International Finance Corporation
WORLD BANK GROUP

Environmental *and* Social Management System

Toolkit

GENERAL

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2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433
Internet: www.ifc.org

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Abbreviations

CEO	chief executive officer
E&S	environmental and social
EHS	environmental, health, and safety
ESG	environmental, social, and governance
ESMS	environmental and social management system
IFC	International Finance Corporation
IUCN	International Union for Conservation of Nature
KPI	key performance indicator
OSHA	Occupational Safety and Health Administration
SMART	specific, measurable, assignable, realistic

Introduction

Environmental and social (E&S) responsibility is becoming more important in today's global economy. Numerous E&S frameworks and standards provide rules and objectives of E&S performance. An environmental and social management system (ESMS) helps companies integrate the rules and objectives into core business operations through a set of explicit, consistent, repeatable, and documented processes. Implementing an ESMS also requires senior management's continued involvement and support to ensure that your company secures all the required human and financial resources to develop and implement the ESMS.

*** This ESMS toolkit focuses on a company-level ESMS.**

Companies that engage in a project (for example, building a new facility) can customize the company or corporate ESMS to the project's specific characteristics.

This document provides tools to build or improve your company's ESMS, including examples of documents, blank forms, checklists, and templates. Tools for each of the nine elements of an ESMS are in line with International Finance Corporation (IFC) Performance Standard 1. Additionally, use the separate *Master Risk Identification Tool* to facilitate your E&S risk assessment process. All the tools provided are intended to be used together to aid the development of your company's ESMS.

Before you go through the toolkit, we suggest that you review the companion publication, *Environmental and Social Management System Implementation Handbook,* for more background on the nine ESMS elements. See table I.1 for a quick reference guide to using the ESMS toolkit.

Creating a suite of policies and procedures is just the beginning. They need to be implemented, monitored, reviewed, and standardized as consistent processes. Continual improvement requires commitment and leadership, along with people who are trained in the right approach and have the required skills and knowledge. We hope these tools help your company identify and manage E&S risks and impacts more systematically, consistently, and effectively and in line with good international practices, which will help accelerate your journey of continual improvement to benefit the company and its employees and stakeholders.

Table I.1. Quick Reference Guide

Publication	Description
Environmental and Social Management System General Toolkit	Provides tools such as forms, templates, checklists, and other useful documents to help you develop and implement an environmental and social management system
Environmental and Social Management System Implementation Handbook: General	A companion publication with background on environmental and social management systems and step-by-step instructions on how to develop and implement them
Environmental and Social Management System Assessment and Improvement Guide	A companion publication containing a questionnaire, maturity matrix, and improvement tips to help you measure the maturity of your environmental and social management system and develop an improvement plan

Source: International Finance Corporation.

Internal Document Control

A complete ESMS can include hundreds or thousands of documents, from policies to data sheets that track daily E&S risks and performance. ESMS documents can be general or specific and typically include the following, among others:

- **ESMS manual**: the summary document that describes the elements of the company's ESMS
- **Policies**: the basic policies that guide the company's E&S performance
- **Studies and regulatory documents**: include the licenses and permits that regulate the E&S aspects of company operations and the studies or applications filed to obtain authorizations
- **Plans**: the topic-specific management documents that outline the measures required to control the E&S risks and impacts of operations (for example, workers' health and safety plan); action plans for improving E&S performance where necessary
- **Implementation protocols**: specific procedures or method statements to implement the plans (for example, the specific health and safety protocol for work in confined spaces)
- **Implementation records**: evidence of ongoing monitoring of plan and protocol implementation (for example, records of health and safety inspections)

A document control system helps verify and demonstrate compliance with your ESMS and improve the system's effectiveness.

People within your organization who have technical qualifications or are knowledgeable about E&S matters, have background in management systems and records management, and are aware of all company or project activities, policies, and procedures should be responsible for document control.

You can organize your ESMS documents in many ways. For example, assign a unique set of characters to each document file name that describes the type and version of the document in the ESMS. The following are example document reference nomenclature for the fictional company ABC Robotics:

- Manual: ABC-ESMS-Man-XXX-YY
- Policy: ABC-ESMS-PLY-XXX-YY
- Program: ABC-ESMS-PRG-XXX-YY
- Plan: ABC-ESMS-PLN-XXX-YY
- Operating Procedure: ABC-ESMS-OPR-XXX-YY
- Work Instructions: ABC-ESMS-INS-XXX-YY

In this file naming system, "XXX" is the ESMS document number, depending on how many documents your company has developed, and "YY" represents the revision number. All ESMS documents should be titled "Draft" until the author, peer reviewer, and approver all sign the document control sheet.

Steps for Developing and Implementing a Document Control Procedure

A document control procedure should include at least the following steps:

1. **Identify the need to revise your current ESMS document or create a new one.** Any person involved in developing and implementing the ESMS can identify the need to revise an existing document or create a new one. When drafting a new ESMS document, assign the appropriate reference nomenclature. Each document should contain the following seven elements at a minimum: cover sheet, document control sheet (including a sign-off table), table of contents, introduction, definitions, methodology, and appendixes (for example, references, record templates, and the like).

2. **Engage subject matter experts for technical consultation.** The person responsible for producing the ESMS document (the author and technical focal point for the subject) and ensuring its accuracy can engage subject matter experts to review the new or updated ESMS document and provide comments.
3. **Submit the modified or new document for peer review.** After technical consultation, the author submits the document to the person responsible for overseeing the development and implementation of the entire ESMS, who can approve or reject certain changes before issuing the document for final approval.
4. **Submit final draft modified or new document for approval and recordkeeping.** After peer review, the peer reviewer submits the document to senior management for approval, which must be documented. The signed original copy becomes a record, which company employees upload to an online platform such as SharePoint, Google Drive, or specialized software that provides access to the document for reference at any time, but it cannot be deleted or revised. The same online server stores the document's previous versions as obsolete copies.
5. **Distribute the approved document.** After approval, a designated person sends a formal email to the heads of all affected departments. The email should include a link to the document in the database and state the effective date of the document or its changes. Keep the distribution records of all ESMS documents for verification purposes.

The document control procedure should also include a requirement to review and update internal ESMS documents as needed. ESMS documents should be considered living documents that remain current and relevant through periodic review. The author should review the effectiveness of ESMS documents regularly (at least annually) or whenever the company's operations change significantly—for example, changes in company processes or activities, personnel, organizational structure, or relevant regulations and legislation, or after a serious accident or incident.

External Documents

The company or project can receive external documents related to E&S performance or the ESMS (such as permits or external audits) at any point in the life cycle. The recipient of any external document should submit the external document to the designated person so the document can be controlled and added to the ESMS document control system.

An external ESMS document reference nomenclature is assigned to any external document received, for example, AAA-BBB-CCC-XX-YY-MM-DD. In this file naming system, "AAA" stands for the name of the company or organization submitting the document; "BBB" indicates the document's subject (for example, ENV for environment, SOC for social, LAB for labor, and ENG for engineering); "CCC" is a numerical code assigned to the document to indicate the total number of external documents related to the ESMS; "XX" indicates the revision number; and "YY-MM-DD" indicates the year, month, and day the document was received.

The external ESMS document should then be uploaded to the online platform (database) so the document can be consulted by anyone at any time but cannot be deleted or revised. The same online server stores the external document's previous versions as obsolete copies.

Any time a new or modified external ESMS document is registered in the database, a designated person should notify all personnel in the affected departments. Keep the distribution records of all ESMS documents for verification purposes.

Table I.2 is an example of a document control sheet that is placed at the beginning of ESMS documents.

Table I.2. Document Control Sheet Example

Document title	
Document reference	
Revision number	
Document type	

Author signature	**Reviewer signature**	**Approval signature**
Author, Position	Reviewer, Position	Approver, Position
Date	Date	Date

Date	**Revision number**	**Reason for change**

Source: International Finance Corporation.

Cross-Cutting Topics

This section provides guidance on two important cross-cutting topics: supply chain and contractor management, and climate change.

Contractor Management and Supply Chain

Your ESMS should also extend to your contractors and primary suppliers, which need careful and supportive management. These independent and third-party players will operate based on their own standards and rules, but once they start working with or for you, they are also bound by the requirements and expectations of your ESMS as defined in policies or codes. Any such obligations should be stated clearly in legal agreements between your company and the contractors and suppliers and integrated into bidding procedures to ensure compliance. The performance of contractors and suppliers can affect your company, projects, and stakeholders. The most obvious concerns related to unmanaged contractors and suppliers include legal liabilities—such as issues with contracted workers' terms and conditions of employment, or the use of forced labor, child labor, and significant safety risks among primary suppliers. Table I.3 can help ensure that you are incorporating your contractors and suppliers into your ESMS appropriately. Think about the critical ways you can manage risks as you review the table.

Contractors and suppliers should own and be accountable for their own management systems, but you can help them align to your E&S requirements and build their internal capacity and help them tailor the concepts and tools provided in the ESMS handbook and toolkit to develop their own systems.

Table I.3. ESMS for managing contractors and primary suppliers.

ESMS element	Application to supply chain and contractor management
Policy	• Make sure that your overarching E&S policy statement includes your expectations regarding contractors and suppliers (**procurement policies**, code of conduct reflecting labor requirements, procedures on the selection of contractors and suppliers, commitments to contractor and supplier monitoring and reporting). • Make sure that your policy also specifies communication expectations.
Identification of risks and impacts	• Make sure that your risk assessment identifies risks and impacts among your contractors and supply chain (for example, developing risk assessment questionnaires, conducting regular site visits and audits, and implementing key performance metrics). • Create and maintain a checklist or rating system to evaluate the E&S performance of new and current contractors and suppliers. • Incorporate E&S risk control measures in the contractor and supplier agreements and contracts and include defined performance indicators aligned with your ESMS.
Management program	• Define action plans to address the risks identified within your supply chain and among your contractors. • Incorporate supplier and contractor ratings into business planning. • Prepare an action plan if your contractors or primary suppliers are failing to meet your ESMS standards and policies.

ESMS element	Application to supply chain and contractor management
	• Prepare a contractor management plan or establish a supply chain management system that describe in detail the various E&S considerations, controls, and commitments related to the main activities that the contractor will be required to implement as part of its scope of work.
Organizational capacity and competency	• Train relevant staff (including procurement, sourcing, and compliance departments) to identify E&S risks among your contractors and primary suppliers. • Make sure that the ESMS team participates and engages in the contractor selection process to ensure early consideration of E&S matters and variables when selecting a contractor.
Emergency preparedness and response	• Assess emergency preparedness among your contractors and help them develop the capacity to plan for emergencies (for example, by developing emergency preparedness management plans).
Stakeholder engagement	• Engage with external stakeholders to identify risks caused by your contractors and primary suppliers. • Be sure to communicate your stakeholders' expectations to contractors and suppliers and that they are following those obligations.
External communications and grievance mechanisms	• Implement accessible grievance mechanisms so that you can receive and address complaints from contracted workers about contractors. Ensure that the grievance mechanisms recognize and address the risks of gender-based violence and harassment.
Monitoring and review	• Outline the methods for ongoing monitoring of the contractors and primary suppliers' performance, including regular reporting requirements, which could involve regular site inspections and data collection. • Review your contractors and primary suppliers' alignment with your management systems regularly, and include a mandate into the legal agreements to request changes as needed. • Develop clear communication channels among your management, E&S units, and contractor counterparts.

Source: International Finance Corporation.
Note: For more information, see Measure and Improve Your Labor Standards Performance: Performance Standard 2 Handbook for Labor and Working Conditions; Good Practice Handbook: Assessing and Managing Environmental and Social Risks in an Agro-Commodity Supply Chain, and Good Practice Note: Managing Contractors' Environmental and Social Performance.

Climate Change

Climate change is a cross-cutting factor across all eight IFC Performance Standards that could cause or exacerbate the risk of adverse E&S impacts. For example, an increase in climate-related events in the project area—such as frequency and intensity of flooding, heatwaves, droughts, storms, or other events—can have short-term or long-term effects on vulnerable populations or local ecosystems where your company or project is operating. Effects can include the safety and health of workers; energy and resource efficiency; environmental pollution such as emissions or discharges; effects on local ecosystems or affected communities (including Indigenous Peoples) such as water resource availability, ecosystems, or cultural heritage degradation; effects associated with climate migrants; and flooding.

Table I.4 can help you ensure that you incorporate climate change risk into your ESMS appropriately.

Table I.4. ESMS and climate change.

ESMS element	Application to climate change
E&S assessment and management	• Conduct a climate risk assessment appropriate to the nature and scale of your project or operation.
Policy	• Establish an overarching environmental and social policy that includes climate risk mitigation and adaptation plans, a climate governance structure, and measures for transparent climate reporting.
Impact and risk assessment	• Develop and maintain a process to identify climate change risks and impacts.
	• Propose and implement differentiated measures so that adverse climate change impacts do not fall disproportionately on individuals or groups identified as disadvantaged or vulnerable.
Management programs	• Develop management programs that address climate change impact mitigation, performance improvements, and actions to handle the climate change impacts that your activities could potentially worsen.
	• Implement a mitigation hierarchy and adaptation plan that prioritizes avoiding climate-related impacts, such as preventing greenhouse gas emissions rather than just minimizing them. If emissions cannot be avoided, pursue relevant carbon offsets.
	• Identify measures to avoid financial, environmental, and social underperformance. Establish actions to ensure compliance with applicable laws and regulations and meet the requirements of the IFC Performance Standards.
Organizational capacity	• Ensure that qualified professionals prepare an adequate, accurate, and objective evaluation and presentation of climate change hazards, risks, and impacts. Address key aspects of risk, including physical and transitional climate-related risks, by considering projections under different climate scenarios.
Emergency preparedness and response	• Establish and maintain an emergency preparedness and response system or plans for climate change–induced hazards and impacts on your project or company, which include the coordination with relevant third parties.
Monitoring and review	• Engage external experts to verify that monitoring is conducted in line with your project's or company's climate risks and impacts.
	• Perform regular internal inspections and audits where relevant to verify compliance and progress toward the desired climate hazard mitigation outcomes.
Stakeholder engagement	• Disclose relevant information to affected communities and other stakeholders, including a description of any climate-related risks that affect your operations or facilities.
	• Establish a consultation process that provides the affected communities with opportunities to express their views and concerns related to your project or company.

Source: International Finance Corporation.

ELEMENTS OF AN ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

An ESMS is made up of interrelated parts (Figure I.1). These elements help you to assess, control, and continually improve your E&S performance as part of the Plan-Do-Check-Act process. The following describes what is involved in each step in the process:

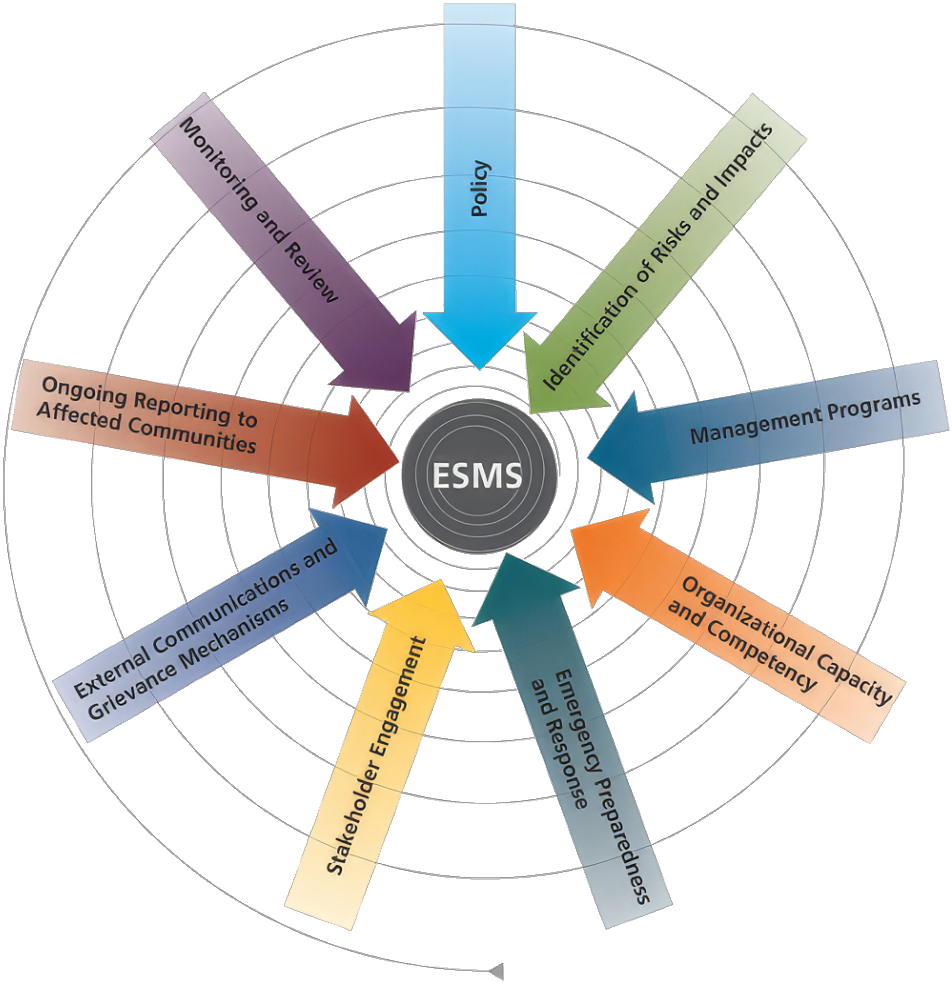
Plan: defining policies and objectives for E&S performance, identifying E&S impacts and risks for the company or project, developing mitigation and operational controls to address impacts and risks, and developing a management plan to achieve these objectives

Do: implementing a management plan, along with mitigation and operational controls

Check: monitoring performance against policies and objectives, checking that mitigation and operational controls are effective

Act: making corrections to plans, mitigation, or controls in response to performance monitoring or out-of-control events

Figure I.1. The Nine Elements of an ESMS (per IFC Performance Standard 1)



Source: International Finance Corporation.

The IFC Performance Standards provide guidance on identifying risks and impacts and how to avoid, mitigate, and manage them to help you operate sustainably. As an IFC client, you need to assess your business against eight performance standards. Your operation might not trigger all of these standards. However, *IFC PS1: Assessment and Management of Environmental and Social Risks and Impacts* always applies, regardless of the nature or size of your company or project. This standard requires you to develop and implement an ESMS that includes all the elements shown in Figure I.1. The eight performance standards are:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

Aligning with the Performance Standards helps your company or project:

- Guard against unforeseen risks and impacts (for example, operational disruptions, legal claims, damage to your brand's reputation, and reduced access to international markets);
- Improve your financial and operational performance by optimizing input management for greater efficiency and cost-effectiveness;
- Strengthen your social license to operate by maximizing local development benefits and promoting good corporate citizenship; and
- Gain an international stamp of approval, because the IFC Performance Standards cover nearly 90 percent of project financing in emerging markets.

An ESMS aligned with the IFC Performance Standards helps your company or project assess potential E&S underperformance caused by the adverse impacts of climate change–related events, and identify relevant mitigating actions to address climate-related E&S risks and actions to improve resilience to ongoing climate change impacts.

Besides the IFC Performance Standards, you must also comply with applicable national and international laws and regulations when developing and implementing your ESMS.

To develop and implement an ESMS successfully, you should appoint an ESMS team lead who must have the support of senior management across the organization and direct access to them.[1] The ESMS team lead is responsible for managing the development, implementation, and maintenance of the ESMS and coordinating process inputs from other relevant personnel, especially the wider ESMS team. Ideally, team lead is a full-time role, though other ESMS team roles can be part-time. The team lead will hold ESMS team members accountable for their roles in the ESMS implementation, communicate priorities for achieving sustainability and social responsibility goals, and coordinate with senior management to ensure that human and financial resources are provided to remove barriers to implementation.

[1] If you cannot appoint a full-time ESMS team lead (if your company is small, for example), you can designate an environmental, social, and governance person to lead the ESMS implementation.

Road Map and Time Estimate for Developing and Implementing an ESMS

Table I.5 is a road map that will help you plan the typical activities a company performs to develop and implement an ESMS. The template refers to a six-month timetable to develop the ESMS, but your schedule could vary. You can revise the activities to align with your process. Implementation is a continuous activity. Refer to the IFC ESMS handbook and the *ESMS Self-Assessment and Improvement Guide* for detailed guidance on developing and implementing an ESMS.

Table I.5. Road Map for Developing and Implementing an ESMS

Activity		Time spent				Month					
						1	2	3	4	5	6
DEV	What will you do to **develop** this ESMS element? What types of documents, records, or procedures do you need?	Who is responsible for the activities? How much time do you plan to allocate for the activities? (Apply the categories that work best for your organization.)				When will the activities occur? How long will it take to complete each activity?					
IMP	How will you **implement** this ESMS element in practice? What actions and processes will you establish to ensure that your planned actions are completed?										
1. Policy		Senior mgt.	Mid-mgt.	Supervisors	Workers						
DEV	Hold a kick-off meeting at the senior management–level to discuss ESMS development and implementation.										
DEV	Formulate and produce the organization's environmental and social policy, or revise the current policy.										
IMP	Design, print, and display the ESMS policy in key areas of the company's facilities.										
IMP	Communicate the ESMS policy to workers and key external stakeholders (for example, post the policy on your website; include it in your training program).										

2. Risk and impact identification		Senior mgt.	Mid-mgt.	Supervisors	Workers	Month																							
						1				2				3				4				5				6			
DEV	Map operational processes and key stakeholders, including suppliers and contractors.																												
	Compile regulatory and other requirements, including stakeholder expectations.																												
	Identify, assess, and prioritize the E&S risks of your company's operations and the E&S risks to the operations (including any related to your contractors and primary suppliers).																												
	Develop a risk and impacts tracking matrix to track new or changed risks and impacts identified during company operations.																												
IMP	Conduct any studies, surveys, and assessments needed to facilitate obtaining required licenses and permits (for example, an environmental impact assessment).																												
	Revise the process for identifying and assessing risks and impacts periodically (for example, whenever company operations change or at the beginning of a new project phase), and then update the tracking matrix.																												

3. Management programs		Senior mgt.	Mid-mgt.	Supervisors	Workers	Month																							
						1				2				3				4				5				6			
DEV	Formulate E&S performance targets and indicators.																												
	Develop E&S management plans and procedures to control identified risks and impacts. Develop action plans to achieve performance improvements.																												
	Confirm that you have addressed all risks and impacts.																												
IMP	Communicate E&S performance targets to employees.																												
	Implement E&S management plans, action plans, and procedures, assigning responsibilities and resources.																												

4. Organizational capacity and competency		Senior mgt.	Mid-mgt.	Supervisors	Workers	Month																							
						1				2				3				4				5				6			
DEV	Assemble the ESMS team, and appoint an ESMS team lead.																												
	Define the competency program for the ESMS team.																												
	Define the roles, responsibilities, and authorities of workers, management, and the board of directors regarding E&S management.																												
	Develop a training program to ensure that all staff understand the ESMS elements that are relevant to their roles and how to implement new or improved procedures.																												
IMP	Conduct awareness and training programs on environmental; labor; and occupation, health, and safety issues.																												
	Conduct internal auditor training for the organization's ESMS assessors and auditors.																												
	Implement the training program.																												

5. Emergency preparedness and response		Senior mgt.	Mid-mgt.	Supervisors	Workers	Months																							
						1				2				3				4				5				6			
DEV	Identify and prioritize potential emergency scenarios.																												
	Develop an emergency preparedness and response plan, coordinating with relevant emergency services, health care facilities, and community representatives, or update a current plan																												
IMP	Perform evacuation drills.																												
	Create internal emergency teams (if needed), and train them.																												
	Install and maintain emergency response equipment.																												

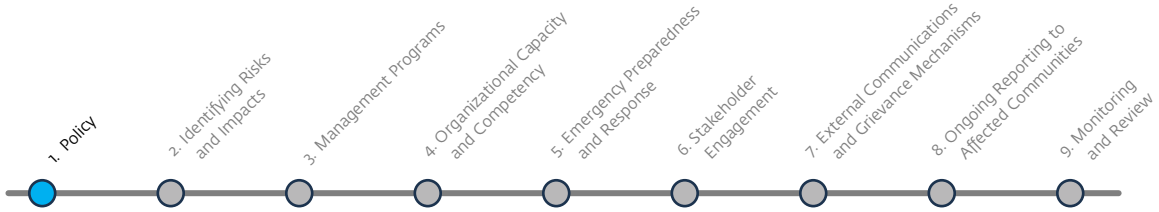
6. Stakeholder engagement		Senior mgt.	Mid-mgt.	Supervisors	Workers	Months																							
						1				2				3				4				5				6			
DEV	Identify and prioritize stakeholders.																												
	Develop a stakeholder engagement plan.																												
IMP	Start the communication and consultation process with stakeholders as defined in the stakeholder engagement plan.																												

7. External communications and grievance mechanism		Senior mgt.	Mid-mgt.	Supervisors	Workers	Months																							
						1				2				3				4				5				6			
DEV	Develop a system for receiving, documenting, and responding to feedback and grievances, or update a current system.																												
IMP	Implement communication channels, and publicize their existence.																												
	Record complaints received and the actions taken to resolve them.																												

8. Ongoing reporting to affected communities		Senior mgt.	Mid-mgt.	Supervisors	Workers	Months																							
						1				2				3				4				5				6			
DEV	Develop a system for reporting and disclosing information to affected communities, or update a current system.																												
IMP	Communicate and disclose information to affected communities as described in the stakeholder engagement plan.																												

9. Monitoring and review		Senior mgt.	Mid-mgt.	Supervisors	Workers	Months																							
						1				2				3				4				5				6			
DEV	Develop an ESMS monitoring plan, and establish benchmarks to evaluate E&S performance.																												
	Define a procedure and evaluation criteria for ESMS internal audits.																												
	Establish the monitoring criteria as mandated by legal requirements or external obligations.																												
IMP	Collect and analyze monitoring data.																												
	Conduct internal audits.																												
	Hold senior management review meetings to evaluate the company's performance.																												
	Revise management plans or procedures, or develop actions plans to achieve improved performance.																												
	Communicate the outcomes of senior management's ESMS performance review and the key decisions made to employees, the board of directors, shareholders, and stakeholders.																												
	Total																												

Source: International Finance Corporation.
Note: DEV = development; E&S = environmental and social; ESMS = environmental and social management system; IMP = implementation; mgt. = management.



1.Policy

Introduction

Policies are the foundation of your environmental and social management system (ESMS). They establish expectations for your employees, contractors, and primary suppliers, and serve as a public declaration of your company's values and principles that guide business conduct. You should develop an overarching environmental and social (E&S) policy statement that communicates your company's or project's principles to management, staff, the board, contractors and primary suppliers, customers, and other stakeholders so that everyone involved understands your core values and commitments.

Some company policies might already address the E&S aspects of its projects or operations (for example, human resources, health and safety, contractor management, stakeholder engagement, gender-based violence and harassment, and climate risk and adaptation policies). All policies related to E&S topics should align with the overarching E&S policy and support it.

When adopting E&S policies, think about your company's priorities, and discuss them with senior management to gain their commitment and support as they approve and communicate the policies.

This section focuses on the following International Finance Corporation (IFC) Performance Standard 1 requirement: "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" (paragraph 6). Performance Standard 1 states that this requirement "is not intended to affect (or require alteration of) existing policies the client may have defined for nonrelated projects, business activities, or higher-level corporate activities." The E&S policy should incorporate a commitment to comply with any E&S requirements or relevant industry-based certifications or licenses.

This section presents two tools related to this element:

- Checklist for developing a company's or project's E&S policy
- Example of a chief executive officer (CEO) letter announcing the E&S policy

Checklist for Developing a Company or Project E&S Policy

The E&S policy is the overarching policy that provides guidance and sets the tone and direction for all other policies related to E&S aspects within the company. It should be straightforward and easy to understand, ensuring clarity and alignment across all related policies and procedures. The policy statement outlines your operation's overall objectives, values, and expectations regarding sound E&S performance and should be consistent with the IFC Performance Standards. If applicable, it should also align with other recognized standards or industry-based certifications and licenses you have obtained.

The policy statement must state explicitly who within your organization is responsible for executing the policy and ensuring conformance, and you must communicate this information to all levels of your organization.

Once you have a policy statement, you can develop other policy documents to provide specific implementation guidance on the topics the policy statement covers.

The content of environmental, social, and governance (ESG) policies is not standardized. Your policy documents should match the nature and scope of your company's or project's impacts, activities, primary E&S priorities and concerns, and the standards you intend to follow. Your policy should also address climate change and include measures to prevent, mitigate, and respond to gender-based violence and harassment.[2] State your aspirations clearly (values, objectives, and ambitions) and acknowledge the potential E&S impacts of your operations. These policies provide a framework for external stakeholders to hold your company or project accountable.

People who are familiar with your project or operations and your E&S objectives should develop your E&S policy, which must include input from senior management and relevant internal stakeholders who are crucial to its development. The highest corporate authority must approve the E&S policy and sign it.

Table 1.1 is a useful checklist to ensure that your E&S policy meets your E&S objectives and aligns with the IFC Performance Standard 1 requirements.

[2] For guidance on addressing gender-based violence and harassment in your ESMS, see European Bank for Reconstruction and Development (EBRD), CDC Group, and International Finance Corporation (IFC). 2020. *Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector*. London and Washington, DC: EBRD, CDC Group, and IFC.

Table 1.1. E&S Policy Checklist

Criteria	Yes or no	Comments[a]
Does your E&S policy…		
Provide a framework for the environmental and social assessment and management process?[b]		
Specify that the project (or business activities) will comply with the applicable laws and regulations of the jurisdictions in which they are being undertaken, including laws implementing host country obligations under international law?		
Align with the principles of the IFC Performance Standards?		
Consider the assessment and management of climate-related E&S risks and opportunities to improve adaptation and resilience to climate change impacts?		
Outline how gender-based violence and harassment prevention, mitigation, and response work is addressed?		
Commit to subscribing to other internationally recognized standards, certification programs, or codes of practice, if applicable (and thus these too should be included in the policy)?		
Indicate who within your organization will ensure conformance with the policy and be responsible for its execution?		
Include a commitment to communicate the E&S policy to all levels of the organization?		

Source: IFC.
Note: E&S = environmental and social; IFC = International Finance Corporation.

a. This column helps you track how your E&S policy aligns with the IFC Performance Standard 1 requirements and can include progress, explanations, details, or final approval, among others.
b. In this context, "framework" refers to a structured set of guidelines, principles, or methodologies designed to guide and organize the process of assessing and managing environmental and social aspects of a project, policy, or program.

You might choose to include achieving or maintaining industry-based certification (such as ISO 14001 or ISO 9000) in your company or project policy documents.

Your board of directors must endorse your policies, and the CEO should sign them. Publicly disclosing your E&S policy is a good practice. You can include it on your company or project website, for example, or display it on a bulletin board.

Reviewing your policies regularly—typically every three to five years—is another good practice. For example, you might need to revise your E&S commitments if the standards to which you commit to align are changed.

Example of CEO Letter for Internal Use

The following is an example of a CEO letter announcing a new company E&S policy internally.

To all employees:

Our vision is to become one of the most respected and admired companies in our sector. We are committed to conducting ourselves ethically and responsibly, recognizing the importance of environmental, social, and governance (ESG) considerations in addressing environmental issues, labor rights, community issues, gender equality, and climate change. These concerns are becoming even more significant to investors, consumers, and all of us as individuals.

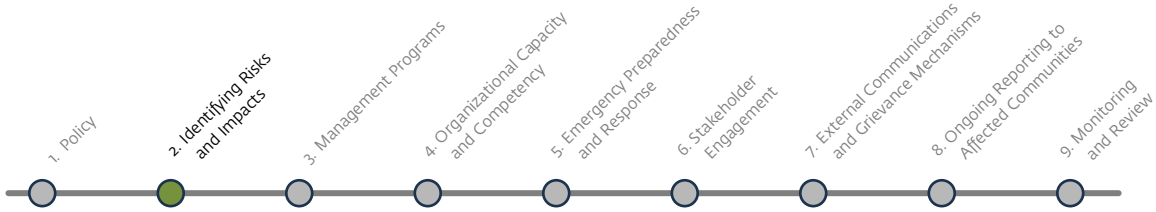
To integrate ESG principles into our daily operations, we have adopted a comprehensive environmental and social policy that underscores our dedication to maintaining high standards of environmental and social performance, driving improvements in our ESG practices, and ensuring our organization's sustainability.

I ask for your full cooperation in this vital initiative. We believe that ESG is fundamental to our long-term growth and profitability, is an integral part of our business strategy, and is the right course of action for our customers, suppliers, shareholders, and communities and for you, our valued employees.

As we work to implement our environmental and social policy, we will ensure that all stakeholders are well-informed and committed to upholding its principles. [Person's name and title] will lead this ESG initiative, and I will personally ensure that the policy is implemented. You have a direct line of communication with [person] if you have any suggestions or concerns.

Thank you for your efforts and continued dedication to our success.

* File the CEO letter announcing the E&S policy in your ESMS document control database.



2.Identifying Risks and Impacts

Introduction

Identifying your risks and impacts can seem challenging, but conducting a risk identification and assessment is a valuable activity that provides information to improve your operations. This process is ongoing; as situations change over time, you should reassess risks regularly or whenever changes occur in your operations, such as implementing a new production process.

When identifying risks and impacts for your company or project, consider both internal and external factors, especially potential effects on vulnerable groups. Your supply chain and contractors are also exposed to the risks your company faces, and their actions can affect your E&S performance.

This section presents four tools related to this element:

- Process mapping and risk identification tool
- Optional tool: Risk Identification Diagramming
- Risk identification tool
- Risk assessment form

* Risk versus Impact

International Finance Corporation Performance Standard 1 refers to the assessment and management of E&S risks and impacts.

A risk is a condition that can affect your operations or could be affected by them. For example, suppose your operations are located near a legally protected biodiversity area or a vulnerable community. This condition could affect your ability to conduct your operations, or your operations might affect the protected area or vulnerable community.

An impact is the effect your operations have on an environmental or social element.

In the example, your operations could face the risk of a nearby protected area, but you might avoid the impact if you ensure that you operate outside the protected area and do not affect it.

The mitigation hierarchy is the analytical and technical process to evaluate your risks and try to avoid, minimize, mitigate, or compensate for the impacts of your operations.

This section refers primarily to risks, but the steps and guidance provided also apply to assessing impacts.

Process Mapping and Risk Identification Tool

Process Mapping

A process map illustrates the flow of activities of any given operational process (figure 2.1). You use the map to identify an activity's risks and impacts and then establish and implement appropriate mitigation measures. Conduct process mapping periodically or whenever a change occurs in the operation. The map can also help identify inefficiencies in your workflow, allowing you to streamline processes and maximize productivity, which can benefit your business and your workers.

> * A company implementing a project (for example, facilities expansions) can apply the same process mapping to project activities during design, construction, and operation.

The following tools will help you with process mapping:

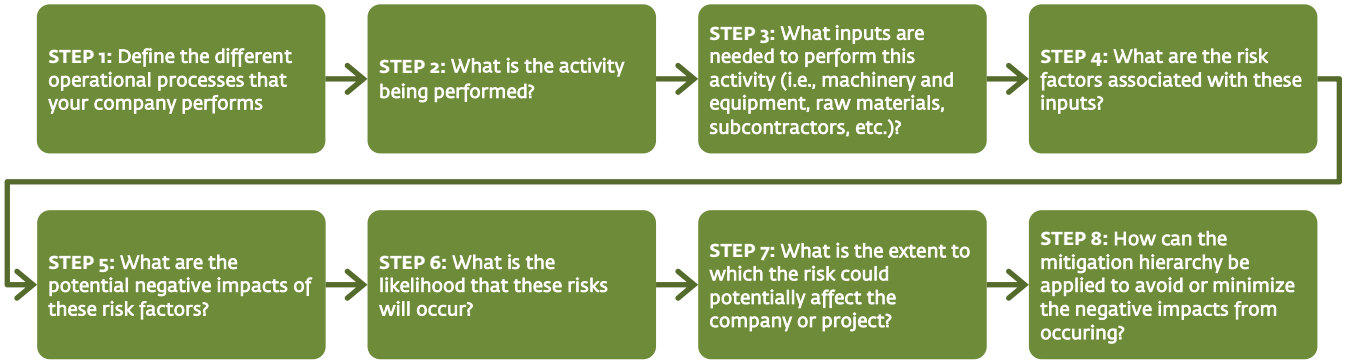
- Master Risk Identification Excel Tool, optional physical mapping tool (steps 1–5)
- Heat map (to prioritize risks) (steps 6–8)

The persons responsible for completing the process map should know about all company or project activities, policies, and procedures. Follow the eight steps for each activity in each of your processes.

> * Manage all documentation used in process mapping according to your document control procedures.

Process mapping should involve people from all levels of your company or project to understand how things are done in your facility, because they handle the daily tasks (the activities performed and the inputs needed to perform the activity). If bringing everyone together to complete the process map is not possible, ask supervisors to consult with their workers for input, and then incorporate that information into the process map.

Figure 2.1. Process Mapping Steps



Risk Identification

Your environmental and social (E&S) risk assessment should consider all topics covered in the eight International Finance Corporation Performance Standards, along with climate change and gender-based violence and harassment. Use the Master Risk Identification Tool to identify the risk factors that might apply to your company or project depending on their nature and scale.

Once you have defined the different operational processes that your company performs, use the Master Risk Identification Tool to complete steps 2–5 of the process mapping, as demonstrated in the example in Box 2.1.

Box 2.1. Process Mapping Using the Master Risk Identification Excel Tool

123 Solar acquired a large-scale solar power plant and will now manage its operations. The company wants to identify and manage the potential operational risks to establish appropriate mitigation measures. The team conducting the assessment follows the process map and uses the Master Risk Identification Excel Tool to complete steps 1 through 4.

Process map step 1: 123 Solar first identifies each activity that will be performed as part of operation and maintenance. For this example, use "clean solar panels."

Process map step 2: 123 Solar identified "raw water" as one input required to complete this activity.

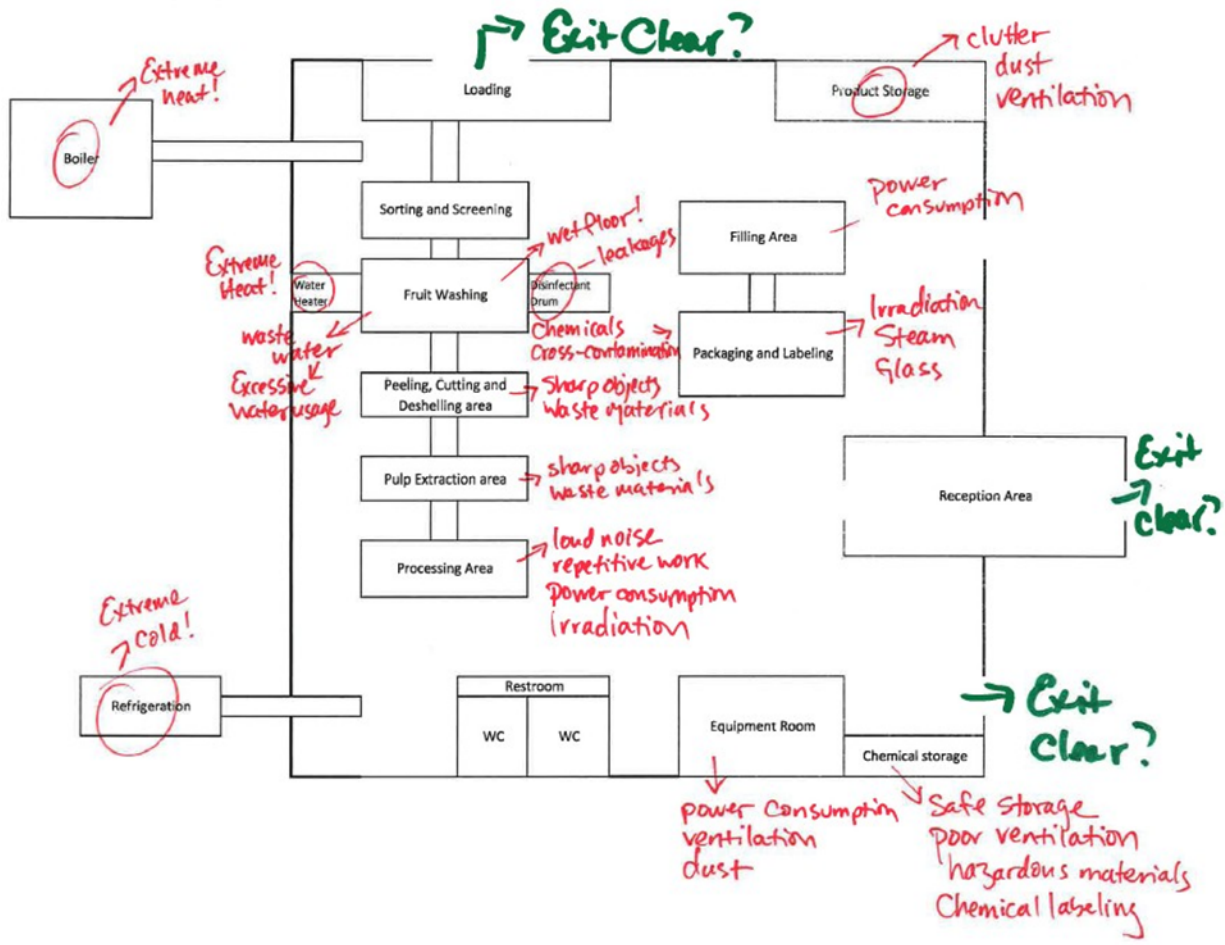
Process map step 3: 123 Solar uses the Master Risk Identification Excel Tool to identify potential risk factors associated with cleaning solar panels using raw water. Using the tool, 123 Solar identified a risk factor that applies to it operation: "Our operation is located in a dry area and requires large amounts of raw water."

Process map step 4: In the Excel tool's Potential Negative Impact column, 123 Solar identifies water resource depletion and groundwater or surface water source contamination in the region caused by discharge of surface runoffs as potential negative impacts that the company's management programs might need to address.

Optional Tool: Physical Mapping

If the Master Risk Identification Excel Tool cannot identify all risk factors related to your company or project, especially risk factors associated with labor and working conditions, a physical map is another helpful tool. First, prepare a map of the layout of your facility that includes all areas where production activities and business operations take place, and illustrate how they connect to each other. Then walk through the facility during working hours to identify current or potential problems (see box 2.2). Include a team of supervisors and workers for the walk-through, because they often know about problems and can suggest needed improvements. Note any problems or potential problems, and mark them on the map. See figure 2.2 for an example of a physical map for a fruit processing facility.

Figure 2.2. Physical Map of a Fruit Processing Facility



Box 2.2. identifying risks: facility walk-through

Consider the following when identifying risks during a facility walk-through:

- Where are people most likely to become injured? Identify trip, slip, and fall hazards (from fallen objects or a fall from an elevated area) and areas where vehicles can be a hazard to workers.
- Are equipment, tools, and machinery designed and maintained efficiently to reduce worker strain? Can they be operated safely?
- Where are workers exposed to hazardous chemicals, pathogens, excessive dust, noise, sun, and extreme temperatures? Do workers have appropriate personal protective equipment? Are workers using the equipment correctly?
- Is lighting in the work area sufficient?
- Are chemicals labeled and stored safely with compatible materials? Are containers leaking, or could they develop leaks?
- Where could fires, explosions, or accidental release of hazardous materials occur? Is adequate and appropriate response equipment easily accessible near those areas?
- Are exit doors unobstructed and clearly marked with EXIT signs? Are they unchained and equipped with panic bars (metal bars designed to open doors quickly during an emergency)?
- Are any passages blocked because of the facility's layout or improperly stored materials?
- Which areas have high levels of water consumption or discharge? Identify all potential water consumption and discharge sources and the potential for polluting receiving environments.
- Are workers using input materials efficiently? Is material wasted at any point?
- Where is most of the waste produced in the facility? How is the waste managed?

Box 2.2. identifying risks: facility walk-through

- Has the company's use of land had negative effects on nearby residents (for example, emitting pollutants or encroaching on land)?
- Are unsafe practices often observed in specific locations or work processes? If so, describe these practices in detail.
- Could any areas in the workplace affect men and women differently in terms of safety, comfort, or health risks?

Could different at-risk groups face any specific risks in the facility (for example, persons with disabilities; minority ethnic groups; children; or people with diverse sexual orientation, gender identity and expression, and sex characteristics)?

After completing the walk-through, meet with the team to discuss observations. Review previous incidents or accidents and their consequences to identify steps to prevent similar situations in the future.

Use the information from the walk-through to begin preparing **management plans** as part of your management program (see chapter 3).

Risk Prioritization Tool

Once you have identified the risk factors using the Master Risk Identification Excel Tool, consult the individual tables in the tool for each type of risk (environmental, occupational health and safety, for example) to determine the relationship between each risk factor (left column in the table) and its corresponding type of risk and potential impact (right column) based on your "yes" or "no" responses regarding the relevance of the risk to the activities your company performs (middle column). Once you have established the type of risk, use tables 2.1 and 2.2 to assess the probability and severity of the potential impacts of each type of risk.

Likelihood of Occurring

"Likelihood" in table 2.1 is the possibility of a risk occurring and how often it might occur during the life cycle of a project or company. It is a measurement of how likely the unplanned event is expected to occur but not a measurement of how likely an impact is expected to occur because of the unplanned event. Use historical information, facts, or assumptions at the time of the assessment to determine the likelihood level of each risk you identified (low, moderate, or high).

Table 2.1. Definitions of the Likelihood of a Risk Occurring

Likelihood	Definition
Low	The event is unlikely to occur but could occur at some time during normal operating conditions (0–35 percent probability of occurring in a defined period).
Moderate	The event is likely to occur at some time during normal operating conditions (36–85 percent probability of occurring in a defined period).
High	The event will occur during normal operating conditions (greater than 85 percent probability of occurring in a defined period).

Source: International Finance Corporation.

Severity

"Severity" in table 2.2 refers to the consequence of risks that could affect both E&S receptors (any person, asset, habitat, or animal that could potentially be affected by your project activities or company operations) and your project or company.

Table 2.2. Consequences of the Risk

Consequences of risk			
Severity	**Occupational health and safety**	**Environmental**	**Social**
Low	• First aid treatment • Injuries that require medical treatment or restrict an individual's ability to work	• Incidents cause negligible, reversible environmental impact and thus require only minor or no remediation • Limited reversible environmental impact • Possibly no remediation efforts required or only localized remediation efforts	• No media coverage or only local coverage • Few or no complaints from community members
Moderate	• Serious bodily injury or illness (such as fracture) or lost-time injury	• Reversible environmental impact with a medium-term impact • Might require large remediation efforts	• Local media coverage over several days • Community or worker protests • Persistent community complaints
Severe	• Single or multiple fatalities • Irreversible disability or illness to one or more persons	• Severe or irreversible environmental impact with a medium to long-term effect • May require significant remediation efforts	• Prominent negative national or international media coverage over several days • Community or nongovernmental organization legal actions • Persistent community or worker demonstrations, protests, and blockades

Source: International Finance Corporation.
Note: The IFC Performance Standards do not define "short," "medium," and "long" term explicitly. However, these terms can be understood based on the standards' objectives and requirements, which focus on managing environmental and social risks and impacts over various timeframes. Short term: immediate to near-future periods, often including the project planning and early implementation stages, typically ranging from a few months up to a year; medium term: the intermediate stages of a project, including ongoing operations and mid-term monitoring; long term: the extended future of a project, including its full operational lifespan and decommissioning phases.

Heat Map

After assessing a risk's likelihood and severity, you should use a heat map in Table 2.3 to determine the risk rating (as defined in Table 2.4) of each risk based on a combination of its likelihood and severity. This will enable you to identify and prioritize risks, and to develop management plans to address the prioritized risks.

Table 2.3. Heat Map

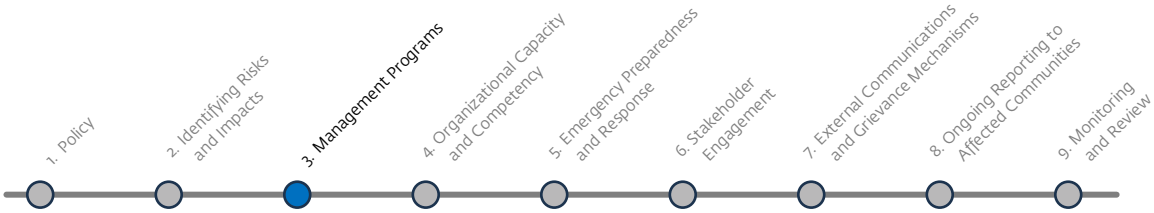
Likelihood	Severity		
	Low	Moderate	Severe
High	Moderate	Major	Major
Moderate	Minor	Moderate	Major
Low	Minor	Minor	Moderate

Source: International Finance Corporation.

Table 2.4. Risk Ratings

Risk rating	Definition
Major	A major risk is one that is likely to occur and will have a significant impact on your environmental and social receptors or the project or company.
Moderate	A moderate risk is one that might occur and will have a moderate impact on your environmental and social receptors or the project or company.
Minor	A minor risk is one that is unlikely to occur and will have a small impact on your environmental and social receptors or the project or company.

Source: International Finance Corporation.



3.Management Programs

Introduction

The next step is to develop your management programs, which include management and action plans and procedures to address your prioritized risks and impacts (from chapter 2).

This chapter presents two tools related to this element:

- Management programs table
- Outline of procedure

* Management plans at the corporate level focus primarily on addressing the risks and impacts associated with the company's operations.

For specific projects such as construction projects, environmental and social impact studies usually include an environmental and social management plan.

This section applies to both corporate and project contexts.

Management Programs Table

Introduction

A mitigation hierarchy is a is a structured approach used in environmental and social impact assessments to address and manage risks and impacts systematically. Using this approach:

1. Try to avoid or minimize a potential risk or impact.
2. Identify measures to minimize the risk or impact if avoidance is not feasible.
3. Determine actions to compensate for the impact or offset it if the risk or impact is still significant after implementing minimizing measures.

The mitigation hierarchy helps you determine the programs and measures needed to manage your risks and impacts.

1. Avoid: Identify, and where available and technically and financially feasible, change to your company's or project's design (engineering, procurement, and operational) or potential location to avoid adverse risks and impacts on social and environmental features. Avoidance is the best form of mitigation. For example, you could install a stormwater quality treatment system to avoid impacts to a sensitive water body receptor.
2. Minimize: If avoidance is not possible, you can minimize adverse impacts and risks through environmental and social measures, treatments, and design. Acceptable options will vary and include abate, rectify, repair, or restore impacts, as appropriate. For example, you could provide ear protection to workers in the manufacturing plant to minimize their exposure to noise.
3. Compensate or offset: If avoidance or minimization measures are not available or are insufficient, designing and implementing measures that compensate for or offset residual risks and impacts could be appropriate. However, such measures do not eliminate the identified adverse risks and impacts but seek to offset it with at least a comparable, positive one. For example, you could contribute to a water conservation fund to compensate for your water use.

Instructions

Use table 3.1 to identify the management measures you will implement to mitigate the prioritized risks and to determine how to manage those measures. List the risks that you identified and prioritized in the previous section. Then, determine which management measures you will take to avoid, minimize, or compensate or offset the negative impacts of each risk. Assign a responsible staff member to each measure, and set a deadline to ensure that the measure will be implemented. Identify the resources needed to implement the program and the operational procedures needed to ensure the management program's long-term sustainability.

Table 3.1. Management Measures to Mitigate Risks

Risk: Insert your prioritized risks here, for example, "workers' exposure to high concentrations of dust."
Objective: What do you want to achieve broadly? What are your performance targets?

For example, "reduce workers exposure to dust."

* Ensure you file all documents under your Management Program in your ESMS document control database.

Mitigation hierarchy	Action	Performance indicators	Deadline	Responsible staff	Resources required	Operational procedures
Avoid the risk	*What will you do to avoid this risk?* For example, install a dust collection system.	*What parameters will you monitor to determine your success?*	*When will this be accomplished?*	*Who is responsible for ensuring that this occurs?* (Include all levels of management, including supervisors and first-line managers.)	*What human and financial resources will you need?*	*What procedures will you put in place to ensure that this action becomes part of your daily processes?* For example, establish a procedure for operating and maintaining the dust collection system.
Minimize the risk	*What will you do to minimize this risk?* For example, provide workers with respiratory personal protective equipment.					For example, establish a procedure for assigning, maintaining, and replacing respiratory personal protective equipment.

Mitigation hierarchy	Action	Performance indicators	Deadline	Responsible staff	Resources required	Operational procedures
Compensate for or offset the risk's negative impacts	*What will you do to make up for any negative impacts from this risk?* For example, establish a remediation policy to compensate and relocate workers whose health is affected by the dust exposure.					For example, establish a procedure for conducting regular physical examinations of workers who are exposed to dust.

Source: International Finance Corporation.

Procedure Outline

You should define the procedures that you will follow as you implement your management programs. Procedures clearly systematize actions, so the appropriate parties become familiar with them and execute them consistently. Communicate procedures and work instructions using a combination of text, flowcharts, or pictograms, or whatever format is most effective for your company staff. Box 3.1 is an example of a procedure outline that includes the important components of a well-defined written procedure.

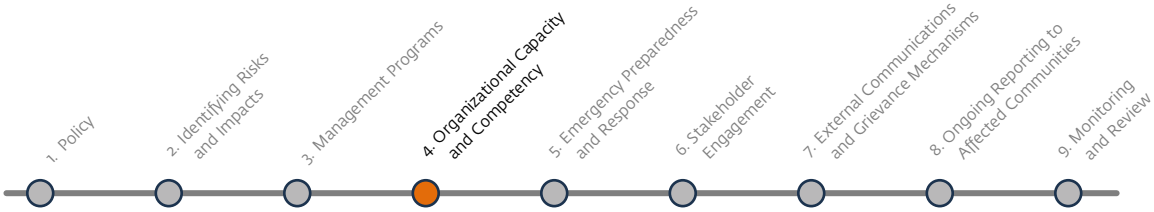
Box 3.1. Procedure Outline

Title: [name of procedure]

Procedure identification number:

Number of pages:

1. **Purpose:** State the procedure's purpose. (For example: This procedure is intended to address risk X identified during the risk assessment process.)
2. **Scope:**
   a. Coverage of the procedure
      i. Describe the extent of this procedure within the company. (For example: This procedure encompasses all company operations and business processes and applies to all employees and our contractors.)
      ii. Specify the areas, departments, or functions this procedure should address.
      iii. Indicate any areas, departments, or functions the procedure does not cover.
   b. Inclusions and exclusions
      i. Detail the specific tasks, activities, or processes included in this procedure.
      ii. Identify any tasks, activities, or processes excluded from this procedure.
   c. Applicable personnel
      i. List the roles or job titles of the personnel who are required to follow this procedure.
      ii. Specify any roles or job titles of personnel who are not required to follow this procedure.
3. **Definitions:** List and define any terms used in this procedure.
4. **Responsibilities:**
   a. Identify the individual or team responsible for regularly reviewing and updating this procedure. (For example: The [specific role or department] is responsible for regularly reviewing and updating this procedure.)
   b. Specify who will inform personnel about their responsibilities under this procedure and train them. (For example: The [specific role or department] will inform and train personnel on their responsibilities under this procedure.)
   c. Indicate who is responsible for following the work instructions described in this procedure. (For example: The [specific role or department] is responsible for following the work instructions described in this procedure.)
5. **Work instructions:** List the specific steps required to implement this procedure.
6. **Reference documents:** References can include related company policies, relevant national or local laws, and industry standards.
   a. List the document that support this procedure.
   b. Identify the sources or documents on which this procedure is based.
   c. Provide references for where to find more information related to this procedure.
7. **Records:** Specify where to document the outcomes of the procedure. (For example: Record worker injuries in an accidents log. Record worker issues in personnel files.)
8. **Approving authority:** State the individual or job title responsible for approving the procedure. (For example: The general manager is responsible for approving this procedure.)
9. **Issue date:** Record the date the procedure was issued.
10. **Revision date:** Record the date of each procedure review and revision. (Procedures should be updated and improved continually.)



4. Organizational Capacity and Competency

Introduction

Developing an environmental and social management system (ESMS) begins with ensuring that you have the appropriate organizational structure in place and senior management's full support and commitment. Developing and implementing an ESMS requires time, budget, and personnel, which senior management must prioritize continually. A critical early step is to form a dedicated ESMS team with a designated team lead and people with the required knowledge, skills, and experience from all levels of your company. However, implementing the ESMS should not become a full-time job for everyone. Integrate the team's responsibilities into their current job descriptions, and evaluate their performance based on the consistent execution of their assigned duties as defined in your procedures.

* A full-time environmental, social, and management system team lead should lead the system development, implementation, and monitoring. The team lead should have the appropriate competencies and training for achieving sound environmental and social performance in line with IFC Performance Standards.

Building and improving your organizational environmental and social (E&S) capacity involves training your staff, contractors, and primary suppliers using progressive training techniques. Start by raising awareness of the ESMS and developing participants' commitment to it. Then, teach them how to implement the system. Each training module should have a specific goal related to this progression:

1. Raise awareness
2. Gain commitment
3. Teach people the knowledge and skills they need to implement the ESMS

We present the following tools related to this element:

- Examples of roles, responsibilities, and authorities for establishing an ESMS team
- ESMS team organization structure assessment
- Training plan worksheet

Establishing an ESMS Team: Examples of Roles, Responsibilities, and Authorities

Implementing an ESMS is not an ad hoc task and often requires a team with the technical backgrounds and competencies needed to plan, develop, manage, and maintain it. Team members should have skills in budget management, negotiation, and conflict resolution to secure funding from management and communicate the importance of the ESMS throughout your company. Implementation requires a well-balanced team of knowledgeable professionals from your environment, health and safety, operations or production, contracts and purchasing, human resources, and legal departments. Most important, appoint an ESMS team leader to oversee the development, implementation, and continual improvement of all policies, procedures, and plans that make up your ESMS, including contractor compliance with all E&S requirements.

You should scale the overall management system and the ESMS team to your company's or project's size and complexity. Even if your organization lacks multiple departments with distinct roles, or maybe a few people cover several functions, involving people across the range of functions is crucial. Consider using an existing team as the foundation for building your ESMS team, even if that team performs a different function (for example, fire safety team or health and safety committee).

Table 4.1 describes an organization's wider ESMS roles and responsibilities, which you should tailor to your company as needed.

Table 4.1. Wider organizational ESMS Roles and Responsibilities

Role	Responsibilities
Board of directors and senior management	The board and senior management must understand the importance of the ESMS in mitigating and managing E&S risks. They should promote the ESMS throughout the company by allocating the resources needed to develop, implement, and maintain it, such as budget, personnel, and technology. Communication between the ESMS team and senior management is crucial. Senior management and the board also provide high-level oversight of ESMS performance and help develop environmental and social policies (which they also approve) that align with the IFC Performance Standards.
Human resources	Human resources staff manages training related to labor, human rights, and gender equality. They develop, implement, and update policies on working conditions and gender-based violence and harassment. They also enforce labor protections for workers, ensuring compliance with local regulations and relevant international standards.
Operations and production	These roles focus on efficient resource use and waste reduction. They contribute to process mapping and risk identification and ensure the implementation of E&S management plans and procedures.
Procurement	Procurement manages contractor and supplier qualifications, contract terms and conditions, and performance and enforces compliance with company policies.

Role	Responsibilities
Maintenance	Maintenance ensures that equipment operates efficiently and safely and avoids spills, leaks, and other emergencies.
Legal	Legal advises on compliance with relevant laws, regulations, and lender requirements and oversees adherence to these standards.
Environment	This role collects, analyzes, and documents environmental data (including air emissions, noise levels, soil quality, and wastewater effluent and water quality) to ensure compliance with legislative, regulatory, and lender requirements and standards.
Social	This role designs, develops, and implements community engagement and communication processes and initiatives and manages the stakeholder grievance mechanism.

Source: International Finance Corporation.

You should scale the overall management system and the ESMS team to your company's or project's size and complexity. Even if your organization lacks multiple departments with distinct roles, or maybe a few people cover several functions, involving people across the range of functions is crucial. Consider using an existing team as the foundation for building your ESMS team, even if that team performs a different function (for example, fire safety team or health and safety committee).

Departments with Responsibilities for ESMS implementation

Table 4.2 will help you identify individuals who can perform the activities required to implement your ESMS. This table is not exhaustive and is not tailored to a specific sector or size of operation.

Complete table 4.2 with information specific to your operation, and consider the following:

- A mature ESMS team will have a specific person or department assigned to each ESMS activity. The number of people or size of the department will vary depending on your operation's nature and scale.
- The same person or department can be responsible for one or more activities, and people or departments can share activities as needed. You do not necessarily need to hire someone new to handle each activities but can assign new responsibilities to current roles and conduct training on new ESMS-related activities.
- Every company or project will have its own methods or processes for filling the roles and assigning responsibilities within different departments for ESMS implementation, tailored to match your operation's nature and scale.

* Risk can arise if your organization lacks the capacity to execute operations and develop internal governance structures that can manage the E&S risks identified during the process mapping exercise.

Table 4.2. Organizational responsibilities for ESMS Implementation

ESMS implementation Activities	Responsible department or role
Action planning	• All departments
Auditing, reporting, and monitoring	• Environmental, social, and health and safety • Quality control • Senior management • Board of directors
Supply chain and contractor management	• Human resources • Procurement • Production • Worker representatives
Document control	• All departments
Emergency planning	• All departments
ESMS training	• Environmental, social, and health and safety • Human resources
External grievance management	• Community relations teams
Identifying risks and impacts	• Environmental, social, and health and safety • All departments
Impact zoning	• Environmental, social, and health and safety • Worker representatives • Procurement and sourcing • Community relations teams
Internal grievance management	• Human resources
Risk and hazard assessment	• Environmental, social, and health and safety • All departments
Root cause analysis	• Environmental, social, and health and safety • Production • Procurement and sourcing • Human resources • Worker representatives
Stakeholder engagement	• Human resources • Community relations teams • Worker representatives • Environmental, social, health, and safety

Source: International Finance Corporation.

The current roles in your organization, which you listed in table 4.2, could be enough to implement your ESMS. However, in some cases, adding specific roles within the environmental, social, and health and safety departments or similar departments within your organization could benefit E&S management. You might already have employees in your company who are well-suited for these key roles, or you might need to hire new people to fill them. Table 4.3 provides examples of roles, responsibilities, and required competencies for ESMS implementation.

Table 4.3. Examples of ESMS Roles, Responsibilities, and Competencies

Role[a]	Responsibilities	Ideal qualifications	Person or department, or new hire	Required supplemental competencies[b]
Social and community relations coordinator	Responsible for developing, implementing, and continually improving social policies, plans, and procedures related to social performance, including the stakeholder engagement plan	Education: An ideal candidate has a degree in law, economics, engineering, sociology, environment, social communication, social work, business administration, anthropology, or another field that can apply to community relations. Experience: An ideal candidate has a minimum of three years of experience in positions related to coordinating management, community relations, and social welfare activities.		
Environmental coordinator	Responsible for developing, implementing, and continually improving environmental policies, plans, and procedures	Education: An ideal candidate has a degree in environmental, civil, or agricultural engineering; biology; or another professional degree with a specialization in environment or biodiversity. Experience: An ideal candidate has a minimum of five years of experience related to coordinating environmental activities (managing sustainability, air, noise, and water management programs, and implementing measures of environmental management programs).		
Security coordinator	Responsible for developing, implementing, and continually improving security policies, plans, and procedures; can be responsible for in-field implementation or could be supported by site security supervisors	Education: An ideal candidate is knowledgeable about at least the following: • United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials • United Nations Code of Conduct for Law Enforcement Officials • Use of force and response to incidents • Voluntary Principles on Security and Human Rights Experience: An idea candidate has a minimum of five years of experience in positions related to coordinating security activities, in accordance with United Nations voluntary principles (for example, has been responsible for implementing security programs or has experience as a private security consultant with experience in implementing security programs).		

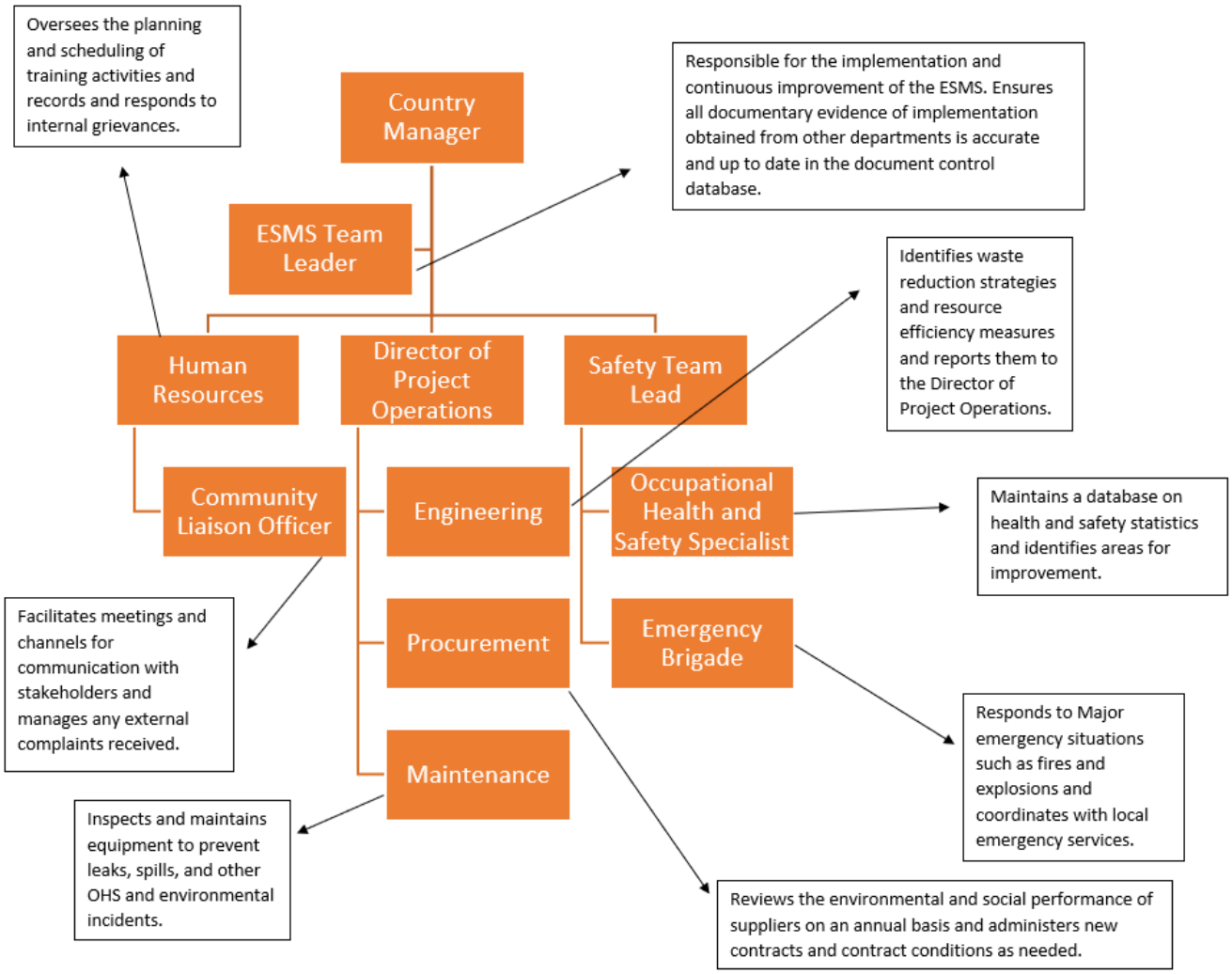
Role[a]	Responsibilities	Ideal qualifications	Person or department, or new hire	Required supplemental competencies[b]
Health and safety coordinator	Responsible for developing, implementing, and continually improving health and safety policies, plans, and procedures; and for undertaking root cause analysis after an accident	Education: An ideal candidate has a degree in industrial, civil, mechanical, or electrical engineering, with a specialization in safety and health at work. Experience: An ideal candidate has a minimum of five years of experience related to coordinating occupational health and safety activities (for example, has been responsible for the occupational health and safety area for projects).		

Source: International Finance Corporation.
Note a: The list of roles is an example and is not exhaustive.
b. Refer to table 4.4 for guidance.

Figures 4.1 and 4.2 will help you visualize the various ESMS roles and responsibilities and the organizational structure that could be required to manage risk. You can see that the number and complexity of the roles vary.

Figure 4.1 is the organizational chart for the ESMS team of ABCD Tech House, a small-scale operation with only a few environmental and social risks that can be avoided or minimized easily. The organizational chart shows examples of each ESMS team member's responsibilities.

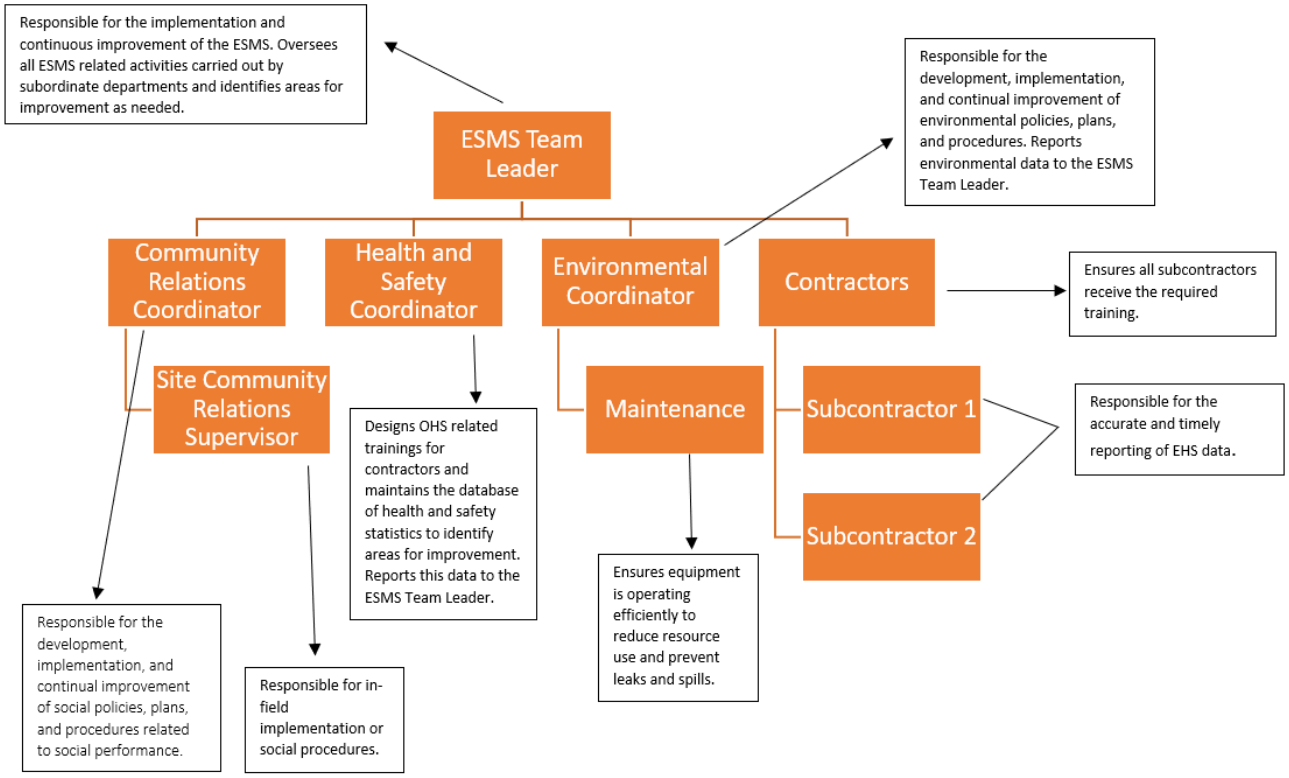
Figure 4.1. ABCD Tech House ESMS Team Organizational Chart



Source: International Finance Corporation.
Note: ESMS = environmental and social management system; OHS = occupational health and safety.

Figure 4.2 is the ESMS team organizational chart for Company XYZ, which has a large footprint with complex risks involved. Several risks are unavoidable and are expected to have negative impacts that require compensation.

Figure 4.2. Company XYZ ESMS Team Organizational Chart



Source: International Finance Corporation.
Note: EHS = environmental, health, and safety; ESMS = environmental and social management system; OHS = occupational health and safety.

Training Plan

Instructions

Use the training plan example in Table 4.4 to document which modules are required for each department to ensure the effective implementation of your ESMS. The plan should indicate who needs only basic ESMS training and who need more advanced ESMS training to perform their responsibilities. It should also be used to keep a record of which departments have completed the training.

* Maintain all training materials in your ESMS document control database, including attendance records and pre- and post-tests (as applicable).

Table 4.4. Training Plan Requirements Example

Department	Module 1 (X = required; C = completed)	Module 2 (X = required; C = completed)	Module 3 (X = required; C = completed)	Module 4 (X = required; C = completed)
Human resources	X	X		X
Legal	X			
Environmental	X	X	X	X
Social	X	X	X	X
...				
...				

Source: International Finance Corporation.

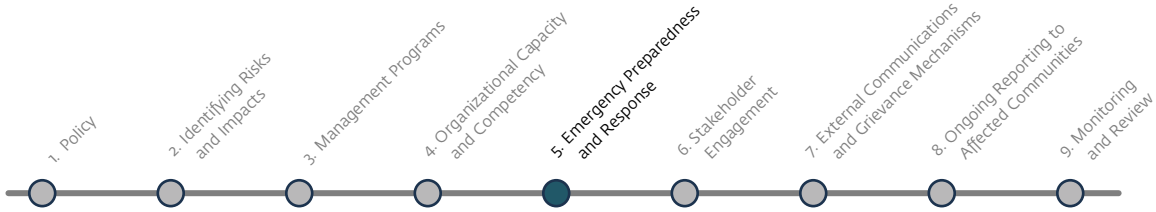
Table 4.5 lists some relevant training topics for specific groups. Select the specific training modules for each of the target groups based on the relevant risks and potential improvement opportunities.

Table 4.5 ESMS Training Topics

Department	Relevant topics for training
Senior management and board of directors	• Introduction to IFC Performance Standards and ESMS • Governance of E&S matters • Sector best practices • Climate-related matters
ESMS team	• Introduction to IFC Performance Standards and the nine ESMS elements • Deep dive into sector-based issues and congruence with the ESMS • Environmental and social legal requirements • Identification and evaluation of environmental and social risks and impacts • Root cause analysis • Stakeholder engagement and grievance redress mechanisms • Monitoring of performance indicators • Internal auditing • Environmental and social reporting • Assessment of vulnerabilities to climate impacts and climate-related E&S risk

Department	Relevant topics for training
Human resources department	• Introduction to ESMS and IFC Performance Standard 2, Labor and Working Conditions • Hiring, nondiscrimination, anti-harassment, compensation, and other labor policies • Complaint management and resolution procedures for workers • Worker-management interaction • Gender and gender-based violence and harassment • Contractor management
Workers and managers	• Introduction to ESMS • ESMS policies • Instructions on new or modified operational procedures relevant to the tasks performed (for example, waste management procedure, storage and handling of hazardous chemicals, use and maintenance of personal protective equipment • Emergency response procedures • Instruction on complaint management system • Worker-management interaction
Procurement	• Supply chain and contractor assessment based on environmental and social requirements • Supply chain and contractor audits

Source: International Finance Corporation.



5. Emergency Preparedness and Response

Introduction

Emergencies happen, even with good systems in place, so planning is essential. You should focus on preventing emergencies but also on training your employees on how to respond if one occurs. Use your risk assessment to identify which emergencies are most likely to occur or would cause the greatest harm and then develop and implement a suitable emergency preparedness and management plan for each identified emergency.

Your company should have an overarching emergency preparedness and response plan that reflects the results of your risk assessment and outlines the procedures for preparing for and responding to various types of emergencies. This chapter provides examples of response procedures for common emergency scenarios such as fires, flooding, and chemical spills. Be sure to include contractors and primary suppliers in relevant training, and evaluate their capacity for emergency preparedness and response.

We present four tools related to this element:

- Emergency scenario mapping
- Fire response procedure example
- Chemical spill response procedure example
- Emergency flooding response and preparedness procedure example

Emergency Scenario Mapping

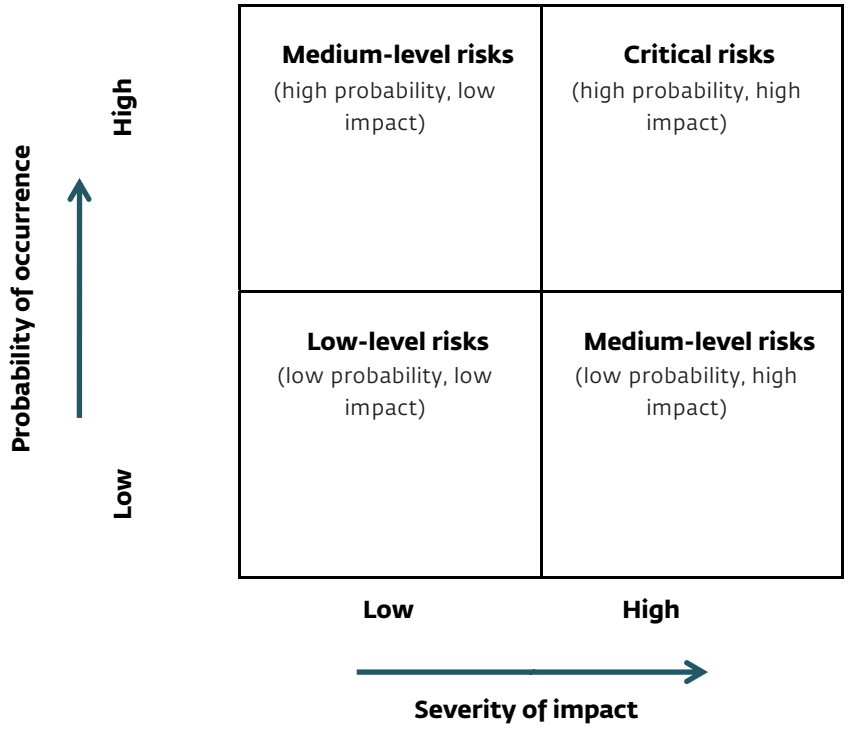
Conducting a risk assessment helps you prioritize the emergency scenarios that are most likely to occur in your area or would have the most severe impacts, and then create a comprehensive emergency preparedness plan for minimizing the damage to your company and workers. The following common types of emergencies can result in significant worker injury or death, disrupt operations, and destroy property.

- Storms, including tornados and tropical cyclones (hurricanes and typhoons), which can result in flooding
- Other natural disasters, such as floods, earthquakes, tsunamis, volcanic eruptions, droughts, extreme weather events, and other climate change–related extreme events
- Fires
- Explosions (accidental or intentional)
- Civil unrest
- Chemical spills or release of hazardous substances

* File all emergency scenario identification and response planning documents in your ESMS document control database. Photographic and attendance records of emergency drills you conduct are also recommended.

Use the risk assessment graph in figure 5.1 to map the probability and severity of those possible emergency situations in the context of your company.

Figure 5.1. Emergency Risk Map



Source: International Finance Corporation.

Emergency Response Team

This team deals with catastrophic accidents within the company. The emergency preparedness and response plan should outline the team's duties and detail the procedures they are required to follow when an emergency is reported. This information is crucial for establishing the appropriate response actions.

Emergency Response Team Members

Name	Title	Home phone	Cell phone
	General manager		
	Operations manager		
	Shift supervisor		
	Environmental, health, and safety manager		
	Firefighting team member 1		
	Firefighting team member 2		

Note: Emergency response team members can be called upon on short notice.

Emergency Response Agreements and Contact Information

Agreement [link]	Local authority	Contact information	Theme
[X]	Ambulance service		Medical emergencies
[X]	Police		Civil unrest
[X]	Fire Department		Fire

Fire Response Procedure Example

Title: Fire Response Procedure
Procedure number: EM001
Number of pages: 4

1.0 Purpose and Scope

1.1. **Purpose**: to set out the responsibilities and activities to respond to fire emergencies; identify the roles, responsibilities, and authorities to facilitate the site's emergency preparedness and response.

a. **Scope**: procedure applies to all activities and processes of at **[company name]**.

2.0 Definitions

2.1. **Emergency:** A situation that poses an immediate threat of:

a. Injuries and damage to health

b. Fatalities

c. Damage to property

d. Damage to environment

2.2. **Fire emergency:** A situation that poses or signals an immediate threat from:

a. Uncontrolled fire or imminent threat of uncontrolled fire

b. Smoke or burning

c. Uncontrolled release or spills of flammable or combustible substances

3.0 Responsibility and authority

3.1. The operations manager or designate is responsible for this procedure. The operations manager will report to the general manager on matters related to emergency preparedness and will have total authority during emergency situations, including the authority to declare a state of emergency. In the operations manager's absence, the general manager will have these authorities.

3.2. The environmental, health, and safety (EHS) manager will:

a. Review and revise this procedure at least once a year

b. Ensure that everyone is aware of their responsibilities as defined in this procedure

c. Ensure that required fire detection, alarm, and response equipment is present in all designated areas

d. Assemble fire response teams in each work area per the work area supervisors

e. Schedule and conduct training regularly to fire response teams

f. Schedule and organize evacuation drills regularly in all work areas

g. Analyze the results of drills (for example, evacuation time, participant response, clarity and visibility of evacuation routes, effectiveness of communications systems) and take appropriate action

3.3. The human resources manager will:

a. Ensure that job descriptions include the responsibilities defined in this procedure

3.4. The maintenance manager will:

a. Test all emergency equipment regularly to ensure it is in working condition

b. Schedule an approved contractor to maintain emergency equipment

c. Take immediate action to repair or replace equipment when needed

3.5. The work area supervisors will:

a. Ensure that fire response teams participate in training

b. Remind workers regularly of their responsibilities in a fire emergency`

c. Account for workers and visitors gathered at assembly points outside of the facility

3.6. Emergency response team will:

a. Participate in training organized by the EHS manager

b. Respond to the fire first aid as explained in the work instructions of this procedure and in training.

3.7. All workers will:

a. Participate in evacuation drills

b. Inform a member of the fire response team or work area supervisor immediately in case of fire

c. Evacuate the building through the nearest exit when the fire alarm sounds, and follow designated evacuation routes

d. Gather at the designated muster points/safe zones.

3.8. Other responsibilities as defined in the work instructions.

4.0 Work Instructions

4.1. Firefighting instructions

a. Preserve life first and then property.

b. The **person who discovers the fire** will call for assistance immediately. Do not enter a burning room or building without another qualified person to assist. Alert other employees immediately.

c. Determine if the fire can be extinguished within an appropriate time limit with the portable equipment in the building if it is sufficient to extinguish the fire. If not, call the fire department, activate an alarm, and evacuate the building.

d. The **person who discovers the fire** should notify the operations manager (or designate) and the local fire department and provide details of the exact location and nature of fire.

e. The **operations manager** will then notify the following:

i. Emergency response team

ii. Engineering control room

iii. Human Resources Department

iv. Maintenance department

v. EHS manager

f. All other heads of departments and supervisors

g. The Emergency response team will assist in informing all occupants of the building about the fire and lead the prompt evacuation of the building.

h. As soon as the **electrical department** is notified, the electrician will cut off the power supply of the affected area, bring the elevators (if available) down to the ground level, and provide adequate lighting (with emergency lighting if required) for firefighting or evacuation.

i. The **department** will go to the fire hydrant pump room (if safe) to ensure smooth pump operation.

j. The **work area supervisors** (or the shift supervisors) will make sure that all employees are accounted for after the building is evacuated.

4.2. **Building evacuation:** Quick decision-making and prompt evacuation are crucial to saving lives. The evacuation process must be efficient and managed expertly. When evacuation is required, everyone must use the nearest exit or follow instructions. In labor-intensive industries, rapid evacuation of many people is essential. Historically, workers in industries such as textiles have lost their lives because of blocked or locked doors, or too few exits. Make sure that all exit routes are accessible in emergencies.

a. Close but do not lock doors behind you as you leave the building.

b. Employees and visitors should gather near designated safe zones upwind from smoke or toxic gases and away from areas where emergency vehicles or services will arrive.

c. Account for all employees and visitors.

d. Employees will reenter the evacuated building only when the designated officer (operations manager or safety manager) advises them that it is safe to do so.

e. Only trained and competent personnel equipped with suitable personal protective equipment can perform any required rescue operations (for a trapped employee or visitor, for example).

4.3. **Medical aid:** [Optional: include any specific instructions involving trained individuals providing first aid.]

5.0 **Reference documents:** The following documents that are relevant to this fire response plan can be accessed in the documents database or through the human resources department:

5.1. **Evacuation plan:** detailed procedures for evacuating the building safely in case of various types of emergencies

5.2. **Facility map:** shows all emergency exits and the locations of firefighting equipment—including fire extinguishers—and first aid stations

5.3. **Emergency contact list:** contact information for the fire department, medical services, and other emergency responders, along with internal emergency contacts (safety officers and managers)

5.4. **Fire alarm and detection system manuals:** operating instructions for the system and maintenance and testing procedures

5.5. **Building and fire codes:** relevant local, state, and federal fire safety regulations, compliance requirements, and standards

Records: The procedure should identify the individuals responsible for ensuring that the following relevant records are updated and maintained: training logs, fire drill logs, firefighting and medical equipment maintenance and inspection logs, water gauge and pressure inspections logs, and incident reports.

5.6. **Approving authority:** general manager

5.7. **Issue or revision date:** November 27, 2013

Chemical Spill Response Procedure Example

Title: Chemical Spill Response Procedure
Procedure number: EM002
Number of pages: 4

1.0 Purpose and Scope:

1.1. **Purpose**: to outline the steps for managing a chemical spill to minimize the potential for injury and damage to the environment

1.2. **Scope**: procedure applies to any incident resulting in the uncontained spill of a hazardous substance within the activities and processes of **[company name]**

2.0 Definitions

2.1. **Nature of the spill:** determined by the level of risk from the hazardous substance and the level of containment of the spill for minor and major spills

2.2. **Minor spill:**

a. Low risk to workers and environment

b. A small volume that can easily be neutralized and removed; for example, a spill of 5 milliliters of concentrated sulfuric acid

2.3. **Major spill:** large risk to workers and environment; for example, uncontrolled release of ammonia in an enclosed, unventilated area. A large volume could pose a high risk to people in the area surrounding the facility.

3.0 Responsibility and authority

3.1. The operations manager or designate is responsible for this procedure. The operations manager will report to the general manager on matters related to emergency preparedness and will have total authority during emergency situations, including the authority to declare a state of emergency. In the operations manager's absence, the general manager will have these authorities.

3.2. The environmental, health, and safety (EHS) manager will:

a. Review and revise this procedure at least once a year

b. Ensure that everyone is aware of their responsibilities as defined in this procedure

c. Ensure that equipment required for containing and cleaning leaks and spills and the appropriate personal protective equipment are present in all designated areas

d. Ensure that Safety Data Sheets and International Chemical Safety Cards are available in all locations where hazardous chemicals are stored or in use

e. Identify the workers responsible for handling or storing hazardous chemicals per the work area supervisors

f. Assemble the emergency response team

g. Schedule and conduct training regularly on:

i. The response to minor spills and leaks to workers responsible for handling and storing hazardous chemicals

ii. The response to major spills and leaks to the emergency response team

h. Schedule and organize evacuation drills regularly in all work areas

i. Analyze the results of drills (for example, evacuation time, participant response, clarity and visibility of evacuation routes, effectiveness of communications systems) and take appropriate action

3.3. The human resources manager will:

a. Ensure that job descriptions include the responsibilities defined in this procedure

3.4. The work area supervisors will:

a. Ensure that the workers responsible for handling and storing hazardous chemicals and the emergency response ream participate in training

b. Remind workers regularly of their responsibilities in a chemical spill emergency

c. Account for workers and visitors gathered at muster points/safe zones

3.5. Workers responsible for handling and storing hazardous chemicals will:

a. Participate in training organized by the EHS manager

b. Respond to minor spills and leaks as explained in the work instructions of this procedure and in trainings

c. Contact the emergency response team immediately in case of a major spill or leak

3.6. The emergency response team will:

a. Participate in training organized by the EHS manager

b. Respond to major spills and leaks and provide medical aid as explained in the work instructions of this procedure and in trainings

3.7. All workers will:

a. Participate in evacuation drills

b. Inform a member of the emergency response team or work area supervisor immediately in case of a chemical spill or leak

c. Evacuate the building through the nearest exit when they hear the emergency alarm, and follow designated evacuation routes

d. Gather at the designated assembly points

3.8. Other responsibilities as defined in the work instructions

4.0 Work Instructions

4.1. **Minor spill**

a. Spills must be cleaned up promptly and thoroughly.

b. Approach spills with care; many harmful chemicals lack color or offensive odors. Never assume that spilled chemicals are harmless.

c. Identify the chemical or chemicals and hazards involved, using the Safety Data Sheet or International Chemical Safety Card.

d. Use the information provided on the material's physical and chemical properties to determine the proper response and evacuation procedures.

e. Decontaminate equipment, clothing, and personnel—including any victims—on site if necessary.

f. Dispose of contaminated equipment and materials only after receiving specialist advice.

4.2. **Major spill**

a. The person who discovers the spill or leak will notify the operations manager (or designate), and provide details of the exact location and nature of the spill or leak.

b. The operations manager will notify the emergency response team and contact public authorities when appropriate, and provide the following information:

i. State that the incident is an emergency.

ii. Provide their name, telephone number, and location.

iii. Provide the location of the incident.

iv. Provide the time and type of incident.

v. Provide the name and quantity of material involved.

vi. Note the extent of injuries, if any.

c. **The emergency response team will**

i. Evacuate personnel from the spill area.

ii. Shut off equipment before leaving the area.

iii. Close doors to prevent further contamination. Secure the area to keep nonemergency response personnel away from danger.

iv. Direct personnel to the nearest emergency exit and to not use elevators.

v. Isolate contaminated individuals and treat them according to the Safety Data Sheets or International Chemical Safety Cards.

d. The **emergency response team,** with expert assistance, will minimize the spread of contamination and begin decontamination and cleanup procedures.

4.3. **Medical aid:** [Optional: include any specific instructions involving trained individuals providing first aid.]

5.0 Reference documents: The following documents that are relevant to this chemical spill response procedure can be accessed in the documents database or through the human resources department:

5.1. **Evacuation plan:** detailed procedures for evacuating the building safely in case of various types of emergencies

5.2. **Facility map:** shows all emergency exits and the locations of chemical spill emergency equipment and first aid stations

5.3. **Emergency contact list:** contact information for hazardous materials authorities, medical services, and other emergency responders, along with internal emergency contacts (safety officers and managers)

5.4. **Emergency alarm system manuals:** operating instructions for the system and maintenance and testing procedures

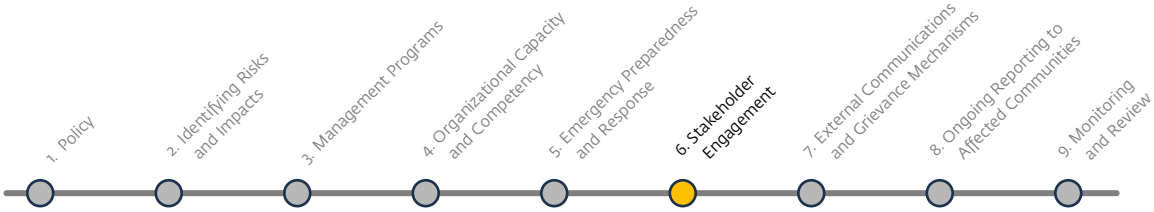
5.5. **Building and other relevant codes:** relevant local, state, and federal chemical and hazardous material safety regulations, compliance requirements, and standards

5.6. **Safety Data Sheets and International Chemical Cards:** for all substances on the premises

5.7. **Records:** The procedure should identify the individuals responsible for ensuring that the following relevant records are updated and maintained: training logs, hazardous materials emergency drill logs, spillage containment and medical equipment maintenance and inspection logs, and incident reports.

6.0 Approving authority: operations manager

7.0 Issue or revision date:



6.Stakeholder Engagement

Introduction

Many stakeholders interact with your company or project. A stakeholder is any person or organization that has an interest—or 'stake'—in your company or project, is affected by it, or believes they are affected by it, and may be able to influence its outcomes.

Stakeholder engagement is an ongoing process of interaction between your company and its stakeholders. It involves a range of activities—such as meetings, responding to communications, and addressing complaints—and continues throughout the life of a project.

Knowing your stakeholders and engaging with them is essential for managing your project's environmental and social impacts. Stakeholders can provide valuable feedback to help you avoid or minimize potential negative impacts of your operations on them. Regular, systematic, and two-way engagement with stakeholders helps build trust between the parties and reduces potential reputational risks arising from negative sentiments or perceptions about the project, due to increased transparency and information disclosure to all stakeholders. Ultimately, understanding a project's risks and implementing mitigation measures to address stakeholder concerns can help build positive relationships and improve project outcomes.

We present three tools related to this element:

- Stakeholder mapping tool
- Impact zoning tool for identifying affected communities
- Stakeholder engagement plan worksheet

Stakeholder Mapping Tool: Identification and Analysis

Introduction

The stakeholder mapping process involves identifying stakeholders and assessing their level of interest and influence. The goal is to ensure that you have identified all relevant stakeholders for your stakeholder engagement plan. This process will also help you prioritize stakeholders to manage risks, focusing more on those who are most affected by or have the most influence on (or potential to influence) your business.

Stakeholder identification is an ongoing activity that you should review at least once a year or any time your business operations change significantly.

Stakeholder Mapping Instructions

Step 1. Create a list of all relevant stakeholders for your company or project.

Relevant stakeholders include:

- Individuals or organizations affected directly or indirectly by your company's operations or project's activities
- Those with an interest in the operations or activities
- Those who might have complaints or concerns about your operations or activities
- Those with an ongoing relationship with your company or project
- Those who can influence your operations or activities.

Be as specific as possible when compiling your list. Consider the following stakeholder groups:

- Academic institutions
- Intended beneficiaries
- Government agencies and local authorities
- Interest groups (such as labor unions)
- Civil society organizations (for example, nongovernmental organizations and religious groups)
- Private companies relevant to your operation (such as utilities companies and suppliers of goods and services)
- Your workers and worker representatives
- Local communities
- Your customers

Additional guidance on identifying stakeholders within affected communities is in the Impact Zoning Tool section of this chapter.

Step 2. Determine each stakeholder's interest and influence.

Interest refers to how invested a stakeholder is in learning about and participating in decisions related to your project or company. Assess each stakeholder's interest on a scale of low to high:

- Low: The stakeholder is not aware of your company or project or recognizes only a few connections between your company or project and their own interests, and they show little interest in learning more about it.
- Moderate: The stakeholder recognizes some connections between your company or project and their interests and shows interest in learning more about it.
- High: The stakeholder recognizes common interests with your company or project and shows strong interest in learning more about it.

Influence refers to the extent of engagement with legitimate local leaders or other stakeholder groups and the ability to mobilize relevant actors. Assess each stakeholder's influence on a scale of minimally influential to highly influential:

- Minimally influential: The stakeholder has little ability to mobilize local actors and few networks and relationships with them.
- Moderately influential: The stakeholder has the ability to engage with and mobilize media and exerts influence within social networks that include important local actors such as residents, workers, tourists, and politicians, among others.
- Highly influential: The stakeholder has a high capacity for connecting with and mobilizing significant local networks and actors such as residents, workers, tourists, and politicians, among others.

Step 3. Prioritize your stakeholders.

Consider the following questions:

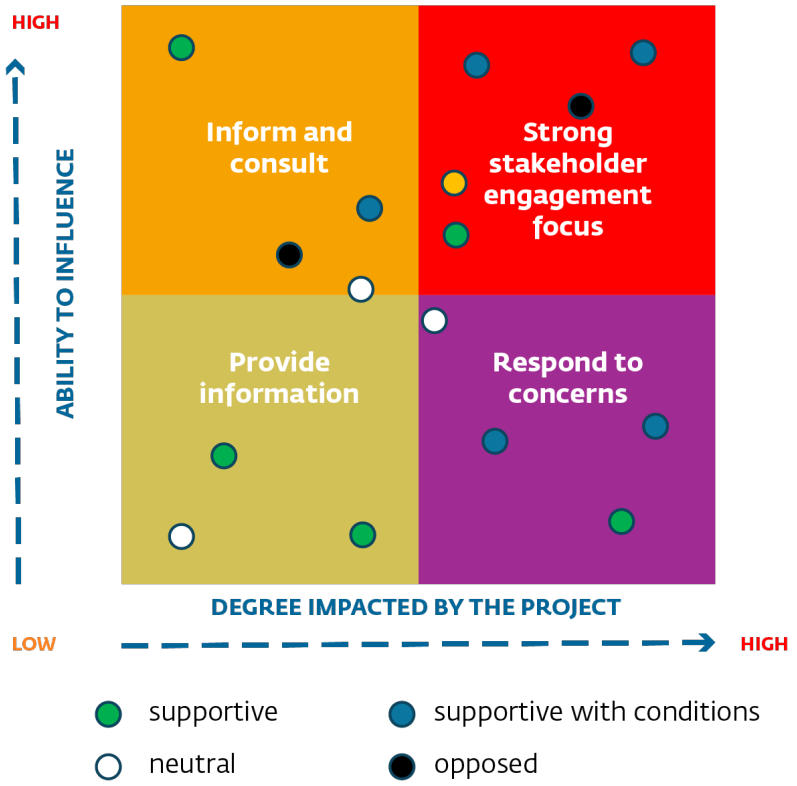
- What type of stakeholder engagement does the law or other requirements mandate?
- Who will be affected negatively by potential environmental and social impacts, including those from climate change in the short to long term, in the company's or project's area of operation?
- Who among the potentially affected groups is most vulnerable, and do we need special engagement efforts for them?
- At which stage of the company's operations or project development will stakeholders be most affected (for example, procurement, construction, operations, or decommissioning)?
- What are the project stakeholders' various interests, and how might these interests influence the company's operation or project?
- Which stakeholders could help improve the company's operations or project design or reduce costs?
- Which stakeholders are best suited to assist with early scoping of issues and impacts?
- Who strongly supports or opposes the changes the company's operations or project will bring and why?
- Whose opposition could harm the company's or project's success?
- With whom should be engage first and why?
- What is the best sequence for stakeholder engagement?

Step 4. Map your stakeholders.

Based on the results of steps 2 and 3, map the stakeholders on the stakeholder impact – Influence grid map in figure 6.1 according to how much your operations affect them and their ability to influence your company.

* Evaluate your supply chain, because it includes many potential stakeholders and affected individuals who will have a strong interest in being involved.

Figure 6.1. Stakeholder Map



Source: International Finance Corporation.

Stakeholder engagement should help you maintain positive relationships with supportive stakeholders and address the concerns of those who are less supportive. Because stakeholders' relationships with the company or project can change over time, we recommend conducting this analysis periodically to ensure that you are engaging with stakeholders appropriately.

Step 5. Develop strategies to engage with your priority stakeholders.

As you determine your engagement strategies, consider the company's current initiatives. Create tiered engagement strategies for stakeholders in each of the four quadrants on the stakeholder map (see figure 6.1). Review the stakeholder map regularly and any time major changes occur in your company or the local context.
Additionally, review the stakeholder map with contractors and primary suppliers to gather their feedback.

> * File all stakeholder identification and mapping documents and plans in your ESMS document control database.

Impact Zoning Tool for Identifying Affected Communities

Instructions

The term "affected communities" refers to any individuals or communities close to your company's facilities or project that are exposed to actual or potential negative impacts on their environment, health, and livelihood because of company or project activities.

Use an impact zoning map to identify affected communities (see box 6.1). This map overlays the project's design components and their anticipated impacts onto a map of stakeholder groups in the area, helping to assess the relative severity of impacts on different groups. This information can then inform the engagement strategy.

Prioritize individuals and groups who are affected by your company's or project's activities directly and negatively, which can be challenging to determine. Communities just outside your designated impact area can also feel that they are affected and might believe they are excluded from the engagement process unfairly.

Box 6.1. Identifying Stakeholders through Impact Zone Mapping

1. Sketch a map showing the main components of your company's operation or project, that could cause environmental and social impacts. Using aerial photographs or satellite images can make this process more efficient.
2. Determine the broad impact zones for each component (for example, the area of land used, the presence of air and noise receptors, and water courses that could be affected by pollution).
3. Identify and map the broad stakeholder groups using different colours or shapes, then overlay those groups with the impact zones you have designated on the map.
4. Consult with legitimate stakeholder representatives to verify which groups could be affected by which impacts, as shown in the map.

Source: IFC (International Finance Corporation). 1998. Doing Better Business through Effective Consultation and Disclosure. Washington, DC: IFC.

Figure 6.2. Example of Impact Zone Mapping

Stakeholder Engagement Plan Worksheet

Introduction

A stakeholder engagement plan (SEP) details your strategy and program for engaging with your most important stakeholders in a culturally appropriate way. The plan should ensure that you provide stakeholders with relevant, timely information in understandable formats and create opportunities for stakeholders to express their views and concerns on project impacts and proposed mitigation measures. Your organization can consider these views and then give feedback to the stakeholders in an iterative process.The SEP is a living document and will be updated throughout the life of a project, depending on the risks that need to be managed at the various stages.

If your project is low risk, you should implement at least an external communications procedure to receive feedback from the public and adjust your management program accordingly. If your project has greater impacts and carries higher risks, you should increase the level of engagement with adversely affected stakeholders. This should include informed consultation and participation (ICP), as well as the implementation of a grievance mechanism to address their complaints. Additionally, provide stakeholders with clear and meaningful information on a regular basis—from the planning and design stages, through construction, and into project operations—laying out the details in a SEP. Stakeholder engagement and a grievance mechanism enable communities to express concerns and suggestions. Your company should report back to stakeholders to explain the actions taken in response to issues raised during consultations. This helps build mutual trust and strengthens relationships with stakeholders.

Responsibilities for Implementation and Management

Designate personnel with the right skills and expertise to manage stakeholder engagement according to good practice principles. The person or team selected should develop and maintain good working relationships with local communities, listening and responding to their concerns and suggestions. This person or team should:

- Have good people and communication skills
- Understand the local language and community and culture dynamics (e.g. may need female members on a team so they can engage with women stakeholders in some contexts)
- Be open-minded and respectful of others' views
- Drives solution-oriented approaches
- Demonstrate high integrity and trustworthiness
- Be genuinely committed to the role and its goals

*__Note:__ The exact skills and staffing considerations will depend on a variety of considerations, including (i) phase of operations, (ii) type of stakeholder, (iii) magnitude of anticipated impacts, (iv) legal requirements, and (v) potential for sensitive issues (that is, gender-based violence and harassment and sexual exploitation and harassment).

If your company or project has significant or adverse impacts and multiple stakeholder groups, it is good practice to hire qualified community liaison officers to arrange and facilitate these activities at the company or project level. Integrating the community liaison function with other core business functions and involving management for oversight creates clear reporting lines that define which decisions community liaison officer can make independently and which require higher-level approval. Also, this arrangement provides senior managers with timely field-level information for managing risks.

In some cases, having someone experienced in engaging with government officials and international organizations can be beneficial. Depending on your project or business sector, the law might require government to engage with indigenous communities before your company or project becomes involved.

When addressing sensitive issues during the stakeholder engagement process, consider involving social advisors or other experts to help design and facilitate participation and discussions.

* When projects or activities are expected to affect **Indigenous Peoples**, you might need to engage in informed consultation and participation, which involves ensuring the **Free, Prior, and Informed Consent (FPIC)** of indigenous communities. Although the principle lacks a universally accepted definition, it requires you to document a mutually agreed process with the affected indigenous communities and provide evidence of agreed-upon negotiations between both parties on project mitigation, benefits and opportunities.

Timing and Frequency of Engagement

To maintain healthy and productive relationships with your stakeholders, ensure frequent and timely engagement. Stakeholder engagement should begin during design and planning phases and lasts for the life of a project. Over time, these relationships can change, so you should assess your key stakeholders satisfaction with your company's operation or project and the engagement process regularly.

Regular engagement gives your stakeholders time to process your information and shows that the relationship is important to you. How often you should engage depends on factors such as the scope of your operations and the level of risk and concern for the stakeholders. More intensive operations with higher potential impacts and greater stakeholder interest will require more frequent engagement.

As a best practice, you should publicly disclose the following information as soon as studies have been finalized:

- Environmental and Social Assessment (ESIAs)
- Changes to company operations or project design and procedures
- Unforeseen impacts or developments
- Emergency preparedness and response plan
- Monitoring reports

Stakeholder Engagement Plan Template (example)

1.0 Introduction

a. Describe briefly your company's or project's operations, including design elements and potential social and environmental issues.

b. Summarize the plan's purpose and goals.

2.0 Summary of regulations and requirements

a. Describe regulatory, lender, company, and other requirements for consultation and disclosure.

3.0 Summary of any previous stakeholder engagement activities (if applicable)

a. Summarize any engagement activities undertaken to date (for example information disclosure and consultation), and provide the following details:

i. Type of information disclosed

ii. Disclosure format (oral, reports, posters, radio, for example)

iii. How information was disseminated

iv. Locations and dates of activities

v. List of stakeholders consulted

vi. Key issues and concerns discussed

vii. You company's or project's responses to the issues

viii. Commitments or follow-up actions identified

ix. Documentation procedures (this information should be stored in your document control database)

4.0 Stakeholder engagement program

a. List all stakeholders or stakeholder groups you will inform and consult about your company or project. This is the mapping process where you identify, prioritize and analyze stakeholders, including any who:
   i. Are affected directly or indirectly by your company or project
   ii. Have interests in your project or company
   iii. Can potentially influence the outcomes of your company or project

b. Describe the information you will disclose.
   i. Communication methods (newspapers, posters, information centers, exhibitions, brochures, leaflets, posters, and nontechnical summary reports, for example)
   ii. Consultation methods (interviews, surveys, polls, public meetings, and focus groups, for example)

c. Describe how you will address the needs and concerns of women and other disadvantaged and vulnerable groups (elderly, youth minorities) during your consultations.

4.2. Use tables to help organize and visualize your stakeholder engagement program (see table 6.3).

5.0 Timetable

5.1. Provide a schedule of stakeholder engagement activities, including dates and locations.

6.0 Resources and responsibilities

6.1. Describe the resources (for example, budget, tools) and staff you will devote to managing and implementing your stakeholder engagement plan

7.0 Grievance mechanism

7.1. Explain the process by which people affected by your company or project can submit grievances for review and resolution. Specify who will receive the grievances, how they will be resolved and by whom, and how responses will be communicated back to the complainants. The grievance mechanism is further outlined in Chapter 7.

8.0 Monitoring and reporting

8.1. Explain how and when you will communicate the results of your engagement activities to affected stakeholders.

9.0 Management functions

9.1. Explain how you will integrate stakeholder engagement activities into your environmental and social management system and core business functions.
   a. Identify who will provide management oversight for the program.
   b. Outline plans for hiring, training, and deploying staff for stakeholder engagement.
   c. Define the reporting lines between community liaison staff and senior management.
   d. Describe how you will communicate your stakeholder engagement plan internally.
   e. Specify the management tools you will use to document and track the engagement process.
   f. Explain how contractors will be involved in engagement activities (if applicable).

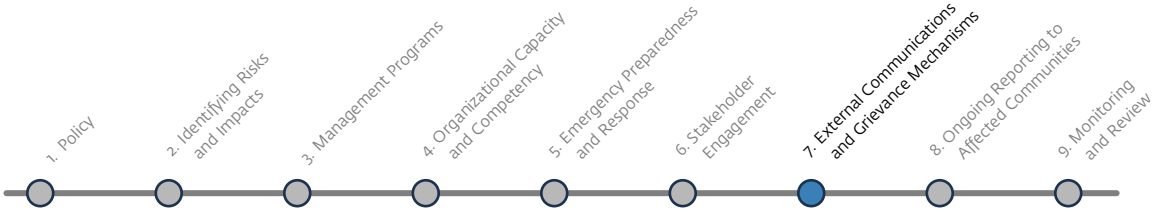
The following table outlines an example approach to developing your stakeholder engagement plan by systematically considering and documenting answers to the key questions you should be addressing through the stakeholder engagement process.

Another useful tool is a stakeholder log, which records what occurred during meetings and highlights key issues raised. For an example, please see page 169 of the IFC Stakeholder Engagement Manual.

Table 6.3. Example Stakeholder Engagement Planning Approach

Stakeholder engagement plan				
Stakeholder	**Concerns** *What concerns does this stakeholder have about your company?*	**Engagement method** *How can your company engage this stakeholder?* *What is the most effective method of two-way communication?* *How frequently do you need to engage with this stakeholder?*	**Information to disclose and report to stakeholders** *What does this stakeholder need to know?*	**Most valuable information to obtain** *What does your company need to know about this stakeholder?* *What do you need this stakeholder to tell you?*
Employees				
Contract workers				
Local community				
Consumers				
Primary Suppliers				
Contractors				
Regulators				
Nongovernmental organizations				
Media organizations				
Others				

Source: International Finance Corporation.



7.External Communications and Grievance Mechanisms

Introduction

Grievance Mechanism

A grievance mechanism provides a way for affected community members to contact you with inquiries, concerns, or formal complaints, whether openly, confidentially, or anonymously. This mechanism supports communication between community members and your company as part of your stakeholder engagement process. Contractors and primary suppliers can also use this important channel to express their concerns.

External Communications

A company phone number, website, email address, or other publicly available and easily accessible channel for members of the public to contact you is essential, even if your company has not identified any affected communities. External stakeholders can use this channel to provide you with valuable information, including suggestions for product improvements; feedback on customer interactions with your employees; concerns about your supply chain's reputation and practices and about projects implemented through it; and comments from regulators, nongovernmental organizations, and individuals about your company's environmental and social performance.

We present two tools related to this element:

- Grievance mechanism checklist
- Grievances log

***** Be sure to file any completed documents in your ESMS document control database.

Grievance Mechanism Checklist

The following table provides a checklist of the essential properties of an external grievance mechanism and example measures your project or company can take to ensure that your grievance mechanism will be effective. The measures should be tailored to your project or company's size and complexity and to the local context.

Table 7.1. Grievance Mechanism Checklist

Key properties of a grievance mechanism	Example measure
The mechanism provides an easy way to communicate or file a complaint confidentially, including anonymously.	• Create a form and instructions on your website that people can fill in and submit online. • Create one or all of the following: a dedicated email address, telephone hotline, or postal address for complaints. • Place suggestion boxes outside the company gate and in strategic places within local communities (such as places of worship, municipality, and civic centers). • Conduct designated community liaison visits to affected communities or other stakeholders regularly to record complaints or concerns.
The mechanism is publicized to ensure that stakeholders are aware it exists and know how to access it.	• Include a dedicated link on your website. • Distribute brochures at strategic places within local communities (for example, places of worship, schools, and civic centers) that highlight the company's profile and operations; include instructions for external stakeholders to communicate or file complaints, and explain company procedures for handling complaints. • Arrange meetings with community leaders and other stakeholders to enable the general manager or designated community liaison officer to explain the mechanism during stakeholder engagement process outlined above.
The mechanism promotes a sense of legitimacy and trust, and it encourages dialogue and shared responsibility for outcomes.	• Ensure that a formal response is issued to all complaints submitted (for example, by letter or email). • Address the complaints in accordance with the published grievance mechanism procedure (including within specified timeframes). • Review major or complex cases through a formal multistakeholder oversight body (that includes representatives from, for example: the company or project, affected communities, nongovernmental organizations, academics, and a municipality representative). • Provide transparent funding for expert research to ensure independent and unbiased evidence collection if needed. • Resolve the most serious claims through independent mediation.
The project or company is transparent about the process and outcomes.	• Publicize the mechanism (as suggested) to ensure that people are aware of how to submit a complaint and the process by which it will be addressed and resolved. • Report on the number of grievances received and resolved (or not) within the required timeframe as part of ongoing reporting to affected communities. • Publish summaries on your website of the outcome or the current status of any major cases or disputes.
The mechanism's process is defined clearly and is predictable and includes assignment of responsibility, time limits for response or resolution, and outcome monitoring.	• Develop and document a grievance mechanism procedure that defines roles and responsibilities; the steps that will be taken to register, track, and resolve a complaint; the requirements for responding formally to complainants, and the timeframes within which the company or project will issue responses and resolve complaints. • Assign a responsible manager or team to record complaints received, and identify and work with relevant staff to address and resolve the complaint promptly.

Key properties of a grievance mechanism	Example measure
The mechanism is a source of continual improvement.	• The management team reviews the number and content of the complaints received and the effectiveness of the mechanism regularly to address any trends in the subject of complaint or failures to meet the published timeframes for responses, which may require revisions to the wider ESMS. • Conduct perception surveys of affected stakeholders to learn about their awareness of the mechanism and to assess its perceived trustworthiness, ease of access, and its outcomes.

Source: International Finance Corporation.

Grievances Log

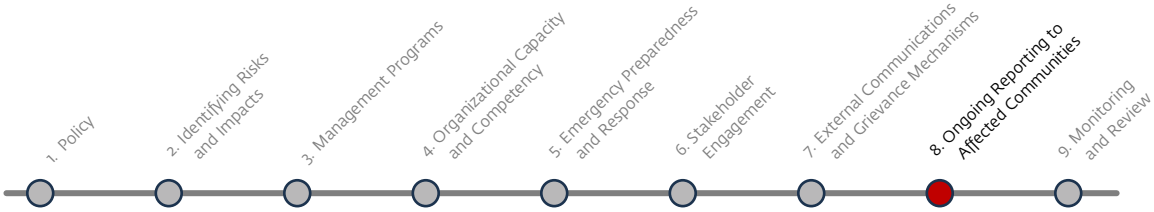
Keep a logbook or grievance database to monitor progress toward resolution. Such records will help you analyze grievance information, use it to improve your operations, and proactively prevent future issues. Table 7.2 provides examples of the types of information you can record about each grievance.

Table 7.2. Grievance Log Example

1. Grievance identification number	
2. Details of complaint	
2.1 When it occurred	
2.2 Where it occurred	
2.3 How it occurred	
2.4 Who was involved	
2.5 Complainant's story and expectation	
2.6 Date grievance was recorded	
2.7 Place or method grievance was received	
3. Profile of complainant	
3.1 Gender	
3.2 Age	
4. Contact information of complainant	
4.1 Anonymous (yes or no)	
4.2 Phone	
4.3 Email	
4.4 Address	
5. Complaint accepted (yes or no)	
5.1 Complaint rejected	
5.1.1 Action taken	☐ Rejected: clearly not related to company operations
	☐ Transfer to human resources: labor-related grievance

	☐ Transfer to commercial dispute resolution mechanisms or civil court: commercial dispute ☐
	☐ Transfer to authorities: related to government policy and institutions
	☐ Other
5.1.2 Complainant notified (yes or no)	
5.1.3 Method of notification	
5.1.4 Date of closure	
5.2 Complaint ACCEPTED	
5.2.1 Category of complaint	☐ Particulate emissions to air
	☐ Odor
	☐ Noise
	☐ Effluents
	☐ Company vehicles
	☐ Influx of migrant workers
	☐ Security personnel
	☐ Other
5.2.2 Photos and documentary evidence of legitimacy	
5.2.3 Resolution or corrective action taken	
5.2.4 Complainant notified (yes or no)	
5.2.5 Method of notification	
5.2.6 Complainant satisfied or appealed	
5.2.7 Photos and documentary evidence of closure	
5.2.8 Resources spent	
5.2.9 Date of closure	
5.2.10 Number of days from complaint to closure	
6. Post-closure monitoring required (yes or no)	
6.1 Method and frequency of monitoring required	
7. Preventive measures to avoid reoccurrence or similar grievances	
7.1 Suggested preventive actions	

Source: International Finance Corporation.



8. Ongoing Reporting to Affected Communities

Introduction

A critical step in building and maintaining good relationships with your stakeholders, contractors and primary suppliers, is to keep them informed about your company's performance, positive impacts, community initiatives, and any unsuccessful outcomes and lessons learned. Your company should also report to affected communities, explaining actions taken to address issues identified during the engagement process and the outcomes of those actions. Consultation is a two-way process that should begin early and continue as environmental and social (E&S) risks and impacts arise. It must provide relevant, transparent, and accessible information in a culturally appropriate format and language and focusing on engaging those affected directly. It must be free from manipulation, interference, coercion, or intimidation; enable meaningful participation where applicable; and be documented.

* Your contractors could be members of the local affected communities, so keep them in mind in your reporting and in how you stay engaged with the communities.

We present one tool related to this element: formats and venues for ongoing reporting.

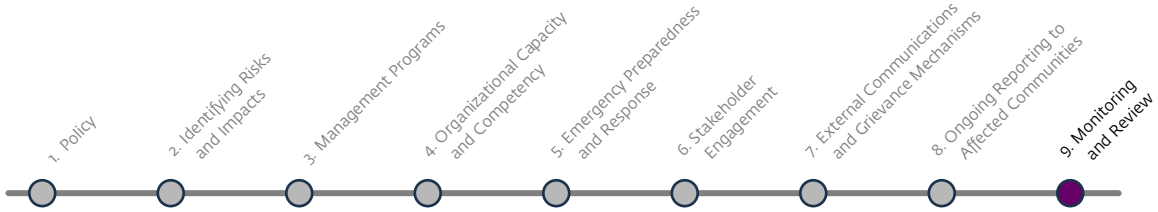
Format and Venues for Ongoing Reporting

Ongoing communication with stakeholders must provide relevant, transparent, and accessible information in a culturally appropriate format and language. It should engage stakeholders who are affected directly; remain free from manipulation, interference, coercion, or intimidation; enable meaningful participation where applicable; and be documented thoroughly.

Use the following list to brainstorm different ways to report to affected stakeholders about actions the company took and how you are monitoring results in their areas of interest.

- Open houses
- Banners outside the company, project office gate, and in important areas around the company or project site
- Innovative materials such as illustrated or graphic booklets (such as comic booklets) explaining the project and status
- Brochures distributed in places of worship, schools, and civic centers
- Website
- Town hall meetings at the local municipality or civic center
- Meetings with affected stakeholders' representatives
- Letters to affected stakeholders' representatives and to complainants
- Emails
- Phone calls
- Sustainability reporting (for example, Global Reporting Initiative)

* Remember to document the outcome of your brainstorm and file it in your ESMS document control database.



9.Monitoring and Management Review

Introduction

Monitoring and review are essential components of the environmental and social management system (ESMS) because they allow you to check and adjust your management system. You need to monitor whether staff are effective in implementing your management and action plans and whether your workers, contractors and primary suppliers are following procedures. You also want to ensure that your ESMS addresses the most relevant environmental and social (E&S) risks (including gender-based violence and harassment) and that it enables lasting improvements in your company's performance.

One goal of an ESMS is to inspire a fundamental shift within your company and supply chain from a reactive approach to E&S management to a proactive, preventive approach. Instead of addressing problems after they occur (corrective actions), the ESMS enables you to prevent issues before they arise (preventive actions). Monitoring and reviewing performance provides you with the information needed to make that transition.

We present three tools for this element:

- Monitoring plan
- Root cause analysis
- Auditing guidance

Monitoring Plan

Your monitoring plan will help you assess whether your management plan, action plan, and procedures are meeting your objectives. Communication within the ESMS team and with management and lenders is crucial for transparency and accountability and implementing your ESMS successfully. Table 9.1 is a template for developing a monitoring plan.

Table 9.1. Monitoring Plan Template

Performance indicators		
Performance indicators	**Monitoring protocol**	**Monitoring records**
What parameters will you monitor to determine your success? For example, cholinesterase levels for workers exposed to pesticides.	How frequently will you collect samples or undertake monitoring? What methods, tools, and equipment will you use to conduct monitoring or collect and analyze samples? What standards or benchmarks will you use to establish acceptable values? Who will be responsible for collecting, analyzing, and acting on the results or data?	How will you know if you are working toward that indicator? What records will you maintain and review? How often do update management and lenders on the performance of the environmental and social management system?

Process indicators	
Processes Indicators	**Monitoring records**
What will you monitor to evaluate progress against your action plan? For example, the percentage of workers involved in pesticide application who can explain the work instructions for handling pesticides.	How will you know if you are working toward that indicator? What records will you maintain and review?

Source: International Finance Corporation.

Key Performance Indicators

A key performance indicator (KPI) is a measurable indicator of performance and progress toward a specific goal. KPIs provide insights into what is being managed and measured and the quality of management and decision-making. They allow you to inform investors and stakeholders about how your company's E&S performance, metrics, and targets meet or deviate from forecasts and long-term trends. KPIs also enable comparison with previous years and industry peers.

The KPIs you develop for you operation should be specific, measurable, assignable, realistic, and time-bound (SMART):

Specific: target a specific area for improvement
Measurable: quantify a progress indicator
Assignable: specify who is responsible
Realistic: state the results you can achieve with the available resources
Time-bound: specify when the result can be achieved

SMART KPIs should be both leading (used to predict changes or trends, are forward looking, and help to manage the performance of a system or process) and lagging (measure the actual performance of an organization and are used to determine how well a process or system was managed).

* Numerical key performance indicators can align with national and local regulations and applicable World Bank Group general environmental, health, and safety guidelines.

Regulatory requirements associated with licenses or permits sometimes mandate tracking KPIs. In other cases, you can choose the metrics you will report. Select KPIs that show how your operation contributes to broader societal and sustainability goals. KPIs should be reviewed at least annually and amended as needed to reflect current conditions and previous achievements (for example, it might not be feasible to continually reduce water consumption every year). Consider the following examples:

Social KPIs

- Improve workplace diversity and inclusion (example: Improve workplace diversity and inclusion by matching the workforce diversity proportions with those of the local community by December 31, 2024, with quarterly reviews conducted by the human resources department.)
- Support a productive and healthy workforce (example: Support a productive and healthy workforce by reducing lost time injuries to no more than two per month, measured monthly, with target to be achieved by the last day of every month during 2024, overseen by the health and safety manager.)
- Build and maintain good community relations (example: Build and maintain good community relations by reducing community complaints to fewer than 10 per quarter by December 31, 2024, with initiative oversight and quarterly progress reviews by the community relations manager.)
- Promote equal opportunity for workers (example: Promote equal opportunity for workers by requiring all equivalent roles to be paid equally throughout the organization by December 31, 2024, with a semiannual review by the human resources manager).
- Promote sustainable supply chains (example: Promote sustainable supply chains by requiring 50 percent of primary suppliers to obtain a green certification for the products or services they provide to your company by December 31, 2024, with semiannual reviews documented by the supply chain manager.)
- Address gender-based violence and harassment (example: Address gender-based violence and harassment by ensuring that no incidents of gender-based violence and harassment occur in each quarter by December 31, 2024, measured by reported gender-based violence and harassment incidents, with monthly reviews conducted by the safety and compliance officer over the next 12 months.)

Environmental KPIs

- Promote the waste hierarchy (example: Promote the waste hierarchy by reusing or recycling 50 percent of waste generated by December 31, 2024, with quarterly progress reviews conducted by the environmental sustainability manager.)
- Ensure sustainable consumption and production (example: Ensure sustainable consumption and production by obtaining green certifications for all relevant operations by December 31, 2024, with semiannual progress reviews conducted by the sustainability coordinator.)
- Combat climate change (example: Combat climate change by reducing greenhouse gas emissions compared with the previous year, evaluated annually, with initiative oversight and quarterly progress reviews by the climate action manager.)
- Conserve water (example: Conserve water by reducing water consumption compared with the previous year, evaluated annually, with quarterly progress reviews conducted by the water resource manager.)
- Protect aquatic ecosystems (example: Protect aquatic ecosystems by reducing the instances of untreated effluent discharge by 30 percent compared with the previous year, evaluated annually, with quarterly progress reviews by the environmental compliance officer.)

Root Cause Analysis

If your project or company identifies a failure to comply with required legislative standards (through monitoring), or if an accident occurs in the workplace or on-site, an environmental pollution incident occurs, or your company receives a large number of common external complaints, performing a root cause analysis can help in understanding why these nonconformances with your internal procedures, management plans or policies have occurred and can identify corrective actions that can be taken to prevent recurrence. In many cases, environmental and/or social nonconformances are an indication that elements of your ESMS are not effective. This requires investigation and revisions where necessary.

A root cause analysis investigates nonconformances to understand why they occurred. Underlying causes can include human error, process failures, or systemic issues. Once you identify the root cause(s), you can develop corrective actions to address the nonconformance and ensure that standards and requirements are met consistently. Using root cause analysis to address nonconformances can help improve processes, systems, and controls and ultimately improve overall E&S performance and compliance.

Instructions

The first step in root cause analysis is to define the problem clearly. Gather the facts about the incident, and write a concise problem statement that details what happened and what resulted from it. Include what went wrong and when and where it occurred, avoiding vague language and focusing on factual details. For example, "On May 7, 2024, at 2:36 p.m., employee [name] suffered a burn to their left hand while welding a steel girder in maintenance workshop M4. They were transported by ambulance to the hospital for treatment and were off work for 10 days as a result."

The next step in root cause analysis is collecting data related to the incident. Data can be obtained by:

- Conducting interviews with workers and other relevant personnel
- Inspecting the site (if it is safe to do so) and taking photographs
- Reviewing relevant records (for example, maintenance records, meeting minutes, job hazard assessments, and work orders)

Use the data you collected to determine the cause or causes of the risk by answering the following questions:

- What occurred before, during, and after the problem (risk)? For example:
  - What activities were being performed?
  - What machinery and equipment were being used?
- When did the problem occur? For example:
  - What was the status of the operation when the incident occurred?
  - Did the time of day have any effect (lighting, temperature, number of workers)?
  - Did the problem occur between shifts or during work breaks?
- Where did the problem occur? For example:
  - What are the area's physical conditions (light, noise, temperature, equipment, cleanliness, accessibility, radiation)?
- How did the problem occur? For example:
  - Did any incorrect or inappropriate actions take place? Was a step in the process omitted or conducted out of order?
  - Were the directions given legible? Confusing? Misleading?

- Who was involved when the problem occurred? For example:
  - Who was working? What were their qualifications, and what training had they received?
  - Who observed the problem? Who identified the problem? Who reported the problem?
  - Who provided instruction and supervision? What are the supervisory personnel's qualifications, and what training had they received?
- What were the contributing factors? For example:
  - Were processes or procedures not being followed?
  - Was supervision lacking?
  - Was equipment maintenance involved?

The answer to these questions should reveal the root cause of the nonconformance, which could be related to one or more factors such as management, company operations or project design, training, inputs (equipment and materials), procedures, or workers.

Using a Root Cause Diagram

Figure 9.1 is a root cause tree diagram illustrating possible causes of nonconformances. Use it to brainstorm and map the underlying factors that can lead to negative impacts for each prioritized risk.

Figure 9.1. Root Cause Tree

Source: International Finance Corporation.

- In figure 9.1, the nonconformance under investigation is the treetop. The root causes of the nonconformance (shortcomings or failures in how the management system is applied or executed) are the roots of the tree. Group similar root causes into the appropriate ESMS element.

- The area outside of the tree represents external factors that might influence your business but are beyond your company's direct control. External factors can include your literal external environment (the weather or a natural disaster) and other factors such as government policies, economic trends, or market forces.
- Conducting this activity with a diverse group of employees draws on a variety of expertise and helps you capture different perspectives within the company.
- The Five Whys Technique

A problem-solving method known as the Five Whys technique can help you determine root causes. The technique involves asking "Why?" repeatedly until you discover the root cause of an issue and is based on the notion that if you ask "Why?" five times, you can trace a problem to its origin progressively.

For example: A chemical spill occurred in your facility (the nonconformance).

You then ask "why" five times:

1. *Why* [did the spill occur]? The container holding the chemical leaked.
2. *Why* [did the container leak]? The container had a hole in it.
3. *Why* [did the container have a hole]? The container is old and has not been replaced.
4. *Why* [was the container not replaced]? The workers did not know the container had to be replaced.
5. *Why* [did the worker not know the container had to be replaced]? The worker was not trained in the chemical handling procedures.

From the series of five "Why?" questions, the root cause is identified as a gap in organizational capacity and competency. You can now determine corrective actions to prevent such incidents from happening again.

Using tools such as the root cause tree and the Five Whys helps you build a management system that addresses underlying issues contributing to problems and create more systematic and lasting preventive solutions.

Auditing Guidance

An internal audit is an independent, objective review designed to add value and improve operations, and it is an essential step in the continuous improvement process. Internal audits help achieve objectives by systematically evaluating and improving the effectiveness of E&S risk management, control, and governance. The internal audit includes these main tasks:

- Evaluate operations: assess the effectiveness and efficiency of operations.
- Ensure compliance: determine compliance with relevant laws and regulations.
- Review processes: evaluate how well processes control activities and manage risks.
- Identify issues: find and report any weaknesses or problems and recommend improvements.
- Coordinate functions: work with other monitoring and control functions as needed.
- Verify reporting: Ensure that reports are reliable, timely, and accurate.

Your organization should conduct an internal audit at least once a year or whenever a significant change occurs in your operation or the ESMS. Appoint a committee or a chief internal auditor to oversee and conduct internal auditing tasks. Table 9.2 is a comprehensive overview of the steps auditors will take to assess various aspects of your company or project during an internal audit. You can use it as a checklist to guide your internal audit process.

Table 9.2. Internal Auditing Guidance

✓	A. Preparation
	Collect audit and inspection reports on the company's environmental and labor performance for the previous two years.
	Collect corrective action plans generated from previous audits or inspections, and review the status of each agreed-upon action item. Are they all closed out? Focus your review on open items and the underlying factors that prevent you from completing the corrective action plan.
	Determine the general level of personal protective equipment use in the organization. Ensure that auditors wear the same protective equipment that employees are required to wear (head, hearing, eye, or skin protection; protective boots and other clothing). Do not allow any auditor to enter work areas without the required clothing or gear for that operation's activity.
	Obtain site plans for all the relevant operational areas. Ensure that the auditing team has a working knowledge of the operations they will evaluate.
	Research and refer to current local environmental and labor laws and regulations. Basic labor code issues: (i) regular weekly work hours; (ii) labor contract provisions; (iii) rest periods, lunch, and the like; (iv) overtime requirements, limits, and exceptions; (v) hour averaging and banking hours; (vi) minimum wage; (vii) social system payment liability; (viii) annual leave; (ix) laws to protect disadvantaged workers; (x) severance pay; (xi) child labor laws; and (xii) minimum age regulations. Basic environmental code issues: (i) wastewater; (ii) stormwater; (iii) spill prevention and response; (iv) construction, demolition, or remodeling; (v) hazardous materials; (vi) hazardous waste; (vii) toxic chemical release; (viii) air emissions; and (ix) solid waste.
	Review regulatory permits conditions, and specific requirements along with the most recent review and corrective action reports.
	Review certifications audit reports (for example, International Organization for Standardization's ISO 14001 standard, Occupational Health and Safety Assessment Series OHSAS 18001 standard, the Business Social Compliance Initiative, or Social Accountability International's SA8000 standard) for nonconformance, mandatory remedial actions, and recommendations. Summarize the status of open or closed items.
	Review any government inspection reports, third-party audit reports, and results of third-party monitoring surveys.
	Review the stakeholder engagement plan and records of external stakeholder grievances. Focus on: emergency preparedness and response capability to include the community if necessary; use of chemicals and accidental releases of hazardous materials affecting community, for example, dyes and chlorine; discharges of wastewater or other wastes to areas affecting local communities; exacerbation of flooding; limits of water availability use and physical access; and decline in quality of life caused by the operation.
	Pay special attention in observations, document reviews, and interviews to issues identified in previous reports.
	Research and understand the national and local context of labor union rights and activity, local environmental groups, and community activist organizations.
	Schedule enough time to conduct the scope of the audit. Announce the availability of confidential meeting schedules with employees, and protect employee confidentiality in the meetings.

✓	B. Introductory meeting with management
	Meet with contractors and primary suppliers and inform them of the environmental and social management system (ESMS) conditions of loan agreements and the need to meet new standards.
	Meet with the senior management and department managers before conducting audit activities to review ESMS issues and the purpose of the audit.
	Share an agenda and itinerary for the meeting with senior management and local supervisors.
	Review, with department managers, prior audit reports and performance to date in meeting corrective actions.
	Discuss nonretaliation against cooperating workers, and inform management that future audits will include reviewing the continued employment of workers interviewed.

✓	C. Operational walk-through
	Conduct a physical operational walk-through of production processes. Refer to previous relevant physical walk-through assessments of the facility to determine if all previous nonconformance or action items are closed out. Determine why any open items are still open.
	Limit how many managers and supervisors accompany you on the walk-through. One or two nonsupervisory staff with relevant knowledge or responsibilities are usually enough.
	Be aware of your body language during the walk-through and the message it sends to workers. Wear the same protective equipment and clothing other employees are required to wear.
	Record anything you observe that requires attention: 1. Water used indiscriminately for watering, washing, and cleaning 2. Water waste and inefficiencies 3. Energy waste 4. Evidence of spills 5. Dry cleanup and collection of organic solids 6. Evidence of pest infestation 7. Disorganized storage of materials 8. Wastes and discards 9. Workplace availability of data on hazards or banned or restricted chemicals in use (Safety Data Sheets or International Chemical Safety Cards) 10. Movement of materials, such as by hand trucks or forklifts. Are passageways and transit routes marked clearly? Is color coding used for non-pedestrian movement? 11. Obvious hazards for heads, hearing, sight, life, and limb. Are workplace hazards reduced? Are employees aware of hazards? 12. Gender-specific issues in the workplace. Could any areas in the workplace affect men and women differently in terms of safety, comfort, or health risks? 13. Personal protective equipment. Is such equipment available, used as prescribed, and replaced at no cost to employees? Are employees aware of such equipment and the requirements for its use? 14. Employee knowledge. Are employees able to explain their jobs and responsibilities? 15. Evidence of quality assurance team activity
	Verify that buildings have fire exits (for example, in storage or maintenance areas, administrative buildings) and will open on demand. Nothing prevents exit through fire exits; panic bars are in good working order; egress is clear once the exit is opened; emergency exits are marked clearly; the nearest exits are marked clearly; hose cabinets are equipped with hoses and nozzles; prohibited areas are marked clearly; electrical cabinets are closed and sealed; lockout and tag-out procedures and tools (tags, locks, warning labels, and signs) are clearly available near electrical cabinets; first aid cabinets are equipped; emergency lighting exists; emergency preparedness and evacuation plans are in place; and that employees are trained on all of these safety features.
	Ask an employee to show you how to exit the premises if a fire broke out at that moment. Follow the employee; ask another employee to tell you or show you what happens if they were just injured.
	Verify indoor working conditions for adequacy if potential for risks such as heat, light, noise, and dust exist. Use measuring devices to determine air quality, noise level, and temperature.
	Conduct a walk-through of the dormitory facilities, canteens, washrooms, and changing rooms (if relevant). Note the condition and adequacy of these areas.
	Suggest best practice to supervisors and managers during the walk-through; ensure that the suggestion is filtered by processes or operations practicalities.
	Give sufficient attention to all ESMS elements during the operation and dormitory walk-throughs: knowledge of procedures, training using the procedures, awareness of complaints management and resolution procedure, employment rights, human resources policy and provisions, and so on.
	Pay special attention to areas identified in previous corrective action requests. Focus on open nonconformances from previous audits: Why did they occur? Explain the underlying cause, and try to diagnose and prescribe preventive and improvement measures. (The individual who is responsible for the item is not as important as why it occurred and how the company can prevent nonconformances and unplanned events in the future.)

✓	D. Interviewing workers
	Select at least 5 percent of workers (up to 100 workers) for individual and group interviews to obtain a balanced response.
	Select workers who reflect the workforce demographics (gender, race, age, religion, functional departments, for example.).
	Include any contracted or **migrant workers**.
	Do not allow supervisors or managers to influence the selection of workers for interviews.
	Conduct on-site interviews in areas that protect worker confidentiality and where the worker will feel comfortable. Make sure supervisors or managers are not in or near the space when conducting the interviews.
	Conduct interviews early in the audit to allow for follow-up.
	Assure workers that everything they say is confidential and that management has been warned against retaliation.
	Be sensitive to cultural and gender issues.
	Plan for an average of 15 minutes per interview; however, use common sense in terminating interviews that are becoming nonproductive and extending interviews with people who are candid or addressing critical issues openly.
	Develop questions before the interviews to make sure you cover all specific areas of the ESMS review. Always ask employees how to improve processes, reduce water use, reduce waste, and save energy.
	Ask workers if they would be comfortable if you take notes, and clearly explain why you will take notes. Try to minimize notetaking as much as possible during the interview. Finish writing your notes immediately after the interview to ensure accurate documentation.
	Ask your worker representatives to recommend a preferred approach to building rapport with workers.
	Ask workers specifically about follow-up on previous corrective action plans. What nonconformances remain open? What issues presented through the complaints management and resolution mechanism remain open?
	Make sure your questions address the following: **Labor issues** ☐ Do workers know about and understand the company's policies related to labor and working conditions? ☐ Do workers understand their rights under the law related to freedom of association and collective bargaining? ☐ Do workers understand how their wages are calculated for base time, performance, and overtime? ☐ Are workers aware of any dismissal, transfer, demotion, or other punitive action against workers because of exercising their rights under their contracts or local or national law? ☐ What is the status of **labor unions**, worker committees, or other worker groups? Are workers aware of any management interference in those worker groups? ☐ Are workers aware of any conformance issues regarding discrimination and sexual harassment policies? ☐ Do workers understand the company's grievance mechanism, and do they feel it is operational and free from retaliation? **Occupational health and safety issues** ☐ Do workers feel safe and protected in their jobs? For example, are they provided with personal protective equipment that is appropriate and works? Is their physical environment free of hazards? Are they expected to reduce physical hazards, or are engineering controls in place? Are job hazards assessments performed routinely, and when do the processes or materials change? Have issues submitted through the complaints management and resolution mechanism been addressed? ☐ Do workers feel that the safety equipment provided is adequate (fire extinguishers and hydrants and first aid kits, for example)? Do they believe the company conducts enough emergency safety and evacuation drills (such as for fire, typhoon, flood, or windstorm)? Watch emergency drills, and record any shortcomings; ask an employee to pretend they have just been injured and explain to you what happens next. ☐ Are workers instructed and trained on these risks regularly? ☐ Have any workers been involved in accidents at the facility? If so, what happened afterward? ☐ Is the working environment comfortable (temperature, exposure to heat and sun)? ☐ Do workers feel that chemicals, waste, and other substances are stored or disposed of safely and appropriately at the facility? Is there sufficient access to Safety Data Sheets and International Chemical Safety Card and appropriate training in their use? What is the management's response to any expressed issues through the complaint management and resolution mechanism?

	Ask contract workers (if applicable) questions that address possible violations and areas of abuse. Do they feel they are treated differently from permanent employees? Why?
	Conduct some of the worker interviews off-site if possible.

✓	**E. Interviewing affected communities and other stakeholders**
	Use the stakeholder mapping exercises and stakeholder consultation meetings to identify the population that is affected by the facility and its activities so you can conduct interviews with them.
	Select a sample of individuals who represent the views of the affected community, which can include members of the public, nongovernmental organizations, campaign groups, labor unions, local businesses, and government authorities. If possible, target industry-specific nongovernmental organizations. Also interview former employees, if possible, but avoid disgruntled former employees or those with a personal agenda against the company.
	Gauge awareness of the grievance mechanism. Has it been tested? Does it work? Does the company use it in practice or ignore it? Is it taken seriously?
	Include representatives from indigenous or marginalized groups in the interviews.
	Make sure your questions address the following: ☐ How have the facility's operations affected the physical environment (air, water, land) near them? ☐ Have the effects of operations resulted in air, land, or water contamination? ☐ Have the facility's activities affected wildlife? ☐ Has the facility's business affected local livelihoods or access to traditional hunting, fishing, or breeding grounds, or religious or other grounds because of **natural habitat** conversion? ☐ Have any health risks or deterioration to well-being been associated with the facility from exposure to toxic chemicals, air emissions, or noise pollution? Note any neighbors, employees, or their children who have become ill. ☐ Have any contagious or vector-borne diseases increased because of an influx of workers in the area or an increase in local vectors (for example, mosquitos or flies)? Is the community aware of an increase in the population of rats, mice, or other vermin? ☐ Have the affected groups ever clashed with facility security personnel? ☐ Has the company running the facility approached or invited any of the affected groups to discuss their concerns at meetings? Has the company investigated or addressed any of their grievances or followed up on questions?
	Labor issues
	Review the relevant documents and systems for the following areas: ☐ Human resources: management-worker committee meeting minutes, memos, and letters; budgets related to implementing labor policy; training material, logs, and curricula or written communications to workers that address all issues; training records and instructor qualifications ☐ Working conditions: contracts for all workers; policies and procedures related to wages, benefits, hours, and leave; evidence of communication and training on wage calculation; personnel files; timecards; payroll records and pay stubs (selected without management interference); criteria used to set performance pay bonuses; and employment and termination records ☐ Worker payments: employee payment methods (secured or unsecured); employee choice regarding having their payments deposited into an account; payment in cash at the facility (which can lead to significant risks during their commute) ☐ Collective bargaining: collective bargaining policy, agreement, and documentation (such as minutes and records of collective bargaining sessions) ☐ Discrimination: discrimination policy; related procedures; documentation handling discrimination issues; diversity training and attendance log; hiring, promotion, and termination records; and gender demographics in the facility at the worker and manager levels ☐ Workforce reduction: policies and procedures for workforce reduction, severance, and transition; documentation of prior workforce reductions; minutes of management meetings and communications to workers on this issue ☐ Complaint management and resolution mechanism: documented procedure, communications, records, and logs of handling grievance ☐ Child labor: procedure for age verification, documentation of apprentice program, workers' birth and medical records and school records

	☐ Forced labor: employment contracts (including for workers hired through recruitment agencies), payroll records, timesheets and wage deduction records, and worker passports and identification. ☐ Health and safety: accident and medical treatment logs, equipment safety logs, logs of fire and safety drills, health and safety risk analyses, government health inspection reports, safety certificates, training curriculum and logs, and evidence of changes to any of these when company processes, methods, chemicals, or materials are changed or reordered.
	Select files and records randomly to generate a representative sample of the workforce population and functional distribution in the factory. Find files to corroborate interviews conducted earlier.
	Balance your time and effort investigating all areas of labor standards at work. Document review is particularly critical for wages, working hours, health and safety, use of contractors and primary suppliers, and hiring and termination.
	Address potential areas of abuse in the employment of contract workers if applicable. Review the contract with the workers.
	Identify all significant incidences of nonconformance in preparation for your management meeting.
	Environmental and occupational health and safety issues
	Review the relevant documents for the following areas: 1. Emergency response and preparedness: facility emergency response procedures and accident reports; documents indicating that workers have been trained on these issues 2. Environmental management: company environmental policies and environmental management system policies and reports (sustainability reports, energy consumption records, guidelines and monitoring, resource use and waste generation); note the status of previously identified nonconformances 3. Insurance: proof that legal permits were obtained; insurance policy certificates, proof of insurance, coverage verification letters, insurance policies, or insurance declarations; proof that relevant legal authorities were notified of the facility's activities 4. Technical: production process documents; documentation of storage, purchase, and maintenance of facility equipment; availability of Safety Data Sheets and International Chemical Safety Cards and employee training and orientation to the specific risk posed by materials in use; response to submissions through the complaint management and resolution mechanism 5. Waste disposal: Policies, procedures and guidelines on elimination and recycling of waste emissions and effluents to air, water, and land, including monitoring of the quantity and quality, treatment, and disposal of all waste, including wastewater and solid waste. Are employees and area supervisors asked for opinions on improvements? 6. Hazardous material: inventory of chemicals and toxicology sheets (Safety Data Sheets and International Chemical Safety Cards from International Labour Organization, World Health Organization, European Union, United Nations Environment Programme, and others). Avoid relying on manufacturer's statements. Does procurement mandate furnishing such materials (Safety Data Sheets and International Chemical Safety Cards)? 7. Health and safety: logs of accident and fatality rates and monitoring of these statistics; health and safety guidelines or handbooks for workers; job hazard analyses and engineering corrections to eliminate hazards at the source versus requiring employees to mitigate environmental hazards; provision of appropriate personal protection equipment that cover actual defined technical, physical, biological, and chemical hazards in the workplace; records of occupational health and safety committee meetings, training, informal safety meetings, and others 8. Work environment: guidelines, reports, logs and ecomaps of the facility work environment that monitor emissions of dust, odors, sources of noise and vibrations, and worker exposure to heat and cold; lower explosive limit meters and audible and visual alarms (mandatory wherever dust or ambient dust might accumulate)

✓	**F. Closing meeting with management**
	Conduct a closing meeting with senior management and department managers.
	Present your preliminary findings, emphasizing both the positives and areas for improvement and why. Address all new and previously existing nonconformances, and seek clarification on any findings or issues raised during the audit.
	Work with department managers and supervisors on a corrective action plan that details specific actions and timelines for their completion.
	Review any outstanding corrective action requests from previous audit reports.
	Make sure senior management signs off on the corrective action plan.

Source: International Finance Corporation.

Glossary and Resources

This glossary defines terms and concepts used commonly in developing and implementing an environmental and social management system. It lists all International Finance Corporation Performance Standards relevant to the term or concept and provides additional resources to learn more.

Term	Definition	Relevant IFC Performance Standard	Additional resources
Action plan	Includes required actions to improve a company's or project's environmental and social performance	IFC PS1	
Affected communities	A group of people subject to identified risks and adverse impacts from a company or project	IFC PS4	IFC, *Investing in People: Sustaining Communities through Improved Business Practice*
Air quality	The cleanliness or pollution level of the air; pollutant parameters include but are not limited to sulfur dioxide, nitrogen dioxide, particulate matter, and ozone	IFC PS3	
Area of influence (applies to projects only)	The local communities, environment, and resources likely to be affected by a project's direct and indirect activities, practices, and facilities	IFC PS1	
Biodiversity conservation and sustainable management of living natural resources	Refers to efforts aimed at preserving the variety of life forms (biodiversity) and ensuring that natural resources such as plants, animals, and ecosystems are used in ways that maintain their health and viability over the long term. Efforts involve protecting species from extinction, maintaining natural habitats, and managing resources so they can continue to provide benefits to humans and the environment without being depleted or degraded	IFC PS6	IFC, *Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources* Cross-Sector Biodiversity Initiative, *"Good Practices for the Collection of Biodiversity Baseline Data"* Multilateral Financing Institutions Biodiversity Working Group, *Good Practices for Biodiversity Inclusive Impact Assessment and Management Planning* "Integrated Biodiversity Assessment Tool (IBAT)"
Change leadership	The ability to motivate, inspire, and guide employees through the process of change, focusing on engaging employees and stakeholders, building their trust and obtaining buy-in, and empowering them to support the changes	IFC PS1	
Change management	The process of planning, implementing, and monitoring changes to an organization, using a variety of tools, and helping people adapt to the changes	IFC PS1	
Child labor	Employing children in any way that exploits them for profit; poses a hazard to them; interferes with their education; or harms their health, well-being, or development (physical, mental, spiritual, moral, or social)	IFC PS2	International Labour Organization, *"What is Child Labor?"* IFC, *Good Practice Note: Addressing Child Labor in the Workplace and Supply Chain*
Climate change	Long- or short-term shifts in climate patterns	IFC PS4, PS3, PS6, and PS7	Equator Principles, *Guidance Note on Climate Change Risk Assessment*

Term	Definition	Relevant IFC Performance Standard	Additional resources
Community health, safety, and security	Business activities and infrastructure projects can expose local communities to increased risks and adverse impacts related to worksite accidents, hazardous materials, spread of diseases, or interactions with private security personnel	IFC PS4	IFC, *Guidance Note 4: Community Health, Safety, and Security* IFC, "*General EHS Guidelines: Introduction*," Section 3: "Community Health and Safety"
Contaminated land	Land that has been compromised by anthropogenic releases of hazardous materials, wastes, or oil, including naturally occurring substances.	IFC PS3	IFC, "*General EHS Guidelines: Environmental*," Section 1.8: "Contaminated Land"
Contextual risk	Risks in the external environment (at a country, sector, or subnational level) that the operation does not control but that could have a negative impact on the ability to meet IFC's environmental and social requirements	IFC PS1	
Contract workers	Workers engaged through third parties who are performing work or providing services related directly to the company's or project's core business processes for an extended period	IFC PS2	IFC, *Good Practice Note: Managing Contractors' Environmental and Social Performance*
Critical habitat	Areas with high biodiversity value, including (i) habitat of significant importance to critically endangered or endangered species, (ii) habitat of significant importance to endemic or restricted-range species, (iii) habitat supporting globally significant concentrations of migratory species or congregative species, (iv) highly threatened or unique ecosystems; or (v) areas associated with key evolutionary processes	IFC PS6	IFC, *Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources* International Union for Conservation of Nature, *"The IUCN Red List of Threatened Species"*
Cultural heritage	Encompasses properties and sites of archaeological, historical, cultural, artistic, and religious significance; also refers to unique environmental features and cultural knowledge, and intangible forms of culture embodying traditional lifestyles that should be preserved for current and future generations	IFC PS8	IFC, *Guidance Note 8: Cultural Heritage*
Cultural heritage asset	Tangible moveable or immovable objects, property, sites, structures, or groups of structures having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values	IFC PS8	United Nations Educational, Scientific, and Cultural Organization, *Guidance and Toolkit for Impact Assessment in a World Heritage Context*
Cumulative impacts	Incremental impacts from an operation when added to other current or planned projects or business activities	IFC PS1	IFC, *Good Practice Handbook: Cumulative Impact Assessment and Management: Guidance for the Private Sector in Emerging Markets*
Discrimination	The unequal treatment of different categories of people based on ethnicity,	IFC PS2	IFC, *Good Practice Note: Nondiscrimination and Equal Opportunity*

Term	Definition	Relevant IFC Performance Standard	Additional resources
	age, nationality, gender, disability, religion, or other characteristics		
Ecologically sensitive site	Areas with species or ecosystems that are at risk of significant decline or extinction because of various environmental factors, such as habitat loss, climate change, pollution, invasive species, or overexploitation; vulnerable elements of biodiversity that are in a precarious state and require special attention and conservation efforts to protect and sustain their populations or habitats	IFC PS6	*"Integrated Biodiversity Assessment Tool (IBAT)"*
Ecosystem services	Benefits that people and businesses obtain from ecosystems (provisioning, regulating, cultural, and supporting services)	IFC PS4, PS6	
Energy conservation	The effort to reduce wasteful energy consumption	IFC PS3	IFC, *"General EHS Guidelines: Environmental,"* Section 1.2: "Energy Conservation"
Environmental and social management system	A dynamic, structured, and continuous process that entails a methodological approach to managing environmental and social risks and impacts, initiated and supported by management and involving engagement with the client, its workers, local communities, and other stakeholders (where appropriate)	IFC PS1	IFC, *Environmental and Social Management System Implementation Handbook*
Eutrophication	The accumulation of nutrients and minerals in a water body	IFC PS3	US Geological Survey, *"Nutrients and Eutrophication"*
Forced labor, modern slavery, and human trafficking	Work or service extracted from any person under the threat of a penalty and for which the person has not offered themself voluntarily	IFC PS2	International Labour Organization, "*What is Forced Labor?"*
Free, prior, and informed consent	A specific right of Indigenous Peoples to consent to or withhold consent from an operation that could affect them or their territories	IFC PS7	Food and Agriculture Organization, *Free, Prior, and Informed Consent: An Indigenous Peoples' Right and a Good Practice for Local Communities*
Gender-based violence and harassment	A harmful act perpetrated against the will of a person based on gender norms and unequal power relationships	IFC PS2, PS4	European Bank for Reconstruction and Development, CDC Group, and IFC, *Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector*
Global Reporting Initiative (GRI)	An international independent standards organization that helps businesses, governments, and other organizations understand and communicate their impacts on issues such as climate change, human rights, and corruption	IFC PS1	Global Reporting Initiative, *"About GRI"*
Good-faith negotiations	A process of negotiating with integrity and earnestness, aiming for solutions acceptable to all parties, regardless of whether a final agreement is achieved.	IFC PS7	International Labour Organization Development Policies Department, *Effective Negotiation by Indigenous Peoples: An Action Guide with Special Reference to North America*

Term	Definition	Relevant IFC Performance Standard	Additional resources
Good international industry practice	Standards, practices, and methodologies expected from skilled and experienced companies engaging in a type of work	IFC PS3	
Greenhouse gas emissions	The atmospheric gases responsible for causing global warming and climate change, defined by the United Nations Framework Convention on Climate Change as carbon dioxide, methane, and nitrous oxide, and the less prevalent gases hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride	IFC PS3	US Environmental Protection Agency, *"Sources of Greenhouse Gas Emissions"*
Grievance mechanism	A process for employees or people affected by a company's or project's operations to communicate concerns or make formal complaints, whether openly, confidentially, or anonymously.	IFC PS1, PS2, PS4, PS5, and PS7	IFC, *Good Practice Note: Addressing Grievances from Project-Affected Communities* World Bank Advisory Note, Office of the Compliance Advisor/Ombudsman, *A Guide to Designing and Implementing Grievance Mechanisms for Development Projects* IFC, *"How to Support Your Company to Develop a Community-Based Grievance Mechanism for Sexual Exploitation and Abuse"* IFC, "*How to Support Your Company to Establish and Manage a Worker Grievance Mechanism for Sexual Harassment*"
Habitat fragmentation	Destruction and degradation of natural ecosystems that leads to discontinuities in a species' preferred environment	IFC PS6	Woodland Trust, *"What is Habitat Fragmentation, and What Does it Mean for Our Wildlife?"*
Hazardous materials and substances	Raw resources or produced materials that pose a substantial or potential threat to public health or the environment; hazardous substances are defined by international conventions or local legislation.	IFC PS3, PS4	IFC, *"General EHS Guidelines: Environmental,"* Section 1.5: "Hazardous Materials Management"
Hazardous Work/Labor	Work that exposes a person to dangerous substances, agents processes, temperature, noise levels, or vibrations that can cause short- or long-term damage to the person's health	IFC PS2	International Labour Organization, *"Hazardous Child Labor"*
Human trafficking	The trade of persons for forced labor, sexual slavery, or commercial sexual exploitation	IFC PS2	United Nations Office on Drugs and Crime, *"Human Trafficking."*
ILO Conventions	ILO Conventions (and Protocols) are legally binding international treaties that countries can ratify (for example, ILO Convention 29 on Forced Labor, ILO Convention 87 on Freedom of Association and Protection of the Right to Organize).	IFC PS2	
Indigenous Peoples	Social groups with identities distinct from mainstream groups in national societies; often among the most marginalized and vulnerable segments of the population;	IFC PS7	IFC, *Guidance Note 7: Indigenous Peoples*

Term	Definition	Relevant IFC Performance Standard	Additional resources
	can be particularly vulnerable to the adverse impacts of business and project development, including risk of impoverishment and loss of identity, culture, and natural resource–based livelihoods		
Industry-based certifications	Tangible evidence that a business has obtained certain skills or competency by completing an assessment or obtaining a license recognized by an industry third-party or governing board	IFC PS1	International Organization for Standardization, "ISO 14000 Environmental Standards Series" European Commission, "Eco-Audit and Management Scheme"
Informed consultation and participation	Consultation that occurs freely and voluntarily, without any external manipulation, interference, or coercion and without intimidation	IFC PS1, PS7	
Involuntary resettlement	Nonconsensual physical relocation or loss of home because of land acquisition	IFC PS5	World Bank, *Involuntary Resettlement Sourcebook: Planning and Implementation in Development Projects* IFC, *Performance Standard 5: Land Acquisition and Involuntary Resettlement* IFC, *Guidance Note 5: Land Acquisition and Involuntary Resettlement*
Key performance indicator	A quantifiable measure of performance over time for a specific objective		IFC, *"Six Reasons Why Social Metrics Matter in Sustainability-Linked Finance*" IFC, "*Reporting on Performance Metrics and Targets*"
Labor and working conditions	The environment, terms, and circumstances under which employees perform their work, including aspects such as wages, working hours, workplace safety, job security, and employer treatment of employees.	IFC PS2	IFC, *Guidance Note 2: Labor and Working Conditions* IFC, "*General EHS Guidelines: Introduction*," Section 2: "Occupational Health and Safety" IFC, *Measure and Improve Your Labor Standards Performance: Performance Standard 2 Handbook for Labor and Working Conditions*
Labor union (trade union, workers' organization)	An organization of workers for the purpose of furthering and defending its members' interests regarding working conditions and terms of employment	IFC PS2	International Labour Organization, "CO87: Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)"
Land acquisition	Outright purchases of property and acquisition of access rights, such as easements or rights of way	IFC PS5	World Bank Group, "*Land*" IFC, *Guidance Note 5: Land Acquisition and Involuntary Resettlement*
Migrant workers	Workers who migrated from one country to another or from one area of a country to another for employment	IFC PS2	International Labour Organization, *ILO Global Estimates on International Migrant Workers: Results and Methodology*
Modified habitat	A natural environment that has been transformed or altered by non-native species or human activity (such as urbanization, pollution, or deforestation) that changes the area's primary ecological functions and species composition substantially	IFC PS6	

Term	Definition	Relevant IFC Performance Standard	Additional resources
Monitoring plan	Procedures established to monitor and measure the effectiveness of management plans and their compliance with any related legal or contractual obligations and regulatory requirements	IFC PS1	
Natural habitat	Areas that contain healthy groups of mostly native plant or animal species, or where human activity has not altered the area's natural ecological functions and species significantly	IFC PS6	IFC, *Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources*
Noise	Sound resulting from company operations or project-related activities that have an impact on an entity, group, or community, including workers, wildlife, and premises occupied by persons	IFC PS3	IFC, "General EHS Guidelines: Environmental," Section 1.7: "Noise"
Operation	Activities of a company or project		
Occupational Safety and Health Administration (OSHA) standards	Rules that describe the methods employers must use to protect their employees from hazards	IFC PS2	Occupational Safety and Health Administration, "Recommended Practices for Safety and Health Programs: Hazard Identification and Assessment"
Personal protective equipment	Equipment and clothing (such as helmets, gloves, face masks, hazardous materials suits, and reflective vests) issued to workers to protect them against workplace hazards and unplanned events hazardous	IFC PS2	Occupational Safety and Health Administration, *Personal Protective Equipment*
Pesticides	Substances or chemicals used to kill and control animal pests such as mosquitos	IFC PS3	US Environmental Protection Agency, "Regulatory and Guidance Information by Topic: Pesticides"
Policy	A company's or project's agreed-upon principles and commitments that will influence decision-making and drive performance	IFC PS1	
Process mapping	Outlines the steps in operational processes to identify potential environmental and social risks associated with the process; should involve individuals responsible for the different steps in the process to ensure that key risks are identified	IFC PS1	
Procurement policy	Guidelines that establish standards of practice and procedures for purchasing goods and services	IFC PS1, PS2, and PS6	
Public consultation and disclosure	The process of providing local communities and stakeholders with information on a company or project and facilitating discussion to answer questions and address concerns	IFC PS1, PS4, and PS7	

Term	Definition	Relevant IFC Performance Standard	Additional resources
Raw material	A plant-based, animal-based, or mining-based material used as an input to produce goods and services	IFC PS3	United Nations, *United Nations Framework Classification for Resources*
Receptor (environmental and social)	An entity, group, or community that can be affected by a project's environmental and social impacts		
Resource efficiency and pollution prevention	Adopting practical and cost-effective measures to improve the efficiency of energy, water, and other resource usage; and to avoid, minimize, or reduce the adverse impacts of pollution on human health and the environment.	IFC PS3	IFC, *Guidance Note 3: Resource Efficiency and Pollution Prevention*
Risk identification diagramming	A tool to help identify risks in a company; a diagram that should include all the areas where production activities and various business operations take place and illustrate how they connect to each other	IFC PS1	
Root cause	The underlying reason for an accident, incident or nonconformance with required procedures; often caused by deficiencies in a management system, such as inadequate procedures or improper training	IFC PS1	
Security of tenure	The right of individuals or groups to occupy and use land or property without the risk of sudden or arbitrary eviction; guarantees legal protection against forced eviction, harassment, and other threats	IFC PS5	United Nations Office of the High Commissioner, *"Security of Tenure, Cornerstone of the Right to Adequate Housing"*
Sexual exploitation, abuse, and harassment	Misusing a position of vulnerability, power, or trust for sexual purposes, whether successful or attempted, including gaining financial, social, or political benefits from exploiting another person sexually.	IFC PS2 and PS4	
Social impacts	Actions that have consequences on workers, stakeholders, local communities, Indigenous Peoples, and cultural heritage resources	IFC PS2, PS4, PS5, PS7, and PS8	IFC, *Good Practice Note: Addressing the Social Dimensions of Private Sector Projects*
Solid waste	Any solid material discarded by disposal, recycling, burning, or incineration; generally includes garbage (domestic trash, demolition materials, scrap metal, and empty containers)	IFC PS3	World Bank, *Bridging the Gap in Solid Waste Management: Governance Requirements for Results*
Stakeholder engagement	An ongoing process that is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of environmental and social impacts (stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, ongoing reporting)	IFC PS1, PS4, PS5, and PS7	IFC, *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*

Term	Definition	Relevant IFC Performance Standard	Additional resources
Supply chain	Materials, components, goods, or products for use in ongoing operations (goods, for example, might include suppliers of raw material and suppliers of pieces or components for assembly and production)	IFC PS2 and PS6	World Bank, *Supply Chain Management: An Introduction and Practical Toolset for Procurement Practitioners*
Temporary (seasonal) workers	Workers or contractors a company or project employs for a short duration	IFC PS2	International Labour Organization, "Nonstandard Forms of Employment"
Threatened and endangered species	Plants and animals that have become more rare over time or are considered rare.	IFC PS6	International Union for Conservation of Nature, "The IUCN Red List of Threatened Species"
Traditional land use and ownership	Land owned by indigenous communities and administered according to their customs	IFC PS7	United Nations Permanent Forum on Indigenous Issues, "Indigenous Peoples' Collective Rights to Lands, Territories, and Resources"
Waste management	The generation, storage, and handling of waste (solid, liquid, or contained gaseous material), including collection, transportation, treatment, and disposal	IFC PS3	IFC, "General EHS Guidelines: Environmental," Section 1.6: "Waste Management"
Wastewater	Used raw water that undergoes treatment before being discharged back into the environment; results from utility operations, stormwater, industrial discharges, process water, and sanitary sewage	IFC PS3	IFC, "General EHS Guidelines: Environmental," Section 1.3: "Wastewater and Ambient Water Quality"
Water conservation	Using water efficiently to reduce unnecessary consumption and preserve resources for the future.	IFC PS3	IFC, "General EHS Guidelines: Environmental," Section 1.4: "Water Conservation"
Workers' accommodation	Housing for workers, including temporary exploration camps, construction camps, and permanent dormitories	IFC PS2	IFC and European Bank for Reconstruction and Development, *Workers' Accommodation: Processes and Standards: A Guidance Note by IFC and the EBRD*
Workforce reduction (also called "retrenchment")	Job loss resulting from the closure of the workplace, reduction in staffing, downsizing of operations, or workforce restructuring	IFC PS2	IFC, *Good Practice Note: Managing Retrenchment*

Source: International Finance Corporation.
Note: EBRD = European Bank for Reconstruction and Development; EHS = environmental health and safety; GRI = Global Reporting Initiative; IBAT = Integrated Biodiversity Assessment Tool; IFC = International Finance Corporation; ILO = International Labour Organization; ISO = International Organization for Standardization; IUCN = International Union for Conservation of Nature; OSHA = Occupational Safety and Health Administration; PS = performance standard.

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2121 Pennsylvania Avenue NW
Washington, DC 20433
Telephone: 202-473-3800
Internet: www.ifc.org/sustainability

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