Environmental and Social Standard 1. Assessment and Management of Environmental and Social Risks and Impacts
I. INTRODUCTION

1. This Environmental and Social Standard (ESS) 1 sets out the borrower’s/client’s responsibilities for screening and scoping, assessing, managing, and monitoring environmental and social (E&S) risks and impacts of a project, in a manner proportionate to the nature and scale of the potential risks and impacts. The ESSs are designed to help the borrower/client manage the E&S risks and impacts of a project, and improve E&S performance, through a risk and outcomes-based approach.

II. OBJECTIVES

a. Screen and scope, assess, manage, and monitor the E&S risks and impacts of a project in a manner consistent with this ESS and other applicable ESSs;

b. Adopt a mitigation hierarchy approach to: (i) anticipate and as a first priority avoid E&S risks and impacts; (ii) where avoidance is not possible, minimize or reduce E&S risks and impacts to acceptable levels; and (iii) once E&S risks and impacts have been minimized or reduced, mitigate and/or compensate for adverse impacts on the environment and project-affected persons;

c. Require that a project is environmentally and socially sound and sustainable, and support the integration of E&S considerations into the project decision-making process;

d. Adopt differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable, taking into account gender-related risks, and ensure that they are not disadvantaged in sharing development benefits and opportunities resulting from a project;

e. Promote improved E&S performance, in ways which recognize and enhance borrower/client capacity.

III. SCOPE OF APPLICATION

2. The requirements of this ESS1 and the ESSs apply, to the extent such ESSs are determined to be applicable, to ADB-financed and/or ADB-administered sovereign and private sector projects and their components regardless of the source of financing, including investment projects funded by a loan and/or a grant and/or other means, such as equity and/or guarantees, hereafter broadly referred to as projects. A project’s legal agreement describes a project to which the E&S requirements apply. Paras 60-67 explain the approach for the assessment and management of E&S risks and impacts for projects across different financing modalities and products offered by ADB, and the E&S requirements will be further be detailed in the ADB Management approved document.

3. The ESSs do not apply to activities that are not part of a project, nor to activities that the borrower/client implements following project completion without financing support from ADB, with the exception of associated facilities as set out in paras 15-18.

4. The application of this ESS1 and other ESSs to associated facilities, existing facilities, and those projects or components cofinanced with other parties are described in paras 15-20.

5. The borrower/client will ensure that a project does not include activities on the Prohibited Investment Activities List.
IV. REQUIREMENTS

6. The borrower/client will meet all requirements under ESSs applicable to a project and will provide ADB with information reasonably requested to ascertain the appropriate risk classification of a project in accordance with the E&S Policy. The assigned risk classification will form the basis for assessing and managing a project’s E&S risks and impacts.

7. The borrower/client will determine the scope of E&S assessment. Based on the scope, the borrower/client will screen, assess, manage, and monitor the E&S risks and impacts of a project in accordance with the relevant ESSs, proportionate to the nature and scale of its potential E&S risks and impacts.

8. The borrower/client will ensure that the E&S assessment process addresses, in an integrated way, all direct, indirect, and cumulative E&S risks and impacts such that relevant E&S factors, including those set out in para 24(i) and (ii), are considered comprehensively and in a non-fragmented manner, throughout the concept design, preparation, and implementation phases of a project cycle together with any project-specific issues raised by ADB or identified by the borrower/client.

9. The borrower/client will undertake stakeholder engagement and disclose information in accordance with ESS10. The borrower/client, in consultation with ADB, will initiate the E&S assessment and stakeholder engagement and information disclosure, as early as possible in a project cycle. This is to ensure that the E&S assessment process and the stakeholder engagement process are designed to meet the requirements of the ESSs, and the findings and the mitigation measures based on the mitigation hierarchy are incorporated into project selection, siting, and design decisions.

10. Throughout the E&S assessment process, the borrower/client will identify project-affected persons that may be disproportionately affected by a project because of their disadvantaged or vulnerable status. Where such disadvantaged or vulnerable persons are identified, the borrower/client will implement differentiated measures to mitigate the adverse impacts and ensure the project risks do not fall disproportionately on them. The borrower/client will ensure that, through these measures, such disadvantaged or vulnerable persons can share equitably in benefits and opportunities resulting from a project. The design of these measures and their implementation will take into consideration the particular circumstances of such persons, project and country context, including the host country’s legal and institutional frameworks and other factors set out in para 28, to the extent possible and as determined by ADB.

11. The borrower/client will comply with the host country’s applicable laws, including those laws implementing the host country’s obligations under international laws. Where ESSs set out more stringent requirements or measures more protective for project-affected persons or the environment than the requirements of the host country’s applicable laws, the borrower/client will comply with the requirements of the ESSs. Borrowers/clients will apply the relevant requirements of internationally recognized standards such as World Bank Group Environmental, Health, and Safety Guidelines (EHSGs) and other good international practice (GIP), as required under the ESSs and as applicable.

12. Where the borrower/client proposes less stringent standards or measures than those provided in the EHSGs or in applicable GIP, the borrower/client will provide detailed assessment and justification for the proposed alternatives. In this justification, the borrower/client will demonstrate, to the satisfaction of ADB, that the choice of any alternative performance level is
consistent with the objectives of the ESSs and the applicable EHSGs or GIP and is unlikely to result in significant environmental or social harm.

13. The borrower/client will ensure that all E&S assessment requirements under the relevant ESSs have been identified and undertaken to the extent possible to the satisfaction of ADB to enhance E&S readiness of a project.

14. The borrower/client will develop an environmental and social commitment plan (ESCP)/environmental and social action plan (ESAP) for a project as detailed in paras 39-44, implement all measures and actions set out in the ESCP/ESAP, and conduct monitoring and reporting on the E&S performance of a project against all applicable ESSs as set out in the ESCP/ESAP.

A. Associated Facilities

15. For the purpose of the E&S Policy and the ESSs, the term “associated facilities” means new facilities or activities that are not funded as part of a project and, in the judgment of ADB, are: (i) directly and significantly related to the project; and (ii) developed, or contemporaneously planned to be developed, with the project; and (iii) necessary for the project to be viable and would not have been developed if the project did not exist.

16. The borrower/client will ensure that the E&S assessment and management provisions, consistent with this ESS1 and other ESSs apply to associated facilities, to the extent that the borrower/client has control or influence over the associated facilities.

17. Where ADB determines that requirements of the common approach under para 20 or the requirements of other multilateral or bilateral agencies or organizations will enable the associated facilities to achieve objectives materially consistent with the ESSs, the borrower/client may agree with ADB to apply such requirements, instead of the ESSs, to the associated facilities.

18. The borrower/client will be required to demonstrate the extent to which it cannot exercise control or influence over the associated facilities, providing details of the considerations for such a determination. If the borrower/client does not have control or influence, the E&S assessment for a project will still identify and consider the E&S risks and impacts that may be presented by the associated facilities to the project.

B. Existing Facilities

19. For a project that includes existing facilities or existing activities as a component, the borrower/client will undertake an E&S compliance audit, including an on-site assessment, to identify past or present concerns related to E&S risks and impacts. The scope of the E&S audit will be proportionate to the nature and scale of E&S risks and impacts of the existing facilities or existing activities. As part of the audit, the borrower/client will analyze the legal and institutional framework for the existing facilities or existing activities, including the issues set out in para 28 below, any existing operating permits and licenses, and existing plans developed to address specific E&S risks and impacts for the existing facilities or existing activities, and where applicable, any E&S requirements of the existing financiers. If such audit identifies any past or present E&S risks and impacts, the audit will propose and justify measures and actions to mitigate such E&S risks and impacts, estimate the cost of such measures and actions, and recommend a schedule for implementing them. The proposed measures and actions will depend on a project’s intended use of existing facilities or existing activities and the intended purpose of the ADB financing and will also take into account the financial and technical feasibility of such measures and actions.
Modifications to, or new components of, such existing facilities or existing activities financed by ADB will meet the requirements of the applicable ESSs.

C. Common Approach

20. Where ADB is cofinancing a project with other multilateral or bilateral agencies or organizations, and where appropriate, the borrower/client will cooperate with ADB and such cofinancier(s) to agree on a common approach in the assessment, development, and implementation of a project. In determining whether the common approach is acceptable, consideration will be given to the policies, standards, and implementation procedures of the multilateral or bilateral agencies or organizations, as applicable. A decision on the use of a common approach will be made by ADB as early as possible but no later than project appraisal or final credit approval. Where a common approach has been agreed for a project, an ESCP/ESAP will require that E&S performance will be measured against the common approach. A common approach will apply to associated facilities financed by the same co-financier(s) if agreed by ADB and the borrower/client. The borrower/client will also coordinate with ADB and such cofinancier(s) so that ADB and the borrower/client may be able to disclose one set of project information and documentation for stakeholder engagement.

D. Environmental and Social Assessment

21. The borrower/client will determine the scope of the E&S assessment based on the ESSs that are relevant to a project and ensure that the assessment is proportionate to the nature and scale of the potential E&S risks and impacts of a project.

22. The borrower/client will undertake an E&S assessment of a project to assess the E&S risks and impacts of a project. E&S assessment is a generic term and refers to a flexible process. Different assessment tools may be used to carry out the E&S assessment for a project depending on the nature and scale of identified E&S risks and impacts and the applicable ESSs. These may include, as appropriate, a combination of elements from a number of assessment tools along with the indicative outlines of the different assessment and management tools that are listed in Annex 1.

23. The borrower/client, in consultation with ADB, will identify and use the appropriate assessment tools to undertake the project-specific E&S assessment.

24. The borrower/client will ensure that the E&S assessment will take into account all relevant E&S risks and impacts of a project as described in detail in ESSs 2–10, including:

(i) Environmental risks and impacts such as: pollution to air, water, and soil; health, safety, and security of project workers and communities; threats to the protection, conservation, and maintenance of natural and critical habitats and biodiversity, ecosystem services, living natural resources and the maintenance of environmental flows; risks to cultural heritage; and climate change mitigation and adaptation.

(ii) Social risks and impacts such as: any impacts from land acquisition and land use restrictions; adverse impacts on communities of Indigenous Peoples; risks associated with labor, working conditions, and rights of project workers; data privacy; risks that project impacts fall disproportionately on the disadvantaged or vulnerable; and gender-related risks, including potential risks of sexual exploitation, abuse, and harassment.
25. The borrower/client will ensure that the E&S assessment is an adequate, accurate, and objective evaluation of the **E&S risks and impacts** of a project, prepared by qualified and experienced specialists. The borrower/client will hire an independent third-party specialist if ADB has determined that the potential significance of **E&S risks and impacts** requires the assistance of such a specialist.

26. The borrower/client will engage internationally recognized experts for **High Risk** and **Substantial Risk** projects that are contentious, involve serious and multidimensional issues, and generally have interrelated potential E&S risks and impacts. These experts may be engaged individually or as an advisory panel, to carry out the E&S assessment, and assess and/or monitor the implementation of the measures identified through the E&S assessment process.

27. The borrower/client will ensure that the E&S assessment is based on current information, including an accurate description of the scope of a project, its components and **associated facilities**, and E&S baseline data at an appropriate level of detail sufficient to inform characterization and identification of **E&S risks and impacts** and mitigation, management, and monitoring measures. The borrower/client will ensure that the E&S assessment process for a project examines project alternatives and identifies ways of improving project selection, siting, planning, design, and implementation. The borrower/client will seek opportunities to enhance the positive impacts of a project, subject to the requirements of the ESSs. The borrower/client will undertake **stakeholder engagement** as an integral part of the E&S assessment process in accordance with ESS10. The borrower/client will ensure that stakeholder engagement is inclusive and without discrimination against **project-affected persons**, including those deemed disadvantaged or vulnerable.

28. The borrower/client will ensure that the E&S assessment takes into account the **host country**’s applicable policy framework; the **host country**’s applicable laws; institutional capabilities for implementation relating to E&S issues; project context; and host country environmental or social status reports and/or national environmental or social action plans, where these exist. The borrower/client will ensure that the E&S assessment is undertaken in coordination with the economic, financial, institutional, social, and technical analysis of a project.

29. The borrower/client will ensure that the E&S assessment applies the **mitigation hierarchy** to: (i) anticipate and avoid **E&S risks and impacts** as a first priority; (ii) where avoidance is not possible, minimize or reduce E&S risks and impacts to acceptable levels; and (iii) once E&S risks and impacts have been minimized or reduced, mitigate and/or compensate for adverse impacts on the environment and **project-affected persons**. The borrower/client will ensure that the cost of addressing E&S risks and impacts through the mitigation hierarchy, are considered as part of a project’s costs.

30. Where significant residual impacts remain, the borrower/client will compensate for or **offset** them, where technically and financially feasible. Where this is not technically or financially feasible, the borrower/client will set out the rationale and justification for this determination in the E&S assessment.

31. Where the E&S assessment identifies loss of assets or access to assets or resources resulting in losses in incomes or livelihoods, that are not a direct result of project activities under **land acquisition and land use restrictions**, the borrower/client will prepare a livelihood restoration plan, in consultation with ADB, and provide appropriate livelihood restoration measures in accordance with the principles set out in ESS5.
32. The borrower/client will integrate and consolidate the findings of all assessments and plans into a project’s E&S assessment process in a timely manner.

33. Where the borrower/client has completed or partially completed E&S assessment prior to ADB’s involvement in a project, the borrower/client will conduct an audit to determine whether the completed assessment meets the requirements of the ESSs. Based on the findings of the audit, the borrower/client may be required to undertake additional assessments and the associated consultations and disclosures.

34. Where ADB is financing a project for which certain E&S assessment and management have already been undertaken in compliance with the requirements of other multilateral or bilateral funding agencies, ADB may agree to rely on such assessment and management of the E&S risks and impacts for the project, provided that the requirements will enable the project to achieve objectives materially consistent with the applicable ESSs.

35. The borrower/client will ensure that the E&S assessment process includes a review of the institutional capacity of the agency responsible for implementing a project’s management tools and ESCP/ESAP. Where necessary to ensure the capacity is in place, the borrower/client will include components or activities in a project to strengthen its technical capacity to carry out the E&S assessment process. The borrower/client will ensure that E&S responsibilities are well defined with clear lines of responsibility and authority and communicated to all personnel involved. Where a project includes one or more elements of capacity strengthening, these elements will be subject to monitoring and evaluation.

E. Environmental and Social Management Tools

36. The borrower/client will develop management tools, in consultation with ADB, to implement the mitigation measures identified by the applicable ESSs. The management tools will address adverse E&S risks and impacts, identify the responses to potentially adverse impacts and define a project’s desired outcomes in measurable terms, against baseline conditions and, to the extent possible, with targets that can be tracked over defined time periods.

37. The borrower/client will ensure that these management tools are proportionate to the nature and scale of E&S risks and impacts assessed and consist of the mitigation, monitoring, and institutional measures to be taken during implementation of a project. The management tools may include: the overall environmental and social management plan (ESMP), environmental and social management framework (ESMF), and plans such as land acquisition plan/framework, livelihood restoration plan; Indigenous Peoples plan, biodiversity action plan, cultural heritage management plan, labor management plan, community health and safety plan, land acquisition plan, stakeholder engagement plan, climate risk assessment, and other plans required by the relevant ESSs and as agreed with ADB.

38. The borrower/client will prepare the management tools as a standalone document and/or incorporate them into the ESMP.

F. Environmental and Social Commitment/Action Plan

39. The borrower/client will agree with ADB on an adaptive management process in which measures and actions necessary to meet the requirements of the ESSs will be identified and implemented over a specified timeframe. These measures and actions may include those that
are: (i) required to bring a project into compliance with the applicable ESSs; (ii) set out in the ESMP and/or other management tools prepared under the relevant ESSs; and/or (iii) to be undertaken during project implementation that are considered necessary for a project to achieve compliance with the ESSs. Those measures and actions that fall in the category of (ii) and (iii) will typically be included in an ESCP, while those that fall within the category of (i) will typically be included in an ESAP. The borrower/client will specify a completion date for each action in the ESCP/ESAP. The legal agreement for a project will include obligations of the borrower/client to implement the ESCP/ESAP. A draft ESCP/ESAP will be disclosed as early as possible, and before project appraisal or final credit approval.

40. If there are changes to a project that result in additional E&S risks and impacts, particularly where these will impact project-affected persons, the borrower/client will provide information on such risks and impacts and meaningfully consult with project-affected persons on how to mitigate these risks and impacts. The borrower/client will update the ESCP/ESAP, as necessary, setting out any additional measures and actions. The updated ESCP/ESAP will be disclosed.

41. The borrower/client will ensure sufficient high-level commitment, and human and financial resources, are provided on an ongoing basis to implement the ESCP/ESAP.

42. The borrower/client will include in the ESCP/ESAP, a description of trainings to address the specific measures and actions required to support effective and continuous E&S performance. The ESCP/ESAP will also include the details of the human and financial resources associated with such trainings.

43. The borrower/client will implement the measures and actions identified in the ESCP/ESAP in accordance with the specified timeframes and will review the status of implementation of the ESCP/ESAP as part of its monitoring and reporting.

44. Where the borrower/client is required under the ESCP/ESAP to plan or take specific measures and actions over a specified timeframe, the borrower/client may not carry out any activities in relation to the project that may cause material adverse E&S risks and impacts, until the relevant plans, measures, or actions have been completed in accordance with the ESCP/ESAP, including satisfying applicable requirements on consultation and disclosure.

G. Environmental and Social Assessments in Fragile and Conflict Situations

45. For projects in fragile and conflict-affected situations where there are constraints to the availability of information and data required to prepare assessment tools and management tools proportionate to the nature and scale of E&S risks and impacts, the borrower/client will address key risks and impacts and propose management measures, to the extent possible. In cases where it is not possible to complete the E&S assessment process before ADB’s approval of such projects, the borrower/client will agree with ADB to adopt a framework approach and an ESMF will be prepared and documented in the ESCP/ESAP.

H. Monitoring, Adaptive Management, and Reporting

46. The monitoring process will record information, track performance, and establish relevant operational controls to verify compliance and progress with the ESMP or other management tools required through the relevant ESSs, the ESCP/ESAP, and a project’s legal agreements. The borrower/client will ensure that the management tools developed take a long-term and
phased approach to accommodate the dynamic nature of the concept design, preparation and implementation phases of a project cycle and are responsive to changes in project circumstances, unforeseen events, regulatory changes, and the results of monitoring and review. The borrower/client will agree with ADB on the extent and methods of monitoring to be set out in the ESCP/ESAP and, where required, will make adjustments based on project performance experience or any actions requested by the regulatory authorities of a host country.

47. The borrower/client will engage external monitors to complement and/or verify its own monitoring activities, as necessary and as agreed to in the ESCP/ESAP. Where third parties have the responsibility for managing specific E&S risks and impacts and associated mitigation measures, the borrower/client will monitor implementation of such mitigation measures and engage with the third parties to ensure satisfactory implementation. Where appropriate, the borrower/client may involve representatives of project-affected persons and other stakeholders to participate in project monitoring activities, including by providing inputs to define appropriate indicators.

48. The borrower/client will submit to ADB for disclosure, in accordance with ESS10, monitoring reports documenting the E&S performance of a project as required in the ESCP/ESAP. Monitoring reports will be submitted to ADB at least semi-annually for projects deemed to have High Risk and Substantial Risk, and at least annually for projects deemed to have Moderate Risk and Low Risk, or as otherwise stated in the ESCP/ESAP. The borrower/client will ensure that these reports provide an accurate and objective record of project implementation, including compliance with ESMP and other relevant management tools. These reports will also include information on stakeholder engagement conducted during project implementation in accordance with ESS10.

49. Based on the results of the monitoring, the borrower/client will identify any necessary preventive and corrective actions to ensure compliance with the ESCP/ESAP, and will update the ESCP/ESAP or the relevant management tools, in a manner acceptable to ADB. The borrower/client will implement the agreed preventive and corrective actions in accordance with the updated ESCP/ESAP or relevant management tools and monitor and report on these actions.

50. The borrower/client will facilitate site visits by ADB staff or consultants acting on ADB’s behalf.

51. The borrower/client will notify ADB promptly of any incident or accident relating to a project which has, or is likely to have, a significant adverse effect on the environment, project-affected persons, project workers, or the public. The borrower/client will include in the notification sufficient detail describing such an incident or accident and its consequences, including any fatalities or serious injuries. The borrower/client will take immediate measures to satisfactorily address the incident or accident and to prevent any recurrence, including in accordance with the host country’s applicable laws, including those laws implementing the host country’s obligations under international laws, and the applicable ESSs. For any injury, ill-health, or fatalities caused by project activities, the borrower/client will provide appropriate compensation as set out in ESS4.

I. Stakeholder Engagement and Information Disclosure

52. As described in ESS10, the borrower/client will continue to engage with and provide sufficient information to stakeholders throughout the concept design, preparation, and implementation phases of a project cycle, in a manner appropriate to the nature of their interests
and the potential **E&S risks and impacts** of a project.

53. The borrower/client will submit to ADB for disclosure the E&S assessment reports, ESMP, any other **management tools** as required by the ESSs, audit reports, and the ESCP/ESAP for a project prior to project appraisal or final credit approval by ADB.

54. The borrower/client will submit to ADB for disclosure any **assessment tools, management tools**, and/or any such documents that are prepared as required, and according to the timeframe specified in the ESCP/ESAP after ADB project appraisal or final credit approval.

55. The borrower/client will submit to ADB for disclosure monitoring reports and, as necessary, corrective action plans documenting the E&S performance of a project as stated in the ESCP/ESAP.

**J. Use of Borrower’s Environmental and Social System**

56. In a sovereign operation, ADB may support the use of the borrower’s E&S system in the assessment, development, and implementation of a project, provided this is likely to address the **E&S risks and impacts** of the project, and enable the project to achieve objectives materially consistent with the ESSs. The borrower’s E&S system will include those aspects of the **host country**’s policy, applicable laws, and institutional framework, including its national, subnational, or sectoral implementing institutions, and implementation capacity which are relevant to the E&S risks and impacts of a project. Where there are inconsistencies or lack of clarity within a borrower’s E&S system as to competent government authorities or their jurisdiction, these will be identified and discussed with the borrower. The aspects of a borrower’s existing E&S system that are relevant will vary from project to project, depending on such factors as the type, scale, location, and potential E&S risks and impacts of a project and the role and authority of different institutions.

57. Where the borrower and ADB propose to use all, or part, of the borrower’s E&S system, ADB will undertake an assessment to determine whether and to what extent the borrower’s E&S system can be used to address the **E&S risks and impacts** of the project, and achieve objectives materially consistent with the ESSs. The borrower/client will provide information reasonably requested by ADB in connection with this assessment. A final decision on the use of all, or part, of a borrower’s E&S system for a project will be made by ADB’s Board of Directors.

58. Where the assessment identifies gaps in the borrower’s E&S system, the borrower will work with ADB to identify measures and actions to address such gaps and strengthen the borrower’s E&S system. Such measures and actions may be implemented during project preparation or project implementation and will include, where necessary, capacity development measures for any relevant national, subnational, or sectoral implementing institution, and any implementing agency. The agreed measures and actions, together with the timeframes for their completion, will form part of an ESCP/ESAP. An ESCP/ESAP will also require that E&S performance will be measured against the approved E&S system.

59. Where the use of the borrower’s E&S system is approved by ADB, the borrower will take all actions necessary to maintain the same E&S system, as well as acceptable implementation practices, track record, and capacity, in accordance with the measures and actions identified in the ESCP/ESAP, throughout the concept design, preparation, and implementation phases of a **project cycle**. The borrower will notify and discuss with ADB any changes in the borrower’s E&S system that may materially adversely affect a project for which use of the borrower’s E&S system
has been approved. If the borrower’s E&S system is changed in a manner inconsistent with the requirement of para 56 and the ESCP/ESAP, the borrower will carry out, as appropriate, additional assessment and stakeholder engagement in accordance with the ESSs, and propose changes, for approval by ADB, to the ESCP/ESAP. If, in the opinion of ADB, such changes serve to further improve the borrower’s E&S system, the borrower will apply such changes to a project, after reflecting the new requirements in the ESCP/ESAP.

K. Environmental and Social Approach to Financing Modalities and Products

60. The approach to the assessment and management of E&S risks and impacts will differ depending on the type of support ADB financing offers and the intended use of the proceeds. The borrower/client will apply the relevant requirements of the ESSs to the financing modalities and products, except to the extent such requirements are modified through the general E&S approach described in paras 60-67. The specific E&S requirements for the financing modalities and products will be detailed in the ADB management approved document. For financing modalities and products that are developed by ADB post-effectiveness of the ESF, the application of the requirements of the ESSs will be guided by paras 60-67, and the ADB Management document will be updated to include the detailed E&S requirements specific to such new financing modalities and products, as appropriate.

61. Where any significant strategic, geographic, and/or sector-wide E&S risks and impacts related to the scope and nature of ADB financing are identified by a borrower or ADB, the borrower will undertake further assessment, such as a strategic environmental and social assessment, to inform the design of the ADB financing and associated E&S management.

62. ADB may finance investments where, at the time of approval by ADB, E&S risks and impacts cannot be fully identified or assessed. This may be because (i) not all sub-projects or activities to be financed are identified, (ii) their details are not yet available, or (iii) due to urgency of the financing needs assessment process cannot be completed, as in the case of an emergency response. In such cases, the borrower and ADB will agree on the principles for the assessment and management of E&S risks and the borrower/client, as appropriate, will prepare an environmental and social management framework (ESMF) to guide the assessment and management of E&S risks and impacts of such sub-projects or activities. Once the necessary information and details of sub-projects or activities become available, the borrower will follow the ESMF, and the requirements of ESS1 and the relevant ESSs to assess and manage the E&S risks and impacts. This type of investment includes sector lending, emergency assistance loans, and multitranche financing facilities.

63. Where ADB provides financing to a borrower based on the completion of specified policy actions, the borrower will identify and assess the potential direct and indirect E&S risks and impacts associated with the policy actions, and will integrate mitigation measures into the design of the final policy actions to achieve objectives materially consistent with the relevant ESSs. This type of investment includes policy-based lending. The E&S approach described in this para is also relevant where ADB provides consulting services support or sector financing with an output that is intended to directly support the host country’s policy reforms or development expenditure programs that are likely to have E&S risks and impacts.

64. Where ADB provides financing to a borrower/client for pilot testing and/or small works and equipment to support a project, the borrower will assess and incorporate the E&S considerations into the design of such financing, consistent with the relevant requirements of the ESSs. This type of investment includes project readiness financing, small expenditure financing facility, and
technical assistance.

65. Where ADB provides financing to a borrower for achieving certain outputs or results using the E&S system for the program, the focus will be on the adequacy of the system to achieve the objectives consistent with the ESSs. The borrower will comply with the applicable objectives of the ESSs for the program. Under such financing, all activities assessed to be classified as having High Risk are not eligible for financing. This type of investment includes results-based lending.

66. Where ADB financing is provided directly, through sovereign borrowers, or through other entity to a financial intermediaries (FIs), the focus is to determine the adequacy of FIs’ E&S systems or environmental and social management systems (ESMS) to assess and manage the E&S risks and impacts associated with the intended use of ADB financing. For higher risk transactions to be supported by ADB financing, an FI will use the relevant ESSs as the underlying risk assessment and management standard in ESMS. The FIs will refer all such transactions to ADB for its review and clearance of the screening and risk classification of transactions. The FIs will also submit to ADB for disclosure, subject to applicable disclosure considerations, the relevant E&S documentations prepared by FI borrowers/investees for higher risk transactions. FI-1 and FI-2 will be required to submit E&S monitoring reports to ADB for review and disclosure. The extent and frequency of monitoring report will be proportionate to the E&S risks and impacts of the activities and transactions supported by ADB financing but will be at least annually. This type of financing includes loans, debt securities, equity investments, credit lines, and guarantees to FIs.

67. Where ADB financing is provided to a corporate finance client, the focus is to determine the adequacy of such client’s E&S systems or ESMS, and capacity to assess and manage the E&S risks and impacts associated with the intended use of the ADB financing. Where the activities and transactions supported by ADB financing present high, substantial or moderate E&S risks and impacts, the client to use the relevant ESSs as the underlying risk assessment and management standard in the ESMS. All such clients receiving ADB financing will be required to submit E&S monitoring reports to ADB for disclosure. The extent and frequency of monitoring reports will be proportionate to the E&S risks and impacts of the portfolio supported by ADB, but will be submitted at least annually. This type of financing includes corporate finance, including debt, equity, and guarantees.

L. Management of Contractors

68. The borrower/client will require that all contractors and sub-contractors engaged on a project operate in a manner consistent with the requirements of the ESSs, including the specific requirements set out in the ESCP/ESAP, such as preparation of additional plans or assessments as required by the ESSs and as relevant to the financing modality or product. The borrower/client will manage all contractors in an effective manner, including:

(i) Assessing the E&S risks and impacts associated with such contracts;
(ii) Ascertaining that contractors engaged in connection with a project are legitimate and reliable enterprises, and have necessary E&S knowledge and skills needed to fulfill their contractual commitments with regards to managing E&S risks and impacts; Incorporating all relevant aspects of the ESCP/ESAP into tender documents;
(iii) Contractually requiring contractors to apply the relevant aspects of the ESCP/ESAP and the relevant management tools;
(iv) Requiring contractors to implement any corrective action plans to bring a project into compliance as and when needed;

(v) Monitoring contractor compliance with their contractual commitments; and

(vi) In the case of subcontracting third parties requiring contractors to have equivalent arrangements with their subcontractors.
Annex 1: Environmental and Social Assessment

1. The E&S assessment is the primary process used by decision makers to identify the E&S risks and impacts of a project, determine measures to mitigate those risks and impacts, and ensure that the project is environmentally and socially sound and sustainable.

2. The manner in which the E&S assessment is conducted and the issues it addresses will vary for each project. The borrower/client will consult with ADB to determine the process to be used, taking into account a number of activities, including scoping, stakeholder engagement, potential E&S issues, and any specific issues raised between ADB and the borrower/client. The E&S assessment will include and take into account coordination and consultation with project-affected persons and other interested parties, particularly at an early stage, to ensure that all potentially significant E&S risks and impacts are identified and addressed.

3. The different assessment tools will include, as appropriate, the following:

   (i) Environmental and Social Impact Assessment

   Environmental and social impact assessment (ESIA) is an instrument to identify and assess the potential E&S impacts of a proposed project, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.

   (ii) Environmental and Social Audit

   Environmental and social audit is an instrument to determine the nature and extent of all E&S areas of concern at existing facilities or activities. The audit identifies and justifies appropriate measures and actions to mitigate the areas of concern, estimates the cost of the measures and actions, and recommends a schedule for implementing them. For certain projects, the E&S assessment may consist of an environmental or social audit alone; in other cases, the audit forms part of the E&S assessment.

   (iii) Cumulative Impact Assessment

   Cumulative impact assessment is an instrument to consider cumulative impacts of a project in combination with impacts from other relevant past, present, and reasonably foreseeable developments as well as unplanned but predictable activities enabled by a project that may occur later or at a different location.

   (iv) Environmental and Social Management Plan

   Environmental and social management plan (ESMP) is an instrument that details (i) the measures to be taken during the implementation and operation of a project to eliminate or offset adverse E&S impacts, or to reduce them to acceptable levels; and (ii) the actions needed to implement these measures.

   (v) Environmental and Social Management Framework

   Environmental and social management framework (ESMF) is an instrument that examines the E&S risks and impacts where a project consists of a program and/or series of subprojects, and the E&S risks and impacts cannot be determined until the program or
subproject details have been identified. Details of the content of an ESMF are included in Annex 1 (A-4).

(vi) Strategic Environmental and Social Assessment

Strategic environmental and social assessment (SESA) is a systematic examination of E&S risks and impacts and issues associated with a policy, plan, or program, typically at the national, subnational or sector level. The examination will screen and assess the potential application of the ESSs1-10, and will focus on the strategic, geographic, and/or sector-wide **E&S risks and impacts** covered in the relevant ESSs.

(vii) Environmental and Social Management System

An Environmental and Social Management System (ESMS) is a dynamic and continuous process initiated and supported by the borrower/client and involves engagement between the borrower/client and project **stakeholders**. The ESMS provides a methodological approach to managing **E&S risks and impacts** in a systematic and structured way on an ongoing basis. An ESMS is prepared for financial intermediary (FI) and corporate finance (CF) financing and is proportionate to the nature and scale of a project, promotes sound and sustainable E&S performance, and can lead to improved E&S outcomes. Details of the indicative content of an ESMS are included in Annex 1 (A-5).
A-1: Indicative Outline of Environmental and Social Impact Assessment

Where an ESIA is prepared as part of the E&S assessment process, it will include the following:

(i) **Executive Summary**
    Provides a concise discussion of significant findings and recommended actions.

(ii) **Legal and Institutional Framework**
    Analyzes the legal and institutional framework for a project, within which the E&S assessment is carried out, including the issues described in ESS1. Compares the borrower's/client's existing E&S framework and the ESSs and identifies the gaps between them. Identifies and assesses the E&S requirements of any co-financiers.

(iii) **Project Description**
    - Concisely describes a proposed project and its geographic, environmental, social, and temporal context, including any offsite investments that may be required (e.g., dedicated pipelines, access roads, power supply, water supply, housing, and raw material and product storage facilities), as well as a project’s primary suppliers.
    - Through consideration of the details of a project, indicates the need for any plan to meet the requirements of ESSs1-10.
    - Includes a schematic in sufficient detail, showing the project site and the area that may be affected by a project’s direct, indirect, and cumulative impacts.

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

(v) **Environmental and Social Risks and Impacts**
    Takes into account all relevant E&S risks and impacts of a project. This will include the E&S risks and impacts specifically identified in ESSs2–10, and any other E&S risks and impacts arising as a consequence of the specific nature and context of a project, including the E&S risks and impacts identified in this ESS1, para 24(i) and (ii).

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

(vii) Analysis of Alternatives
• Systematically compares feasible alternatives to the proposed project site, technology, design, and operation, including the “without project” situation in terms of their potential E&S risks and impacts.
• Assesses the alternatives’ feasibility of mitigating the E&S risks and impacts; the capital and recurrent costs of alternative mitigation measures and their suitability under local conditions; and the institutional, training, and monitoring requirements for the alternative mitigation measures.
• For each of the alternatives, quantifies the E&S risks and impacts to the extent possible, and attaches economic values where feasible.

(viii) Design Measures
Sets out the basis for selecting the particular project design proposed and specifies the applicable EHSGs or national standards, whichever are more stringent and, if these are determined to be inapplicable, justifies recommended emission levels and approaches to pollution prevention and abatement that are consistent with GIP.

(ix) Key Measures and Actions for the Environmental and Social Commitment Plan/Environmental and Social Action Plan
Summarizes key measures and actions and the timeframe required for the project to meet the requirements of the ESSs. This will be used in developing the ESCP/ESAP.

(x) Appendices
• List of the individuals or organizations that prepared or contributed to the E&S assessment.
• References setting out the written materials, both published and unpublished, that have been used.
• Record of meetings, consultations, and surveys with stakeholders, including those with project-affected persons and other interested parties, as required in ESS10.
• The record specifies the means of such stakeholder engagement that were used to obtain the views of project-affected persons and other interested parties.
• Tables presenting the relevant data referred to or summarized in the main text.
• List of associated reports or plans.
A-2: Indicative Outline of an Environmental and Social Management Plan

An ESMP consists of the set of mitigation, monitoring, and institutional measures to be taken during implementation and operation of a project to address adverse E&S risks and impacts, offset them, or reduce them to acceptable levels as identified in the E&S assessment. The ESMP also includes the measures and actions needed to implement these measures. The borrower/client will: (i) identify the set of responses to potentially adverse impacts; (ii) determine requirements for ensuring that those responses are made effectively and in a timely manner; and (iii) describe the means for meeting those requirements.

Depending on the project, an ESMP may be prepared as a standalone document, incorporating the measures and actions identified through the management plans prepared under the other ESSs applicable for a project. Alternatively, proportionate to the scale of the project, these measures may directly be incorporated directly into the project ESCP/ESAP.

The content of the ESMP will include the following:

(i) Mitigation
Based on the findings of the project E&S assessment where mitigation options are discussed, the ESMP identifies measures and actions in accordance with the mitigation hierarchy that reduce potentially adverse E&S impacts to acceptable levels. The plan will include compensatory measures, if applicable. Specifically, the ESMP:

a. identifies and summarizes all anticipated adverse E&S impacts and also includes those involving Indigenous Peoples or land acquisition and land use restriction;

b. describes with technical details each mitigation measure, including the type of impact to which it relates and the conditions under which it is required, e.g., continuously or in the event of contingencies, together with designs, equipment descriptions, and operating procedures, as appropriate;

c. estimates any potential E&S risks and impacts of these mitigation measures; and

d. takes into account, and is consistent with, other mitigation plans required for the project, e.g., for land acquisition and land use restriction, Indigenous Peoples, or cultural heritage.

(ii) Monitoring
The ESMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the E&S assessment and the mitigation measures described in the ESMP. Specifically, the monitoring section of the ESMP provides: (i) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits where appropriate, and definition of thresholds that will signal the need for corrective actions; and (ii) monitoring and reporting procedures to (a) ensure early detection of conditions that necessitate particular mitigation measures, and (b) furnish information on the progress and results of mitigation.
(iii) **Capacity Development and Training**
To support timely and effective implementation of E&S project components and mitigation measures, the ESMP draws on the E&S assessment of the presence, role, and capability of responsible parties/personnel on site or at the agency and ministry level.

Specifically, the ESMP provides a description of institutional arrangements, identifying which party is responsible for carrying out the mitigation and monitoring measures, e.g., for operation, supervision, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training. Social and environmental responsibilities need to be well defined with clear lines of responsibility and authority and communicated to all personnel involved.

To strengthen E&S management capability in the agencies responsible for implementation, the ESMP recommends the establishment or expansion of the parties responsible, the training of staff and any additional measures that may be necessary to support implementation of mitigation measures and any other recommendations of the E&S assessment.

(iv) **Implementation Schedule and Cost Estimates**
For all three aspects, mitigation, monitoring, and capacity development, the ESMP provides (i) an implementation schedule for measures that must be carried out as part of a project, showing phasing and coordination with overall project implementation plans; and (ii) the capital and recurrent cost estimates and sources of funds for implementing the ESMP.

(v) **Integration of ESMP with Project**
The borrower's/client's decision to proceed with a project, and ADB’s decision to support it, are predicated in part on the expectation that the ESMP, either standalone or as incorporated into the ESCP/ESAP, will be executed effectively. Consequently, each of the measures and actions to be implemented will be clearly specified, including the individual mitigation and monitoring measures and actions and the institutional responsibilities relating to each, and the costs of so doing will be integrated into a project’s overall planning, design, budget, and implementation.
A-3: Indicative Outline of Environmental and Social Audit

The aim of the audit is to identify significant E&S issues in existing facilities or activities, and assess their current status, specifically in terms of meeting the requirements of the ESSs.

(i) Executive summary
Present a concise discussion of significant findings and set out recommended measures, actions, and timeframes.

(ii) Legal and Institutional Framework
Analyzes the legal and institutional framework for existing facilities or activities, including the issues described in this ESS1 and, where relevant, any applicable E&S requirements of existing financiers.

(iii) Project Description
Concisely describes existing facilities or activities, and the geographic, environmental, social, and temporal context and any Associated Facilities. Identifies the existence of any plans already developed to address specific E&S risks and impacts, e.g., land acquisition plan, cultural heritage plan, biodiversity plan. Includes graphic details, layouts, and plans in sufficient detail, showing the site of existing facilities or activities and the proposed site for the proposed project.

(iv) Environmental and Social Issues Associated with Existing Facilities or Activities
The review will consider the key E&S risks and impacts relating to existing facilities or activities. This will cover the E&S risks and impacts identified in ESSs1–10, as relevant to the existing facilities or activities. The audit will also review issues not covered by the ESSs, to the extent that they represent key E&S risks and impacts in the circumstances of a project.

(v) Environmental and Social Analysis
The audit will also assess: (i) the potential E&S risks and impacts of a proposed project, taking into account the findings of the audit with regard to existing facilities or activities; and (ii) the ability of the proposed project to meet the requirements of the ESSs.

(vi) Proposed Environmental and Social Measures
Based on the findings of the audit, this section will set out the suggested measures to address such findings. These measures will be included in the ESCP/ESAP for the proposed project. Measures typically covered under this section include the following:
  • specific actions required to meet the requirements of the ESSs;
  • corrective measures and actions to mitigate potentially significant E&S risks and impacts associated with existing facilities or activities;
  • measures to avoid or mitigate any potential adverse E&S risks and impacts associated with a proposed project.
A-4: Indicative Contents of the Environmental and Social Management Framework (ESMF)

1. The use of an ESMF will be considered for sector lending, emergency assistance loans, and MFF. ESMF may also be considered for projects in fragile and conflict-affected situations, as set out in ESS1. Para 2 sets out the content of an ESMF that will need to be prepared by a borrower/client.

2. An ESMF will: (i) describe the project and its subprojects and/or components; (ii) explain the general anticipated environmental and/or social impacts of the components or subprojects to be or proposed to be financed under the project; (iii) specify the requirements for subproject screening and risk classification, assessment, and planning, including arrangements for meaningful consultation with project-affected persons and other stakeholders and information disclosure requirements and, where applicable, safeguard criteria that are to be used in selecting subprojects and/or components; (iv) identify needs for capacity development of the agency responsible for implementing the requirements under the ESSs and ESAP; (v) specify implementation procedures, including the budget, institutional arrangements, and capacity development requirements; (vi) specify monitoring and reporting requirements; and (vii) describe the responsibilities of the borrower/client and of ADB in relation to the preparation, implementation, and progress review of safeguard documents of subprojects. The level of effort, the amount of analysis, the comprehensiveness, and the level and scope of detail required for the framework will depend on the nature and scale of the potential E&S risks and impacts of a project.

3. An ESMF will also include an outline for land acquisition and land use restriction and Indigenous Peoples related assessments, as set out in ESS 5 and ESS 7, respectively.
A-5: Indicative Contents of Environmental and Social Management System (ESMS)

1. An ESMS will consist of the following elements: (i) an E&S policy; (ii) internal organizational capacity and competency; (iii) due diligence processes/procedures to identify E&S risks and impacts of an FI’s borrowers’/investees’ activities and transactions or a CF Client’s activities and transactions financed by ADB; (iv) monitoring, reviewing, and reporting of activities, transactions, and/or portfolio; and (v) stakeholder engagement and grievance mechanism. The following section describes indicative content of each of the components of an ESMS, which will be detailed proportionate to the E&S risks and impacts of the activities, transactions, and/or portfolio supported by ADB financing:

(i) **E&S Policy**
- Describes the overarching E&S policy, to be endorsed by senior management, defining the E&S objectives, principles, and E&S requirements and standards that will apply to manage the E&S risks and impacts associated with the borrower’s/client’s activities and transactions.

(ii) **Internal Organizational Capacity and Competency**
- Describe an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. This requires designating qualified personnel and communicating well-defined E&S responsibilities to relevant personnel.

(iii) **E&S Risk Identification, Assessment and Management Planning – Due Diligence Processes**
- Establish processes to identify, assess, and manage E&S risks and impacts associated with an FI’s or a CF Client’s activities and transactions financed by ADB, and where appropriate, will require an ESAP.
- FI ESDD will: (i) review relevant documents and information provided by an FI’s borrowers/investees; (ii) review E&S risks and impacts of the activities against pre-determined criteria such as ADB’s Prohibited Investment Activities List, applicable ESSs (for higher risk transactions) and the host country’s applicable E&S laws; (iii) conduct site visits, as appropriate; and (iv) review the track record of an FI’s borrowers/investees on E&S issues.
- CF Client ESDD will identify and assess the E&S risks and impacts against applicable ESSs and the host country’s applicable laws (for activities and transactions financed by ADB classified as high, substantial, or moderate risk), and review against pre-determined criteria such as ADB’s Prohibited Investment Activities List.
- Require documentation of the findings of the FI or CF Client ESDD in a report or internal records, including recommendations on whether to proceed with financing and any conditions of investment, which will be reflected in an ESAP.

(iv) **Monitoring, Reviewing, and Reporting**
- Establish monitoring procedures to review progress with the ESAP and implementation of the ESMS. The extent and frequency of monitoring will be proportionate to the E&S risks and impacts of the activities and transactions as identified through FI or CF Client ESDD, but will be done at least annually.
(v) **Stakeholder Engagement and Grievance Mechanism**

- Describe procedure for *stakeholder* engagement that includes methods to receive, register, screen, analyze, and assess, track, and if necessary, respond to and act upon, external inquiries, views, opinions, concerns (real or perceived), requests for information and complaints from the public regarding the operations, investment activities or in the case of an FI, an FI's borrowers/investees in its portfolio. Such a procedure will also take into consideration confidentiality of information. The complexity of such a procedure will be proportionate to the nature and scale of *E&S risks and impacts* associated with an FI's CF Clients' activities and transactions.

- Provide publicly available and easily accessible channels to receive communications and requests from the public for information regarding E&S issues.

- Assess the relevance of the external communication received and determine the level of response and actions required, if any.

- Require a grievance mechanism if an FI's or a CF Client's activities and transactions are likely to generate adverse E&S risks and impacts on *project-affected persons* or the environment.

2. For those FI that support *higher risk transactions* and CF Clients that support activities and transactions with *high, substantial, and moderate* risks, if any gaps are identified through ADB's review, between the existing ESMS of an FI or CF Client and the applicable ESSs, ADB and the FI or CF Client will reach an agreement on a corrective action plan that sets out time-bound measures and associated budget needs to implement such a plan. Such a corrective action plan will be reflected in the corporate ESMS and in an ESAP, as necessary. Where ADB DD has determined that an FI or a CF Client does not have adequate in-house capacity, an ESAP will describe how an FI or a CF Client will strengthen its in-house capacity or if that is not possible, retain qualified specialists to develop and implement an ESMS.