's role in the management and use of these resources;***
- ***Ensure that Affected Communities of Indigenous Peoples are informed of their land rights under national law, including any national law recognizing customary use rights; and***
- ***Offer Affected Communities of Indigenous Peoples compensation and due process in the case of commercial development of their land and natural resources, together with culturally appropriate sustainable development opportunities, including:***
  - ***Providing land-based compensation or compensation-in-kind in lieu of cash compensation where feasible.[11]***
  - ***Ensuring continued access to natural resources, identifying the equivalent replacement resources, or, as a last option, providing compensation and identifying alternative livelihoods if project development results in the loss of access to and the loss of natural resources independent of project land acquisition.***
  - ***Ensuring fair and equitable sharing of benefits associated with project usage of the resources where the client intends to utilize natural resources that are central to the identity and livelihood of Affected Communities of Indigenous Peoples and their usage thereof exacerbates livelihood risk.***
  - ***Providing Affected Communities of Indigenous Peoples with access, usage, and transit on land it is developing subject to overriding health, safety, and security considerations.***

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[6] Examples include marine and aquatic resources timber, and non-timber forest products, medicinal plants, hunting and gathering grounds, and grazing and cropping areas. Natural resource assets, as referred to in this Performance Standard, are equivalent to provisioning ecosystem services as described in Performance Standard 6.

[7] The acquisition and/or leasing of lands with legal title is addressed in Performance Standard 5: Land Acquisition and Involuntary Resettlement.

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

[9] "Natural resources and natural areas of importance" as referred to in this Performance Standard are equivalent to priority ecosystem services as defined in Performance Standard 6. They refer to those services over which the client has direct management control or significant influence, and those services most likely to be sources of risk in terms of impacts on Affected Communities of Indigenous Peoples.

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

[11] If circumstances prevent the client from offering suitable replacement land, the client must provide verification that such is the case. Under such circumstances, the client will provide non land-based income-earning opportunities over and above cash compensation to the Affected Communities of Indigenous Peoples.

GN42. If issues related to land use as described in paragraph 14 of Performance Standard 7 are identified in the screening phase, the client will engage competent experts to carry out the outlined assessment with active participation of the Affected Communities of Indigenous Peoples. The assessment should describe the Indigenous Peoples' traditional land and resource tenure system (both individual and collective) within the project's area of influence. The assessment should also identify and record all customary use of land and resources, including cultural, ceremonial or spiritual use, and any ad hoc, seasonal or cyclical use of land and natural resources (for example, for hunting, fishing, grazing, or extraction of forest and woodland products), and any potential adverse impacts on such use. Customary use of land and resources refers to patterns of long-standing community land and resource use in accordance with Indigenous Peoples' customary laws, values, customs, and traditions, including seasonal or cyclical use, rather than formal legal title to land and resources issued by the state. Cultural, ceremonial, and spiritual uses are an integral part of Indigenous Peoples' relationships to their lands and resources, are embedded within their unique knowledge and belief systems, and are key to their cultural integrity. Such uses may be intermittent, may take place in areas distant from settlements, and may not be site-specific. Any potential adverse impacts on such use must be documented and addressed within the context of these systems. Any information from the client's assessment that identifies the existence of critical habitats and critical cultural resources consistent with Performance Standards 6 and 8 within the project area of influence will be relevant in the analysis and should be taken into account. Indigenous Peoples' claims to land and resources not legally owned under national law should also be documented as part of the assessment process. The client should ensure that lack of documentation of land claims, or absence of land claims should not prejudice existing or future legal proceedings of Indigenous Peoples to establish legal title.

GN43. The priority objective of the assessment process is to identify measures to avoid adverse impacts on these lands and resources, and Indigenous Peoples usage thereof. Where avoidance is not feasible, mitigation, and/or compensation measures should be developed to ensure the availability of, and access to, the land and natural resources necessary for the livelihoods and cultural survival of the Affected Communities of Indigenous Peoples. Land-based compensation should be preferred, provided that suitable land is available. In addition, the client should observe due process, such as appropriate notification and responses to inquiries, for the Affected Communities of Indigenous Peoples. In some cases, land under Indigenous Peoples' claim may already be designated by the host government for alternate uses, which may include nature reserves, mining concession areas, or as individual parcels by users who have obtained title to the land. In this case, the client should seek to involve the relevant government agency in any consultation and negotiation with the Affected Communities of Indigenous Peoples.

GN44. Whether the project should proceed with activities that may result in adverse impacts on these lands should be subject to securing the FPIC of the Affected Communities of Indigenous Peoples. In some cases, it may be possible for the client to work with a national governmental agency to facilitate the legal recognition of lands claimed or used by Affected Communities of Indigenous Peoples in connection with land titling programs of the government. The client can base this work on the customary land tenure information gathered during the assessment process and help the Affected Communities or members of the Affected Communities to pursue land titles, if the Indigenous Peoples so request and participate in such programs.

Relocation of Indigenous Peoples from Lands and Natural Resources Subject to Traditional Ownership or Under Customary Use

15. The client will consider feasible alternative project designs to avoid the relocation of Indigenous Peoples from communally held[12] lands and natural resources subject to traditional ownership or under customary use. If such relocation is unavoidable the client

will not proceed with the project unless FPIC has been obtained as described above. Any relocation of Indigenous Peoples will be consistent with the requirements of Performance Standard 5. Where feasible, the relocated Indigenous Peoples should be able to return to their traditional or customary lands, should the cause of their relocation cease to exist.

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

GN45. Because physical relocation of Indigenous Peoples is particularly complex and may have significant and irreversible adverse impacts on their cultural survival, the client is expected to make every effort to explore feasible alternative project designs to avoid any physical relocation of Indigenous Peoples from their communally held traditional lands or customary lands under use. The potential relocation may result from the project's acquisition of land, or through restrictions or alterations on land use or resources (for example, where the communally held traditional lands or customary lands under use by Indigenous Peoples are designated by the relevant government agency for another use in conjunction with the proposed project, such as establishment of protected areas for resource conservation purposes). Any physical relocation should only be considered after the client has established that there is no feasible alternative to relocation and the client has secured the FPIC of the Affected Communities of Indigenous Peoples, building on the process of their informed participation.

GN46. In case the host government has made the decision to relocate Indigenous Peoples, the client should consult with relevant government officials in order to understand the rationale for such relocation and determine whether a GFN based on informed participation of the Indigenous Peoples has been implemented and successfully concluded regarding the aspects of the project and the relocation of Affected Communities of Indigenous Peoples. Clients may be required to address gaps in process and outcomes where these are identified.

GN47. Upon conclusion of the FPIC process providing for the relocation of Indigenous Peoples, the client will prepare a Resettlement Action Plan/Livelihood Restoration Plan consistent with the conclusion of the negotiation and in accordance with paragraphs 19–24 and 25–29, respectively, of Performance Standard 5. The client should be guided by paragraph 9 of Performance Standard 5 on the level of compensation for land. Such a plan should include a provision to allow the Affected Communities, where possible and feasible, to return to their lands when the reasons for their relocation cease to exist.

GN48. The requirements under Performance Standard 7, paragraph 15, are intended for situations where traditionally owned lands or customary usage of resources are held and used by Indigenous Peoples communally. Where individual members of the Affected Communities of Indigenous Peoples hold legal title, or where relevant national law recognizes customary rights for individuals, the requirements of Performance Standard 5 will apply. However, even where individuals within the Affected Communities of Indigenous Peoples hold legal title to land individually, the client should be aware that the decision of relevant individuals to cede title and to relocate may still be subject to a community-based decision-making process, as these lands may be not be considered private property but ancestral lands.

Critical Cultural Heritage

16. Where a project may significantly impact on critical cultural heritage[13] that is essential to the identity and/or cultural, ceremonial, or spiritual aspects of Indigenous Peoples lives, priority will be given to the avoidance of such impacts. Where significant project impacts on

critical cultural heritage are unavoidable, the client will obtain the FPIC of the Affected Communities of Indigenous Peoples.

17. Where a project proposes to use the cultural heritage including knowledge, innovations, or practices of Indigenous Peoples for commercial purposes, the client will inform the Affected Communities of Indigenous Peoples of (i) their rights under national law; (ii) the scope and nature of the proposed commercial development; (iii) the potential consequences of such development; and (iv) obtain their FPIC. The client will also ensure fair and equitable sharing of benefits from commercialization of such knowledge, innovation, or practice, consistent with the customs and traditions of the Indigenous Peoples.

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[13] *Includes natural areas with cultural and/or spiritual value such as sacred groves, sacred bodies of water and waterways, sacred trees, and sacred rocks. Natural areas with cultural value are equivalent to priority ecosystem cultural services as defined in Performance Standard 6.*

GN49. Knowledge, innovations, and practices of Indigenous Peoples are often referred to as traditional knowledge and include expressions of folklore or traditional cultural expressions. Such knowledge is referred to as intangible cultural heritage. Further, knowledge, innovations, and practices of Indigenous Peoples often remain in use for sacred or ritual purposes, and can be held secret by the community or designated members. Commercial development of intangible cultural heritage is the subject of current international discussions, with international standards emerging slowly. The one exception is in the commercial use of genetic resources and associated traditional knowledge of indigenous or traditional communities as reflected in the Convention on Biological Diversity in which women's vital role in preserving and managing biological diversity is also mentioned. Useful guidance in this area is provided by the Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising out of their Utilization and the Akwé: Kon Guidelines and the Tkarihwaié:ri Code of Ethical Conduct to Ensure Respect for the Cultural and Intellectual Heritage of Indigenous and Local Communities issued under the Convention on Biological Diversity (see Bibliography). Examples of commercial development include commercialization of traditional medicinal knowledge or other sacred or traditional techniques for processing plants, fibers or metals. Traditional cultural expressions such as sale of art or music should be treated in accordance with national law and emerging international practice.

GN50. Clients should comply with applicable national laws, if any, regarding their use of knowledge, innovation or practices of Indigenous Peoples for commercial purposes. Because such information, processes, and materials may be used for sacred or ritual purposes by communities of Indigenous Peoples, and may in some cases be kept secret by such communities or designated members thereof, the client should seek the informed consent of the owner(s) before using or disclosing them, and in any event, enable the relevant communities to continue to use the genetic materials for customary or ceremonial purposes

GN51. Where a project proposes to exploit and develop intangible cultural heritage including knowledge, innovations, or practices of Indigenous Peoples, the client should (i) investigate whether the indigenous cultural heritage is held individually or collectively prior to entering into any agreements with local indigenous holder(s) of the cultural heritage; (ii) obtain the informed consent of the indigenous cultural heritage holder(s) for its use; and (iii) share the benefits accruing from such use as appropriate with the Affected Communities of Indigenous Peoples. The client should use expert and unbiased information in seeking the FPIC of indigenous holders of cultural heritage, even if ownership of the item is in dispute. The client should document the FPIC of the affected Indigenous Peoples' communities for the proposed commercial development, in addition to any requirements pursuant to national law. Where benefit sharing is envisioned, benefits should be determined on mutually agreed terms as part of the process of securing FPIC. Benefits may include, for example, development benefits in the form of employment, vocational

training, and benefits pursuant to community development and similar programs as well as from the making, marketing and licensing of some forms of traditional cultural expression. Clients should be mindful of specific consent requirements under the relevant international conventions or national law, and may have to address identified gaps, if any.

GN52. Clients should be aware that use of indigenous names, photographs, and other items depicting them and the environment in which they live can be sensitive. The client should assess local norms and preferences, and consult with the relevant communities before using such items even for such purposes as naming project sites or pieces of equipment.

GN53. Clients should refer to similar requirements and guidance available in Performance Standard 8 and Guidance Note 8 with respect to the cultural heritage of communities other than those of Indigenous Peoples.

> ***Mitigation and Development Benefits***
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> ***18. The client and the Affected Communities of Indigenous Peoples will identify mitigation measures in alignment with the mitigation hierarchy described in Performance Standard 1 as well as opportunities for culturally appropriate and sustainable development benefits. The client will ensure the timely and equitable delivery of agreed measures to the Affected Communities of Indigenous Peoples.***
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> ***19. The determination, delivery, and distribution of compensation and other benefit sharing measures to the Affected Communities of Indigenous Peoples will take account of the laws, institutions, and customs of these communities as well as their level of interaction with mainstream society. Eligibility for compensation can either be individually or collectively-based, or be a combination of both.[14] Where compensation occurs on a collective basis, mechanisms that promote the effective delivery and distribution of compensation to all eligible members of the group will be defined and implemented.***
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> ***20. Various factors including, but not limited to, the nature of the project, the project context and the vulnerability of the Affected Communities of Indigenous Peoples will determine how these communities should benefit from the project. Identified opportunities should aim to address the goals and preferences of the Indigenous Peoples including improving their standard of living and livelihoods in a culturally appropriate manner, and to foster the long-term sustainability of the natural resources on which they depend.***
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> *[14] Where control of resources, assets and decision making are predominantly collective in nature, efforts will be made to ensure that, where possible, benefits and compensation are collective, and take account of intergenerational differences and needs.*

GN54. Affected Communities of Indigenous Peoples may comprise multiple groups and different social units (e.g., individuals, clans, tribes, etc.) within these groups. The project may impact upon the social units in different ways. For example, land take may affect all members' access to and use of land and resources while specifically impacting the land claims of only one clan, as well as any current use of the resources. The social assessment should form the basis of identifying affected groups and understanding the nature of specific impacts.

GN55. Eligibility for compensation may either be individual or collectively-based, or be a combination of both. For example, with regard to land and natural resources, eligible Indigenous Peoples may include community members with hereditary rights of resource ownership and management, members with use

rights, and members currently utilizing the resource. Determination of eligibility and the appropriate structure and mechanisms for the delivery and management of compensation should take account of the results of the social assessment; the laws, institutions, and customs of the Affected Communities of Indigenous Peoples; the direct and induced changes which the project will bring upon the Affected Communities of Indigenous Peoples including changing relations with mainstream society; and international good practice.

Mitigation and Compensation

GN56. The client, together with the Affected Communities of Indigenous Peoples, will design appropriate mitigation and compensation mechanisms to address project-induced adverse impacts. In certain circumstances the delivery of agreed mitigation and compensation may benefit from development of the human resource capacity of the Affected Communities of Indigenous Peoples so as to ensure the protection, sustainable management, and continued delivery of these benefits.

GN57. Where replacement land and resources are provided to the Affected Communities of Indigenous Peoples, legally valid and secure forms of land tenure should be provided. Allocation of land titles may occur on an individual or a collective basis based on results of the social assessment; the laws, institutions and customs of the Affected Communities of Indigenous Peoples; and the direct and induced changes that the project will bring upon the Affected Communities of Indigenous Peoples, including changing relations with mainstream society.

GN58. Agreed mitigation and compensation mechanisms (and associated development interventions) should be documented in an agreement and delivered as an integrated program either through an IPP or a Community Development Plan. The latter may be more appropriate where Indigenous Peoples live alongside other affected groups who are not indigenous, but share similar vulnerabilities and related livelihoods.

Broader Development Opportunities

GN59. Private sector operations may provide unique opportunities for Indigenous Peoples' broader development. Depending on the project and context, the client may catalyze and/or directly support the delivery of development programming to support the development of the Affected Communities of Indigenous Peoples. While addressing project-induced adverse impacts is a compliance requirement under Performance Standard 7, providing broader development opportunities is not. It is recommended as good practice where opportunities exist, but is not mandatory. In large-scale projects, the client may be able to offer a more comprehensive set of development benefits, as part of its community or regional development effort, or effort to stimulate local enterprises and economy. The client may also look for opportunities to support existing programs tailored to deliver development benefits to Indigenous Peoples, such as bilingual educational programs, maternal, and child health and nutrition programs, employment generation activities, and arrangements for micro-credit schemes. In engaging with the communities of Indigenous Peoples, it is recommended that the distinction between rights and entitlements related to mitigation of project-induced adverse impacts on the one hand, and broader development opportunities on the other hand, be made clear, in order to avoid confusion and unreasonable expectations over what the client is required to do and what may be provided additionally in terms of benefits.

GN60. Such development programming may include: (i) supporting the development priorities of Indigenous Peoples through programs (such as community-driven development programs and locally managed social funds) developed by governments in cooperation with Indigenous Peoples; (ii) addressing the gender and intergenerational issues that exist among many Indigenous Peoples, including the special needs of indigenous women, youth, and children; (iii) preparing participatory profiles

of Indigenous Peoples to document their culture, demographic structure, gender and intergenerational relations and social organization, institutions, production systems, religious beliefs, and resource use patterns; (iv) strengthening the capacity of Indigenous Peoples' communities and organizations to prepare, implement, monitor, and evaluate development programs and interact with mainstream economy; (v) protecting indigenous knowledge, including by strengthening intellectual property rights; and (vi) facilitating partnerships among the government, Indigenous Peoples organizations, CSOs, and the private sector to promote Indigenous Peoples' development programs.

GN61. The nature and scale of appropriate development opportunities will vary. It is important to identify, plan and implement development programs in close consultation with Affected Communities of Indigenous Peoples. Broader development interventions may be documented in community or regional development plans, as appropriate.

Private Sector Responsibilities Where Government is Responsible for Managing Indigenous Peoples Issues

21. Where the government has a defined role in the management of Indigenous Peoples issues in relation to the project, the client will collaborate with the responsible government agency, to the extent feasible and permitted by the agency, to achieve outcomes that are consistent with the objectives of this Performance Standard. In addition, where government capacity is limited, the client will play an active role during planning, implementation, and monitoring of activities to the extent permitted by the agency.

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

GN62. Host government legislation and regulations may define responsibilities for the management of Indigenous Peoples' issues and constrain the role and responsibilities of the private sector with regard to management of adverse impacts on Affected Communities of Indigenous Peoples. Furthermore host government legislation and regulations may be inconsistent with the requirements of Performance Standard 7 and thereby limit a client's scope to implement the required processes and achieve the intended outcomes of the Performance Standard. In such circumstances clients should seek ways to comply with the requirements and to achieve the objectives of Performance Standard 7, without contravening applicable laws. Clients should offer to play an active role during the preparation, implementation and monitoring of the processes and should coordinate with the relevant government authorities those aspects of the processes that can be facilitated more efficiently by the client or other agents such as consultants or CSOs.

GN63. Under certain circumstances, a client may be provided with unoccupied land for the project, unencumbered by any current claims, by a government agency or other authority. If land clearance or preparation has occurred in anticipation of the project, but not immediately preceding project implementation, the client should make a determination as to whether the process of securing the land and any requisite resettlement has occurred in a manner consistent with the requirements of this Performance Standard (and where relevant Performance Standard 5) and, if not, if any corrective action

is feasible to address the situation. Under such circumstances, the following factors should be considered: (i) the length of the intervening period between land acquisition and project implementation; (ii) the process, laws and actions by which the land acquisition and resettlement was carried out; (iii) the number of people affected and the significance of the impact of land acquisition; (iv) the relationship between the party that initiated the land acquisition and the client; and (v) the current status and location of the people affected.

GN64. Where compensation procedures are not addressed under national law or policy, the client should establish methods for determining adequate compensation and for providing it to the Affected Communities of Indigenous Peoples.

GN65. Where the responsible agency will enable the client to participate in the ongoing monitoring of affected persons, the client should design and carry out a program of monitoring with particular attention to those who are poor and vulnerable so as to track their standards of living and effectiveness of compensation, resettlement assistance, and livelihood restoration. The client and the responsible agency should agree to an appropriate allocation of responsibilities with respect to completion audits and corrective actions.

Annex A

Indigenous Peoples Plan (IPP)

The IPP is prepared in a flexible and pragmatic manner, and its level of detail varies depending on the specific project and the nature of the effects to be addressed. In general and where appropriate, an IPP should include the following elements:

(a) Baseline information (from environmental and social risks and impacts assessment process)

Summarize relevant baseline information that clearly profiles the Affected Communities, their circumstances and livelihoods, with description and quantification of the natural resources upon which the Indigenous Peoples depend.

(b) Key Findings: Analysis of Impacts, Risks & Opportunities (from environmental and social risks and impacts assessment process)

Summarize key findings, analysis of impacts, risks and opportunities and recommended possible measures to mitigate adverse impacts, enhance positive impacts, conserve and manage their natural resource base on a sustainable basis, and achieve sustainable community development.

(c) Result of Consultations (during environmental and social risks and impacts assessment process) and Future Engagement

Describe the process of information disclosure, consultation and informed participation and where relevant the FPIC process including GFN and documented agreements, with the Affected Communities of Indigenous Peoples, and how issues raised have been addressed. The consultation framework for future engagement should clearly describe the process for ongoing consultations with, and participation by Indigenous Peoples (including women and men), in the process of implementing and operating the project.

(d) Avoid, Minimize, and Mitigate Negative Impacts and Enhance Positive Impacts

Clearly describe the measures agreed to in the process of information disclosure, consultation and informed participation to avoid, minimize and mitigate potential adverse effects on Indigenous Peoples, and to enhance positive impacts. Include appropriate action times that detail the measures to be taken, responsibilities and agreed schedule and for implementation (who, how, where and when) (refer to Performance Standard 1 and Guidance Note 1 for more details of the contents of an Action Plan). Whenever feasible, avoidance or preventative measures should be given primacy over mitigatory or compensatory measures.

(e) Community Based Natural Resource Management Component

Where applicable, focus on the means to ensure continuation of livelihood activities key to the survival of these communities and their traditional and cultural practices. Such livelihood activities may include grazing, hunting, gathering, or artisanal fishing. This component clearly sets out how the natural resources upon which the Affected Communities depend, and the geographically distinct areas and habitats in which they are located, will be conserved, managed and utilized on a sustainable basis.

(f) Measures to Enhance Opportunities

Clearly describe measures to enable Indigenous Peoples to take advantage of opportunities brought about by the project, and to conserve and manage on a sustainable basis the utilization of the unique natural resource base upon which they depend. Such opportunities should be culturally appropriate.

(g) Grievance Mechanism

Describe appropriate procedures to address grievances by Affected Communities of Indigenous Peoples arising from project implementation and operation. When designing the grievance procedures, the client will take into account the availability of judicial recourse and customary dispute settlement mechanisms among the Indigenous Peoples. Affected Communities (both women and men) must be informed of their rights and the possibilities of administrative and legal recourse or remedies, and any legal aid available to assist them as part of the process of consultation and informed participation. The grievance mechanism should provide for fair, transparent and timely redress of grievances without costs, and if necessary provide for special accommodations for women, youth and the elderly, and other vulnerable groups within the community, to make their complaints.

(h) Costs, budget, timetable, organizational responsibilities

Include an appropriate summary of costs of implementation, budget and responsibility for funding, timing of expenditure and organizational responsibilities in managing and administering project funds and expenditures.

(i) Monitoring, Evaluation & Reporting

Describe monitoring, evaluation and reporting mechanisms (including responsibilities, frequencies, feedback and corrective action processes). Monitoring and evaluation mechanisms should include arrangements for ongoing information disclosure, consultation and informed participation with the Affected Communities of Indigenous Peoples (both women and men) and for the implementation and funding of any corrective action identified in the evaluation process.

Annotated Bibliography

The requirements set out in the performance standard relate to the international conventions and guidelines in this bibliography.

Six United Nations Conventions of Relevance to Indigenous Peoples

The following is a list of United Nations (UN) conventions that are relevant to indigenous peoples' issues.

- Convention against Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment
- Convention on the Elimination of All Forms of Discrimination against Women
- Convention on the Rights of the Child
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social, and Cultural Rights
- International Convention on the Elimination of All Forms of Racial Discrimination

Links to these six UN conventions are available at http://www2.ohchr.org/english/law. The ratification status of each convention by country is available at http://treaties.un.org/Pages/Treaties.aspx?id=4&subid=A&lang=en.

Treaties, Declarations, and Guidelines

ILO (International Labour Organization). 1989. "Convention Concerning Indigenous and Tribal Peoples in Independent Countries." ILO, Geneva. http://www.ilo.org/ilolex/cgi-lex/convde.pl?C169

Secretariat of the Convention on Biological Diversity.1992. "Convention on Biological Diversity." 1992. Secretariat of the Convention on Biological Diversity, Montreal. http://www.cbd.int. The website for this convention provides information on the convention, lists signatory nations and biodiversity experts, and offers other useful information.

———. 2002. "Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising out of Their Utilization." Secretariat of the Convention on Biological Diversity, Montreal. www.cbd.int/doc/publications/cbd-bonn-gdls-en.pdf. The guidelines provide information on establishing legislative, administrative, or policy measures for access and benefit sharing and for negotiating contractual arrangements for access and benefit sharing.

———. 2004. "Akwé: Kon Guidelines." Convention on Biological Diversity, Montreal. www.cbd.int/doc/publications/akwe-brochure-en.pdf. The voluntary guidelines provide information on conducting cultural, environmental, and social impact assessments regarding developments that are proposed to take place or are likely to impact sacred sites and lands and waters traditionally occupied or used by indigenous or local communities.

———. 2011a. "Nagoya Protocol (COP 10 Decision X/1) on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization to the Convention on Biological Diversity." CBD, New York. http://www.cbd.int/abs/. The international agreement aims at sharing the benefits arising from the use of genetic resources in a fair and equitable way. The Nagoya Protocol will be open for signature by Parties to the Convention from February 2, 2011, until February 1, 2012. When in force, it will supersede the Bonn Guidelines.

———. 2011b. "The Tkarihwaié:ri Code of Ethical Conduct to Ensure Respect for the Cultural and Intellectual Heritage of Indigenous and Local Communities." Secretariat of the CBD, Montreal. http://www.cbd.int/decision/cop/?id=12308. Also one of the Nagoya COP 10 Decisions, the code provides voluntary guidelines on working with local and indigenous communities with respect to the traditional knowledge and resources they use.

UN (United Nations). 2007. "United Nations Declaration on the Rights of Indigenous Peoples." UN, Geneva. http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf.

World Bank. 2005. "Indigenous Peoples." Operational Policy 4.10, World Bank, Washington, DC. http://go.worldbank.org/TE769PDWN0. This policy underscores the need for borrowers and World Bank staff members to identify indigenous peoples, consult with them, and ensure that they participate in and benefit from Bank-funded operations in a culturally appropriate way. It also aims to ensure that adverse impacts on indigenous peoples are avoided or, if avoidance is not feasible, are minimized or mitigated.

Additional Guidance

ICMM (International Council on Mining and Metals). 2010. *Good Practice Guide: Indigenous Peoples and Mining.* ICMM: London. http://www.icmm.com/library/indigenouspeoplesguide.

IFC (International Finance Corporation). 2001a. *Handbook for Preparing a Resettlement Action Plan*. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_handbook_rap__wci__1319577659424. This 100-page handbook provides step-by-step guidance on the resettlement planning process and includes practical tools such as implementation checklists, sample surveys, and monitoring frameworks.

———. 2001b. "Investing in People: Sustaining Communities through Improved Business Practice." IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_handbook_investinginpeople__wci__1319578798743. This document is a resource guide for establishing effective community development programs.

———. 2003. "Addressing the Social Dimensions of Private Sector Projects" Good Practice Note 3, IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_gpn_socialdimensions__wci__1319578072859. This note serves as a practitioner's guide to undertaking social impact assessment at the project level for IFC-financed projects.

———. 2007. "ILO Convention 169 and the Private Sector: Questions and Answers for IFC Clients." IFC, Washington, DC. http://www1.ifc.org/wps/wcm/connect/Topics_ext_content/ifc_external_corporate_site/IFC%20Sustainability/Publications/Publications_Handbook_ILO169__WCI__1319577902926?id=f6b6410048d2f0ef8d17bd4b02f32852&WCM_Page.ResetAll=TRUE&CACHE=NONE&CONTENTCACHE=NONE&CONNECTORCACHE=NONE&SRV=Page. This note is intended to be a practical guide for IFC clients that operate in countries that have ratified Convention 169 on Indigenous and Tribal Peoples.

———. 2007. *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*. Washington, DC: IFC. http://www.ifc.org/HB-StakeholderEngagement. This book explains new approaches and forms of engagement with affected local communities.

———. 2009. *Projects and People: A Handbook for Addressing Project-Induced In-migration*. Washington, DC: IFC. http://www1.ifc.org/wps/wcm/connect/Topics_ext_content/ifc_external_corporate_site/IFC%20Sustainability/Publications/Publications_Handbook_Inmigration__WCI__1319576839994?id=2277158048d2e745ac40bd4b02f32852&WCM_Page.ResetAll=TRUE&CACHE=NONE&CONTENTCACHE=NONE&CONNECTORCACHE=NONE&SRV=Page. This book is a resource guide exploring the nature of project-induced in-migration and its potential impacts on host communities, including indigenous peoples

ILO (International Labour Organization). 1989. "ILO Convention on Indigenous and Tribal Peoples (No. 169): A Manual." ILO, Geneva. http://www.ilo.org/indigenous/Resources/Guidelinesandmanuals/lang--en/docName--WCMS_088485/index.htm. This manual provides definitions and useful guidance on ILO Convention 169 on Indigenous and Tribal Peoples.

ILO (International Labour Organization) and African Commission on Human and Peoples' Rights (ACHPR). 2009. "Overview Report of the Research Project by the International Labour Organization and the African Commission on Human and Peoples' Rights on the Constitutional and Legislative Protection of the Rights of Indigenous Peoples in 24 African Countries." Geneva: ILO. http://www.ilo.org/indigenous/Resources/Publications/lang--en/docName--WCMS_115929/index.htm.

UN (United Nations). 2008. "Resource Kit on Indigenous Peoples' Issues." UN, New York. http://www.un.org/esa/socdev/unpfii/documents/resource_kit_indigenous_2008.pdf.

UNIFEM (United Nations Entity for Gender Equality and the Empowerment of Women). 2004. "At a Glance: Securing Indigenous Women's Rights and Participation." UNIFEM Fact Sheet, UNIFEM, New York. http://www.unifem.org/materials/fact_sheets.php?StoryID=288.

United Nations Development Group. 2008. *Guidelines on Indigenous Peoples' Issues*. United Nations: Geneva. http://www.ohchr.org/Documents/Publications/UNDG_training_16EN.pdf.

Development of Free Prior and Informed Consent

Lehr, Amy K. and Gare A. Smith. 2010. *Implementing a Corporate Free, Prior, and Informed Consent Policy: Benefits and Challenges.* Boston: Foley Hoag. http://www.foleyhoag.com/NewsCenter/Publications/eBooks/Implementing_Informed_Consent_Policy.aspx.

Motoc, Antoanella-Iulia and Tebtebba Foundation. 2004. "Preliminary Working Paper on the Principle of Free, Prior and Informed Consent of Indigenous Peoples in Relation to Development Affecting Their Lands and Natural Resources." E/CN.4/Sub.2/AC.4/2004/4, Office of the United Nations High Commissioner for Human Rights, Geneva. http://www2.ohchr.org/english/issues/indigenous/docs/documents22.htm.

Sohn, Jonathan, ed. 2007. "Development without Conflict: The Business Case for Community Consent." World Resources Institute, Washington, DC. http://www.wri.org/publication/development-without-conflict.

Guidance Note 8
Cultural Heritage

January 1, 2012

Guidance Note 8 corresponds to Performance Standard 8. Please also refer to Performance Standards 1–7 as well as their corresponding Guidance Notes for additional information. Information on all referenced materials appearing in the text of this Guidance Note can be found in the Bibliography.

Introduction

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

Objectives

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

GN1. The objectives of Performance Standard 8 aim to preserve and protect cultural heritage by avoiding, reducing, restoring, where possible, and in some cases compensating for the adverse impacts that projects might cause to cultural heritage. In addition, private sector projects can play a role in promoting awareness of and appreciation for cultural heritage. Where the project proposes to use the cultural heritage of a community, Performance Standard 8 seeks to ensure that the development benefits accruing from the commercial use of cultural heritage flow equitably to the Affected Communities.

Scope of Application

2. The applicability of this Performance Standard is established during the environmental and social risks and impacts identification process. The implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Environmental and Social Management System (ESMS), the elements of which are outlined in Performance Standard 1. During the project life-cycle, the client will consider potential project impacts to cultural heritage and will apply the provisions of this Performance Standard.

3. For the purposes of this Performance Standard, cultural heritage refers to (i) tangible forms of cultural heritage, such as tangible moveable or immovable objects, property, sites, structures, or groups of structures, having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values; (ii) unique natural features or tangible objects that embody cultural values, such as sacred groves, rocks, lakes, and waterfalls; and (iii) certain instances of intangible forms of culture that are proposed to be used for commercial purposes, such as cultural knowledge, innovations, and practices of communities embodying traditional lifestyles.

4. Requirements with respect to tangible forms of cultural heritage are contained in paragraphs 6–16. For requirements with respect to specific instances of intangible forms of cultural heritage described in paragraph 3 (iii) see paragraph 16.

5. The requirements of this Performance Standard apply to cultural heritage regardless of whether or not it has been legally protected or previously disturbed. The requirements of this Performance Standard do not apply to cultural heritage of Indigenous Peoples; Performance Standard 7 describes those requirements.

GN2. Tangible cultural heritage is considered a unique and often non-renewable resource that possesses cultural, scientific, spiritual, or religious value and includes moveable or immovable objects, sites, structures, groups of structures, natural features, or landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural value. Further descriptions of different tangible cultural heritage examples are included in Annex A.

GN3. Integration of cultural heritage preservation and protection into the project's assessment process and management systems is essential because damage to cultural heritage can result from activities other than direct excavation or refurbishment of buildings. Some project aspects may also impact cultural heritage in less direct ways, for example, by increasing erosion to a coastal site, or building a road into a previously inaccessible area. Impacts on the natural environment that may affect the sustainability of tangible cultural heritage may require special attention. Impacts on the natural environment may affect the biodiversity or the ecosystem processes that affect things like sacred groves or cultural landscapes. The client should consider these possible impacts and address them through appropriate measures. As per Performance Standard 1, paragraph 7, the "risks and impacts identification process will be based on recent, social, and environmental baseline data at an appropriate level of detail," and when deemed necessary, it should include an adequate pre-project cultural heritage baseline reconnaissance and information gathering process, which could be field- or desk-based depending on the project and likely presence of cultural heritage.

GN4. The screening phase of the risks and impacts identification process should identify the extent and complexity of potential cultural heritage risks and impacts in the project's area of influence (see paragraph 8 of Performance Standard 1). If the screening indicates potential adverse impacts, further analysis will be necessary to ascertain the nature and scale of these impacts and proposed mitigation measures. The breadth, depth, and type of analysis should be proportionate to the nature and scale of the proposed project's potential adverse impacts on cultural heritage resources. Competent professionals should be retained to carry out such analysis as part of the assessment.

GN5. The assessment should generally address potential adverse impacts to cultural heritage and, where possible, opportunities for its enhancement. In cases where cultural heritage is deemed a significant issue, a focused assessment may be necessary even if a full-scale social and environmental impact assessment is not required. The project's Environmental and Social Management System and Management Program as outlined in Performance Standard 1, should reflect identified issues. For ground disturbing projects, depending on the project location, it may be appropriate to develop a chance find procedure that addresses and protects cultural heritage finds made during a project's construction and/or operation phases (see paragraph 8 of Performance Standard 8). Further process guidance on the heritage aspects of the assessment can be found in Annex B.

GN6. Data collection and other assessment studies should be undertaken to avoid, minimize, and mitigate potential project impacts to cultural heritage resources. Sites containing cultural heritage should not be excavated or otherwise disturbed unnecessarily. Best international practice recommends that cultural heritage be left undisturbed if at all possible. If excavation in the course of the project cannot be avoided, competent cultural heritage professionals, local and/or international, should carry out excavations or other activities in accordance with internationally recognized practices.

GN7. When in doubt about whether something is cultural heritage, the client should seek the knowledge and advice of local and/or international competent experts, government authorities, and members of local communities. The knowledge of local communities is particularly important for identifying cultural heritage that may be tied to the natural environment and not evident to outsiders.

GN8. Determining whether knowledge, innovations or practices of commercial value are the intangible cultural heritage of a community requires tracing that knowledge back to its community of origin. International practice now expects people developing products with origins in the natural environment to know where the intellectual property originates (see paragraph 16 of Performance Standard 8).

GN9. Performance Standard 8 applies to cultural heritage that has been undisturbed as well as disturbed. The client may undertake measures for the protection of already-disturbed cultural heritage that are different from measures for the protection of untouched cultural heritage. Many types of cultural heritage cannot be put back once they have been disturbed, but they may still be valued.

GN10. Where the cultural heritage of Indigenous Peoples is being impacted or used for commercial purposes, please refer to Performance Standard 7 and its corresponding Guidance Note.

Requirements

Protection of Cultural Heritage in Project Design and Execution

6. In addition to complying with applicable law on the protection of cultural heritage, including national law implementing the host country's obligations under the Convention Concerning the Protection of the World Cultural and Natural Heritage, the client will identify and protect cultural heritage by ensuring that internationally recognized practices for the protection, field-based study, and documentation of cultural heritage are implemented.

7. Where the risk and identification process determines that there is a chance of impacts to cultural heritage, the client will retain competent professionals to assist in the identification and protection of cultural heritage. The removal of nonreplicable cultural heritage is subject to the additional requirements of paragraph 10 below. In the case of critical cultural heritage, the requirements of paragraphs 13–15 will apply.

GN11. While clients may be in compliance with applicable national law, they should measure the risks associated with a project that might not comply with a host country's obligations under an international convention that the host country has signed, but not yet ratified. A company may, for instance, have a concession associated with a particular cultural heritage site, which may be revoked by the government to meet the terms of a convention once it has been ratified.

GN12. The client should apply internationally recognized practices to site surveys, excavation, preservation and publication, in addition to compliance with national law. An internationally recognized practice is defined as the exercise of professional skill, knowledge, diligence, prudence and foresight that would reasonably be expected from experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally. Where the client is in doubt on what constitutes internationally recognized practice, international peer reviewers are able to provide guidance.

GN13. Performance Standard 1, paragraph 19 states that "The process of identification of risks and impacts will consist of an adequate, accurate, and objective evaluation and presentation, prepared by competent professionals. For projects posing potentially significant adverse impacts or where technically complex issues are involved, clients may be required to involve external experts to assist in the risks and

impacts identification process." This requirement is particularly important for issues related to cultural heritage because they often require a very specialized level of knowledge of the project area and the subject matter.

GN14. The findings of the cultural heritage component of the assessment should generally be disclosed as part of, and in the same manner as, the relevant assessment documentation. Exceptions to such disclosure, however, should be considered where the client, in consultation with persons with relevant expertise, determines that disclosure would compromise or would jeopardize the safety or integrity of the cultural heritage involved and/or would endanger the source of information about the cultural heritage. In such cases, such sensitive information relating to these particular aspects may be omitted from the assessment documentation.

> ***Chance Find Procedures***
>
> ***8. The client is responsible for siting and designing a project to avoid significant adverse impacts to cultural heritage. The environmental and social risks and impacts identification process should determine whether the proposed location of a project is in areas where cultural heritage is expected to be found, either during construction or operations. In such cases, as part of the client's ESMS, the client will develop provisions for managing chance finds[1] through a chance find procedure[2] which will be applied in the event that cultural heritage is subsequently discovered. The client will not disturb any chance find further until an assessment by competent professionals is made and actions consistent with the requirements of this Performance Standard are identified.***

[1] *Tangible cultural heritage encountered unexpectedly during project construction or operation.*

[2] *A chance find procedure is a project-specific procedure that outlines the actions to be taken if previously unknown cultural heritage is encountered.*

GN15. The chance find procedure is a project-specific procedure that outlines what will happen if previously unknown heritage resources, particularly archaeological resources, are encountered during project construction or operation. The procedure includes record keeping and expert verification procedures, chain of custody instructions for movable finds, and clear criteria for potential temporary work stoppages that could be required for rapid disposition of issues related to the finds. It is important that this procedure outlines the roles and responsibilities and the response times required from both project staff, and any relevant heritage authority, as well as any agreed consultation procedures. This procedure should be incorporated in the Management Program and implemented through the client's Environmental and Social Management System. As with cultural heritage identified during the environmental and social impact assessment, consideration should be given, where feasible, to alternative siting or design of the project, to avoid significant damage.

> ***Consultation***
>
> ***9. Where a project may affect cultural heritage, the client will consult with Affected Communities within the host country who use, or have used within living memory, the cultural heritage for long-standing cultural purposes. The client will consult with the Affected Communities to identify cultural heritage of importance, and to incorporate into the client's decision-making process the views of the Affected Communities on such cultural heritage. Consultation will also involve the relevant national or local regulatory agencies that are entrusted with the protection of cultural heritage.***

Community Access

10. Where the client's project site contains cultural heritage or prevents access to previously accessible cultural heritage sites being used by, or that have been used by, Affected Communities within living memory for long-standing cultural purposes, the client will, based on consultations under paragraph 9, allow continued access to the cultural site or will provide an alternative access route, subject to overriding health, safety, and security considerations.

GN16. Since cultural heritage is not always documented, or protected by law, consultation is an important means of identifying it, documenting its presence and significance, assessing potential impacts, and exploring mitigation options. Requirements on the community engagement of Affected Communities can be found in paragraphs 25 through 33 of Performance Standard 1.

GN17. For cultural heritage issues, the following groups may be relevant for consultation:

- Historical or traditional users and owners of cultural heritage
- Traditional communities embodying traditional lifestyles
- Ministries of archeology, culture, or similar national or heritage institutions
- National and local museums, cultural institutes, and universities
- Civil society concerned with cultural heritage or historical preservation, areas of environmental or scientific interest; Affected Communities; and religious groups for whom the cultural heritage is traditionally sacred

GN18. The client should make special efforts to consult with the historical or traditional users or owners of tangible cultural heritage, especially inhabitants of the area impacted by a project within the host country, since the interests of these users or owners may be different than the desires expressed by competent experts or government officials. The client should also be aware that some sacred sites may be used by communities not resident in the area and who may only visit periodically. The client should provide early notification and engage with such groups regarding possible public use, relocation of or other adverse impacts on cultural heritage resources. The consultation process should actively seek to identify concerns of these users or owners of tangible cultural heritage, and, where possible, clients should take these concerns into account in the way their project manages cultural heritage.

GN19. Where a construction or operating site contains cultural heritage or prevents access to cultural heritage, the client should offer continued access to the Affected Communities, subject to overriding health, safety and security concerns. Where health, safety, or security is a consideration, alternatives to open access should be identified through community consultations. Alternatives may include alternative access routes, specifying dates and times when access will be provided, providing health and safety equipment and training for specified users of the site, or other measures that balance access with health, safety or security measures. The agreements with Affected Communities on access should be documented. The provisions of paragraph 10 are not intended to foreclose possible impacts on the tangible cultural heritage from the project; they are only intended to grant access to that heritage where it will remain during a part or the whole life of the project.

Removal of Replicable Cultural Heritage

11. Where the client has encountered tangible cultural heritage that is replicable[3] and not critical, the client will apply mitigation measures that favor avoidance. Where avoidance is not feasible, the client will apply a mitigation hierarchy as follows:

- ***Minimize adverse impacts and implement restoration measures, in situ, that ensure maintenance of the value and functionality of the cultural heritage, including maintaining or restoring any ecosystem processes[4] needed to support it;***
- ***Where restoration in situ is not possible, restore the functionality of the cultural heritage, in a different location, including the ecosystem processes needed to support it;***
- ***The permanent removal of historical and archeological artifacts and structures is carried out according to the principles of paragraphs 6 and 7 above; and***
- ***Only where minimization of adverse impacts and restoration to ensure maintenance of the value and functionality of the cultural heritage are demonstrably not feasible, and where the Affected Communities are using the tangible cultural heritage for long-standing cultural purposes, compensate for loss of that tangible cultural heritage.***

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[3] Replicable cultural heritage is defined as tangible forms of cultural heritage that can themselves be moved to another location or that can be replaced by a similar structure or natural features to which the cultural values can be transferred by appropriate measures. Archeological or historical sites may be considered replicable where the particular eras and cultural values they represent are well represented by other sites and/or structures.

[4] Consistent with requirements in Performance Standard 6 related to ecosystem services and conservation of biodiversity.

GN20. Where the client has encountered tangible cultural heritage that is replicable and not critical, the client will first seek to minimize or eliminate adverse impacts and to implement restoration measures that aim to maintain its value and functionality. If minimization of impacts and/or restoration are not possible in situ, then the client can consider restoration at a different site. In considering minimization and restoration, the client may engage international, national, and local expertise. Considerations around relocation of physical cultural heritage may also involve the host country government. In identifying local expertise, the recommendations of the Affected Communities with respect to recognized cultural heritage practitioners, such as elders, priests, mediums, and traditional healers should be given key consideration.

GN21. Where impact reduction and restoration are not feasible, the client must provide a justification for that determination based on a competent expert's review of the circumstances, and only then can compensation be considered as a way to address the impact on tangible cultural heritage. Compensation is only paid to Affected Communities using tangible cultural heritage for long standing cultural purposes. It is not given for removal of archeological material from cultural horizons that pre-date the current Affected Communities or for other cultural heritage that has not been used within the living memory of the community. Compensation is also not given for loss of intangible cultural heritage. Mitigation measures for identifiable project impacts on intangible cultural heritage may be considered under Performance Standard 1.

Removal of Non-Replicable Cultural Heritage

12. Most cultural heritage is best protected by preservation in its place, since removal is likely to result in irreparable damage or destruction of the cultural heritage. The client will not remove any nonreplicable cultural heritage,[5] unless all of the following conditions are met:

- ***There are no technically or financially feasible alternatives to removal;***
- ***The overall benefits of the project conclusively outweigh the anticipated cultural heritage loss from removal; and***

- ***Any removal of cultural heritage is conducted using the best available technique.***

[5] *Nonreplicable cultural heritage may relate to the social, economic, cultural, environmental, and climatic conditions of past peoples, their evolving ecologies, adaptive strategies, and early forms of environmental management, where the (i) cultural heritage is unique or relatively unique for the period it represents, or (ii) cultural heritage is unique or relatively unique in linking several periods in the same site.*

GN22. Non-replicable cultural heritage is best protected by preservation in place, since removal of the cultural heritage will result in irreparable damage or destruction of the heritage. Examples of non-replicable cultural heritage may include an ancient city or temple, or a site unique in the period that it represents. Accordingly, projects should be designed to avoid any damage to cultural heritage through removal or project related activities, such as construction. Where avoidance is not feasible, no alternatives to removal exist, and the project benefits outweigh the loss of cultural heritage, the client should remove and preserve the cultural heritage according to the best available technique. The best available technique proposed by the client or its competent expert will benefit from a peer review by international external experts to ensure that no better, feasible techniques are available. Best available technique is required because the removal of the cultural heritage will effectively mean its destruction. In addition, prior to removal of the cultural heritage, the client should consult the historical or traditional owners and users of the cultural heritage, as provided in paragraph 9 of Performance Standard 8, and take their views into account.

GN23. Loss of non-replicable tangible cultural heritage is a loss of a public good, not just for the present generation, but for future generations as well. Thus, consideration of project benefits, for the purpose of Performance Standard 8, should focus on the public benefits of the project, particularly for those who may have immediate ties to the heritage. The analysis should also look at whether those benefits are sustainable beyond the life of the project. Any lost benefits that would otherwise arise from commercial or other use of the site based on its existing cultural heritage should also be taken into account.

Critical Cultural Heritage

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

14. The client should not remove, significantly alter, or damage critical cultural heritage. In exceptional circumstances when impacts on critical cultural heritage are unavoidable, the client will use a process of informed consultation and participation of the Affected Communities as described in Performance Standard 1 and which uses a good faith negotiation process that results in a documented outcome. The client will retain external experts to assist in the assessment and protection of critical cultural heritage.

15. Legally protected cultural heritage areas[6] are important for the protection and conservation of cultural heritage, and additional measures are needed for any projects that would be permitted under the applicable national law in these areas. In circumstances where a proposed project is located within a legally protected area or a legally defined buffer zone, the client, in addition to the requirements for critical cultural heritage cited in paragraph 14 above, will meet the following requirements:

[6] *Examples include world heritage sites and nationally protected areas.*

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

GN24. Cultural heritage is considered critical when it is part of a legally-protected cultural heritage area. In addition, when internationally recognized cultural heritage is critical to a people who continue to use it for long-standing cultural purposes, such heritage may be considered critical, even if it is not legally protected. To be considered critical, the cultural heritage must be internationally recognized prior to the proposal of the project. When such cultural heritage is used for long-standing cultural purposes, and where the loss or damage of such heritage could endanger the livelihoods, or cultural, ceremonial, or spiritual purposes that define the identity and community of the Affected Community, the requirements under paragraph 14 of Performance Standard 8 apply. Performance Standard 8 is intended to allow such users to participate in decisions about the future of that heritage and to negotiate equitable outcomes that may not only outweigh any loss, but provide important benefits.

GN25. The client is strongly advised to avoid any significant damage to critical cultural heritage. If it appears that a project may significantly damage critical cultural heritage, the client may proceed with such activities only after a good faith negotiation with and a documented process of informed participation of the Affected Communities. Good faith negotiation generally involves for each party: (i) willingness to engage in a process and availability to meet at reasonable times and frequency in ways acceptable to all parties; (ii) provision of information necessary for informed negotiation; (iii) exploration of key issues of importance; and (iv) willingness to change initial position and modify offers where possible.

GN26. The client will document (i) the mutually accepted process between the client and the Affected Communities, and (ii) evidence of agreement between the parties as the outcome of the negotiations. This requires agreement by the culturally appropriate decision-making body within the Affected Community. The appropriate decision-making body will be identified through a social analysis performed by an external expert and the decision-making body will be seen by the majority as both their legitimate representative and as able to enter into a valid agreement. Agreement does not necessarily require unanimity and may be achieved even when individuals or sub-groups explicitly disagree. However, the benefits coming from an agreement must be shared by everyone in the Affected Communities, irrespective of whether they supported the project or not.

GN27. Projects in legally-protected areas (such as World Heritage Sites and nationally protected areas) may range from tourism projects that actually support the objectives of cultural heritage protection, to mining projects that will need to be carried out with considerable sensitivity. Such projects are expected to provide additional assurances beyond meeting applicable national laws. All regulations and plans applicable to the protected area should be respected in project design and execution. The assessment should identify and address these requirements. A process of information disclosure, informed consultation and participation with relevant stakeholders should be carried out, including the protected area's managers and sponsors. Further, the project should contribute to the conservation of cultural heritage, including the biodiversity or ecosystem processes that may support that conservation. Where the project has no intrinsic contribution, additional programs should be undertaken to promote and enhance the conservation aims of the protected area, including the biodiversity or ecosystem processes the natural environment provides in support of cultural heritage protection. These may range from support for the protection and conservation of the area as a whole, to specific projects to restore or enhance

specific, important features. The United Nations Education, Scientific and Cultural Organization's (UNESCO) World Heritage List provides additional information on World Heritage Sites.

Project's Use of Cultural Heritage

16. Where a project proposes to use the cultural heritage, including knowledge, innovations, or practices of local communities for commercial purposes,[7] the client will inform these communities of (i) their rights under national law; (ii) the scope and nature of the proposed commercial development; and (iii) the potential consequences of such development. The client will not proceed with such commercialization unless it (i) enters into a process of informed consultation and participation as described in Performance Standard 1 and which uses a good faith negotiation process that results in a documented outcome and (ii) provides for fair and equitable sharing of benefits from commercialization of such knowledge, innovation, or practice, consistent with their customs and traditions.

[7] *Examples include, but are not limited to, commercialization of traditional medicinal knowledge or other sacred or traditional technique for processing plants, fibers, or metals.*

GN28. For the purposes of Performance Standard 8, intangible cultural heritage refers to cultural resources, knowledge, innovations and/or practices of local communities embodying traditional lifestyles. The area of intangible cultural heritage and its commercial development is the subject of current international discussions, with international standards emerging slowly. The one exception is in the commercial use of genetic resources derived from the traditional knowledge of traditional communities, as reflected in the Convention on Biological Diversity. The Bonn Guidelines and the Akwé: Kon Guidelines issued under the Convention on Biological Diversity provide useful guidance in this area. The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization will enter into force once fifty countries have become signatories. Once translated into the national law and regulations of the signatory country, projects using a local community's traditional knowledge of genetic resources will need to have their prior and informed consent to do so.

GN29. Examples of commercial development include commercialization of traditional medicinal knowledge or other sacred or traditional techniques for processing plants, fibers, or metals. Performance Standard 8 also applies to locally-sourced industrial design. With respect to expressions of folklore, such as sale of art or music, the requirements of paragraph 12 of Performance Standard 8 do not apply. Such expressions should be treated in accordance with national law.

GN30. Where such resources are proposed for commercial development, the client will investigate whether ownership of local knowledge is individual or collective prior to entering into any agreements with purported local intellectual property holders. Such resources are often collectively held, and decisions about their access or use may require the participation of the broader collectivity, including women and other subgroups. As part of the process, the client should determine the ownership of the resource and who has the rights and responsibilities to enter into an agreement on behalf of the owner(s). The outcomes of the determination of ownership may vary according to the circumstances. In some instances, traditional, collectively-held elements may be combined with innovative, individually-created elements. In these cases, individual innovation should be identified and treated as individual ownership, whereas the collective elements may be handled through the same principles as for collective ownership. Where it has been determined that the ownership is collective and good faith negotiations depend substantially on community representatives, the client will make every reasonable effort to verify that such persons do, in fact, represent the views of local intellectual property holders and that they can be relied upon to faithfully communicate the results of negotiations to their constituents. The client should use an external expert

and unbiased information to carry out good faith negotiations with local traditional knowledge holders, even if the ownership of the knowledge is in dispute. The client should document the process and the successful outcome of a good faith negotiation with the Affected Communities on the proposed commercial development, in addition to any requirements pursuant to national law. Some national laws require the consent of Affected Communities in this regard.

GN31. The client will document (i) the mutually accepted process between the client and the Affected Communities, and (ii) evidence of agreement between the parties as the outcome of the negotiations. This requires agreement by the culturally appropriate decision-making body within the Affected Community. The appropriate decision-making body will be determined through a social analysis conducted by an external expert, and the decision-making body will be seen by the majority as both their legitimate representative and as able to enter into a valid agreement. Agreement does not necessarily require unanimity and may be achieved even when individuals or sub-groups explicitly disagree. However, the benefits coming from an agreement must be shared by everyone in the Affected Communities, irrespective of whether they supported the project or not.

GN32. If the client wishes to exploit and develop any knowledge, innovation or practices of local communities embodying traditional lifestyles for commercial purposes, and to protect any intellectual property created from such development, the client may be legally required to disclose or publicly release the source of the materials. This disclosure may not be required where the client can show independent discovery. Examples include genetic materials proposed for medical application. Because such materials may be used for sacred or ritual purposes by Affected Communities, and may be held secret by such communities or designated members, even where there is an agreement with the community based on good faith negotiations, the client should take care before proceeding to secure the secrecy based on the principle that only those who need to know will be aware of the use of the materials, and in any event, enable the Affected Communities to continue to use the genetic materials for customary or ceremonial purposes.

GN33. Where a project proposes to exploit, develop, and commercialize intangible cultural heritage, Performance Standard 8 requires that the client shares the benefits accruing from such use with the Affected Communities. Benefits may include development benefits in the form of employment, vocational training, and benefits pursuant to community development and similar programs.

GN34. Clients should be aware that use of traditional or local names or images, including photographs and other media, can be sensitive. Clients should conduct an assessment of the potential risks and/or rewards to consulting with the relevant communities before using them even for such purposes as naming project sites and pieces of equipment. Companies should also be aware that the use of certain art or music may be culturally sensitive and should, again, assess the potential risk and/or rewards before their use.

Annex A

Tangible Cultural Heritage Resource Types

A. *Archaeological Site*: Concentrated and patterned physical remains of past human activity, especially human settlement. A site may include artifacts, plant and animal remains, structural remains, and soil features. It may be a large ancient city completely or partially buried by surface soils or other sediment or the ephemeral and superficial remains of a temporary nomad camp or other short-term activity. Sites may be underwater, including shipwrecks and flooded habitation sites. Although all sites, as well as isolated (off site) finds, are a record of human activity, the importance of an archaeological site may vary widely according to site type and condition. In general, while sites may be identified by surface remains or suggestive topography, the characteristics of a site and its cultural or scientific importance cannot be identified based on surface examination alone.

B. *Historic Structure:* Also referred to as historic monuments, this category includes above ground architectural features (e.g., house, temple, market place, church) that have reached a designated age or have other characteristics, such as association with an important event or person, that make them "historic" and therefore worthy of consideration as a heritage resource. As with archaeological sites, the importance of a historic structure will vary widely according to the age, type and condition of the structure. Some historic structures may have associated archaeological deposits thereby making them both historic structures and archaeological resources. A historic structure may be abandoned or occupied.

C. *Historic District:* This is a contiguous assemblage of historic structures and associated landscape features that constitute a heritage resource extending over a larger area than any single structure. Integrity and thematic interest are the key considerations for defining and determining the importance of a historic district. Temple precincts, graveyards, urban neighborhoods, and sometimes entire villages or towns can be classified as historic districts. Historic districts may contain thematically un-related or "non-contributing" structures that may or may not merit protection in their own right. Historic structures and districts may require protection from direct physical impacts but should also be considered in their visual dimension. Possibly discordant construction in or near a historic district or structure might require special design considerations to mitigate "visual" impacts to heritage resources.

D. *Historic or Cultural Landscape:* This is an area where traditional land-use patterns have created and maintained landscape features that reflect a particular culture, life-way, or historical time period that merits consideration as a heritage resource. A historic landscape may include historic monuments and archaeological sites as well. Integrity and uniqueness are most relevant for judging the importance of this type of resource. While a historic landscape may share aspects of a historic district, the term typically refers to a non-urban area with heritage value. This resource type may also include culturally important natural features such as sacred lakes, forests and waterfalls. Sacred trees, for instance, are common in Africa.

E. *Artifact:* A portable object that is created by past human activity and becomes part of an archaeological site or isolated archaeological find. Most archaeological artifacts lose substantial cultural and scientific value when removed from their "context" in the ground. Archaeological artifacts, in context or not, are most often the property of the national government. Their scientific collection and use is controlled through a permitting process administered by national heritage authorities. National law and international treaty forbid the sale and export of archaeological artifacts. An object removed from a historic structure will have the same legal status as an archeological artifact.

Annex B

Process Guidance

A. *Cultural Heritage Feasibility Studies* -- It is good practice to identify possible heritage issues and costs at the start of the process of identification of environmental and social risks and impacts through project screening or feasibility studies. This is especially true for large infrastructure or resource extraction projects such as pipelines, mines, hydroelectric dams, regional irrigation systems, highways, or any project that involves substantial grading, excavation, or large-scale changes in hydrological patterns. These studies should involve comparison of general project features against known or anticipated heritage baseline conditions in the proposed project area. Competent heritage experts and project planning and/or engineering staff should be included on the study work team(s). The purpose of these types of studies is to identify any "fatal flaw" issues, such as major cost or design constraints. Findings of these types of studies typically remain confidential until the public consultation phase of the environmental and social impact assessment process.

B. *Cultural Heritage Aspects of the Environmental and Social Impact Assessment Process* -- For projects with known or potential heritage issues, the assessment often includes the following elements: (i) a detailed description of the proposed project including its alternatives; (ii) heritage baseline conditions in the project's area of influence; (iii) an analysis of project alternatives in relation to the baseline conditions to determine potential impacts; and (iv) proposed impact mitigation measures, which may include avoidance or reduction of impacts by project design changes and/or the introduction of special construction and operational procedures, and compensatory mitigations such as data recovery and/or detailed study.

C. *Expertise Needed for Assessment Studies* -- Where heritage issues are identified, a competent heritage expert(s) will normally be needed on the assessment study team. It will be most useful to recruit those with general expertise in the heritage field and experience with the environmental planning or heritage management process. While a particular type of heritage specialist (e.g., a Middle Bronze Age Pottery expert) may be needed to address certain finds or issues, an expert with a broad perspective (e.g., a cultural geographer) will normally be most suitable.

D. *Permitting and Approval of Assessment Studies* -- In most cases, heritage assessment studies will need to be formally permitted by the appropriate national heritage authority. Further, because national heritage law often lacks detailed implementing regulations, required heritage protection measures may need to be formulated as a project-specific agreement that is negotiated and signed by a project representative and the heritage authority. Although the client has the prerogative to employ heritage specialists it finds most appropriate, it should be noted that both the investigations and the individuals performing such studies may have to be acceptable to national heritage authorities.

E. *Disclosure and Consultation* -- Early and detailed public disclosure of project heritage data, including the methodology, findings and analyses of the assessment heritage team, is integral to the planning and consultation model of the assessment. Findings of the cultural heritage component of the assessment should be disclosed as part of, and in the same manner as, the assessment report, except where such disclosure would jeopardize the safety or integrity of the physical cultural resources involved. In such cases, sensitive information relating to these particular aspects may be omitted from the assessment's public documentation. The client may need to undertake discussions with a host country's heritage agency to establish an acceptable compromise between the need for public consultation on heritage issues and the traditional prerogatives of the national heritage authority.

F. *Purpose and Scope of Assessment Studies* -- It is important that the client and the national heritage authority have a mutually shared understanding of the purpose and appropriate scope of heritage assessment studies. Data collection and other assessment studies are undertaken in order to avoid, minimize, and mitigate potential project impacts to cultural heritage resources. A general 'capacity building' effort, which might be of benefit to the project and a country's heritage program, may be the building of the regulatory capacity of the heritage authority in ways that relate specifically to the client's project.

G. *Project Design and Execution* – Necessary avoidance and mitigation measures identified through the assessment process should be incorporated into the project's Management Program and executed in coordination with other required project action items. Unlike most other environmental resources, direct impact to heritage is typically localized to the area of project construction activity, making a project's area of influence more geographically limited than for other resources such as critical habitat, a natural water supply, or endangered species. Thus, it is often possible to avoid impacts to heritage by minor project design changes. Because cultural heritage is non-renewable, its protection is best accomplished by "preservation-in-place." This method is generally preferred over removal, which is an expensive and partially destructive process. As with pre-implementation phase measures, the client may need to engage heritage consultant(s) to implement the part of the Management Program related to heritage matters (i.e., Cultural Heritage Action Plan).

Annotated Bibliography

Several of the requirements set out in Performance Standard 8 relate to the following international agreements and to the accompanying guidance and recommendations:

CBD (Convention on Biological Diversity). 1992. "History of the Convention." CBD, New York. http://www.cbd.int/history/. The website provides information about the establishment of the convention, lists of signatory nations and biodiversity experts, and other useful data.

———. 2004. "Akwé: Kon Guidelines." Secretariat of the CBD, Montreal. http://www.biodiv.org/doc/publications/akwe-brochure-en.pdf. The brochure provides voluntary guidelines for conducting cultural environmental and social impact assessments regarding developments that are proposed to take place or are likely to have an impact on sacred sites and on lands and waters traditionally occupied or used by indigenous or local communities.

———. 2011a. "Nagoya Protocol (COP 10 Decision X/1) on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization to the Convention on Biological Diversity." CBD, New York. http://www.cbd.int/abs/. The international agreement aims at sharing the benefits arising from the use of genetic resources in a fair and equitable way. When in force, it will supersede the Bonn Guidelines.

———. 2011b. "The Tkarihwaié:ri Code of Ethical Conduct to Ensure Respect for the Cultural and Intellectual Heritage of Indigenous and Local Communities." Secretariat of the CBD, Montreal. http://www.cbd.int/decision/cop/?id=12308. Also one of the Nagoya COP 10 Decisions, the code provides voluntary guidelines on working with local and indigenous communities with respect to the traditional knowledge and resources they use.

CBD (Convention of Biological Diversity) and UNEP (United Nations Environment Programme). 2002. "Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising out of Their Utilization." Secretariat of the CBD, Montreal, and UNEP, Washington, DC. http://www.biodiv.org/doc/publications/cbd-bonn-gdls-en.pdf. The brochure provides guidelines about establishing legislative, administrative, or policy measures on access and benefit sharing and about when to negotiate contractual arrangements for access and benefit sharing.

UNESCO (United Nations Educational, Scientific and Cultural Organization). 1970. "Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property." UNESCO, Paris. http://portal.unesco.org/en/ev.php-URL_ID=13039&URL_DO=DO_TOPIC&URL_SECTION=201.html. The legislation shows the contents of this particular convention.

———. 1972. "Convention Concerning the Protection of the World Cultural and Natural Heritage." UNESCO, Paris. http://whc.unesco.org/en/conventiontext/. The convention establishes a system of collective identification, protection, and preservation of cultural and natural heritage, and it provides both emergency and long-term protection for cultural and natural heritage.

———. 2001. "Convention on the Protection of Underwater Cultural Heritage." UNESCO, Paris. http://unesdoc.unesco.org/images/0012/001260/126065e.pdf.

———. 2003. "Convention on the Safeguarding of Intangible Cultural Heritage." UNESCO, Paris. http://unesdoc.unesco.org/images/0013/001325/132540e.pdf. The convention ensures the safeguarding of international cultural heritage, and it strengthens solidarity and cooperation at regional and international levels in this field.

World Bank. 2011. "Cultural Heritage Country Files." World Bank, Washington, DC. These data files contain valuable information for clients that are in the initial phases of project development and are concerned with possible heritage issues and constraints in the host country. The files contain existing, readily available technical and contact information and a checklist of additional information that should be obtained.

———. 2011. "World Heritage List." UNESCO, Paris. http://whc.unesco.org/pg.cfm?cid=31. The list from the Convention Concerning the Protection of the World Cultural and Natural Heritage now consists of 936 properties. It thus forms part of the cultural and natural heritage that the World Heritage Committee considers as having outstanding universal value. It also provides additional information about World Heritage Sites.

———. 2002. *Physical Cultural Resources Safeguard Policy Handbook.* Washington, DC: World Bank. This book contains instructions for implementing The World Bank's Operational Policy 4.11—Physical Cultural Resources. It also has broader utility as a general guide for treating physical cultural resources as a component of Environmental Impact Assessment (EIA). The Handbook provides a definition of *physical cultural resources*; describes how they are integrated into the EIA; and includes specific guidance for project financing agencies, borrowers, EIA teams, and EIA reviewers. It also discusses common impacts on physical cultural resources of projects in several sectors, including hydroelectric power, roads, urban development, cultural heritage, and coastal zone management. Written for the nonspecialist, the Handbook is designed to assist professionals who participate in all phases of development projects, including identification, preparation, implementation, operation, and evaluation.