DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

ENVIRONMENTAL POLICY

DISCUSSION PAPER

REVISION OF THE EBRD’S ENVIRONMENTAL POLICY

ISSUES FOR CONSIDERATION

I. Background

The EBRD is directed by the Agreement Establishing the Bank to “promote in the full range of its activities environmentally sound and sustainable development” (Article 2.1vii). This environmental mandate is further enunciated in the various Environmental Policies which have been approved since our founding. The current Environmental Policy was approved by the Board on 29 April 2003. In this Policy, the Board approved four strategic directions for the Bank: (A) integrating environmental considerations into the project cycle; (B) promoting environmentally oriented investments across all sectors; (C) mainstreaming environmental considerations through the EBRD's sectoral and country strategies and technical co-operation activities; and (D) building partnerships to address regional and global environmental issues. It is important to note that the social dimension of EBRD-financed projects was explicitly recognised at this time by defining the term “environment” to include worker protection and community impacts as well.

There is a requirement in the Policy that it ‘be subject to review by the Board of Directors every three years’. The review process was started in 2006 and the Bank concluded that a revision of the current Policy will be necessary. The revision process is taking place in 2007 with the aim of presenting a revised Policy to the Board for approval by the end of 2007.

The revision will involve a two -stage stakeholder consultation process: First, the Bank will solicit comments on the issues outlined in this paper. Second, there will be consultation on the draft revised policy later in the year. Details of the consultation process will be set out in the Stakeholder Consultation and Disclosure Plan.

II. Reasons for, and objectives of the revision

The overall aim of the Policy revision is to respond to the environmental and social challenges in our countries of operation, new strategic priorities of the Bank and emerging best practice amongst the international institutions and private sector institutions , taking into account the following points:

- Significant changes and advances have been made in environmental and social issues since 2003. These include, *inter alia*, an accelerated maturation of carbon markets, growing value attached to carbon neutrality, growth of the renewable/green energy market, higher expectations for transparency, reporting and accountability, increased focus on the impacts of financial intermediaries, on revenue sharing, human rights, labour and other social issues and on safeguarding and promoting biodiversity. This not only affects the Bank’s environmental and social safeguards but could also create new business opportunities for EBRD.

- The nature of EBRD’s business has changed, with a greater focus on (often smaller) projects to the east and south in line with EBRD’s Board approved strategy for the next 5 years (CRR3), partnership arrangements with the European Investment Bank (EIB), new financing vehicles that do not proceed in the more traditional project cycle envisaged in the 2003 Environmental Policy, and higher expectations from stakeholders.
- The strategy of the Bank in focussing on small and riskier projects in poorer parts of our region will entail greater scrutiny of the social impacts of our operations. Indeed the increasing importance of addressing better the social dimension (labour standards, indigenous peoples, resettlement, cultural heritage, gender etc) , implicit in the environmental sound and sustainable development component of our mandate is a key stakeholder concern in our investment activities.
- Several other international financial institutions have completed major policy revisions, or are in the process of doing so. EBRD needs to reflect on the policy advances made by these institutions. The International Finance Corporation (IFC) introduced its new Environmental and Social Performance Standards in May 2006, which have had a significant impact within capital markets worldwide.
- In July 2006, the new IFC Performance Standards (PS) were adopted by over forty large commercial financing institutions for project finance and advisory services (“Equator Principles”). Many of EBRD’s co-financing and syndication partners will have a commitment to meet such requirements, and for many clients (existing and potential), the IFC’s requirements will become an important reference point.
- Many stakeholders, including EBRD members, NGOs and clients, seek greater clarity on what the Bank requires *in practice* if its Policy and Procedures are to be met.

Therefore, key objectives of the revision are:

- To ensure the Bank’s environmental and social requirements are relevant, appropriate (in terms of our Mandate) and reflect current best practices in the financial sector;
- To provide greater clarity on what the Bank requires of its clients;
- To provide affirmation to clients and co-financing/syndication partners that the EBRD’s requirements afford at least the same level of environmental and social safeguards as those of the IFC and the Equator Banks, whilst reflecting EBRD’s region of operation with its specific characteristics, governance structure, mandate, operational policies and staff resources, and its commitments under the European Principles for the Environment to which EBRD is a signatory.[1]

[1] Other signatories are the Council of Europe Development Bank (CEB), the European Investment Bank (EIB), the Nordic Environment Finance Corporation (NEFCO), and the Nordic Investment Bank (NIB). See http://www2.eib.org/site/index.asp?designation=epe

III. Key Issues

1. Scope

It is proposed that the EBRD rename the Policy as the Environmental and Social Policy for three primary reasons: (i) EBRD's approach to project-related social issues has become more structured and robust[2]; the Bank should explicitly acknowledge this in the title of the Policy; (ii) there are increasing member and stakeholder expectations that the Bank's Policy would reflect a 'joined-up' approach to social issues taking into account, *inter alia*, human rights and gender issues. Like the 2003 Policy, the new Environmental and Social Policy would cover the full range of the Bank's activities; and (iii) social issues are a key component of sustainable development and indeed may offer new business opportunities such as the development of financial instruments targeting specific sectors such as supporting women entrepreneurs.

2. Structure

It is proposed that EBRD's approach is structured as follows.

- A Board-approved ***Environmental & Social Policy*** which sets forth in a comprehensive and integrated manner the Bank's requirements and expectations. The document would be similar in length and depth of detail to the existing Environmental Policy, and would maintain the four strategic directions set out in the 2003 Policy.
- A set of ***Policy Requirements*** annexed to the Policy itself, comparable to IFC's Performance Standards. These will provide detailed, Policy-level descriptions of the Bank's project requirements in various areas. The Bank may adopt additional Policy Requirements or amend existing ones over time if Policy objectives are not being effectively met as envisaged, market conditions change, or if best practice evolves. Such changes would be subject to Board approval on a non-objection basis.
- The ***Environmental and Social Review Procedures*** will contain the Bank's internal process for social and environmental appraisal and monitoring of projects. These will provide further clarity on actions required, timelines and responsibilities. The Procedures will be in the public domain but will not require Board approval.

3. Project Boundaries

- During the implementation of the 2003 Policy, questions have been raised by various stakeholders regarding the defined parameters of the project in terms of scope of due diligence as well as application of project performance requirements. The 2003 Policy does not define project boundaries. It only states that the Bank

[2] Under the 2003 Policy, the Bank has already been considering social impacts where they presented significant risks (in particular labour issues), however, the need for adequate policy/ procedural underpinning is recognised. In addition, the Bank has been applying IFC's 'old' social Safeguard Policies (Involuntary Resettlement, Indigenous Peoples and Cultural Heritage) which have now been superseded by the new IFC Performance Standards 5,7, and 8.

will "encourage" project sponsors to comply with good international practice in areas "outside the scope of the EBRD-financed project" (whilst not defining the latter). In practice, ***due diligence*** generally applies to the entire project site or company, not just the portion financed by EBRD. For example, if the Bank is asked to finance a new production line in a company we require an environmental audit of the entire existing facility. However, whether the whole company is expected to meet the Bank's environmental and social ***standards*** (and within which time frame) is decided on a case-by-case basis.

- The discussion around project boundaries has extended much beyond facilities owned or controlled by the client but also, for example: supply chain issues, the presence of ancillary or captive facilities, (sub)contractors, project life cycle issues, cumulative impacts, potential follow-on projects in phased developments. The project's area of influence and the client's degree of control and influence may provide useful criteria for determining project boundaries. IFC has adopted this approach to determine the scope of environmental and social due diligence. If EBRD adopted a similar approach, this would go beyond current Policy and would, for some projects, be likely to add significantly to the time and cost of due diligence. On the other hand, some stakeholders advocate an even broader definition of project boundaries.

4. Project Classification

- Directly financed projects are currently classified as A, B, or C according to potential environmental impacts associated with the Bank's proposed financing. Experience shows that the classification system is a key point of concern or reference for external stakeholders, especially NGOs; as it generally sets the level of due diligence to be undertaken. This has advantages and drawbacks. Whilst the classification may not have a material impact on the level or scope of due diligence conducted on a particular project in practice[3], it is perceived externally as a performance benchmark in itself. Also, if two IFIs screen a project differently, one may be perceived as employing lower standards than another even though their approach may be harmonised. Despite these drawbacks it is probably not advisable to eliminate the project classification system. However, there is a question as to whether the current classification system could be refined:
  - The Bank's list of project types normally classified as A will need revisiting, in particular whether to include major social impacts such as involuntary resettlement: Whilst such projects would be comparable in terms of severity and magnitude of impacts, the due diligence and consultation processes may be quite different from those required for an Environmental Impact Assessment. One way to address this would be to have separate classifications for social and consultation issues.
  - Other modifications being explored include, for example, sub-dividing the B-category, or adding a separate category for framework/ multi-project facilities where the specific sub-projects are not yet known at the time of Board.

[3] There may be little difference in the scope and detail of due diligence conducted on a 'big B' project as compared to a 'little A' project. The classification reflects more the nature of public consultation required.

- EBRD is the only IFI to have a dual classification system: The A/B/C classification only refers to impacts associated with new developments, expansions or conversions; it is complemented by the classification 0/1, which indicates whether, in the case of investment in an existing company, an environmental audit is required. EBRD feels that it has served the Bank well, given the high number of projects involving existing companies, where environmental audits, rather than impact assessments, are the most appropriate due diligence tool.

5. Project Requirements

a) Management systems

- The current Policy does not include clear requirements on clients to maintain environmental and social management systems appropriate for the nature of the project and associated risks and impacts. This should be rectified in the new Policy, as past experience shows that effective management systems are critical for the successful implementation of any action plan agreed with the client.

As for the following Policy requirements, we expect that most of these would be detailed in a set of Annexes to the main body of the Policy, as outlined in section 2 above.

b) Environment

- *Pollution prevention and abatement*: EBRD's first point of reference on environmental standards has historically been to the EU body of legislation and in the absence of relevant standards, then to the World Bank Group or other appropriate international standards. In recent years much progress has been made within the EU, for example with the preparation of industry sector-specific environmental standards based on the use of Best Available Techniques[4]. Also, the IFC is currently updating its sector-specific Environmental, Health and Safety (EHS) guidelines; this update is likely to result in a greater convergence with EU requirements. [5]
- *Climate change:* In order to better mainstream the Bank's contribution to address climate change issues, the Policy should have a clear requirement for clients to quantify greenhouse gas emissions as part of project due diligence, and projects should be designed to minimise such emissions. The question will be to define the commercial boundaries for greenhouse gas reductions/offsets - for example, IFC uses the benchmark "technically and financially feasible and cost-effective".
- *Biodiversity:* EBRD may wish to adopt an enhanced approach, taking into account existing international, EU and other regional commitments to biodiversity protection. Sister organisations such as IFC now have detailed requirements on biodiversity protection (Performance Standard 6).

[4] So-called BREFs pursuant to the IPPC Directive
[5] The revised IFC EHS guidelines are expected to come into effect during 2007.

*c) Labour and Working Conditions***:**

- *Occupational Health & Safety*: This is an area where numerous quantitative and qualitative standards exist at both national and international level. Under the current Policy national laws and EU standards are the primary project benchmarks. Preliminary research suggests that this remains appropriate going forward but could be complemented by reference to IFC's occupational health and safety (OHS) Guidelines which in some areas offer more extensive practical guidance for clients. The Policy could also stress the importance of OHS management systems along the lines of Part 3 of ILO OSH 2001 (International Labour Organisation Guidelines on Occupational Safety and Health Management Systems) to be in place.
- *Other labour standards:* To match the commitments of IFC and others, the Policy should embrace all four core labour standards (including Freedom of Association and Collective Bargaining).[6] Project benchmarks would be national labour law and the principles and standards embodied in the eight core ILO conventions.[7]
  In addition, the Policy should include certain management and process requirements, including the need for a human resources policy appropriate to the project's size and workforce, documentation and communication of terms of employment and working conditions, a grievance mechanism for workers, and a procedure for handling collective dismissals. These requirements would need to be spelled out in the Policy Requirements in a way similar to IFC's Performance Standard 2.
- *Decent work:* In addition to the above minimum requirements, the Bank could consider adopting a policy objective to support, through its investments, initiatives by other international organisations such as the ILO and the EU to promote decent work. [8] .

d) Community/ socio-economic impacts:

Having reviewed the IFC Performance Standards that replaced IFC Safeguard Policies on involuntary resettlement, cultural heritage and indigenous peoples, EBRD considers the IFC Performance Standards as a good basis to develop the Bank's Policy Requirements in these areas. However, the Bank is considering some modifications to take into account the specific conditions in EBRD's countries of operation, provide further clarity on requirements, and strengthen requirements to involve third party experts in due diligence and monitoring.

- *Involuntary Resettlement*: EBRD is considering introducing minor modifications to the IFC Performance Standard 5. These would relate to clarification of responsibilities and obligations for achieving the Policy objectives, such as the

[6] Of EBRD's countries of operation, only Uzbekistan has not ratified ILO Convention 87 on freedom of association. Convention 98 on the right to collective bargaining has been ratified by all countries of operation.

[7] ILO Conventions 87, 98, 29, 105, 100, 111, 138, and 182

[8] The promotion of decent work has been at the heart of the ILO's policy agenda since the year 2000. For the ILO, decent work is productive, safe and secure; ensures respect of core labour standards; provides adequate income; offers social protection; and includes social dialogue. The EU's commitment to promote decent work is summarised in the European Council's Conclusions on Decent Work for All, December 2006.

respective roles of clients and the requirements for third party experts in preparing resettlement action plans and/or their monitoring.

- *Cultural Heritage*: Preliminary research suggests that a broad definition of cultural heritage is appropriate for the Bank's countries of operation. Such a definition would include tangible assets as well as intangible assets (such as cultural knowledge, innovations and practices) where the project proposes to use these for commercial purposes or where the project may affect traditions and practices of ethnic minority groups [9]. A broad definition is also consistent with the Council of Europe Framework Convention on the Value of Cultural Heritage. More detailed guidelines for project sponsors may be required on the scope and procedures for assessing and mitigating impacts on cultural heritage, given the lack of detailed provisions in national laws in this area. The Policy should also stipulate the need for clients to engage with the competent local authorities as part of the assessment.

- *Indigenous Peoples (IPs)*: It is proposed to tailor IFC Performance Standard 7 so as to take into account the specific conditions of IPs in EBRD's Countries of Operation. This will be based on the experience gained on previous projects including Sakhalin, and in consultation with IPs in the Russian Federation, relevant departments of the Russian government and academic institutions.

  One key issue is that IPs in EBRD's countries of operation[10] expect the Bank to require *consent* by affected IPs as a condition for projects going forward. While consent is not required in Performance Standard 7, IFC expects projects to have 'broad community support' (see section 6 below). Current IADB and World Bank policies require the prior agreement of IPs on projects relating to the commercial exploitation of cultural resources and, in the case of World Bank, natural resources. One possible approach for EBRD would be the following:

  - Requiring that the consultation process on matters affecting IPs be free, prior and informed;
  - Requiring the agreement of IPs on any Project that would require a) their physical relocation from land to which they have a collective attachment and/or ancestral territories and/or b) commercial exploitation of cultural resources;
  - Requiring fair and equitable sharing of benefits from commercialisation of such cultural knowledge, innovation, or practice, consistent with their customs and traditions.

- *Community Health, Safety and Security:* This was not covered in the 2003 Policy, but public health issues (including communicable diseases such as HIV/Aids, TB etc) have been addressed in an *ad hoc* fashion. This needs to be more systematic, and is an issue that other IFIs who are currently undergoing policy reviews are also evaluating. The Bank is working with the World Health Organisation (WHO) and other IFIs on how to integrate appropriate public health and security issues into the assessment process and project requirements. Where public health

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[9] Cultural practices of Indigenous Peoples (IPs) would be addressed in the Policy requirement for IPs, see next point.
[10] (as other IPs worldwide and in accordance with UN Convention 169)

impacts are an issue, for example, increased requirements on disclosure of information are likely to be required.

- *Vulnerable Groups:* The new Policy needs to include language to protect those who would be disproportionately affected by a project because of their disadvantaged and/or vulnerable status. This status may stem, for example, from the individuals' or group's ethnicity, gender, religion, disability, age, or being refugees and /or internally displaced. At a minimum, all project sponsors would be required to take appropriate measures to mitigate any disproportionate adverse impacts and prevent inequalities in sharing development benefits and opportunities. On certain projects (e.g. public infrastructure) EBRD could consider working with sponsors to identify additional measures to further improve the quality of life of affected vulnerable groups.

e) Gender:

- Currently, gender issues are not subject to explicit requirements but are taken into consideration when implementing the Bank's social safeguard policies[11] and labour requirements (specifically non-discrimination). Gender issues have increasingly been recognised as a transition issue as well as an important component of the development process, and the Third Millennium Development Goal specifically refers to the need to promote gender equality and empower women. Furthermore, the Bank's research, together with that carried out by the ADB and World Bank, demonstrates that there are material gender imbalances within the Bank's countries of operation, which have increased during the transition period. EBRD has a number of options it can choose to follow; it could remain focussed on non-discrimination while strengthening the gender dimension of projects or it could take pro-active measures, at the project and/or policy level, to address the gender gap. The chosen approach would be reflected in relevant sections of the new Environmental and Social Policy.

6. Disclosure and Public Consultation

One issue for clarification is to separate the sponsor's responsibilities for community engagement (be it disclosure of information, consultation or dealing with grievances) throughout the project cycle from EBRD's own disclosure requirements.

Client responsibilities:

- The current Policy does not have a requirement for project sponsors to identify project stakeholders[12] for category B or C projects. However, our experience points to the need for better stakeholder identification so that clients can prepare communication strategies tailored to the project and its stakeholders.
- For this reason, the current one-size-fits-all requirement for level B disclosure is problematic. More flexibility is needed on projects other than category A, and the information and consultation requirements need to reflect social and labour issues, not just environmental change. It is EBRD's experience that some projects can raise significant community concerns regarding social impacts, and information

[11] Resettlement, Indigenous Peoples and Cultural Heritage
[12] Defined as individuals or groups that a likely to be affected by or have an interest in the project

on how these will be mitigated is critical to project implementation and the reputation of the sponsor and the Bank. On projects with few identified stakeholders and issues there may be less communication than under the 2003 policy; however, in many cases, greater transparency and information may be required, tailored to the particular stakeholder groups and concerns raised.

- There have been calls for project sponsors to disclose full environmental/social action plans to the affected public. Currently this has been practiced only on large-scale infrastructure projects such as BTC and Sakhalin. On B-level projects some clients, who may be less acquainted with best practice on transparency and accountability, may raise resource constraints or confidentiality concerns. It should be noted that the Action Plans agreed for EBRD-financed projects have typically been very detailed and technical, i.e. the issue of confidentiality is more likely to arise. Disclosure of non-technical summaries might be more appropriate because they would be better understandable for project-affected people.
- There may be expectations for the new Policy to use World Bank Group terminology to describe the process of meaningful community engagement, i.e. as "free, prior, and informed consultation" of the affected communities. In addition, some stakeholders may expect the Bank to assure itself, through its own investigation, that this consultation process has lead to broad community support for the project within the affected communities, before presenting the project for approval by EBRD's Board of Directors.[13] However, it is questionable whether the concept of "broad community support" could be effectively implemented, particularly on projects with highly heterogeneous stakeholder groups, or where vocal minorities remain opposed to the project and the less vocal majorities' opinions are unknown. It also remains unclear how to define and gauge broad community support on a case–by-case basis.
- Similar to IFC, EBRD could require the establishment by the client of a grievance mechanism as part of good business practice, scaled to the risks and impacts of the project, for handling the affected communities' concerns and grievances about the client's environmental and social performance throughout the project life.

EBRD disclosure:

- The EBRD Public Information Policy (PIP, 2006), refers to the 2003 Environmental Policy for requirements related to disclosure of environmental and social information. However, the current Environmental Policy is not as clear as it could be as to what these disclosure requirements are. The Bank now suggests that the PIP be revised to include all commitments related to the Bank's disclosure of information, including environmental and social information, and to include more clarity on confidentiality. The PIP would then contain all EBRD-related disclosure requirements, whilst the new Environmental and Social Policy would set out the consultation and disclosure obligations of the client. This would avoid confusion for clients and other stakeholders, and clarify the applicability of important PIP components such as the definition of confidentiality and the appeal mechanism. Alternatively, the new Environmental and Social Policy would need to include a separate section / annex on EBRD disclosure of information, which

[13] This would mirror IFC's commitment in its new Policy on Social and Environmental Sustainability.

cross-refers or repeats sections from the PIP. This would be repetitive and less user-friendly.

- Timing issues related to EBRD disclosure of environmental and social information are likely to remain controversial. Some stakeholders are requesting a mandatory 120 day disclosure period for Environmental Impact Assessments (EIAs) on private and state sector projects, while many private sector clients would have issues with this, as it significantly exceeds any statutory disclosure period for EIAs.
- The 2003 Environmental Policy requires the environmental information in Project Summary Documents (PSDs) to be updated annually; this has frequently not been implemented and is very resource-intensive, given the size of the Bank's portfolio. Alternative ways to provide on-going information to interested parties therefore need to be investigated.

7. Sector-specific requirements for extractive industries and infrastructure projects

- A number of sector-specific requirements are under consideration. The overarching question is where in the Bank's framework of policies such commitments should be located, e.g. in the new Environmental/Social Policy, in relevant Sector Policies, or in both. For example, IFC has located additional requirements relating to governance, transparency and disclosure for extractive industries and infrastructure projects in its Policy on Social and Environmental Sustainability.
- The Bank might also state a requirement for extractive industries projects to benefit local communities and for clients to work on associated community development programmes where appropriate. This would reflect existing good international practice.
- There is a need to adjust or expand the affordability assessment of municipal services and the effectiveness of social safety nets (currently in sections 10 and 35 of the 2003 Environmental Policy). This could be part of the overall project assessment process of the Bank and could be more explicitly described in our Environment and Social Policy.

8. Monitoring and Reporting

- The current Environmental Policy does not have the same level of detail regarding 'post board' implementation as it does in the project appraisal stage. More information on monitoring and evaluation of project effectiveness is needed.
- Public reporting by clients to the affected communities on environmental and social matters can be an effective implementation and monitoring tool, depending on the nature of project impacts and affected stakeholders. Currently, EBRD only requires project sponsors of Category A projects to provide annual reports to the affected public.

9. Exclusion List

- Presently the EBRD has an environmental exclusion list and a referral list which it applies to its financial intermediary operations. There is also some provision for excluding other activities (gambling, hard liquor, tobacco, armaments) from financing. The Bank could consider adopting a unified list of activities that are not eligible for EBRD finance, whether directly or through FIs. [14]

10. Financial Intermediaries (FIs)

- Requirements for FIs in the new Policy should differentiate more between FIs with environmentally/socially low-risk portfolios and those with high risk portfolios.
- A key issue is which environmental and social standards should apply to projects financed by financial intermediaries. Currently FIs must require their clients comply at a minimum with local/national requirements. In addition, EBRD currently has a requirement for FIs to refer certain types of high-risk sub-projects to EBRD for approval. In practice, such projects would only be approved if additional international standards were met; however, this was not clearly spelled out in the Policy. The new Policy should provide clarity on this by requiring compliance with EBRD's Policy Requirements for high-risk sub-projects in defined sectors.

11. Projects with high environmental/social benefits , TC, and partnerships with other institutions (Sections 33-44 of the 2003 Environmental Policy)

- These sections will need to be updated, for example the sections on climate change and renewables, and additional business opportunities for the Bank could be explored in this area.
- New language may need to be added on the promotion of projects with high social benefits - rather than just the mitigation of negative impacts which is required for all projects. Focus areas might include addressing issues relating to social exclusion, facilitating socially excluded and vulnerable groups to benefit from the Bank's investments, promotion of gender focussed initiatives, and community development programmes.

12. Derogations and exemptions

- There have been cases where clients approach the Bank for financing at an advanced stage of project development and the Bank's process requirements, in particular on EIA and public consultation, have not been met. If this – from the Bank's perspective flawed - process has led to irreversible decisions on project siting and design prior to the Bank's involvement, such projects can technically never be made fully compliant with the Bank's Policy. The question is whether such projects should be categorically rejected, or whether derogations may be granted on a case-by-case basis if the project otherwise complies with the

[14] Institutions that currently have a list of categorical exclusions include e.g. IFC, FMO, DEG, US EXIM, HSBC, Standard Chartered.

Environmental and Social Policy. An argument for a case-by-case consideration is that the Bank increasingly works with local clients who may be unfamiliar with current best practice EIAs; a categorical rejection may, in such cases, preclude the Bank from achieving other important environmental /social benefits, high transition impact and additionality.

- Experience has shown that in the case of EBRD participation in financial market transactions, in particular Initial Public Offerings (IPOs), the nature of the financial transaction largely precludes full compliance with the Bank's Environmental Policy. In the case of an IPO, it is normally not possible for interested investors to conduct their own due diligence –all investors are expected to rely on the same information published in the prospectus/data room. Similarly, EBRD's public information/consultation requirements cannot be applied because of market restrictions. Once the Bank has invested, it could be difficult to get a company to adopt an action plan to improve environmental/social performance without the agreement of other shareholders. Again, the question is whether such transactions should be turned away, whether derogations should be granted on a case-by-case basis if the overall benefits of the Bank's involvement outweigh the lack of full compliance with the Environmental and Social Policy, or whether IPOs should be categorically exempt.

13. Implementation Issues

- The proposed Policy will need to be accompanied by an implementation plan which should include a roll-out schedule, development of tools and staff training, as well as outlining resource implications both in terms of staff and consultancy budget.

14. Review Period

- The new Policy needs to allow for at least 6 months between approval of the Policy and its entry into force to allow for staff training and other arrangements to support implementation.
- The Policy currently requires a 3 year review; however, this is too short a time to effectively evaluate implementation, given few projects will have been completed under a policy to review its effectiveness. A 5 year review cycle would be more appropriate.