



Policy Paper

PUBLIC

October 2024

Environmental and Social Framework

This document is being disclosed to the public prior to its consideration by ADB's Board of Directors in accordance with ADB's Access to Information Policy.

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CRA	–	climate risk assessment
CSO	–	civil society organization
CSS	–	country safeguard system
DMC	–	developing member country
EBRD	–	European Bank for Reconstruction and Development
E&S	–	environmental and social
ESAP	–	environmental and social action plan
ESCP	–	environmental and social commitment plan
ESF	–	environmental and social framework
ESS	–	environmental and social standard
FCAS	–	fragile and conflict-affected situations
FPIC	–	free, prior, and informed consent
GHG	–	greenhouse gas
IDB	–	Inter-American Development Bank
IED	–	Independent Evaluation Department
ILO	–	International Labour Organization
ISMS	–	integrated safeguard management system
LA/LUR	–	land acquisition and land use restrictions
MDB	–	multilateral development bank
NOM	–	new operating model
OSFG	–	Office of Safeguards
OHS	–	occupational health and safety
PSA	–	poverty and social analysis
SEAH	–	sexual exploitation, abuse, and harassment
SIDS	–	small island developing states
SOGI	–	sexual orientation and gender identity
SPRU	–	Safeguard Policy Statement review and update
SPS	–	Safeguard Policy Statement (2009)
TWG	–	technical working group

NOTE

In this report, "\$" refers to United States dollars.

Vice-President	Bruce Gosper, Office of the Vice-President (Administration and Corporate Management)
Head Director	Nianshan Zhang, Office of Safeguards, (OSFG) Bruce Dunn, Policy and Technical Services, OSFG
Team leads	Zehra Abbas, Director, Regional Operations Services 1, OSFG Madhumita Gupta, Principal Safeguards Specialist (Social), OSFG Takako Morita, Principal Safeguards Specialist, OSFG
Team members	<p>Technical Working Group Leads</p> <p>Tulsi Bisht, Senior Safeguards Specialist (Social), OSFG Wendy Blanpied, Senior Safeguards Specialist (Social), OSFG Aditi Khodke, Safeguards Specialist, OSFG Zaruhi Hayrapetyan, Senior Safeguards Specialist (Social), OSFG Duncan Lang; Senior Environment Specialist; Climate Change, Resilience, and Environment Cluster (CCRE), Climate Change and Sustainable Development Department (CCSD) Irina Novikova, Principal Safeguards Specialist (Social), OSFG Felix Oku, Principal Safeguards Specialist, OSFG Francesco Ricciardi, Senior Safeguards Specialist (Environment), OSFG Dindi Tisha Samuya, Senior Safeguards Officer (Social), OSFG Aaron P. Sexton, Senior Safeguards Specialist (Environment), OSFG Nidup Tshering, Senior Safeguards Specialist (Social), OSFG Kassiyet Tulegenova, Safeguards Specialist (Social), OSFG Marie Antoinette Virtucio, Senior Safeguards Officer (Environment), OSFG Karma Yangzom, Principal Environment Specialist, CCRE, CCSD</p> <p>Interdepartmental Steering Committee Members</p> <p>Bruno Carrasco, Director General, CCSD Thomas Clark, General Counsel, Office of the General Counsel (OGC) Christine A. Engstrom, Senior Director, Finance Sector Office, Sectors Group (SG) Suzanne Gaboury, Director General, Private Sector Operations Department (PSOD) Elisea Gozun, Chair, Compliance Review Panel Leah C. Gutierrez, Director General, Pacific Department Ayako Inagaki, Senior Director, Human and Social Development Sector Office, SG Imrana Jalal, Special Project Facilitator, Office of the Special Project Facilitator Xinning Jia; Director General, Strategy, Policy, and Partnerships Department (SPD) Emmanuel Jimenez, Director General, Independent Evaluation Department F. Cleo Kawawaki, Head, Office of Markets Development and Public–Private Partnership Muhammad Ehsan Khan, Director General, East Asia Department Takeo Konishi, Director General, South Asia Department</p>

Team members**Interdepartmental Steering Committee Members (cont.)**

Toru Kubo, Senior Director, CCRE, CCSD
Tariq H. Niazi, Senior Director, Public Sector Management and Governance Sector Office, SG
Munenari Nomura; Director General; Budget, People, and Management Systems Department (BPMSD)
Norio Saito, Senior Director, Water and Urban Development Sector Office, SG
Aman Trana; Director General; Procurement, Portfolio, and Financial Management Department (PPFD)
Winfried Wicklein, Director General, Southeast Asia Department
Priyantha Cabral Wijayatunga, Senior Director, Energy Sector Office, SG
Bernard Woods, Principal Director, Department of Communications and Knowledge Management (DOCK)
Hiroaki Yamaguchi, Senior Director, Transport Sector Office, SG
Qingfeng Zhang, Senior Director, Agriculture, Food, Nature, and Rural Development Sector Office, SG
Yevgeniy Zhukov, Director General, Central and West Asia Department

Lead Coordination Group Members

Tahmeen Ahmad, Senior Financial Management Specialist, Public Financial Management Division 2, PPFD
Meenakshi Ajmera, Principal Safeguards Specialist (Social), OSFG
Ricardo Carlos V. Barba, Director, Regional Operations Services 2, OSFG
Ashish Bhateja, Principal Planning and Policy Economist, Strategy, Policy, and Business Process Division, SPD
Michael J. Beauchamp, Principal Safeguards Specialist (Social), OSFG
Yan Yee Chu, Procurement Specialist, Procurement Division 2 (PFP2), PPFD
Taniela Faletau, Safeguards Specialist, OSFG
Colin Gin, Assistant General Counsel, OGC
Aida Khalil Gomez, Principal Safeguards Specialist, OSFG
Beatrice Gomez, Principal Safeguards Specialist (Environment), OSFG
Glen Harris, Principal Procurement Specialist, PFP2, PPFD
Belinda Hewitt, Senior Disaster Risk Management Specialist, CCRE, CCSD
Neil Hickey, Senior Communications Specialist, Media and External Relations Division, DOCK
Katherine Hughes, Principal Climate Change Specialist, CCRE, CCSD
Samantha Hung, Director, Gender Equality Division, CCSD
Hiroyuki Ikemoto, Principal Workforce Planning Specialist, Strategic Workforce Unit, BPMSD
Maria Joao Kaizeler, Principal Financial Management Specialist, Public Financial Management Division 1, PPFD
Mark Kunzer, Advisor, PSOD
Nadejda Mochinova, Principal Institution Coordination Specialist, HR

	<p>Business Partners Division, BPMSD</p> <p>Antoine Morel, Principal Safeguards Specialist (Environment), OSFG</p> <p>Jocelyn Erlinda Munsayac, Director, Private Sector/Pacific Operations Services, OSFG</p>
Team members	<p>Lead Coordination Group Members (cont.)</p> <p>Lyailya Nazarbekova, Principal Counsel, OGC</p> <p>Noelle O'Brien, Director, Climate Change, CCRE, CCSD</p> <p>Roshan Ouseph, Principal Counsel, OGC</p> <p>Ninette Pajarillaga, Principal Safeguards Specialist (Environment), OSFG</p> <p>Shotaro Sasaki, Principal Safeguards Specialist (Environment), OSFG</p> <p>Rosalynn Madeleine Serafica, Senior Communications Officer, Media and External Relations Division, DOCK</p> <p>Rubina Shaheen, Principal Procurement Specialist, PFP2, PPFD</p> <p>Arghya Sinha Roy, Principal Climate Change Specialist (Climate Change Adaptation), CCRE, CCSD</p> <p>Wendy Walker, Director, Human and Social Development Sector Office, SG</p> <p>Masatake Yamamichi, Digital Technology Specialist (Cybersecurity and Data Privacy), Digital Technology for Development Division, CCSD</p> <p>Collette You-Jung Shin, Senior Counsel, OGC</p>

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
II. BACKGROUND	2
A. Current Safeguard Policy	2
B. Rationale for the Update	3
C. Safeguard Policy Statement Review and Update Process	4
III. STAKEHOLDER CONSULTATIONS	5
A. Stakeholder Consultation Process	5
B. Feedback from Stakeholders	5
C. Consultations with Multilateral Development Banks and the United Nations	6
D. ADB Responses	7
IV. COMPLEMENTARITY WITH ADB'S OTHER WORKSTREAMS	7
A. Poverty and Social Analysis	7
B. Gender Analysis	8
C. Climate Change and Paris Agreement Alignment Assessment	8
V. PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK	9
A. Vision	10
B. Environmental and Social Policy	11
C. Environmental and Social Standards	14
D. Requirements for Different Financing Modalities and Products	22
E. Prohibited Investment Activities List	22
VI. IMPLEMENTATION AND RESOURCE IMPLICATIONS	23
A. Efficiency and Effectiveness Measures	23
B. Environmental and Social Framework Rollout	24
C. Internal Arrangements	25
D. Resource Implications	26
E. Effective Date and Transitional Period	27
F. Policy Review	28
VII. RECOMMENDATION	28
APPENDIXES	
1. Stakeholder Consultation Feedback	29
2. Environmental and Social Framework Rollout Plan	38
3. Indicative Management Action Plan	43
ANNEX	
Environmental and Social Framework	

EXECUTIVE SUMMARY

Environment and social (E&S) sustainability through the protection of people and the environment from potential adverse impacts of Asian Development Bank (ADB) projects, is a cornerstone of ADB's support for inclusive green economic growth and poverty reduction in Asia and the Pacific. In July 2009, ADB's Board of Directors approved the Safeguard Policy Statement (2009) (SPS). It has applied to all ADB-financed and/or administered sovereign and nonsovereign operations since January 2010.

The SPS was widely considered to be a progressive policy when first approved in 2009. The core elements of the policy and the assessment processes and requirements for the environment, involuntary resettlement, and Indigenous Peoples remain relevant, functioning, and largely aligned with the practices of other multilateral development banks (MDBs). However, over the past 14 years of implementation, certain limitations within the policy have been observed.

In May 2020, ADB's Independent Evaluation Department (IED) completed a corporate evaluation of the SPS and recommended revisions to the policy and associated business processes and implementation requirements. Following the IED evaluation, ADB commenced a comprehensive SPS review and update (SPRU) process, considering the changing development context and evolving challenges and capacities of ADB's developing member countries (DMCs) and clients. The main objectives of the SPRU are to (i) modernize the policy and apply good practices; (ii) harmonize with other MDBs; (iii) adapt to regional needs and financing modalities; and (iv) enhance business processes and efficiency. These objectives are aimed at improving the implementation and outcomes for project-affected persons and the environment.

ADB recognizes that harmonization of E&S requirements with ADB's peer institutions will reinforce the collective efforts of MDBs in supporting better E&S performance and strengthen borrowers' E&S systems, while reducing transaction costs.

The proposed environmental and social framework (ESF) builds on the findings and recommendations of IED and culminates almost 4 years of detailed analytical studies and extensive engagement with diverse stakeholders. It attempts to reconcile sometimes competing and conflicting views and recommendations. The ESF seeks to strike the right balance with aligned E&S approach with peer MDBs, while following good international practice, integrating emerging issues, and enhancing implementation effectiveness and efficiency.

Throughout policy preparation, ADB consulted extensively with DMCs, civil society organizations, private sector clients, project-affected persons, and international organizations, including MDBs. These discussions highlighted implementation challenges and lessons from the SPS and yielded recommendations to strengthen the content and scope of the new policy. This included recommendations in areas including gender equality, sexual exploitation, abuse, and harassment; disadvantaged or vulnerable groups; labor and working conditions; biodiversity; climate change; digital risks; Indigenous Peoples; and stakeholder engagement. In addition, stakeholders, particularly DMCs and private sector clients, underscored the need to provide more support for strengthening and using borrowers' E&S systems; greater harmonization with peer institutions; recognition of regional and country-specific contexts and needs, including fragile and conflict-affected situations and small island developing states; and improved clarity, guidance, and capacity support.

The ESF sets forth E&S objectives and requirements aimed at fostering sustainable development outcomes. The proposed ESF provides broader coverage in terms of E&S areas and promotes

nondiscrimination, especially for disadvantaged or vulnerable groups. Further, the ESF takes a more integrated risk-based and adaptive management approach that aims to focus E&S assessment and management on key risks, with several elements to improve efficiency, without compromising on final outcomes and compliance.

The ESF has five parts: (i) the vision, (ii) the E&S Policy, (iii) 10 environmental and social standards (ESSs), (iv) requirements for financing modalities and products, and (v) a prohibited investment activities list. The E&S Policy will be supported by an *Operations Manual* section and *Staff Instructions* for ADB Staff to provide detailed business process requirements. Each ESS will be accompanied by nonmandatory guidance notes, which will be finalized after the adoption of the ESF.

A distinctive feature of the ESF is the delineation of ADB's responsibilities (as detailed in the E&S Policy), and the borrower and client requirements (as detailed in the ESSs). Further, the ESF separates ADB's long-term aspirational commitments to E&S sustainability (as captured in the vision) from the project-level mandatory requirements of ADB (as set out in the E&S Policy, and of the borrowers and clients, as set out in the ESSs and requirements for financing modalities and products).

The ESF will become effective 1 January 2026, or a later date as determined by Management after confirming the readiness to implement the ESF and following Board consultations on the same. It will supersede the SPS, subject to the following transitional arrangements:

- (i) for projects that have been approved or have a concept note approved by ADB prior to the effective date of the ESF, the SPS will continue to apply; and
- (ii) for new projects for which a concept note is approved by ADB on or after the effective date of the ESF, the E&S Policy, ESSs, and the prohibited investment activities list will apply.

ADB will allocate responsibilities and appropriate resources to support the effective implementation of the ESF. The ESF rollout across ADB, DMCs and private sector clients will commence immediately following ADB's Board approval of the ESF and will span 3 years. The main objective is to help borrowers and clients transition effectively to the new policy and implement the ESSs, while continuing to apply the existing SPS requirements for ongoing projects. It will focus on (i) supporting and strengthening the capacity of ADB Staff, borrowers, and clients; and (ii) training implementing agencies and other stakeholders, including contractors, on the implementation of the ESS requirements.

I. INTRODUCTION

1. Asia and the Pacific continues to undergo rapid social and environmental changes. To achieve inclusive green economic growth and poverty reduction in the region, the Asian Development Bank (ADB) is committed to (i) protecting people and the environment from potential adverse risks and impacts of its development projects and (ii) strengthening the implementation capacity of its developing member countries (DMCs) and clients to manage such risks and impacts through its environmental and social (E&S) requirements.

2. Since 2010, ADB's Safeguard Policy Statement (2009) (SPS) has guided ADB and its borrowers and clients in identifying, assessing, and managing E&S risks and impacts in its projects.¹ In May 2020, ADB's Independent Evaluation Department (IED) completed a corporate evaluation of the SPS and recommended revisions to the policy, business processes, and implementation requirements.² Following the IED evaluation, ADB commenced a comprehensive SPS review and update (SPRU) process, considering the changing development context and the evolving challenges and capacities of its DMCs and clients. The main objectives of the SPRU are to (i) modernize the policy and apply good practices, (ii) harmonize with comparator multilateral development banks (MDBs), (iii) adapt to regional needs and financing, and (iv) enhance business processes and efficiency. These objectives are aimed at improving the implementation and outcomes for affected people and the environment.

3. This paper proposes a new Environmental and Social Framework (ESF), which comprises five parts: (i) the vision, (ii) the E&S Policy, (iii) 10 environmental and social standards (ESSs), (iv) requirements for financing modalities and products, and (v) a prohibited investment activities list. The paper highlights the key features of the ESF (the full ESF text is in the Annex).³

4. The E&S Policy and the ESSs set out project-level mandatory E&S requirements that are designed to

- (i) avoid and, where avoidance is not possible, minimize, mitigate, restore and/or compensate for adverse impacts of ADB projects on people and the environment, taking into consideration climate change risks;
- (ii) help borrowers and clients strengthen their E&S systems and improve their capacity to manage E&S risks and impacts;
- (iii) promote fair and nondiscriminatory labor and working conditions, and protect project workers and community health, safety, and security, including from any forms of sexual exploitation, abuse and harassment (SEAH);⁴

¹ The term "borrower" refers to borrowers, recipients, guarantors, or other beneficiaries, and may also include executing agencies, as applicable, of ADB-financed and administered loans, grants, and other funds, in each case in the context of ADB's sovereign operations. The term "client" refers to borrowers, sponsors, or other recipients or beneficiaries of ADB-financed and administered loans, equity investments, guarantees, grants, and other funds, as applicable for the project, in each case in the context of ADB's nonsovereign operations.

² Independent Evaluation Department. 2020. [Evaluation Document: Effectiveness of the 2009 Safeguard Policy Statement](#). ADB.

³ A draft ESF was first circulated to the Board of Directors on 31 August 2023, followed by disclosure on ADB's website on 7 September 2023. A further revised ESF was disclosed on ADB's website on 26 September 2024.

⁴ The term "sexual exploitation" means any actual or attempted abuse of a position of vulnerability, differential power, or trust for sexual purposes, including profiting monetarily, socially, or politically from the sexual abuse of another. "Sexual abuse" means actual or threatened physical intrusion of a sexual nature, whether by force or unequal or coercive conditions. "Sexual harassment" means any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a

- (iv) support comprehensive and integrated risk and impact assessment and management processes that also consider specific project and country contexts and implementation needs, including those for fragile and conflict-affected situations (FCAS) and small island developing states (SIDS);
- (v) Support the sustainable use of resources, and avoid, minimize, and manage E&S risks and impacts of pollution and waste;
- (vi) Avoid, or where avoidance is not possible, minimize or mitigate economic and physical displacement or disruption of livelihoods due to land acquisition and land use restriction (LA/LUR) and improve or at least restore the standards of living of project-affected persons;
- (vii) Promote conservation of biodiversity and ecological functions, and sustainable management of living natural resources and conservation of cultural heritage;
- (viii) Promote nondiscrimination among project-affected persons and give particular consideration to Indigenous Peoples and those who are disadvantaged or vulnerable,⁵ taking into account gender-related risks, and promote equitable sharing of development benefits and opportunities resulting from a project; and
- (ix) Strengthen stakeholder engagement through meaningful consultation, clear, timely and appropriate disclosure of relevant project information, and prevent threats of reprisal against project-affected persons through effective grievance mechanism.

5. While the ESF alone will not guarantee sustainable development outcomes, its proper application and implementation by ADB's borrowers and clients will strengthen institutional frameworks and capacity to manage E&S risks and impacts sustainably and resiliently. This will contribute to meeting national and international commitments and goals for inclusive green economic growth. The ESF will also promote upstream assessments of DMCs' legal and institutional frameworks for addressing E&S risks and impacts, as well as related implementation capacity. The ESF will be linked to ADB's country partnership strategies and country knowledge plans with its DMCs to help identify strategic opportunities for strengthening safeguard preparation and implementation.

II. BACKGROUND

A. Current Safeguard Policy

6. ADB's Board of Directors approved the SPS in July 2009; implementation began in January 2010. The policy applies to all ADB-financed and/or administered projects in ADB's sovereign and nonsovereign operations.

7. The SPS provides an overarching statement on ADB's commitment to E&S sustainability. It sets out three objectives of ADB's safeguards:

condition of employment, or creates an intimidating, hostile, or offensive work environment. Sexual harassment can occur outside the workplace and outside working hours, including during official travel, social functions related to work, and online. Sexual harassment does not need to be between colleagues and can occur within society in general.

⁵ The term "disadvantaged or vulnerable" refers to individuals or groups who, by virtue of, for example, their age, gender, ethnicity, religion, disability, social, civic or health status or information, sexual orientation, gender identity, economic disadvantages or indigenous status, and/or dependence on unique natural resources, may be more likely to be at risk of being adversely affected by project impacts, and/or more limited than others in their ability to take advantage of a project's benefits, and/or excluded from/unable to participate fully in consultation processes and benefit sharing in a project.

- (i) avoid adverse impacts of projects on the environment and affected people, where possible;
- (ii) minimize, mitigate, and/or compensate for adverse project impacts on the environment and affected people when avoidance is not possible; and
- (iii) help borrowers and clients strengthen their safeguard systems and develop the capacity to manage E&S risks.

8. The SPS establishes the policy objectives, scope and triggers, and principles for three safeguard areas—environment, involuntary resettlement, and Indigenous Peoples. It also describes the policy delivery process for ADB. Under the SPS, ADB Staff are required to provide due diligence, review, monitoring, and supervision during project preparation and implementation. It provides specific safeguard requirements that borrowers and clients must meet in addressing E&S risks and impacts. These safeguard requirements are provided in (i) Safeguard Requirements 1: Environment; (ii) Safeguard Requirements 2: Involuntary Resettlement; (iii) Safeguard Requirements 3: Indigenous Peoples; and (iv) Safeguard Requirements 4: Special Requirements for Different Finance Modalities.

B. Rationale for the Update

9. The SPS was widely considered to be a progressive policy when approved in 2009. As the IED evaluation confirmed (footnote 2), the core elements of the policy and the assessment processes for the environment, involuntary resettlement, and Indigenous Peoples remain relevant, functioning, and largely aligned with the practices of other MDBs. The IED evaluation also found that safeguard processes have generally been satisfactory in supporting the mitigation hierarchy related to the environment and involuntary resettlement.

10. However, the evaluation also identified some weaknesses, including (i) limited tailoring of the policy for nonsovereign operations, FCAS, and SIDS; (ii) limited guidance for different lending modalities (such as financial intermediation and general corporate finance); (iii) weak integration between E&S safeguards; (iv) insufficient focus on the management of risks to vulnerable groups and limited engagement with Indigenous Peoples; (v) poor functionality of project-level grievance mechanisms and the need for strengthened consultations and engagement with project-affected persons and other relevant stakeholders; and (vi) insufficient use of technologies and innovation for assessment, monitoring, consultation, and disclosure.

11. The policy's delivery process also needs reconsideration. The SPS consolidated three previous and separate operational policies on the environment, involuntary resettlement, and Indigenous Peoples into one comprehensive policy.⁶ However, each area retained separate categorization and assessment processes, which has resulted in weak integration of E&S issues and fragmented management. Other MDBs have updated their safeguard policy frameworks, adopting integrated risk classification, assessment, and management of E&S risks.⁷ Comparator

⁶ ADB. 2002. *Environment Policy*; ADB. 1995. *Involuntary Resettlement Policy*; and ADB. 1998. *Policy on Indigenous Peoples*.

⁷ African Development Bank. 2023. *Updated Integrated Safeguards System*; European Investment Bank Group. 2022. *Environmental and Social Policy and European Investment Bank Environmental and Social Standards*; Equator Principles. 2020. *Equator Principles Financial Institutions*; European Bank for Reconstruction and Development (EBRD). 2019. *Environment and Social Policy*; Asian Infrastructure Investment Bank. 2019-2022. *Environmental and Social Framework*; Inter-American Development Bank (IDB). 2020. *Environment and Social Policy Framework*; International Finance Corporation. 2012. *Policy and Performance Standards on Environmental and Social Sustainability*; World Bank. 2016. *Environment and Social Framework*.

MDBs have also introduced flexibility to this process by allowing borrowers and clients to achieve procedural compliance over an agreed period, without compromising on outcomes.

12. Further, ADB has policies and strategies that cover thematic and cross-cutting issues, such as poverty, gender, social protection, environment, and climate change.⁸ While these address a mix of long-term development objectives and aspirational goals that ADB supports in its DMCs, several areas have links or crossovers with safeguards that require better integration. These include poverty and social protection, gender equality, core labor standards, and the assessment of climate change risks and impacts. The SPS also does not adequately include some project-level E&S requirements that have been added or enhanced by other MDBs in their new E&S frameworks. These include labor and working conditions, primary supply chain risks, and climate change. In addition, the safeguard communities have increasingly focused on (i) stakeholder engagement; (ii) disadvantaged or vulnerable groups; and (iii) the management of SEAH risks for project workers and communities.

13. The IED evaluation recommended that ADB (i) modernize the policy, building on ADB's implementation experiences and recent updates by other MDBs, including customization to sovereign and nonsovereign operations; (ii) adopt a new approach in the policy to strengthen borrowers' E&S systems, with improvement and pragmatic use of country systems; (iii) introduce a new safeguard implementation framework, including an updated oversight structure and reporting lines; (iv) underpin the safeguard policy and implementation framework with sufficiently detailed policy guidance and good practice notes, especially for emerging policy issues such as gender risks including SEAH; and (v) assess the necessary staffing complement and skills needed to deliver the safeguard implementation framework. ADB Management endorsed the IED recommendations and launched the SPRU process in August 2020.⁹

C. Safeguard Policy Statement Review and Update Process

14. In October 2020, ADB established an interdepartmental steering committee, a lead coordination group, and 11 technical working groups (TWGs) to support the SPRU process. Comprising heads of departments, the steering committee provided overall guidance for the SPRU process and advised the lead coordination group. Comprising E&S safeguard focal persons across ADB departments, the lead coordination group led the SPRU process and provided ongoing technical support and advice to the TWGs. The TWGs were responsible for coordinating, monitoring, and reviewing analytical studies (para. 16), supporting stakeholder consultations, and formulating the initial draft E&S requirements for the new policy.

15. ADB began the SPRU process with an architecture study that compared the SPS against the architecture models and requirements of other MDBs. This helped build understanding of the policy architecture and standards developed by other MDBs over more than a decade of SPS implementation. The study found that most MDBs have adopted and adapted a "performance standard model" developed by the International Finance Corporation. The model sets out policy requirements for each institution, complemented by 8–10 standards with policy objectives and requirements for borrowers and clients. The Asian Infrastructure Investment Bank has a different

⁸ ADB. 2023. *Climate Change Action Plan 2023–2030*; ADB. 2021. *Energy Policy*; ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*; ADB. 2019. *Operational Priority 1: Addressing Remaining Poverty and Reducing Inequalities; Operational Priority 2: Accelerating Progress in Gender Equality; Operational Priority 3: Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing Environmental Sustainability, 2019–2024*; ADB. 2003. *Policy on Gender and Development*; ADB. 2001. *Social Protection Strategy*; and ADB. 1998. *Gender and Development Policy*.

⁹ ADB. 2020. [Management Response](#).

model that closely follows the structure of the SPS, although with a wider scope similar to other MDBs.

16. The architecture study was complemented by 17 topic-specific analytical studies.¹⁰ These included further benchmarking of thematic standards and issues, as well as a review of implementation experiences. The studies were published and subsequently used to frame stakeholder consultation. The SPRU process drew on the findings from the IED evaluation, analytical studies, and feedback from consultations to update the safeguard requirements and prepare the revised ESF.

III. STAKEHOLDER CONSULTATIONS

A. Stakeholder Consultation Process

17. ADB recognized the importance of having early engagement and robust consultations with stakeholders in the SPRU process. The SPRU process was implemented based on a three-phased stakeholder engagement plan.¹¹ Phase 1 involved socialization and consultation on the draft stakeholder engagement plan to understand the main concerns of stakeholders before finalizing the plan. Phase 2 focused on the findings from the analytical studies and feedback from stakeholders on lessons from the implementation of the SPS (footnote 10). Phase 3 consultations were undertaken to obtain feedback on the ESF consultation draft, which was publicly disclosed on 7 September 2023 for written comments until 6 May 2024. The SPRU team considered stakeholder comments carefully in updating the E&S requirements in the ESF. The next section highlights key comments received through consultations and written feedback. Details on key environmental, social, and crosscutting issues raised by the stakeholders are included in Appendix 1. A comprehensive summary of consultation feedback and ADB responses has been disclosed on ADB's website.

B. Feedback from Stakeholders

18. There was generally positive support from most stakeholders on the ESF, including the objectives of the 10 ESSs. Specifically, ADB members support harmonization with other MDBs, the inclusion of a common approach to cofinancing, greater use of borrowers' E&S systems, and a comprehensive approach to nondiscrimination with a broad definition of disadvantaged or vulnerable groups. At the same time, DMC governments noted that the ESF should not increase transaction costs for borrowers and that greater efficiency needs to be achieved under the new requirements. They also highlighted the need for flexibility in the application of E&S requirements that consider varying levels of development across DMCs as well as unique circumstances based on country contexts. Differences between the ESF requirements and those under the host country's legal frameworks were also raised as causing implementation challenges and stakeholders suggested ways for ADB to support addressing these gaps. While ADB members recognized the importance of enhanced coverage on labor and working conditions, climate

¹⁰ ADB. [Safeguard Policy Review](#). The analytical studies covered (i) policy architecture; (ii) Indigenous Peoples; (iii) resource efficiency and pollution prevention; (iv) labor and working conditions; (v) community and occupational health and safety; (vi) land acquisition, restriction of access, and involuntary resettlement; (vii) biodiversity and natural resource management; (viii) cultural heritage; (ix) stakeholder engagement, information, and grievance redress mechanisms; (x) lessons from accountability mechanisms; (xi) E&S impacts and risk assessment; (xii) safeguards in FCAS and SIDS; (xiii) country safeguard systems; (xiv) climate change; (xv) gender and safeguards; (xvi) SEAH; (xvii) sexual orientation and gender identity, gender expression, and sex characteristics; and (xviii) safeguards in different financing modalities.

¹¹ ADB. 2021. *Safeguard Policy Statement Review and Update*, [Stakeholder Engagement Plan](#).

change management, and SEAH, DMC governments requested additional guidance, technical assistance, and capacity development support from ADB. The need for guidance and capacity development support was reiterated by all stakeholders.

19. Government stakeholders also noted that funding for E&S commitment plan (ESCP) and/or E&S action plan (ESAP) actions, including the cost of future assessments and management actions, need to be agreed between the government and ADB, and secured throughout the project cycle for effective implementation. On the other hand, civil society organizations (CSOs) raised concerns on the use of the ESCP and ESAP, particularly emphasizing that such use should not dilute the E&S requirements of the current SPS. CSOs also emphasized that all assessments should be completed and compliance with all the E&S requirements should be frontloaded before Board approval. Further, stakeholders reiterated that ADB's responsibilities and due diligence should ensure strict adherence to the ESF requirements by borrowers and/or clients. Questions on E&S risk classification focused on how E&S risks are integrated to arrive at one integrated risk classification for a project, and how to avoid misclassifying risks.

20. Many CSOs, ADB members, and international organizations raised crosscutting issues, including; timely information disclosure, clarity on enhanced stakeholder engagement, explicit gender considerations, addressing sexual orientation and gender identity (SOGI), and nondiscrimination, functioning grievance mechanisms, quality control for E&S assessments and management documents, enhanced monitoring and supervision, effective remedies for adverse impacts, managing reprisal risks and maintaining confidentiality of information. Some clarifications were sought on financial intermediary transactions and corporate finance, particularly on application of ESSs to these transactions.

C. Consultations with Multilateral Development Banks and the United Nations

21. ADB consulted with comparator institutions that recently updated their E&S policy frameworks. This supported policy benchmarking and provided ADB with insights into recent policy changes, implementation challenges, and emerging issues. MDBs support greater harmonization and are increasingly moving toward the use of common approaches. The Shared Approach for Management of Environmental and Social Risks and Impacts for Pacific Island Countries is widely seen as a promising example.¹² MDBs regularly share information and promote good practices in emerging areas, such as labor issues and supply chains, vulnerable groups, and SEAH risks. MDBs also collaborate on knowledge sharing and are committed to increasing joint capacity development activities. More harmonized policies and the use of common approaches will reinforce these efforts. MDBs have expressed their willingness to share capacity development materials and tools, which can assist ADB to efficiently rollout the new policy by leveraging lessons learned from other institutions. MDBs often meet and coordinate through the Multilateral Financing Institutions Working Group on Environmental and Social Standards, with subgroups meeting regularly. Further, ADB participates in a joint community of practice on safeguards with development partners in Asia and the Pacific.

22. United Nations agencies were consulted on specific topics, such as human rights and labor issues. The United Nations Office of the High Commissioner for Human Rights provided extensive recommendations on human rights principles, due diligence, remedy, and digital risks. The International Labour Organization (ILO) provided recommendations on labor issues, ILO

¹² Pacific Region Infrastructure Facility. 2021. [A Shared for Management of Environmental and Social Risks and impacts for Pacific Island Countries](#).

conventions, implementation challenges, good practice, and tools. The comments and recommendations from these institutions have been considered in the preparation and revisions of the ESF.

D. ADB Responses

23. ADB highly values the feedback received from stakeholders throughout the consultation phases. Its responses to comments received during phase 2,¹³ and phase 3 consultations¹⁴ have been compiled and disclosed on the ADB website.

24. The ESF builds on the findings and recommendations of IED, as well as detailed analytical studies and extensive engagement with diverse stakeholders; and attempts to reconcile sometimes competing and conflicting views and recommendations. The ESF seeks to strike the right balance with aligned E&S approach with peer MDBs, while following good international practice,¹⁵ integrating emerging issues, and enhancing implementation effectiveness and efficiency.

25. Stakeholders also asked about ADB policies and strategies that cover thematic and cross-cutting issues that are beyond project-level E&S issues. Paras. 26–33 respond to these questions by describing the interlinkages between ESF requirements and ADB's broader framework on poverty and social analysis, gender analysis, and climate change and Paris Agreement alignment assessments, which precede or are undertaken concurrently with the E&S processes.

IV. COMPLEMENTARITY WITH ADB'S OTHER WORKSTREAMS

26. ADB's Strategy 2030 with its seven operational priorities, provides a framework for ADB's development work. The workstreams under operational priority 1 (poverty and inequalities), operational priority 2 (gender equality), and operational priority 3 (climate change, resilience, and environment) have direct linkages to and complement the E&S requirements under the ESF.

A. Poverty and Social Analysis

27. The E&S requirements are complemented by the poverty and social analysis (PSA), which ADB undertakes for every project. The PSA includes several interrelated social dimensions, that support ADB's overarching goals, strategies, and policies. At the operational level, ADB's focus on poverty reduction and social inclusion is guided by mandatory requirements set out in three sections of the *Operations Manual*.¹⁶ The *Operations Manual* section on incorporation of social dimensions into ADB operations focuses on social impacts and benefits and outlines the PSA for all projects. The ADB project team undertakes a PSA to (i) assess the potential social impacts of projects and/or programs on the well-being of different groups within the beneficiary population,

¹³ ADB.2023. [ADB Safeguard Policy Review Update – Phase 2 Regional Consultation Summary](#). 18 topic-specific consultations focused on the architecture study and the 17 analytical studies. A consultation summary was prepared for each consultation and posted with the analytical study for ease of reference. The SPRU team also consolidated these consultation reports and prepared a summary consultation report, which highlights the main comments received by the stakeholders for each subject.

¹⁴ ADB. 2024. [ADB Safeguard Policy Review Update: Summary of Phase 3 Stakeholder Consultations](#).

¹⁵ The term “good international practice” is defined as the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally.

¹⁶ ADB. 2023. Poverty Reduction. *Operations Manual*. [OM C1](#); ADB. 2023. Gender Equality and Women's Empowerment in ADB Operations. *Operations Manual*. [OM C2](#); and ADB. 2023. Incorporation of Social Dimensions into ADB Operations. *Operations Manual*. [OM C3](#).

particularly the poor and most vulnerable, (ii) understand the complex context and interaction of social, economic, political, and institutional forces in DMCs, and (iii) identify potential risks and opportunities for beneficiaries, develop design features to promote inclusive development outcomes, particularly for poor and marginalized groups, to benefit from project activities.

28. The content of a PSA depends on the sector, type of project, financing modality and product, and country and project contexts. It is prepared in consultation with the borrowers and clients. For all projects (sovereign and nonsovereign) the results of the preliminary PSA are summarized in the project concept note and the full PSA results are included in the project proposal document. Key inclusive design features and actions and mitigation plans addressing inclusive development, social risk, and vulnerability issues are supported by specific assurances (and related covenants or other provisions in the project financing agreements), which are monitored throughout the project implementation. The PSA informs the poverty and inclusion classification for the project, through the development of poverty and inclusion indicators. The results of the PSA will also be incorporated into the E&S assessment process and the stakeholder identification process, especially in addressing impacts covering poverty, labor, vulnerability, health and safety, and social development.

B. Gender Analysis

29. ADB's Policy on Gender and Development (1998) adopts gender mainstreaming as a key strategy for promoting gender equality in all ADB operations. ADB's gender mainstreaming approach requires integrating gender considerations into ADB's macroeconomic and sector work, including country partnership strategies, policy dialogue, lending, and technical assistance operations. Accelerating progress in gender equality is one of ADB's seven operational priorities under Strategy 2030. ADB applies a project gender categorization system to all sovereign and nonsovereign operations. The project gender mainstreaming category is determined at entry, with gender analysis being a requirement for all project due diligence. Gender analysis should provide relevant sex-disaggregated data and thoroughly consider gender issues, highlighting both constraints and opportunities to inform gender-responsive project designs. ADB currently uses a four-tier gender categorization system (gender equity theme, effective gender mainstreaming, some gender elements, and no gender elements) to measure, count, and report on the extent to which gender equality issues are integrated into project design and delivered at project completion. The gender equity theme and effective gender mainstreaming categories both require specific gender performance indicators that directly address gender equality and/or women's empowerment by narrowing gender gaps, providing benefits to women and girls, and/or promoting women's empowerment.

30. Gender is a cross-cutting theme in the ESF, with specific provisions across the different standards to safeguard against adverse gender risks and impacts. The gender categorizations and the results of the gender analysis will complement and inform the E&S assessment and risk management processes, including borrower and/or client's assessment of gender related risks, the design of gender-responsive mitigation measures, the reporting and monitoring of gender impacts, ensuring gender responsive stakeholder engagement and grievance mechanisms, and promoting nondiscrimination, equal opportunity, and protection against SEAH and reprisals.

C. Climate Change and Paris Agreement Alignment Assessment

31. In line with ADB's ambition to become the climate bank of Asia and the Pacific, ADB is actively developing a pipeline of high-quality climate projects and programs to support climate

outcomes from the project identification and selection stage. ADB's alignment with Paris Agreement includes ensuring that its operations align with mitigation goals, adaptation, and support for climate-resilient operations. The Paris Agreement alignment applies to all ADB-financed or administered sovereign and nonsovereign projects. ADB will ensure that its operations are consistent with the low-emissions development pathways of different countries and compatible with the overall climate change mitigation and adaptation objectives of the Paris Agreement. At the project level, this is achieved by assessing all operations against transition risks and opportunities related to climate change. ADB will also (i) actively manage physical climate change risks of a project in a manner consistent with climate-resilient development and (ii) identify opportunities to make its operations more climate-resilient. This builds on pre-existing internal ADB requirements for climate risk management for ADB-financed projects established in 2014.

32. At the concept phase, due diligence for Paris Agreement alignment will be undertaken and documented as the preliminary Paris Agreement alignment assessment result. On the adaptation and climate resilience side (under Paris Alignment Building Block 2), at the concept design phase the project team will first establish the climate risk and vulnerability context of the project to identify and assess if the project has any materially relevant climate risk. If physical or other significant climate risks to the project are identified during the project preparation phase, the team will undertake a climate risk assessment (CRA), which includes a detailed site-specific assessment of risks and identifying, developing and integrating adaptation and resilience measures into the project design, to the extent feasible. Finally, the project team will assess if the project design is consistent with the relevant policies and strategies for climate resilience of the host country. Under ESS9, the borrower and/or client is responsible for completing the CRA, where applicable, as part of project preparation. This may be done with ADB support, until the borrower and/or client has the appropriate level of capacity and resources to undertake the CRA.

33. The Paris Agreement alignment work described above complements the requirements set out in the ESF. The ESF specifically recognizes that climate change may pose risks to projects, and that projects may exacerbate climate change. Climate change is an important consideration when managing risks and impacts on vulnerable and Indigenous Peoples and on project worker and community health and safety. It is also a factor to land acquisition and resettlement, and when protecting and conserving biodiversity and ecological functions. The initial due diligence work under the Paris Agreement alignment, climate risk screening, and CRA, where applicable, will inform the E&S assessment process under the ESF. Under ESS9, greenhouse gas (GHG) monitoring is an ongoing requirement if a project emits GHG over a certain monitoring and reporting threshold.¹⁷ ADB will also require that alternatives be considered to reduce project GHG emissions. ADB anticipates that borrower and/or client will require further capacity development support from ADB to effectively implement the requirements of ESS9.

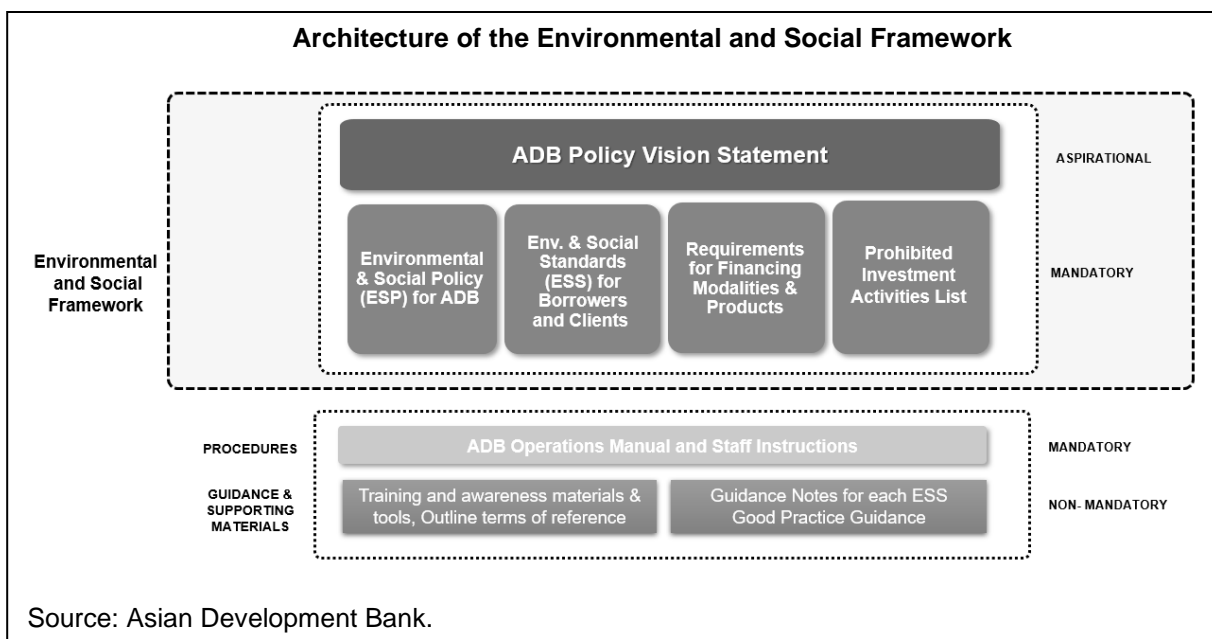
V. PROPOSED ENVIRONMENTAL AND SOCIAL FRAMEWORK

34. The proposed ESF provides E&S requirements that promote sustainable development outcomes. It establishes broader coverage of E&S areas and promotes nondiscrimination, especially for disadvantaged or vulnerable groups. Further, the ESF separates ADB's long-term aspirational commitments to E&S sustainability (as captured in the vision) from the project-level

¹⁷ The technical working group of the international financing institutions (which includes the United Nations Framework Convention on Climate Change Secretariat and MDBs such as ADB and the World Bank Group) have developed harmonized GHG accounting [standards and methodologies](#). ESS9 GHG emissions calculation will follow these harmonized standards and methodologies.

mandatory requirements of ADB (as set out in the E&S Policy, and of the borrowers and clients, as set out in the ESSs).

35. The ESF has five parts: (i) the vision, (ii) the E&S Policy, (iii) 10 ESSs, (iv) requirements for financing modalities and products; and (v) the prohibited investment activities list (Figure). The ESF also includes definitions of key terms used in the ESF to provide clarity and consistency in policy understanding and interpretation. The E&S Policy will be accompanied by an *Operations Manual* section and *Staff Instructions* for ADB Staff to set out the business process requirements. Each ESS will be accompanied by nonmandatory guidance notes, which are currently being prepared and will be finalized after the adoption of the ESF. The following sections describe the key features of the new proposal and summarize the changes made based on the comments from stakeholder consultations and written feedback. The full ESF is attached as an Annex.



A. Vision

36. The vision sets out ADB's aspirations to seek E&S sustainability in project outcomes by protecting the environment and present and future generations from projects' potential adverse impacts. This approach is aligned with that of other MDBs. Anchored in ADB's Strategy 2030, the vision reiterates ADB's commitment to inclusive social development. It recognizes that the management of E&S risks and impacts of a project is impacted by project and country contexts and constraints—and the need to work with borrowers and clients to understand such contexts and constraints. This includes transient FCAS challenges and SIDS vulnerabilities, and can include challenges faced by certain population groups because of their disadvantaged or vulnerable status. The vision affirms ADB's zero tolerance for reprisals against project-affected persons and stakeholders who raise concerns about projects and zero tolerance to SEAH. The vision also emphasizes ADB's operations that support the realization of human rights as expressed in the Universal Declaration of Human Rights, as well as ADB's commitment to continue supporting its DMCs as they strive to achieve their human rights commitments under relevant international laws.

B. Environmental and Social Policy

37. The E&S Policy sets out the mandatory E&S responsibilities of ADB in relation to ADB-financed and/or administered projects. Under the E&S Policy, ADB will seek to achieve the following seven objectives: (i) determine a project's E&S risk classification; (ii) review the E&S assessment undertaken by the borrower and/or client; (iii) assist borrowers and/or clients in identifying E&S assessment and management documents for the E&S risks and impacts of a project; (iv) support borrowers and clients with strengthening of their E&S systems; (v) agree with borrowers and/or clients on the conditions under which ADB will consider providing financing to a project; (vi) support borrowers and/or clients to carry out meaningful consultation and to provide project-level grievance mechanisms; and (vii) review and monitor E&S performance. These objectives are substantially aligned with the policy delivery process of the SPS. However, the new policy fundamentally changes the way a project's E&S risks are classified and managed.

38. The E&S Policy introduces a new integrated approach to risk classification. ADB will assign each project one of four classifications: (i) *high risk*, (ii) *substantial risk*, (iii) *moderate risk*, and (iv) *low risk*. Each project will have only one risk classification, assigned based on consideration of the relevant E&S risks and impacts covered under ESSs1–10 in an integrated manner. This approach differs from the SPS, which separately classifies environment, involuntary resettlement, and Indigenous Peoples.¹⁸ For financial intermediary lending, all transactions involving a financial intermediary are classified *FI*, with further subclassifications of *FI-1*, *FI-2*, and *FI-3*, based on the nature and scale of the risks and impacts of the portfolio of activities and transactions supported by ADB financing.¹⁹

39. In addition to a project's E&S risks and impacts, ADB will consider risk factors that are relevant in the country and project context. The analysis of contextual factors may include (i) a host country's legal, governance and institutional framework; (ii) host country's financial, institutional, and/or capacity constraints; (iii) digital risks; (iv) other contextual issues or vulnerabilities, such as those in FCAS and SIDS, or information on population groups or individuals who may be considered at risk, marginalized, disadvantaged or vulnerable; and (v) information relevant to the host country's obligations under applicable international instruments. The SPS does not sufficiently address these issues as part of project risk classification. The new policy will support more informed assessment and planning of project capacity needs, resource allocation, and other factors that could affect the design and implementation of a project. ADB will review the risk classification assigned to a project throughout the project cycle in consultation with the borrower/client. The classification will be updated as necessary so that it remains appropriate.

40. Another key feature of the new E&S Policy is the adoption of a risk-based adaptive management approach, like those used by comparator MDBs.²⁰ Under this approach, the

¹⁸ The actual risk classification will be determined through integration of E&S risks and impacts. Therefore, it is not possible to directly correlate the former risk categories under the SPS with the four-tier risk classifications under the ESF. However, for simplification, the following general observations can be made: the former risk category A will now generally be classified *high risk*, while the former risk category B will likely be classified *substantial risk* and/or *moderate risk*, depending on the nature and scale of the E&S risks and impacts. Category C will likely now be classified *low risk*.

¹⁹ *FI-1* is for financial intermediary portfolios with activities and transactions that would be considered high risk if financed directly by ADB. *FI-2* is for financial intermediary portfolios with activities and transactions that would be considered either substantial and/or moderate risk if financed directly by ADB. *FI-3* is for financial intermediary portfolios with activities and transactions that would be considered low risk if financed directly by ADB.

²⁰ African Development Bank. 2023. *Updated Integrated Safeguards System*; EBRD. 2019. *Environment and Social Policy*; Asian Infrastructure Investment Bank. 2019-2022. *Environmental and Social Framework*; IDB. 2020.

assessment and management of E&S risks will be proportionate to the nature and scale of the risks and impacts, as well as the timing and readiness of project preparation. It will maintain a focus on front-loaded project readiness, particularly in cases of *high risk* and *substantial risk*. However, the ESF provides greater scope to match E&S readiness with the timing of detailed design and necessary measures to inform and engage stakeholders, and to address risks throughout project preparation and implementation. This entails ADB and the borrower/client agreeing on an ESCP and/or an ESAP. These plans contain the measures and actions necessary to meet the ESS requirements, and will be implemented over a specified time frame, including post approval of a project. The content of these plans will be based on a review of the E&S assessment findings. ADB will only allow the deferral of assessments and management plans to the ESCP or ESAP, if the level of E&S risks and impacts of the activity is unlikely to change the E&S conclusions for the project, and does not compromise the overall E&S readiness of a project. The rationale and justification for actions included in an ESCP and/or ESAP will be documented in the project proposal document at the time of project approval. ADB will monitor the borrower's and/or client's E&S performance on a project in accordance with the requirements in the ESCP and/or ESAP, proportionate to the potential risks and impacts of the project. The detailed content and descriptions of the ESCP and/or ESAP have been revised in ESS1 to provide more clarity.

41. One of the objectives of the E&S Policy, like the SPS, is to strengthen borrowers' E&S systems, previously referred to as the country safeguard system (CSS) under the SPS. ADB compared the SPS requirement on the use of CSSs with the World Bank's approach. The World Bank supports the use of a borrower's E&S framework if it is likely to address the risks and impacts of a project and enables the project to achieve objectives materially consistent with the requirements of the World Bank's E&S standards. ADB proposes to substantially align its approach with that of the World Bank. Under the new approach, ADB can consider the use of such systems if a project can achieve E&S outcomes by meeting objectives materially consistent with the ESSs. This could be applied at the project level, subject to Board approval. One advantage of the new approach is that application at the project level would allow an assessment of project-specific risks that would need to be managed through the borrowers' systems. Project-level gaps and capacity needs can also be assessed more readily compared with country- or sector-level studies. Another advantage is that the borrowers' E&S systems may be applied for one or more ESSs where an assessment demonstrates material consistency. ADB would continue to monitor and supervise the project, and ADB's Accountability Mechanism Policy²¹ would continue to apply when borrowers' E&S systems are used. ADB remains committed to working with borrowers to strengthen their E&S systems, with the aim of eventually accrediting such systems as materially consistent and relying on them for ADB-financed and/or administered projects. To promote the use of borrowers' E&S systems, ADB will consider strategic entry points, including through upstream engagement in the country programming process and identifying it as a priority area of support, if requested. The borrower's requirements for the potential use of its E&S systems are set out in ESS1.

42. Under the E&S Policy, ADB, cofinanciers, and the borrower and/or client may agree on a common approach in the assessment, development, and implementation of a project, when such an approach enables a project to achieve E&S outcomes through meeting objectives materially consistent with the ESSs. The SPS encourages ADB to collaborate with the borrower and/or client and cofinanciers to adopt a single E&S assessment and planning process. However, the reliance on safeguards requirements other than the SPS would have required approval by the ADB's

Environment and Social Policy Framework; International Finance Corporation. 2012. *Policy and Performance Standards on Environmental and Social Sustainability*; and World Bank. 2018. *Environment and Social Framework*.
²¹ ADB. 2012. *Accountability Mechanism Policy*.

Board of Directors. The use of a common approach will give ADB and cofinanciers more flexibility and permits ADB, as appropriate, to consider the use of other cofinanciers' requirements, while maintaining that the requirements that are most stringent or protective of the environment and the project-affected persons are applied. The decision to use a common approach for a project will be made early by ADB Management and confirmed by project appraisal (for sovereign operations) or final credit approval (for nonsovereign operations), with a final approval by the Board of Directors on the application of the common approach at the time of project approval. The required arrangements for a common approach have been further clarified in the text based on feedback from stakeholders. ADB will facilitate upstream dialogue to explore suitable arrangements with other MDBs on the use of a common approach and develop associated guidance materials and monitoring procedures. The borrower's and/or client's requirements for the use of a common approach are in ESS1.

43. The E&S Policy recognizes the importance of early and continuing engagement with stakeholders that is inclusive and without discrimination against project-affected persons, including disadvantaged or vulnerable groups. ADB requires borrowers and/or clients to undertake assessments of the risks and impacts to such persons, and identify and implement differentiated measures.²² Through borrowers' and clients' implementation of these measures, adverse impacts will be mitigated and should not fall disproportionately on the disadvantaged or vulnerable and such persons should be able to share equitably in project benefits and opportunities. To implement this requirement effectively, ADB will consider the overall project-specific circumstances and country context, including the legal and regulatory framework and cultural or societal norms to the extent possible. ADB will work with borrowers and clients to understand the potential risks and impacts to determine the appropriate course of action. The obligation of borrowers and clients to develop and implement appropriate differentiated measures is covered under ESS1.

44. ADB's analytical studies on gender and SEAH found that other MDBs generally cover gender-specific provisions under assessment and management of E&S risks, labor and working conditions, involuntary resettlement, Indigenous Peoples, and stakeholder engagement. While the approach of other MDBs to SOGI is not uniform,²³ benchmarking found that ADB's comparators have included SOGI provisions as part of their E&S frameworks or management directives.²⁴ Considering the study recommendations and feedback from consultations, ADB has included SOGI as part of an increased focus on addressing risks to disadvantaged or vulnerable groups and ensuring nondiscrimination.

45. ADB fully supports and is committed to timely information disclosure to allow Borrowers to conduct meaningful consultations with stakeholders. The disclosure requirements under the E&S Policy and the ESSs are generally aligned with those of other MDBs. All disclosure requirements will continue to be subject to ADB's Access to Information Policy. Under the E&S Policy, documents and information related to projects classified *high risk*, *substantial risk*, and

²² "Differentiated measures" are tailored to address the unique impacts on specific population groups, which may be different from the measures to address impact on some other population groups. A project activity may result in diverse impacts to different population groups, necessitating multiple measures. Such measures may also vary from project to project and from one country to another.

²³ The EBRD and the IDB explicitly refer to SOGI under the definition of vulnerable groups. IDB also has a stand-alone gender standard that includes SOGI. The World Bank has a management-approved staff directive that covers sexual and gender minorities as a category of disadvantaged or vulnerable groups. EBRD, IDB, and International Finance Corporation also have SOGI considerations in their labor and working conditions around employment-related discrimination.

²⁴ This excludes the Asian Infrastructure Investment Bank, which includes enhanced commitment to gender equality without reference to SOGI.

moderate risk will be disclosed as early as possible and prior to project appraisal (for sovereign projects) or final credit approval (for nonsovereign operations). Recognizing that *high risk projects* are of particular concern to stakeholders, ADB will disclose a draft, or final if available, E&S impact assessment as early as possible in project preparation, and in any event at least 120 days before Board of Directors consideration of the proposed project for sovereign operations and at least 60 days before Board of Directors consideration of the proposed project for nonsovereign operations.

46. ADB will require borrowers and/or clients to provide a project-level grievance mechanism to receive and facilitate the resolution of concerns and grievances of project-affected persons arising in connection with a project. In addition to the project-level grievance mechanism to be provided by the borrower and/or client, ADB has its own systems to receive and manage project related complaints. These complaints may be received by ADB's relevant operations department as well as by ADB's Accountability Mechanism in accordance with the Accountability Mechanism Policy.

C. Environmental and Social Standards

47. The ESSs establish mandatory standards that borrowers and clients are required to meet, where applicable, throughout a project cycle. Each standard sets out the objectives to be achieved by the borrowers and clients, the scope of application explaining how the ESS's applicability will be assessed, and the requirements for the borrowers and clients to achieve the objectives. The 10 ESSs are as follows:

- (i) ESS1: Assessment and Management of E&S Risks and Impacts;
- (ii) ESS2: Labor and Working Conditions;
- (iii) ESS3: Resource Conservation and Pollution Prevention;
- (iv) ESS4: Health, Safety, and Security;
- (v) ESS5: LA/LUR;
- (vi) ESS6: Biodiversity and Sustainable Natural Resources Management;
- (vii) ESS7: Indigenous Peoples;
- (viii) ESS8: Cultural Heritage;
- (ix) ESS9: Climate Change; and
- (x) ESS10: Stakeholder Engagement and Information Disclosure

48. **ESS1: Assessment and Management of E&S Risks and Impacts.** This overarching standard provides the basis for an integrated E&S assessment process. It will be undertaken in a risk-based manner proportionate to the potential risks and impacts of a project. The objectives are to (i) screen and scope, assess, manage, and monitor the E&S risks and impacts of a project in a manner consistent with ESS1 and other applicable ESSs; (ii) adopt a mitigation hierarchy approach to: (a) anticipate and as a first priority, avoid E&S risks and impacts; (b) where avoidance is not possible, minimize or reduce E&S risks and impacts to acceptable levels; and (c) once E&S risks and impacts have been minimized or reduced, mitigate, restore and/or compensate for adverse impacts on the environment and project-affected persons; (iii) require that a project be environmentally and socially sound and sustainable, and support the integration of E&S considerations into the project decision-making process; (iv) adopt differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable, considering gender-related risks, and ensure they are not disadvantaged in sharing development benefits and opportunities resulting from a project; and (v) promote improved E&S performance, in ways which recognize and enhance borrower and/or client capacity.

49. Like the SPS, the assessment process under ESS1 requires a borrower and/or client to assess all direct, indirect, and cumulative E&S risks and impacts. The main difference from the SPS is that the ESS1 assessment process considers relevant E&S factors in an integrated manner. These factors, described in ESS2–ESS10, include labor and working conditions, gender-related risks (including SEAH), pollution prevention, safety and security of project workers and communities, LA/LUR, biodiversity, Indigenous Peoples, cultural heritage, climate change, stakeholder engagement and risks to disadvantaged or vulnerable groups. Where a project involves significant use of digital technologies and/or information technologies, ESS1 also requires an assessment of digital risks resulting from use of such technologies. ESS1 and ESS10 will apply to all projects; while the applicability and relevance of the remaining ESSs will be informed by the E&S screening, which will determine the scope of the E&S assessment. ESS1 was modified to further clarify the requirements to undertake alternatives assessment.

50. Through the E&S assessment process, the borrower and/or client will identify project-affected persons who may be disproportionately affected by a project because of their disadvantaged or vulnerable status. Where disadvantaged or vulnerable persons are identified, the borrower and/or client will implement differentiated measures based on project circumstances and the country context so that through the implementation of such measures, the adverse impacts are mitigated and do not fall disproportionately on disadvantaged or vulnerable persons, and they share equitably in project benefits and opportunities.

51. ESS1 clarifies the application of E&S requirements to associated facilities, and specifies that ESS2–ESS10 apply to the extent that a borrower and/or client has control or influence over these facilities. ESS1 defines associated facilities as new facilities not funded by ADB, meeting three conditions: (i) they are directly and significantly related to the project; (ii) they are developed or contemporaneously planned to be developed with the project; and (iii) they are necessary for the project to be viable and would not have been developed if the project did not exist. The determination of the associated facilities will be made by ADB on a case-by-case basis considering the project's circumstances and context. For existing facilities, ESS1 provides that the proposed measures and actions will depend on the project's intended use of the facilities and the intended purpose of the ADB financing, taking into account the financial and technical feasibility of such measures and actions.

52. Borrowers and clients are required to undertake E&S assessments and identify and use, in consultation with ADB, one or a combination of E&S assessment tools to assess and develop E&S assessment and management documents as required under the relevant ESSs. They should also take steps to enhance the E&S readiness of a project. Based on stakeholder feedback, additional clarification was included on the E&S assessment process related to gender aspects, such as the requirement to identify the potential gender-based E&S risks and impacts of a project and develop measures to prevent and mitigate such risks and impacts throughout the project cycle. Specifically, this will include considering how gender inequalities intersect with other forms of disadvantage and discrimination that create barriers to accessing project benefits and limiting the ability to respond to adverse impacts of a project. The borrower and/or client will also be required to promote gender responsive stakeholder engagement processes, information disclosure and grievance mechanisms with consideration for the disadvantaged or vulnerable, in accordance with ESS10.

53. Where additional actions are required to support compliance with the ESSs over time, ESS1 provides for the use of the ESCP and/or ESAP, with measures to be agreed upon with ADB. Like the SPS, projects classified *high risk* and *substantial risk* will be monitored semi-annually, while projects classified *moderate risk* and *low risks* will be monitored at least annually—

or as agreed upon by ADB and the borrower and/or client in the ESCP and/or ESAP. For *high risk* and *substantial risk* projects ADB will also require a borrower and/or client to engage stakeholders and third-parties, such as external specialists, local communities, or CSOs, to complement or verify project monitoring information, and include such requirement in a project's ESCP or ESAP.

54. **ESS2: Labor and Working Conditions.** This new standard on labor and working conditions has its objectives to (i) promote fair treatment, nondiscrimination, and equal opportunity for project workers, including those who are disadvantaged or vulnerable; (ii) prevent and address any forms of violence and harassment, bullying, intimidation, and exploitation of project workers, including any forms of SEAH; (iii) support the principles of freedom of association and collective bargaining; (iv) prevent the use of forced labor and child labor; (v) promote, develop, and maintain transparent project worker relationship management; and (vi) provide project workers with accessible means to raise workplace concerns.

55. This standard builds on and updates ADB's commitment to the core labor standards²⁵ in ADB's Social Protection Strategy (2001), the Core Labor Standards Handbook (2006), the prohibited investment activities list of the SPS, and associated loan covenants in project financing agreements. ESS2 prohibits all forms of child and forced labor and supports freedom of association and collective bargaining. The requirements apply to all types of employment relationships, including direct, contracted, community, and primary supply workers. Based on the stakeholder feedback, requirements for community workers have been revised to provide greater clarity. Employment of project workers must be based on the principles of equal opportunity and fair treatment, with no discrimination in any aspect of employment relations, such as recruitment and hiring, job assignment, compensation (wages and benefits), working conditions, and terms of employment. The revised text of ESS2 also highlights the participation of workers' representatives and organizations in consultations. The standard requires the development and implementation of a labor management plan, where needed, to identify the main labor requirements and risks associated with the project and the way in which project workers will be managed, in accordance with national law and ESS2.

56. The standard includes a requirement to identify and assess potential or actual risks of child labor, forced labor, and/or serious safety issues that could arise in relation to all types of workers, including those employed by primary suppliers.²⁶ Where significant risks are identified through project screening and assessment—or through contextual risk analysis—ADB will require that the labor management plan or other E&S assessment and management documents to set out the roles and responsibilities of primary suppliers in monitoring and managing such risks. The provisions for primary suppliers have been clarified to include requiring a primary supplier to undertake appropriate actions and measures. ESS2 provisions have been further revised to strengthen the requirements for project-level grievance mechanisms for project workers. These mechanisms will be designed to address grievances and concerns related to labor and working conditions, as well as to provide for confidential complaints and special protection measures for SEAH concerns.

57. **ESS3: Resource Conservation and Pollution Prevention.** This standard requires technically and financially feasible measures to improve resource conservation and minimize the

²⁵ These include (i) freedom of association and collective bargaining, (ii) forced labor, (iii) child labor, (iv) equality of opportunity and treatment, and (v) occupational health and safety.

²⁶ "Primary suppliers" are those who, on an ongoing basis, provide directly to a project goods or materials essential for production and/or service processes that are necessary for a specific project activity and without which a project or project activity cannot continue.

intensity of resource use, such as energy, water, soil, and all types of raw materials. The objectives are to (i) promote the sustainable use of resources, including energy, water, soil, and raw materials; (ii) avoid and, where avoidance is not possible, minimize adverse impacts on human health and the environment from all types of pollution generated from project activities; (iii) avoid and, where avoidance is not possible, minimize project-related emissions and discharges which cause pollution to environmental media, including air, water, and soil; (iv) avoid and, where avoidance is not possible, minimize generation of all types of hazardous waste and nonhazardous waste and when such waste is generated, manage it appropriately; (v) avoid, minimize, and manage the risks and impacts associated with the use, storage, haulage, application, and production of hazardous chemicals, substances, and materials; and (vi) avoid, minimize, and manage the risks and impacts associated with pesticide use. Under this standard, the borrower and/or client will continue to apply the relevant requirements of the host country's applicable laws, and relevant good international practice, including the World Bank Group Environmental, Health, and Safety Guidelines. Where the requirements of the host country's applicable laws differ from the ESS or internationally recognized standards, the borrower and/or client will comply with whichever is more stringent or more protective of project-affected persons or the environment.

58. This standard has an expanded scope compared with the SPS, covering pesticide use; direct or indirect generation of hazardous and nonhazardous wastes; and the manufacture, trade, and use of hazardous chemicals, substances, and materials. Based on stakeholder feedback, the standard was revised to also include the management of antimicrobial substances. Further changes were made to promote opportunities for improving water use efficiency, and the use of recycled materials where appropriate. Clarifications were made to the application of the mitigation hierarchy, specifically on the use of offsets as a last resort.

59. **ESS4: Health, Safety, and Security.** This standard sets out the requirements for assessing, planning, managing, and monitoring a project's safety and security risks and impacts on project workers and communities. The objectives are to (i) protect and promote the health, safety, and security of project workers by promoting a culture of safety, ensuring safe, healthy, and secure working conditions, and implementing protective measures proportionate to the nature and scale of the potential risks and impacts of a project; (ii) anticipate and avoid and, where avoidance is not possible, establish measures and procedures to minimize, mitigate, and respond to, adverse impacts on the health, safety, and security, including SEAH-related issues of project workers and project-affected persons; (iii) consider potential geophysical and physical climate risks and impacts in the design and construction of infrastructure; (iv) avoid, or where avoidance is not possible, minimize and mitigate the exposure of persons and communities to project-related traffic and road safety hazards, diseases, and hazardous chemicals, substances, materials, and wastes; and (v) ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimizes risks to project workers and project-affected persons.

60. ESS4 has been revised to provide more clarity on management of health and safety risks in accordance with the health and safety hierarchy of risk control. In response to stakeholder requests, the indicative content of a health and safety management plan has been added. ESS4 also sets out requirements for borrower and/or client to take steps to prevent, in the first instance, and report accidents, injuries, and diseases arising from, associated with, or occurring during project work and, which were not detailed in the SPS. Additional clarity was made on the provision of safe and healthy facilities appropriate to the circumstances of the work of the project workers. ESS4 requires SEAH risks to be identified, addressed, and managed. It also mandates measures to ensure that security personnel hired to protect project workers or property do not pose a threat to communities and workers. The standard includes requirements for product, infrastructure, and

road and traffic safety. ESS4 also strengthens the requirements for borrower and/or client assessment of natural hazards, including geophysical hazards, which contributes to project-level geophysical risk management processes during project processing and implementation. It also requires grievance mechanisms for project workers and project-affected persons to report SEAH incidents, as well as any other health, safety, and security concerns. Based on stakeholder feedback, requirements for projects involving antimicrobials were added.

61. **ESS5: LA/LUR.** This standard sets out the requirements for project-related LA/LUR and updates the requirements for involuntary resettlement covered by the SPS. The objectives are to (i) avoid economic and physical displacement or, when unavoidable, minimize such displacement by considering feasible alternative project designs and sites; (ii) avoid forced eviction; (iii) mitigate unavoidable adverse social and economic risks and impacts from LA/LUR by (a) providing timely compensation for loss of assets at full replacement cost and (b) assisting project-affected persons in their efforts to improve or at least restore their livelihoods and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher; (iv) improve livelihood opportunities and living conditions of disadvantaged or vulnerable persons, including by providing adequate housing with essential services, utilities, and security of tenure to those who are physically displaced; and (v) ensure that LA/LUR activities are planned and implemented based on appropriate stakeholder engagement, including information disclosure, meaningful consultation, and grievance management.

62. Unlike the approach under the SPS, ESS5 does not set a numerical threshold for risk classification. Instead, it assesses LA/LUR risks and impacts more holistically including consideration of vulnerability. It also highlights the importance of gender considerations, the treatment of disadvantaged and vulnerable persons and stakeholder consultations in LA/LUR assessment and preparation of management document. This standard reiterates the key requirements for involuntary resettlement in the SPS and enhances the requirements for: (i) involuntary LA/LUR, (ii) due diligence requirements for voluntary LA/LUR, and (iii) activities carried out prior to a project, but undertaken or initiated in anticipation of, or in preparation for, a project. ESS5 increases the focus on vulnerability, livelihood restoration, and monitoring. This standard enhances the link between the procurement process and the implementation of civil works and any associated LA/LUR activities to support proper and timely assessment and management of LA/LUR related risks and impacts. In response to the stakeholder feedback, further changes were made to clarify the use of land acquisition frameworks, and to require LA/LUR completion reports be prepared by external social monitoring experts for projects with significant LA/LUR risks and impacts.

63. **ESS6: Biodiversity and Sustainable Natural Resources Management.** This standard sets out the requirements for the conservation of biodiversity and the sustainable management of living natural resources. It aligns with the Convention on Biological Diversity²⁷ and the Kunming-Montreal Global Biodiversity Framework.²⁸ The objectives are to (i) protect and conserve biodiversity and ecological function and connectivity in a changing climate; (ii) apply the mitigation hierarchy and the precautionary approach to achieve a minimum of no net loss and, preferably, a net gain of biodiversity; and (iii) maintain the benefits from ecosystem services and promote the sustainable management and use of living natural resources. ESS6 incorporates the key requirements from the SPS, with greater emphasis on avoidance of impacts on biodiversity as a priority. The standard updates the way a habitat is classified and sets out an assessment process aligned with internationally recognized criteria to identify potential priority biodiversity features that

²⁷ [Convention on Biological Diversity](#).

²⁸ Convention on Biological Diversity. 2022. [Kunming-Montreal Global Biodiversity Framework](#).

determine the presence of critical habitat. Based on stakeholder comments, ESS6 clarifies that priority biodiversity features may occur within modified habitats, and if the habitat is of significant importance to such priority biodiversity features, it also represents critical habitat. Further, the revised text clarifies when the borrower/client should not implement project activities that may cause adverse impacts to critical habitat or its priority biodiversity features. ESS6 now explicitly sets out requirements for internationally-recognized areas, in addition to previously included requirements for protected areas. ESS6 requires no net loss of biodiversity for modified and natural habitats, with a preference for a net gain for priority features, and requires a net gain of any potentially-impacted critical habitat or priority biodiversity features for critical habitats. Depending on the results of the biodiversity assessment, a borrower and/or client may be required to undertake additional studies and monitoring linking to wider assessment work such as on environmental flows. The standard also makes the use of biodiversity offsets conditional on an assessment of the feasibility of the offset at project approval.

64. The standard also introduces risk-based sustainable resource procurement, management, and verification procedures to evaluate primary suppliers. The procedures require that (i) only supplies of a legal and sustainable origin are procured; (ii) the source of supplies is monitored and documented, and (iii) where possible, procurement of natural resources is limited to suppliers that can demonstrate they are (a) not causing significant adverse impacts to natural habitats, priority biodiversity features, critical habitats, protected areas, or internationally recognized areas and/or (b) suppliers are not from or in the areas from the no-go zones. The standard also prohibits developing projects in the following no-go zones: Alliance for Zero Extinction sites²⁹; UNESCO World Heritage sites (natural and mixed); and “free flowing” rivers of 500 kilometers or longer. Exceptions may be allowed if projects are specifically designed to contribute to the conservation of such areas. Language on invasive alien species has been strengthened and for projects involving industrial livestock activities, risks and impacts to animal welfare, and updates to the language was made to clarify that, while respecting the host country’s applicable laws, the borrower/client will be required to take reasonable steps to minimize risks related to the spread of zoonotic diseases and to animal welfare and promote animal welfare standards, including the prevention of antimicrobial resistance.

65. **ESS7: Indigenous Peoples.** This standard establishes the requirements to ensure that projects affecting Indigenous Peoples and their cultural identities, practices, and customary lands take the necessary measures to address them. In 2007, the United Nations General Assembly adopted the United Nations Declaration on the Rights of Indigenous Peoples, the most comprehensive international instrument on the rights of Indigenous Peoples. Building on the SPS, ESS7 recognizes the rights of Indigenous Peoples to direct the course of their own development. The objectives are to (i) ensure that Indigenous Peoples do not suffer adverse impacts as a result of projects or, where avoidance is not possible, to minimize, mitigate, and/or compensate for such impacts; (ii) design and implement projects in a way that fosters full respect for Indigenous Peoples’ identity, dignity, human rights, livelihood systems, and cultural uniqueness as defined by the Indigenous Peoples themselves; (iii) promote sustainable development benefits and opportunities for Indigenous Peoples so that Indigenous Peoples receive culturally appropriate social and economic benefits and can participate actively in projects that affect them; (iv) establish and maintain an ongoing meaningful consultation process with affected Indigenous Peoples’ communities to improve project design and implementation and to promote Indigenous Peoples participation and support for the project; (v) obtain free, prior, and informed consent (FPIC) in the

²⁹ The Alliance for Zero Extinction is a joint initiative of biodiversity conservation organizations to prevent extinctions by identifying and safeguarding key sites that serve as the last remaining refuges for one or more endangered or critically endangered species. <https://zeroextinction.org/>

three circumstances (para. 66); and (vi) recognize, respect, and preserve the culture, knowledge, and practices of Indigenous Peoples where possible in a project context, and provide opportunities to adapt to changing conditions in a manner and timeframe acceptable to them. These objectives and the related requirements address the weaknesses identified in the IED evaluation (para. 10).

66. ESS7 introduces two main changes. First, the Indigenous Peoples identification will be based on distinctiveness defined by four characteristics that include self-identification, collective attachment, customary institutions and laws, and distinct language. The SPS requirement for Indigenous Peoples to be considered as 'vulnerable' has been removed as a criteria. This change aligns with the identification requirements of Indigenous Peoples standards of other MDBs. Second, the standard introduces the requirement of FPIC under three circumstances: (i) when a project has adverse impacts on Indigenous Peoples' land and natural resources; (ii) when it causes relocation of Indigenous Peoples from these lands; or (iii) when it has significant impacts on Indigenous Peoples' cultural heritage that is material to their identity and culture and/or to ceremonial and/or spiritual aspects of their lives. FPIC replaces the SPS requirement for consent of the affected Indigenous Peoples through "broad community support." FPIC shares several similarities with broad community support, hence it is not a completely new requirement, although FPIC is considered as a higher standard. Similar to the consent process under broad community support, FPIC does not require unanimity and may be achieved even when individuals or groups within or among project-affected Indigenous Peoples' communities explicitly disagree. For ESS7, consent refers to the collective support of project-affected Indigenous Peoples' communities for project activities that affect them, reached through a culturally appropriate process. The standard also requires a grievance mechanism that integrates customary dispute settlement mechanisms of the Indigenous Peoples, where appropriate, and ensures that complainants are protected from reprisals, a concern repeatedly raised by Indigenous Peoples and CSOs. Following the ESF integrated approach, ESS7 has established better linkages to ESS5, ESS6, and ESS8. Concerns regarding the acquisition of Indigenous Peoples' 'customary land' were raised by all stakeholders and establishing clear linkages between ESS7 and ESS5 should address these concerns. ESS7 also introduces requirements for "indigenous groups living in voluntary isolation" in line with other MDBs.

67. **ESS8: Cultural Heritage.** This standard aims to protect cultural heritage and encourages its broader use as an enabler of sustainable development. The objectives are to (i) protect cultural heritage from adverse impacts of project activities and support its conservation using appropriate expertise; (ii) address cultural heritage protection as an integral aspect of sustainable development; (iii) apply the mitigation hierarchy to anticipate and avoid risks and impacts on cultural heritage; (iv) promote meaningful consultation with local experts and other stakeholders regarding cultural heritage; and (v) promote the equitable sharing of benefits from project use of cultural heritage.

68. ESS8 builds on the current SPS requirements by expanding the scope to include intangible cultural resources. Based on feedback from consultations, the scope of coverage for intangible cultural resources has been further clarified. It also provides requirements for areas of overlap between cultural heritage and Indigenous Peoples, which are not covered under the SPS. If cultural heritage is identified in Indigenous Peoples' areas, FPIC may be required in accordance with ESS7. ESS8 also sets out the requirements for chance finds procedures and provides specific requirements for different types of cultural heritage. These include archaeological sites and materials, underwater cultural heritage, burial sites and human remains, built heritage, landscapes or natural resources, and movable cultural heritage. Finally, this standard requires meaningful consultation to identify cultural heritage that may be affected by a

project, considering the significance of its risks and impacts. Given the special knowledge required for handling cultural heritage, the requirement to engage appropriate experts has been highlighted further in the revised text of ESS8.

69. **ESS9: Climate Change.** The standard sets out the requirements for managing project-related climate risks and impacts. It supports alignment with the Paris Agreement and promotes climate change mitigation and build climate resilience, in accordance with the DMC's commitments under international instruments. The objectives are to (i) minimize absolute and relative GHG emissions attributable to a project by considering alternatives, and monitor and report project-related GHG emissions, where applicable; and (ii) manage project-related climate risks and contribute to enhancing climate resilience. The standard retains the project-related GHG emissions monitoring and reporting requirements of the SPS. However, ESS9 reduces the monitoring and reporting threshold for GHG emissions from 100,000 tons of carbon dioxide equivalent per year to 20,000 tons of carbon dioxide equivalent per year. The guidance note for ESS9 will include this specific monitoring and reporting numeric threshold, while the text in ESS9 will refer to a "reporting threshold of carbon dioxide equivalent per year, which may be adjusted lower over time and as determined by ADB." This would allow ADB, if required, and based on consultation with the Board, to adjust the threshold taking into consideration evolving international climate change negotiations. Further changes were made to strengthen the language on considering alternative measures to minimize GHG emissions of a project.

70. The standard also requires borrowers and/or clients to undertake project-level CRA and implement adaptation measures for relevant projects. Through ESS9, appropriate climate change adaptation and resilience measures to address identified climate risks of a project will be considered, in a manner proportionate to the nature and scale of the potential risks. Climate change risks assessed through ESS9 will be considered and integrated, as appropriate, with the risks assessed by other relevant ESSs. The revised text added the requirements for the disclosure and monitoring of GHG emissions and implementation of climate change adaptation and resilience measures.

71. **ESS10: Stakeholder Engagement and Information Disclosure.** This standard consolidates all requirements related to stakeholder engagement, including meaningful consultation, information disclosure, and grievance mechanisms. The objectives are to (i) establish an informed systematic approach to stakeholder engagement that will help the borrower and/or client develop and maintain a constructive and responsive relationship with its stakeholders; (ii) assess levels of stakeholder interest and support for a project through meaningful consultation, and enable stakeholders' views to be taken into account in the project development process and in the implementation and monitoring of E&S performance; (iii) promote and provide the means for effective and inclusive engagement with stakeholders on issues that could potentially affect them throughout the preparation and implementation phases of a project cycle; (iv) ensure appropriate project information on E&S risks and impacts is disclosed to stakeholders in a timely, understandable, and accessible manner and format; (v) ensure the needs and concerns of disadvantaged or vulnerable project-affected persons are recognized and accounted for in the stakeholder engagement and information disclosure process; and (vi) provide stakeholders with safe, accessible, and inclusive means to raise questions, proposals, concerns, and grievances, without threat of reprisal, and ensure that borrowers and/or clients respond and manage them effectively.

72. ESS10 strengthens the requirements under the SPS by requiring a stakeholder engagement plan, proportionate to the risks, for every project. The plan requires identifying project stakeholders, including disadvantaged or vulnerable groups, and ensuring their needs and

concerns are recognized and accounted for in the stakeholder engagement process and information disclosure. Further changes specify the preparation of a Stakeholder Engagement Framework for projects where not all components are identified, or where specific locations or alignments of major infrastructure or project facilities are uncertain at the time of ADB's project appraisal or final credit approval. Like the SPS, ESS10 requires the establishment of project-level grievance mechanisms. However, it provides more specific requirements for the grievance mechanism, including requirements to address allegations of reprisal, abuse, intimidation, or discrimination, and to take appropriate remedial measures to address them. Where a grievance mechanism is prescribed under other ESSs, such as ESS4, ESS5 and ESS7, the mechanism provided under ESS10 may be utilized if it has the required features, including appropriate skills and expertise, to satisfy the specifications set out in the ESSs. For grievances involving project workers, the borrower and/or client will establish a separate grievance mechanism under ESS2. This worker's grievance mechanism will not impede project worker's access to grievance mechanism under ESS10.

73. The disclosure of project information has been aligned with other MDBs. ESS10 requires disclosure as early as possible in project preparation and in a time frame that enables meaningful consultations with stakeholders on project design. Disclosure to project-affected persons must be understandable, accessible, and culturally appropriate, considering any specific needs of groups that may be differentially or disproportionately affected by a project. It was clarified that the alternatives assessment will also be part of the disclosed information. Project information must be disclosed on ADB's website no later than ADB's project appraisal (for sovereign operations) or final credit approval (for nonsovereign operations) for projects classified *high risk*, *substantial risk*, and *moderate risk*.

D. Requirements for Different Financing Modalities and Products

74. The requirements for different financing modalities and products (as set out in Part IV of the ESF) explain how E&S requirements stemming from the E&S Policy and 10 ESSs apply to ADB and borrowers and/or clients, respectively, in the context of different financing modalities and products offered by ADB. These modalities and products include sector lending, emergency assistance loans, multitranches financing facilities, policy-based lending, sector development programs, results-based lending, project readiness financing, small expenditure financing facilities, technical assistance, financial intermediaries, and corporate finance. The requirements build on the existing requirements set out in the SPS and/or policy papers for these modalities and products by codifying the implementation practices and lessons learned. Another improvement made is the explicit delineation between the responsibilities of ADB and the requirements of the borrowers and clients. Based on the stakeholder feedback, more clarity and detailed E&S requirements have been included for financial intermediary transactions. This section also sets out the E&S screening, assessment, and management approaches for different types of financing modalities and products to guide future products that may be developed by ADB post-approval of the ESF.

E. Prohibited Investment Activities List

75. The prohibited investment activities list is a list of activities that are ineligible for ADB's financing. While other MDBs have varying approaches to exclusions—some lacking an explicit list and others having a more extensive exclusions—the current list remains relevant and useful in determining eligibility for ADB financing, based on a comparative analysis of MDB requirements and the lessons learned under the SPS. The ESF maintains the same list of activities but adds

new prohibitions from ADB's Energy Policy. These relate to (i) new coal-fired power generation and coal-fired heating plants; (ii) coal mining, processing, storage, or transportation; (iii) upstream or midstream oil projects; and (iv) natural gas exploration or drilling.

76. In addition, the prohibited investment activities list prohibits financing the production, trade, or use of asbestos fibers. This is a change from the SPS, which allows the use of bonded asbestos cement sheeting with asbestos content below 20%. This prohibition does not apply to projects involving disposal of existing asbestos, provided a suitable asbestos management plan is adopted for disposal. This change is premised on a precautionary approach to avoid exposure risks to project workers and community members to all forms of asbestos and asbestos-containing materials given the significant health risks. This is also in consideration of the generally limited capacity within DMCs for chemical testing, health screening, medical costs, and general challenges with safe disposal of asbestos containing materials. Furthermore, explicit references to Rotterdam and Stockholm Conventions were included in the footnotes, in addition to the existing references to Montreal Protocol, Basel Convention, and the Convention on International Trade in Endangered Species of Wild Fauna and Flora, in response to stakeholder requests for explicit references to relevant international instruments concerning prohibited investment activities.³⁰

VI. IMPLEMENTATION AND RESOURCE IMPLICATIONS

A. Efficiency and Effectiveness Measures

77. As described in paras. 34–76, the ESF seeks to achieve a balance between having robust safeguard requirements (aligned with good international practice and with other MDBs) with practicality and efficiency needed for processing and implementing these requirements in projects supported by ADB. While the ESF enhances requirements and broadens the scope, it includes several important measures to support efficiency and effectiveness: (i) a clear delineation between the roles and responsibilities between ADB and borrowers and clients; (ii) a more risk-based and adaptive management approach and early stage engagement by ADB; (iii) enhanced opportunities for the use of borrowers' E&S systems; and (iv) common approaches with cofinanciers to avoid duplication and transaction costs. When combined, these measures will provide a more balanced approach.

78. The ESF is structured to set out ADB's responsibilities in the E&S Policy and the borrower and/or client requirements in the ESSs. This delineation of responsibilities and requirements will provide the needed clarity on E&S obligations. The new risk classification and risk-based approach will ensure that the E&S assessments are proportionate to the risks and impacts of a project. This will facilitate early engagement by ADB and allocate more support to borrowers and/or clients for projects classified *high risk* and *substantial risk* that require more attention, while streamlining processes for projects classified *moderate risk* and *low risk*. It will also provide greater flexibility in the timing of certain E&S assessments without compromising the overall E&S readiness of a project.

79. The ESF also promotes the strengthening and use of borrowers' E&S systems. This will be complemented by ADB's capacity building support for borrowers. ADB will make use of strategic entry points for the use of such systems by incorporating specific support into the country

³⁰ [Rotterdam Convention](#), [Stockholm Convention](#), [Montreal Protocol](#), [Basel Convention](#), [Convention on International Trade in Endangered Species of Wild Fauna and Flora](#).

partnership strategy to prepare for the accreditation of borrowers' E&S systems. Further, the ESF's requirements for the use of borrowers' E&S systems are aligned with those of other MDBs, particularly the World Bank. This general alignment will facilitate collaboration on developing methodologies, undertaking assessments, and accrediting borrowers' E&S systems.

80. The ESF also introduces the use of a common approach, where cofinanciers, borrowers and/or clients may agree on a set of common requirements for the assessment, development, and implementation of a project. Because the ESF requirements are generally aligned with those of other MDBs, there will likely be more opportunities to adopt a common approach, which will help reinforce MDB collaboration and joint capacity building for borrowers and clients. ADB will facilitate upstream dialogue to explore suitable arrangements with other MDBs for the use of a common approach and develop associated guidance materials and monitoring procedures.

81. The ESF rollout, as detailed in paras. 82–85, will require close coordination and collaboration with other ADB initiatives. A management-approved action plan with specific time-bound actions and the roles and responsibilities of ADB departments and Staff will be finalized post approval of the ESF, and implemented to ensure efficiency and effectiveness. Management actions will include, for example, (i) upstream engagement of E&S issues and promotion of use of borrowers' E&S systems in country partnership strategies, (ii) implementation of safeguard knowledge management action plan, (iii) training on poverty and social analysis (including disadvantaged or vulnerable groups), SEAH, and climate change, (iv) development of contextual risk analysis framework and guidance on differentiated measures, (v) finalization of E&S readiness filters and other indicators, (vi) updating of shared approach for the Pacific Island countries and development of differentiated approach for FCAS and SIDS, (vii) development of digital risk screening framework, (viii) alignment between E&S requirements and procurement documents, (ix) enhancements to ADB website for improved information disclosure, and (x) financial and skills support for effective ESF implementation. An indicative management action plan is attached as Appendix 3.

B. Environmental and Social Framework Rollout

82. The ESF rollout across ADB, DMCs and private sector clients will commence immediately following ADB's Board approval of the ESF and will span 3 years. An ESF rollout plan is attached as Appendix 2. The main objective is to help borrowers and clients transition effectively to the new policy and implement the ESSs, while continuing to apply the existing SPS requirements for ongoing projects. The rollout will have six workstreams: (i) transition from SPS to ESF, (ii) change management, (iii) internal ADB capacity building, (iv) borrower's capacity building, (v) partnerships, and (vi) updating of the E&S information technology systems. Through guidance materials, training, and partnerships, the rollout aims to strengthen the capacities and readiness of ADB Staff, borrowers and clients. The rollout design incorporates lessons learned from other MDBs' policy updates and rollouts.

83. Preparatory activities leading up to ESF effectiveness will include (i) a revised *Operations Manual* section and *Staff Instructions* providing detailed business process requirements for ADB Staff, (ii) guidance notes for borrowers and clients to support the implementation of the 10 ESSs, (iii) good practice notes and tools, and (iv) training materials and e-learning modules. The good practice notes will cover specific topics, such as grievance mechanisms, SEAH, managing risks for disadvantaged or vulnerable groups, cultural heritage, and FPIC.

84. Training materials will cover each of the 10 ESSs, as well as details on project preparation, implementation, monitoring of E&S performance, and requirements for financing modalities and

products. Training resources will include brochures, e-learning modules, classroom training manuals and delivery modules, video resources, case studies on good practices, and assessment tools and templates. Materials will be designed for online and in-person training and will involve train-the-trainer approaches to support widespread rollout. For ADB safeguards staff, an accreditation program will be developed to ensure they have sufficient skills to prepare and implement the ESF. To support the successful transition to the ESF, a change management program will be developed, highlighting the added value of the safeguards and the implementation of a risk-based approach.

85. To deliver the capacity building plan sustainably and effectively, partnerships will be explored, with regional and country safeguard learning centers, university programs, and institutes. Collaboration with other MDBs, bilateral agencies, and CSOs will be strengthened to enhance the delivery of capacity building activities. Existing partnerships, such as the Regional Safeguards Community of Practice on Safeguards for Asia and the Pacific, will be leveraged to share implementation lessons and develop joint capacity support programs, where possible.

C. Internal Arrangements

86. As part of ADB's new operating model (NOM) reforms, the Office of Safeguards (OSFG) was established on 30 June 2023. The new office brings together ADB safeguard staff from headquarters and resident missions who have four main functional roles: (i) policy and compliance oversight; (ii) operations support; (iii) knowledge management and capacity development; and (iv) safeguard portfolio monitoring and reporting and support on grievance raised to ADB Management and operations. OSFG, working with other departments, is responsible for designing, implementing, and monitoring ADB's safeguard policy and procedures. It advises and supports ADB Management, operational departments, and other parties, including borrowers and clients, on delivering development solutions in compliance with ADB's safeguard policy and procedures. OSFG also drives the building and integration of knowledge into development solutions and leads the capacity and skills development of clients and ADB Staff.

87. Under the leadership of the OSFG Head—who holds the final authority on policy interpretation, distinct organizational arrangements and functional roles have been established. The policy and technical services team is responsible for (i) policy formulation and interpretation; (ii) technical support to operations on good practices; and (iii) compliance oversight, with a focus on projects classified *high risk*, results-based lending programs, and other projects with complex safeguard issues (as determined through safeguard risk screening and classification). The team approves the safeguard risk classification for all projects, undertakes peer reviews, and issues safeguard policy compliance memorandums for projects classified as *high risk* at project appraisal to confirm policy compliance and any actions required to maintain compliance during implementation. The team monitors and reports to ADB Management on safeguards implementation and conducts safeguard knowledge management activities, including knowledge products and guidance, knowledge continuity, training and learning for Staff and clients, outreach, and partnerships. The team is also responsible for leading the ESF rollout.

88. OSFG's operations services teams work with sector and thematic solutions teams, regional departments, and borrowers, and public and private sector clients to ensure that project-level E&S safeguard planning documents are prepared, implemented, and monitored consistent with ADB's safeguard policy and procedures. These teams provide compliance oversight for project classified *substantial risk*, *moderate risk*, and *low risk* to increase efficiency, while maintaining quality assurance. They also (i) monitor, supervise, and report on project-level E&S implementation; (ii) work with borrowers and clients to support understanding of ADB policy

requirements; and (iii) ensure requisite capacity and support is provided during project preparation and implementation. These teams work with borrowers and clients to address unanticipated risks and impacts and complaints from project-affected persons and stakeholders, as well as to ensure projects address and remedy any noncompliance issues. Further, they will work with borrowers and clients on the ESF rollout and provide project-level training, guidance to consultants, and guided piloting and learning activities for the new requirements.

89. In the fourth quarter of 2023, OSFG launched the Integrated Safeguard Management System (ISMS) to manage and digitize safeguard business processes, monitoring, and reporting. The ISMS includes safeguard risk screening and categorization, submission of safeguard documents, approvals, and issuance of safeguard policy compliance memorandums. The ISMS also supports more efficient processing and enhanced and timely monitoring and reporting. The system integrates with other business tools, including ADB's sovereign operations system, spatial analysis data explorer, and project portfolio rating system. Initially designed to support SPS implementation, the ISMS will be upgraded in 2024 and 2025 for the ESF.

90. As of the date of submission of this paper, there are 187 safeguard staff positions comprising 78 international staff, 92 national staff, and 17 administrative staff working on safeguards. The current safeguard staffing strategy is to increase staff capacity and efficiency, including in new skills areas, while balancing staff capacity for both sovereign and nonsovereign operations and strengthening staff capacity at resident missions. OSFG has recruited staff with skills required for the implementation of the ESF, such as labor and working conditions, climate change, and safeguards for disadvantaged or vulnerable groups. OSFG is also planning to add staff specializing in biodiversity, Indigenous Peoples, gender, SEAH, occupational health and safety, enhanced stakeholder engagement, cultural heritage, and grievance mechanisms. Efforts are also being made to enhance ADB grievance redress capacity to preemptively diffuse and resolve complaints and enhance compliance for issues raised through ADB operations.

91. The OSFG structure responds to the IED evaluation recommendation to strengthen ADB's internal arrangements for safeguard oversight, policy interpretation, problem solving, and capacity development. The evaluation also identified the need to focus resources on implementing safeguards, improving guidance, and building the skills base and implementation capacities of ADB Staff, borrowers and clients. The new office and revised business processes also support more efficient processing, with safeguard staff assigned to all projects from the project concept design phase through to project completion or evaluation phase, along with enhanced coordination mechanisms. Greater empowerment of project teams to manage safeguard compliance for project classified *moderate risk* and *low risk* also supports initial steps towards a more risk-based approach. The use of digital tools, including artificial intelligence, has also been explored to further improve efficiency.

D. Resource Implications

92. ADB will allocate responsibilities and appropriate resources to support the effective implementation of the ESF. An initial institutional analysis was undertaken at the beginning of the SPRU process to determine ADB's E&S oversight, institutional arrangements, staffing, baseline staffing resources, and current workforce levels and needs. ADB Management has prepared resource and staffing projections, considering higher lending volumes, the new operating structure under the NOM, and the skills and resources required stemming from the new E&S requirements under the ESF.

93. Staff and resource needs will vary according to project risks and impacts and contextual factors. Projects classified *high risk* and *substantial risk* are likely to require some additional resources, while projects classified *moderate risk* and *low risk* should be more streamlined. Enhanced risk assessments and contextual analysis will support better planning and resource allocation for projects. Project-level support for DMCs and clients should be adjusted to meet project needs. Effective implementation of the ESF will require incremental staff resources and technical assistance for management-approved action plan (para. 81), policy rollout, staff skills and accreditation, and capacity building for borrowers and clients (paras. 82–85).³¹ Additional resource needs for both sovereign and nonsovereign operations will be considered as part of the Work Program and Budget Framework process in each subsequent year.

E. Effective Date and Transitional Period

94. The ESF will become effective 1 January 2026, or a later date as determined by Management after confirming the readiness to implement the ESF, and following Board consultations on the same. Readiness criteria will include the following: (i) publication of guidance notes for ESS1–ESS10; (ii) approval of the relevant *Operations Manual* section and *Staff Instructions*; (iii) completion of relevant Staff training; and (iv) initial capacity building activities in DMCs.

95. The ESF will supersede the SPS, subject to the following transitional arrangements:

- (i) for projects that have been approved or have a concept note approved by ADB prior to the effective date of the ESF, the SPS will continue to apply; and
- (ii) for new projects for which a concept note is approved by ADB on or after the effective date of the ESF, the E&S Policy, ESSs, the requirements for financing modalities and products, and the prohibited investment activities list will apply.

96. The ESF will supersede the E&S requirements in the ADB policies on the financing modalities and products as follows, subject to the same transitional arrangements described in para. 95:

- (i) para. 83 of the Revised Disaster and Emergency Assistance Policy³² and para. 46 of the Revised Emergency Assistance Loan Policy.³³
- (ii) paras. 84 and 85 of Mainstreaming the Multitranchise Financing Facility³⁴ and para. 20(v) of Enhancing the Asian Development Bank's Multitranchise Financing Facility.³⁵ The disclosure requirements for E&S documents for ADB (as set out in the E&S Policy) and for the borrowers and clients (as set out in ESS10) will supersede the safeguard document disclosure requirements in para. 91 of Mainstreaming the Multitranchise Financing Facility.
- (iii) para. 29 of the Review of ADB's Policy-Based Lending.³⁶

³¹ A dedicated technical assistance for the ESF rollout is being prepared, together with additional support for strengthening knowledge and capacity for borrower's E&S systems and private sector clients and improving the readiness and implementation of E&S requirements in ADB-financed projects.

³² ADB. 2021. *Revised Disaster and Emergency Assistance Policy*.

³³ ADB. 2021. *Revised Emergency Assistance Loan Policy*.

³⁴ ADB. 2008. *Mainstreaming the Multitranchise Financing Facility*.

³⁵ ADB. 2022. *Enhancing the Asian Development Bank's Multitranchise Financing Facility*.

³⁶ ADB. 2011. *Review of ADB's Policy-Based Lending*.

- (iv) paras. 34–36, 41(vii) and 72–81 of the Mainstreaming the Results-Based Lending for Programs.³⁷
- (v) para. 17 of the Contingent Disaster Financing under Policy-based Lending in Response to Natural Hazards.³⁸
- (vi) paras. 27, 31, and 60(i) of the Proposal for ADB's New Products and Modalities.³⁹
- (vii) para. 77(ii) of Enhancing Operational Efficiency of the Asian Development Bank.⁴⁰

F. Policy Review

97. ADB will commence review of the ESF no later than 10 years after its effective date. If, in the future, the Board approves (i) any new financing modalities or products with specific E&S requirements, or (ii) any changes to prohibitions on financing of activities, the concerned Board paper will set out the necessary revisions to Part IV or Part V of the ESF, respectively. Upon Board approval of the concerned Board paper, Part IV or Part V will be revised to include such revisions, as appropriate. Any reference in the E&S Policy and in ESSs to other ADB policies includes those other policies as amended from time to time.

VII. RECOMMENDATION

98. The President recommends that the Board of Directors approve the Environmental and Social Framework as set forth in the Annex.

³⁷ ADB. 2019. *Mainstreaming the Results-Based Lending for Programs*.

³⁸ ADB. 2019. *Contingent Disaster Financing under Policy-based Lending in Response to Natural Hazards*

³⁹ ADB. 2018. *Proposal for ADB's New Products and Modalities*.

⁴⁰ ADB. 2015. *Operational Efficiency of the Asian Development Bank*.

STAKEHOLDER CONSULTATION FEEDBACK

A. Introduction

1. Asian Development Bank (ADB) recognized the importance of having early engagement and robust consultations with stakeholders in the safeguard policy review and update (SPRU) process. The SPRU process was implemented based on a three-phased stakeholder engagement plan.

2. Phase 1 involved socialization and consultation on the draft stakeholder engagement plan to understand the main concerns of stakeholders before finalizing the plan. Stakeholder mapping and analysis identified the types of stakeholders to be engaged to understand their interests and roles. Stakeholders included individuals, groups, and institutions with diverse interests covering ADB safeguards and specialized topics, such as gender, labor, resettlement, Indigenous Peoples, human rights, biodiversity, animal welfare, climate change, stakeholder engagement, and accountability. Internal stakeholders included ADB Management, Staff, and the Board of Directors. External stakeholders included developing member countries (DMCs,) civil society organizations (CSOs), private sector clients, other multilateral development banks (MDBs) and international organizations, and people directly affected by ADB-financed projects.

3. Phase 2 focused on the findings from the analytical studies and feedback from stakeholders on lessons from the implementation of the Safeguard Policy Statement (2009) (SPS). The consultations, which took place from June 2021 to March 2023, involved 145 consultation events. Online consultations were held for each study, and 10 in-country consultation missions were held with selected DMCs. Project-affected persons were also consulted for nine ADB-supported projects. The consultations engaged more than 3,600 stakeholders, including 1,352 participants from DMC governments, 188 representatives from 56 private sector clients, and 1,458 participants from CSOs. Further, the review engaged 622 project-affected persons who shared their experiences with safeguard implementation. ADB also organized additional consultation sessions and focus group discussions on topics such as gender and sexual exploitation, abuse and harassment (SEAH). In addition, an Indigenous Peoples Advisory Group was established and held several meetings to discuss challenges faced by Indigenous Peoples, lessons and challenges with the SPS, and recommendations for the new policy. Feedback from phase 2 consultations, as well as written comments and recommendations from stakeholders, were compiled into a series of consultation reports and disclosed. The technical working groups and SPRU team considered these to formulate the initial draft environment and social (E&S) requirements for the new policy.

4. Phase 3 consultations were undertaken to obtain feedback on the environmental and social framework (ESF) consultation draft and the working paper. The draft ESF was publicly disclosed on 7 September 2023 for written comments until 6 May 2024. ADB held preliminary online information sessions in October 2023 to introduce the phase 3 engagement approach, including the consultation process and materials to the government and CSO stakeholders. From November 2023 to May 2024, six regional consultations and seven in-country consultations were organized to receive DMC governments' comments and recommendations on the draft ESF as well as implementation challenges under the current SPS. In addition, the SPRU team received feedback through five regional consultations with CSOs and focus group discussions with private sector clients, Indigenous Peoples groups, and trade unions. Written feedback was received from governments, CSOs, independent consultants, United Nations (UN) agencies, and the private sector from Asia and the Pacific, Europe, and North America. Similar to phase 2, feedback from phase 3 consultations, as well as written comments and recommendations from stakeholders,

were compiled into a consultation report and disclosed. The SPRU team considered these comments carefully in updating the E&S requirements in the ESF. The next section highlights key environmental, social, and crosscutting comments received through consultations and written feedback by the stakeholders.

B. Environmental Considerations

5. **Integrated E&S risk classification and risk assessment (Environmental and social standard (ESS1)).** Studies highlighted how ADB's approach to E&S risk classification is fragmented and recommended that a more integrated approach be considered. This would be consistent with other MDBs, which have developed more integrated E&S risk assessment processes. The studies also noted that DMCs do not have separate classification systems for E&S risks. Stakeholders generally agreed that the shift toward an integrated E&S assessment will enable a more holistic approach to risk assessment. However, effective implementation will require detailed guidance from ADB. Specifically, stakeholders highlighted the need for clear methods and indicators for E&S classification, noting that it should be evidence-based and proportionate to the nature and scale of risks and impacts. Distinct E&S risks should be identified and documented and there should be caution in "weighting" environmental versus social risks. Questions have arisen regarding the engagement of experts and what it means to have "internationally recognized" expertise necessary for undertaking certain assessments.

6. CSOs and some international organizations suggested that ADB strengthen its risk assessments by highlighting risks to disadvantaged or vulnerable groups and incorporating human rights considerations, and by incorporating the UN Guiding Principles on Business and Human Rights.¹ Assessing and managing potential risks of reprisals against project-affected persons and complainants was also raised, as well as risks associated with the deployment of military and security forces. CSOs also emphasized that they can play a role in monitoring E&S requirements and implementing the stakeholder engagement plan to enhance transparency and accountability. Furthermore, integration of emerging risks, such as climate, SEAH, and digital risks were also highlighted. Given that contractors often manage E&S risks and impacts, stakeholders, particularly DMC governments, requested guidance on effective contractor management to ensure compliance with ADB's E&S requirements.

7. **Resource conservation and pollution prevention (ESS3).** While most DMCs have ambient noise, air, and water quality standards and pollution discharge limits, stakeholders have identified several areas that require increased attention. These include the management of medical waste and hazardous chemicals, such as persistent organic pollutants, mercury, and novel chemicals, including new forms of pesticides and use of microbials. CSOs and trade unions strongly recommended that ADB support a full ban on the production and use of asbestos, removing the current allowance for bonded asbestos in the SPS's prohibited investment activities list. However, industry representatives have asserted that such a prohibition on asbestos is unwarranted and should allow continued use of certain asbestos containing materials such as serpentine (chrysotile) asbestos.

8. Resource conservation and efficiency were also highlighted, including the conservation of surface and groundwater resources, as well as setting thresholds and limits for greenhouse gas (GHG) emissions. Stakeholders sought clarity on integration of circular economy approach, and suggested setting an exclusion threshold for energy use, water consumption, and other intensive resource processes, and requiring that ADB not finance projects that exceed these thresholds.

¹ United Nations Human Rights. 2011. [Guiding Principles on Business and Human Rights](#). Geneva.

Views diverged on the applicable standards for assessing and mitigating pollutants. While DMCs highlighted the existence and application of national standards, CSOs noted that national standards vary between countries and may have gaps, and thus recommended the application of good international practice standards such as the World Health Organization's 2021 Air Quality Guidelines.² Some stakeholders recommended that specific references to the relevant international conventions be included in the ESF to ensure consistency with host countries' commitments under such international instruments. Questions arose about the link between ADB's Energy Policy³ and safeguards, including whether the safeguards would prohibit the financing of oil, gas, and coal projects. Government stakeholders asked for guidelines on pollution control and mitigation measures, and training on data analysis and related technology.

9. **Biodiversity and sustainable natural resources management (ESS6).** Stakeholders highlighted the accelerated loss of biodiversity and carbon-rich ecosystems as a driver of climate change. More effort is needed to avoid biodiversity impacts, especially for critical habitats and other priority biodiversity features. Some CSOs recommended that ESS6 reference the Kunming–Montreal Framework to reiterate the importance of conservation, and move away from the goal of “no net loss” of biodiversity and instead adopt a goal of “no loss” or targets for achieving “net gains.” More selective use of biodiversity offsets was also highlighted, as it was contended that many offsets fall short of intended targets and that the mitigation hierarchy should be more fully explored before considering offsets. Where offsets are considered, CSOs also considered it key that all necessary funds, location and expertise can be demonstrated prior to project approval. DMC governments recommended that biodiversity features from the national biodiversity strategies and plans of host countries be considered during biodiversity assessments, and sought guidance on good international practices on biodiversity assessments. Beyond biodiversity, stakeholders highlighted the environmental impact of agriculture and industrial livestock production, particularly their contribution to GHG emissions and the rise of antimicrobial resistance. As part of biodiversity management, consideration of zoonotic diseases risks and animal welfare was also recommended.

10. Further, CSOs recommended that ADB establish “no-go zones” with strict protection for sensitive areas, such as United Nations Educational, Scientific and Cultural Organization (UNESCO) Natural and Mixed World Heritage sites, free flowing rivers, and Alliance for Zero Extinction sites, which protect refuge habitats for critically endangered species. The connection between ESS6 and ESS7 on Indigenous Peoples was also highlighted, emphasizing the need for stakeholder consultation with affected Indigenous Peoples to learn from and apply indigenous knowledge into biodiversity conservation and ensure benefit sharing with the Indigenous Peoples of the use of genetic resources. Sustainable procurement of natural resources was also highlighted with CSOs requesting full consideration of supply chain risks while DMC governments sought further guidance on evaluation of those suppliers that may cause significant adverse impacts to ecosystems and biodiversity. Government stakeholders suggested requiring confirmation that primary suppliers engaged in a project are not contributing to significant conversion or degradation of natural or critical habitats.

11. **Health, safety, and security (ESS4).** All stakeholders recognized the importance of adopting good international practices for both community and worker health and safety. However, implementation capacity was identified as a significant constraint, and increased monitoring and capacity building of contractors and subcontractors were seen as a priority. Stakeholders,

² World Health Organization. 2021. [WHO global air quality guidelines: particulate matter \(PM2.5 and PM10\), ozone, nitrogen dioxide, sulfur dioxide and carbon monoxide](#).

³ ADB. 2021. *Energy Policy*.

particularly the CSOs and trade unions, asked ADB to align ESS4 provisions with International Labour Organization Convention 155 on Occupational Safety and Health, and to mandate occupational health and safety (OHS) recording and monitoring and open access to information on health, safety and security. Consultations with stakeholders were highlighted as essential for undertaking community health and safety risk assessments and management. CSOs and trade unions also emphasized strengthening data collection and reporting, highlighting the importance of supporting workers with training as well as joint monitoring and reporting. It was recommended that ADB promote internationally recognized frameworks for a systems approach to OHS risks such as ISO 45001. Trade unions strongly suggested requiring a joint trade union and management OHS committees to manage risks, especially in countries with limited OHS inspectorate systems.

12. Other suggestions for ESS4 include specifying the compensable diseases and injuries and the level of protection contextualized to countries, sectors, and occupations, provision of guidance on the frequency for health assessments to be done for the project workers, and if necessary, for community members, and setting out stronger safeguards for dams and linear infrastructure projects. The management of security personnel at project sites was also highlighted as an issue and the importance of good practice codes of conduct and carefully managing relationships between security personnel and local community members.

13. **Cultural heritage (ESS8).** Stakeholders welcomed the standard, which now covers both tangible and intangible cultural heritage.⁴ DMCs noted that cultural heritage is still a relatively new subject and recognize that it covers many disciplines; therefore, finding experts with the appropriate background and experience to engage in a project could be challenging. Academic institutions highlighted potential challenges in implementing the new ESS8 requirements, including lack of existing databases on tangible cultural heritage, difficulties in identifying intangible cultural heritage, and the general absence of specialists with the required expertise and resources for rigorous cultural heritage assessments. Other issues raised include considering categorical exclusions in the policy for materially significant and non-replaceable cultural heritage. CSOs, academic institutions, and project-affected persons stressed the importance of involving communities in identifying cultural heritage, because there is often little information on sites of local importance and the protection of intangible cultural heritage. The impacts of pollution on cultural heritage and how to address this under ESS3 on resource conservation and pollution prevention were also raised. There were requests for additional guidance on the policy and training on cultural heritage risk assessment and management systems.

14. **Climate change (ESS9).** Many peer institutions cover some aspects of climate change in their E&S frameworks. All stakeholders recognized the critical importance of addressing climate change and implementing the Paris Agreement.⁵ However, some stakeholders, including DMC governments, questioned the need for a separate standard on climate change given ADB's existing commitments to align its operations with the Paris Agreement, as well as its targets for climate finance and upstream strategies to support DMCs. DMCs stressed the importance of supporting the implementation of nationally determined contributions and national adaptation plans. Prohibitions on financing exploration and energy generation from all forms of fossil fuels, as well as certain technologies such as waste incinerators, were supported by some, with recommendations to expand the exclusions from ADB financing as set out in ADB's Energy Policy.

⁴ "Intangible cultural heritage" includes practices, representations, expressions, knowledge, skills, and language, as well as the associated instruments, objects, and artifacts, that communities and groups recognize as part of their cultural heritage.

⁵ United Nations Framework Convention on Climate Change. 2015. [Paris Agreement](#).

Others, including the DMC governments, requested for exceptions from such prohibitions under the Energy Policy, to permit proper transition away from traditional fossil fuel dependent energy sources.

15. Some requested clarifications on the application of mitigation hierarchy to climate impacts and GHG emissions, and the interlinkage between ESS1 on E&S assessment process and ESS9. There were questions and recommendations on GHG emissions calculation methodologies and the applicability of the requirements to existing facilities, financial intermediary transactions, and projects funded by ADB bonds. DMC governments pointed to the lack of guidelines within the host countries for recording and collecting data related to GHG emissions, as well as capacity challenges in undertaking climate risk assessments. There were also recommendations not to have the numerical threshold of 20,000 tons of carbon dioxide equivalent per year in the policy provision itself, allowing for gradual adjustment as international climate negotiations evolve over time. Governments and private sector clients requested ADB support to help fill resource and capacity gaps to meet the new climate change requirements.

C. Social Considerations

16. **Labor and working conditions (ESS2).** Most comparator MDBs have a separate standard on labor and working conditions in their E&S frameworks. It was recommended that ADB align with this approach, consolidating the provisions in the SPS and the Social Protection Strategy (2001). Many stakeholders requested that ADB align its new labor standard with and include an explicit reference to the core labor standards (or fundamental conventions) of International Labour Organization (ILO) that cover fundamental principles and rights at work. As part of the requirements for labor and working conditions, stakeholders, especially trade unions and CSOs, recommended that the policy include (i) employment impact assessments and labor management plans, incorporating monitoring mechanisms and the conduct of labor audits; (ii) consultation processes between employers' and workers' representatives; (iii) guidelines to prevent and mitigate risks of SEAH and gender-based violence and response mechanisms for incident management; (iv) provisions specific to women and requirements for a gender-responsive working environment; (v) meaningful consultations with project workers, especially for female workers, and their organizations, and effective project-level grievance mechanisms for project workers without any form of retaliation or reprisal, particularly considering sensitivities related to SEAH and gender-based violence; (vi) provisions to address mental health and wellbeing of workers, including community workers, informal workers, migrant workers, primary supply workers, and persons with disabilities; and (vii) nondiscrimination and equality of opportunity and treatment for project workers, who are disadvantaged or vulnerable, including those of diverse sexual orientation and gender identity (SOGI). Trade unions and CSOs suggested addressing issues related to wages and benefits, collective dismissal, excessive working hours, and providing adequate workers' accommodation and basic services. They also suggested including specific enforcement mechanisms in the project financing agreements through loan covenants, requiring performance bonds and insurance schemes to ensure timely payments of salaries and compliance with the E&S requirements. The issue of social security and worker insurance against incidents was also raised.

17. Government stakeholders expressed concerns that implementing the new standard might increase costs, especially if there are gaps between host country laws and ESS2 requirements. Stakeholders expressed diverse views on managing risks, including those related to child and forced labor in supply chains. While most MDBs conduct due diligence for the workers of primary suppliers, some stakeholders underscored the need for supply chain mapping, greater traceability, and due diligence at higher levels of supply chains. DMC stakeholders identified practical and

implementation challenges in extending due diligence beyond the level of a project and contractual relationships with suppliers. Limitations with risk assessments, data verification, and capacity were also highlighted. More broadly, stakeholders recommended enhanced monitoring and reporting, and extending ESS2 requirements to contractors and subcontractors.

18. **Land acquisition and land use restriction (ESS5).** Stakeholders provided extensive comments on land acquisition and land use restriction, primarily focusing on the challenges DMC governments face during project implementation, such as when ADB requirements differ from host country laws. This issue often arises with informal settlers, and clarification was sought on the definition of “affected persons” and provisions for non-title holders. DMCs and CSOs inquired about the proposed changes related to the adoption of the integrated E&S risk classification, as well as the application of the current numerical threshold of 200 affected persons as a basis for determining the significance of impact for the involuntary resettlement safeguard. DMCs requested clearer guidelines for land valuation to determine compensation at replacement cost. CSOs sought better guidance for land valuation for affected persons with customary or communal tenure, as well as those lacking legal documentation of land ownership. DMCs and other stakeholders also commented on the need to secure adequate resources for implementing land acquisition, including potential cost-sharing arrangements to cover compensation and livelihood restoration costs from ADB financing. The need to synchronize land acquisition and civil works procurement and implementation was also raised.

19. The expansion of the standard to cover both involuntary and voluntary land acquisition impacts prompted inquiries from DMC governments about the due diligence required for voluntary land transactions, a practice already widely adopted by ADB. CSOs called for greater transparency in the land acquisition data disclosure and reporting. Discussions also focused on the gender dimensions of land acquisition, such as protections for women when men are the primary title holders and recipients of compensation packages. Strengthening monitoring measures, including the use of third-party monitoring, and improving implementation capacity were also seen as a priority. The contextual risks related to the lack of a proper land ownership system and the overlapping mandates of various agencies were also raised. Stakeholders requested the examination of the impacts of indirect lending instruments such as financial intermediaries and technical assistance support. Stakeholders also asked that the standard be extended to cover the exclusion or removal of access to and/or utilization of resources in both lands and waters, and that require free, prior, and informed consent (FPIC) for all resettlement activities.

20. **Indigenous Peoples (ESS7).** Discussions highlighted the challenges associated with recognizing Indigenous Peoples, because several DMC stakeholders argued that their entire populations are indigenous. CSOs raised this issue from a different perspective, stating that nonrecognition of Indigenous Peoples by the state would make it difficult to implement ESS7. Questions were raised about the Indigenous Peoples identification criterion, specifically the removal of the “vulnerability” criterion, which is a requirement under Indigenous Peoples safeguards in the SPS but has not been included in ESS7. This criterion has been highlighted by an Independent Evaluation Department study as a technical constraint for triggering the Indigenous Peoples safeguards under the SPS. CSOs and the Indigenous Peoples Advisory Group stressed that identification criteria need to be aligned with the established right of Indigenous Peoples to self-identify as distinct sociocultural groups under international instruments, such as the United Nations Declaration on the Rights of Indigenous Peoples⁶ and ILO Convention

⁶ United Nations Resolution. 2007. [Declaration on the Rights of Indigenous Peoples](#).

169 on Indigenous and Tribal Peoples. CSOs emphasized that the distinct status of Indigenous Peoples should be determined irrespective of legal recognition by the host country's laws. Overall, there was general support from most stakeholders for removing "vulnerability" from the identification criteria for the Indigenous Peoples. However, governments requested a clear procedure on how the requirements will apply in host countries that do not officially recognize Indigenous Peoples or groups that are not considered "vulnerable." There were also comments that the policy provisions for Indigenous Peoples should not contradict host country laws. Another related recommendation was to consider migratory and nomadic groups as Indigenous Peoples.

21. The introduction of the requirement for obtaining FPIC in ESS7 was a major point of discussion. FPIC will replace the requirement of "broad community support" in the SPS. While CSOs welcomed and applauded the introduction of FPIC in ESS7, they also argued for its applicability in all instances where a project will have impacts on Indigenous Peoples. FPIC requirements in ESS7 are aligned with other MDBs. Though stakeholders generally supported replacing broad community support with FPIC, the DMCs expressed concerns about the time and financial resources required for FPIC, as well as the cumbersome procedural requirements that could result in project delays. The need to develop capacity for FPIC implementation was also repeatedly highlighted. CSOs expressed the need to strengthen culturally appropriate grievance mechanisms by including customary laws and dispute settlement mechanisms to address the needs of affected Indigenous Peoples. Recommendations were made to the requirement of establishing buffer zones to prevent contact with Indigenous Peoples in isolation. Stakeholders, particularly DMC governments highlighted the need to align the standard with other MDBs and expressed concern that the complicated arrangements for meeting ESS7 requirements and the associated costs might lead to fewer development opportunities for the Indigenous Peoples. Clarifications and linkages were sought on the provisions related to Indigenous Peoples in the context of land acquisition and land use restrictions (ESS5), biodiversity and natural resources (ESS6), cultural heritage (ESS8), and climate change (ESS9).

22. **Stakeholder engagement, information disclosure, and grievance mechanisms (ESS10).** Most comparator MDBs have established a separate standard for stakeholder engagement within their updated E&S frameworks. While most government stakeholders recognized the importance of meaningful consultation with project-affected persons, CSOs highlighted the need for more inclusive approaches that are gender-responsive and customized to the needs of disadvantaged or vulnerable groups. Early and continuous engagement throughout the project cycle was also highlighted. This can be supported by early stakeholder mapping and the preparation of stakeholder engagement plans for a project. CSOs highlighted the need for timely and effective disclosure of project documentation to project-affected persons in local languages. Some ADB members and CSOs recommended maintaining the SPS requirement on 120-day disclosure of E&S impact assessments for high-risk projects. However, other stakeholders, including DMC governments, noted that other MDBs have shorter disclosure requirements of less than 120 days, particularly for the private sector clients, and call for greater flexibility and efficiency. Governments requested that disclosure requirements do not conflict with host country data privacy laws and the disclosure requirements. Questions were also raised on the disclosure requirements for financial intermediary and corporate finance transactions. Some ADB members and CSOs recommended having dedicated stakeholder engagement specialists or local liaison and focal persons to communicate with project-affected persons on the ground.

23. Stakeholders also recommended that ADB clearly commit to zero tolerance for any intimidation or reprisals against stakeholders. Emphasis was placed on the need for a safe space for project-affected persons and other stakeholders, including certain population groups at heightened risk to raise concerns or complaints about project issues. Project-level grievance mechanisms were also highlighted as requiring further improvements on accessibility, effectiveness, and independence from project proponents. Support for DMC capacity, and participation by community and other stakeholders were deemed essential to developing effective grievance mechanisms.

D. Crosscutting Considerations

24. **Safeguards in different financing modalities.** Since the approval of the SPS in 2009, new financing modalities and products have emerged. The Board papers for these new lending modalities and products have contained E&S requirements without updating the SPS. Further, the limited details in the SPS section on the requirements for financing modalities has led to policy interpretation and implementation challenges, especially for financial intermediary and corporate finance transactions. On the financial intermediary, stakeholders recommended that the risk classification follow the same four-tier risk classification used for investment projects to avoid complications. Clarifications were also sought on the application of ESS1 and ESS9, especially regarding GHG assessments, to financial intermediary and corporate finance transactions, given the features of these financing modalities. CSOs asked ADB to be more transparent in its financial intermediary investments by disclosing subproject-level information. They also recommended retaining the 120-day requirement for disclosure for high-risk transactions, and suggested that ADB strengthen and disclose all relevant assessment and monitoring reports. However, other stakeholders, including private sector clients, noted challenges with disclosure of some commercial and confidential information about their portfolios and investments. Capital market regulations also affect the timing of public disclosures for certain equity investments and bond market transactions.

25. **Use of borrower's E&S systems.** This topic was of interest to both governments and CSOs, who had widely divergent views. One of the objectives of the SPS is to help borrowers and clients strengthen their safeguard systems and develop their capacity to manage environmental risks. ADB has supported this objective, which is also highlighted as a priority under Strategy 2030, through capacity building activities.⁷ The SPS provides opportunities to use a country safeguard system (CSS) when the CSS is “equivalent” and implementation capacity is “acceptable.” ADB considers a borrower's CSS to be equivalent to ADB's if the borrower's system is designed to achieve the same objectives and adhere to the policy scope, triggers, and applicable principles set out in the SPS. However, progress has been limited—ADB's Board has approved only one agency-level CSS. Limited approval of the use of CSSs is not unique to ADB; other MDBs have also faced similar challenges because of the gap in requirements between their policy framework and CSSs.

26. This has been a source of frustration for some DMCs, which expressed the need for the new policy to be more aligned with national standards and to provide greater flexibility in using CSSs. DMC governments requested that under the ESF, the use of borrower's E&S systems become the “default” approach, especially for low and medium risk projects. Further, the DMC governments sought assurance from ADB that upstream engagements, such as through the

⁷ ADB has approved more than \$50 million in technical assistance since 2009 to (i) help DMCs assess legal and policy gaps, (ii) prepare good practice guidance, (iii) conduct capacity-building, and (iv) develop regional safeguards learning centers.

country programming process, will prioritize the use of borrower's E&S systems upon request by the DMC governments. While recognizing the importance of strengthening CSSs, CSOs emphasized the need for a cautious approach. They noted the differences between some DMC requirements and varying implementation capacities and monitoring. Therefore, CSOs recommended that the SPS's language on CSSs not be diluted. Governments also highlighted the importance of capacity building, especially among key ministries, regulatory agencies, and contractors, and suggested that gap-filling measures be addressed in projects.

27. **Adoption of a common approach.** Stakeholders generally acknowledged the potential benefits of using a common set of safeguard requirements for a project. Cofinanciers have opportunities to agree on common approaches, which could be helpful in the preparation, implementation, and monitoring of safeguard performance. Governments generally viewed this approach positively, provided it would reduce their burden of complying with the requirements of multiple cofinanciers for a single project. CSOs also recognized the potential benefits of a common approach, as long as it does not dilute the requirements and ensure that the requirements that are more stringent or protective of the environment or the project-affected persons are adopted among the cofinanciers. There were also recommendations for greater procedural simplification and harmonization. Some stakeholders recommended allowing borrowers in ADB-financed and/or administered projects to use the safeguard due diligence undertaken by other MDBs.

28. **Disadvantaged or vulnerable groups and gender equality.** Stakeholders recognized the importance of nondiscrimination and gender equality, as well as the need for safeguard requirements to address project-related risks and impacts on people, including those who are disadvantaged or vulnerable. This includes assessing how a project affects different population groups in various ways. Stakeholders broadly agreed on the need to undertake an assessment to identify the disadvantaged or vulnerable population groups that may be differently affected by a project. However, some stakeholders, particularly certain governments, expressed concern about including specific population groups, such as those defined by SOGI, in the definition of "disadvantaged or vulnerable." Further, some governments reiterated that ADB should not be seen as imposing certain views on DMCs, especially on matters that are culturally and religiously sensitive, and emphasized the need to understand country-specific, religious, cultural, and legal contexts. CSOs, on the other hand, requested explicit reference to groups that might be disproportionately impacted, such as persons with disabilities, children, and those defined by SOGI, as part of the criteria for defining disadvantaged or vulnerable groups. They argued that without such explicit inclusion, it was these groups might be overlooked in some countries. Governments called for continued open discussion on this topic with stakeholders. The risks of SEAH and gender-based violence also emerged as an issue not fully covered by the SPS. CSOs suggested that the new policy include independent monitoring of compliance with SEAH-related requirements, especially where SEAH risks are high.

ENVIRONMENTAL AND SOCIAL FRAMEWORK ROLLOUT PLAN

A. Introduction

1. The Asian Development Bank (ADB) has developed this Rollout Plan that sets out a road map for a multi-year process to support environmental and social framework (ESF) implementation, commencing in the transition period after the Board approval. It is informed by ADB's experience of implementing the SPS, by experience of other multilateral development banks (MDBs), including the World Bank which launched its Environmental and Social Framework in 2018.

B. Approach

2. The approach to ESF rollout is designed to provide ADB with capacity and systems to implement the proposed ESF and to help borrowers and clients effectively transition to the new policy. It comprises of six workstreams, which are closely interlinked and will be delivered over three years from 2024 to 2027. These include:

- (i) transition from SPS to the proposed ESF through adoption of procedures and governance to implement the two systems (under SPS and ESF) running in parallel.
- (ii) change management and related communications activities.
- (iii) strengthening ADB's internal capacity to provide sustained support to borrowers and clients.
- (iv) strengthening borrower's capacity to manage the environmental and social (E&S) risks and impacts, and enhanced reporting to ADB.
- (v) Strengthening partnerships.
- (vi) Updating of the E&S information technology systems to support effective E&S data management, portfolio monitoring and reporting.

C. Actions for Delivering the ESF Rollout

3. **Transition from SPS to ESF:** The SPS and the proposed ESF will run in parallel until all projects approved under the SPS have been completed and financially closed. Managing the transition, particularly during the parallel operation of the two systems, will require careful planning. All risks associated with the transition and parallel operation of the two systems will be identified and addressed through *Governance* and *Procedures*.

- (i) **Governance.** The ESF rollout will require a sustained effort and dedicated human resources. A group of safeguards staff will form the ESF Coordination Secretariat led by the Director of Policy and Technical Services from the Office of Safeguards (OSFG). The ESF Coordination Secretariat will oversee the rollout of the ESF, including the six workstreams. An Interdepartmental Steering Committee (ISC) comprising of OSFG; Budget, People, and Management Systems Department (BPMSD); Department of Communications and Knowledge Management (DOCK); Office of the General Counsel (OGC); Procurement, Portfolio, and Financial Management Department (PPFD); Strategy, Policy, and Partnerships Department (SPD) was set up in August 2020 to prepare the ESF. This committee will be expanded to include Directors from Sectors, Regional Departments and Thematic Groups. Upon approval of the proposed ESF, the ISC will convene to provide

strategic guidance to the rollout program, discuss challenges and the way forward, and periodically report to ADB's senior management and Board of Directors.

- (ii) **Procedures.** The ESF implementation will be supported by the preparation of *Operations Manual* section and *Staff Instructions* for the E&S Policy, and Guidance Notes and associated training materials for the 10 environmental and social standards (ESSs). ADB internal procedures will be strengthened through preparation of *Operations Manual* section, *Staff Instructions*, templates, and tools to be used by ADB Staff. The *Staff Instructions* will also set out the business process incorporating an accountability decision making (ADM) framework to ensure quality assurance and quality control at critical milestones. A Guidance Note will be prepared for each ESS, elaborating and clarifying the policy requirements to guide the borrowers and clients. Good Practice Notes and thematic guidance material will be developed on specific topics, such as grievance mechanisms, sexual exploitation abuse and harassment (SEAH), managing risks for disadvantaged or vulnerable groups, cultural heritage, free prior and informed consent from Indigenous Peoples and other topics as needed. All of these will be finalized before the ESF becomes effective to assist ADB Staff, borrowers, consultants, and other stakeholders in transitioning from SPS to ESF. These materials will build on existing resources within ADB, other MDBs, and the global community of practice on safeguards, as applicable. All the guidance material will be made available in English, and later translated into different languages as requested by the borrowers and clients and if there are business needs for such translation.

4. **Change Management:** The proposed ESF presents a new approach to risk classification hinged on proportionality, adaptive management during implementation including the introduction of new E&S tools such as E&S commitment plan and/or action plan to facilitate implementation which represents a paradigm shift from the frontloaded approach under the SPS. These changes in roles and responsibilities will require individual and organizational change management to support ADB Staff in transitioning to the new approach. Awareness of the ESF will be strengthened through change management communications and web portal for all ADB Staff and external stakeholders.

- (i) **Individual and Organizational Change Management.** This will include guidance to prepare, equip, and support ADB Staff to adopt the new approach necessary for ESF implementation. Both individual and organizational change management will include tailored assessments, awareness, coaching, and training. This will be partly implemented by a consulting firm after the ESF approval and will be complete before the ESF is effective.
- (ii) **Communications.** Communications will include awareness raising for the proposed ESF and the necessary change management resulting from the adoption of ESF, for ADB Staff and external stakeholders. A dedicated communications specialist will be responsible for the development of communications and outreach materials. Communications and outreach work will continue throughout the rollout of ESF.
- (iii) **Web portal.** The web portal will serve as the one-stop shop for information materials, including policy and procedures, communications, and outreach materials. The web portal will be set up after the approval of ESF.

5. **Internal ADB Capacity Building:** Capacity building plan for ADB Staff will have four training delivery components: (i) e-Learning; (ii) train the trainers; (iii) face to face training, and (iv) accreditation program.

- (i) **E-Learning.** The e-Learning will be developed for ADB Staff and borrowers and clients. It will comprise of five e-Learning courses ranging from introductory course for ADB's senior management and decision-makers of borrowers and clients, to applied courses with case studies for ADB, and borrower' and client's E & S staff. All the courses will be available on ADB's e-Learning platform before the proposed ESF becomes effective.
- (ii) **Training of trainers.** The training of trainers will be delivered by OSPT's E & S specialists involved in drafting the policy with support from experienced consultants who are familiar with the application of the integrated E&S risk classification and adaptive risk management, having delivered similar training for other MDBs like the World Bank and IFC. ADB senior safeguards staff will be trained as trainers in the first phase before the proposed ESF will be effective. In the second phase of train the trainers, selected HQ and resident mission E&S staff will be trained as trainers. In both phases, a small number of technical consultants will be trained as trainers.
- (iii) **Face-to-face training.** The face-to-face training will start from second quarter of 2025 and will continue in 2026. In 2025, internal capacity building will focus on orientation programs for country directors, senior and middle managers, and ADB Ventures, CGIF, OGC's private sector team. Intensive training will be organized for ADB's safeguards staff including technical and administrative staff at headquarter and resident missions, and project team leaders who will apply the proposed ESF to their projects. In addition to targeted capacity building in 2025, a Bank-wide Townhall will be organized following Board's approval to present the key features of the ESF compared to the existing SPS. In 2026, the runs of the 2025 capacity building will continue for new safeguards staff, and the remaining project team leaders. Orientation sessions will be organized for staff from the Office of the General Counsel, Procurement, Portfolio and Financial Management Department (procurement and financial management), and Climate Change and Sustainable Development Department. Bank-wide events and sessions will be organized to clarify any questions around the proposed ESF, and to provide any updates on the ESF roll out. The ESF deep dive and thematic training in 2025 and 2026 will focus on commonly observed E & S risk management areas such as resettlement, biodiversity, Indigenous Peoples, occupational health and safety, and new ESS such as labor and working conditions, climate change, intangible cultural heritage as well as thematic areas such as disadvantaged or vulnerable groups, and the E&S risks associated with the use of digital technology in projects. These training will be aimed at ADB safeguards staff at headquarters and resident missions as well as project team leaders and staff from relevant Departments.
- (iv) **Accreditation program.** For ADB E&S safeguards staff, an accreditation program will be developed to ensure that staff have sufficient skills to process, implement and endorse safeguard business processes under the ESF as part of an ADM framework to ensure quality at entry and exit within ADB's project cycle. This is part of the approach to increasing quality of E&S risk management and ensuring that the proposed ESF is applied consistently across the ADB's portfolio. The

accreditation will comprise of two steps: involves an online assessment, followed by a panel interview, both to be overseen by an Accreditation Panel. The Panel will be chaired by the Director of Policy and Technical Services from the Office of Safeguards and will include senior representatives from various divisions within the Climate Change and Sustainable Development Department such as Gender Equality (CCGE), Resilience and Environment (CCRE), Digital Technology for Development (CCDT), Human and Social Development (HSD), and the safeguards staff involved in drafting the proposed ESF.

6. To summarize, initial capacity building programs for existing E&S safeguards staff and initial orientation for ADB's senior management will be completed before the ESF comes into effect. Training for newly appointed E&S safeguards staff and other ADB Staff will continue throughout the ESF rollout. Accreditation program will be developed for E&S safeguards staff.

7. **Borrower Capacity Building:** A capacity building program for borrowers and clients (both sovereign and nonsovereign operations) will contain three delivery components: eLearning, DMC training, and project level capacity development. All will include orientation and in-depth modules. Details of the eLearning program are elaborated in para. 5(i) The DMC training will include orientation sessions on the ESF for senior officials and decision-makers of developing member countries (DMCs) and private sector clients. Technical personnel responsible for the ESF implementation in projects will require more in-depth training and capacity building. This group will include executing and implementing agency staff, key project consultants, and contractors involved in ESF-related actions on the ground. The e-learning program for the borrowers will be launched in the second quarter of 2025. The DMC training will start from the third quarter of 2025. Project level capacity development will include orientation sessions and case study based in-depth training.

8. **Partnerships:** ADB already has established formal and informal partnerships with several organizations which we hope to sustain and enhance to support the rollout of the ESF. Such partnerships will better leverage internal and external expertise and knowledge, and position ADB for operational effectiveness and leadership with a view to delivering high-quality capacity building and implementation support, as well as increasing overall value-add for borrowers and clients. A draft partnership plan will be prepared for the proposed ESF, and it will be updated after the ESF is effective. This plan will set out a strategic and systematic approach to establishing and managing these relationships with other MDBs and development partners, relevant multi-stakeholder initiatives, civil society organizations and other types of stakeholders. The plan will also include ESF orientation training for partners involved in project monitoring will be carried out from the second quarter of 2025.

9. As part of this process, ADB would engage with other MDBs and bi-lateral donors to develop a common approach to assessment and management of E&S risks and impacts of facilitate co-financing opportunities, and strengthen the DMC country's E&S systems. Donor and Multilateral Partner outreach activities will also continue throughout the rollout.

10. **Updating of the E&S information technology systems:** Based on the procedures developed for ESF, ADB will digitize the procedural steps related to E&S requirements, covering the entire project cycle. OSFG has already digitized its safeguards business processes of the SPS through the rollout of an IT solution called Integrated Safeguard Management System (ISMS) in 2023 including tracking indicators for compliance monitoring and effectiveness of management plans. Planned phase 2 of the ISMS include enhancements to accommodate the safeguard business process of the ESF including documenting due diligence processes, monitoring project

performance, providing data for quality assurance, supporting disclosure, analyses and reporting on portfolio-level systemic issues and trends, and capture lessons from experience. The ISMS phase 2 update for ESF is underway and will be complete before the ESF is effective. Training for ADB Staff will be organized to strengthen the adoption of the ISMS phase 2.

D. Timeframe

11. The Rollout Plan would be implemented in three phases (2024 to 2027). Existing SPS policy would run in parallel with the ESF for 8-10 years, until all existing SPS applicable projects are complete.

- (i) **Phase 1:** This ongoing phase 1 includes the development of draft Guidance Notes Good Practice Notes, training materials for awareness raising and train the trainers, the strengthening of partnerships and operational processes, and the onboarding of specialized consultancies to develop the eLearning and change management program, and individual technical consultants to support ADB Staff in the rollout. Phase 1 has already commenced, and will be merged into phase 2 post- approval of the proposed ESF by the Board.
- (ii) **Phase 2:** Following approval of the proposed ESF by the Board, phase 2 will extend over 12 months. This will include finalizing the ESF Guidance Notes and Good Practice Notes, updating ADB procedures including the *Operations Manual* section and *Staff Instructions*, launching the ESF communications campaign and web portal, launching the eLearning program, implementing the individual and organizational change management program, internal operational processes and systems, and completion of capacity building program for ADB safeguards staff. The capacity building program for other ADB Staff, borrowers and clients and external stakeholders will continue in phases 2 and 3.
- (iii) **Phase 3:** After the ESF is effective, this phase will run for 24 months and will focus on monitoring and reporting ESF implementation, strengthening external communications and disclosure of information through the ADB web portal, delivery of thematic trainings for ADB Staff, and ESF capacity building program for borrowers, external stakeholders, and new ADB Staff, along with strengthening partnerships, Towards the end of phase 3, OSFG will conduct a preliminary evaluation of the implementation of the ESF roll out program to confirm adequacy of its coverage and effectiveness.

INDICATIVE MANAGEMENT ACTION PLAN

Action	Target Date	Responsibility
A. Promoting the use of borrowers' E&S systems		
A.1. Undertake dialogue with DMCs and identify strategic entry points for the assessment and use of borrower systems including through country partnership strategies and country knowledge plans.	2025-2027	OSFG, SPD
A.2. Develop E&S indicators for tracking the assessment and use of borrower's E&S systems.	Dec 2025	OSFG, SPD
A.3. Collaboration with other MDBs on the development of methodologies and joint assessment approaches.	Ongoing	OSFG
A.4. Undertake assessments for the use of borrower's E&S systems and/or for designing and agreeing with DMCs on capacity development activities.	Ongoing	OSFG
B. ESF rollout and capacity development		
B.1. See Appendix 2 for details	Ongoing	OSFG
C. Implementation of ADB safeguard knowledge management action plan		
C.1. Update the safeguard knowledge management action plan	Dec. 2025	OSFG
C.2. Monitor the safeguard knowledge management action plan	Ongoing	
D. Joint training programs on poverty and social analysis, genders and E&S requirements (including on disadvantaged or vulnerable groups)		
D.1. Develop capacity development and training materials for ADB Staff, borrowers, and clients	Dec 2025	CCSD, OSFG, HSD,
D.2. Deliver training programs	2025-2027	CCSD, OSFG, HSD,
E. Joint training programs on gender analysis and E&S requirements including SEAH		
E.1. Develop capacity development and training materials for ADB Staff, borrowers, and clients	Dec 2025	CCSD, OSFG
E.2. Deliver training programs	2025-2027	CCSD, OSFG
F. Joint training programs on climate risk assessment and E&S requirements (GHG monitoring and reporting, climate risk screening)		
F.1. Develop capacity development and training materials for ADB Staff, borrowers, and clients	Dec 2025	CCSD, OSFG
F.2. Deliver training programs	2025-2027	CCSD, OSFG

Action	Target Date	Responsibility
G. Development of a framework for contextual risk analysis		
G.1. Develop a contextual risk analysis framework and accompanying guidance note for ADB Staff	Q2 2025	OSFG
G.2. Train ADB Staff on the contextual risk analysis	Q3-Q4 2025	OSFG
G.3. Operationalize the contextual risk analysis framework	1 January 2026	OSFG
H. Finalization of project E&S readiness filters and other indicators for E&S implementation		
H.1. Finalize and integrate the E&S readiness filters into the overall project readiness framework	Completed	OSFG, PPFD
H.2. Establish monitoring indicators and baseline to track ESF implementation effectiveness and efficiency	Dec 2025	OSFG, SPD
I. Updating of the Shared Approach for Management of Environmental and Social Risks and impacts for Pacific Island Countries, and consider further support for implementation of differentiated approaches for FCAS and SIDS		
I.1. Consult with Pacific Island Countries on the adjustments to incorporate the ESF requirements	Dec 2025	OSFG, CCSD
I.2. Consult on the differentiated approaches for FCAS and SIDS	Ongoing	OSFG, CCSD
J. Development of digital risk screening framework		
J.1. Formalize business processes to evaluate digital risks—commencing from screening, categorizing, and monitoring of risks. Develop guidance or knowledge products to support the digital risk assessment process.	Dec 2025	CCSD, OSFG
J.2. Undertake diagnostic studies to further understand digital risks and digital transformation needs across DMCs.	Ongoing	CCSD, OSFG
J.3. Awareness raising and expand network of partners in host countries to deepen understanding on potential digital risks related to the use of digital technologies in ADB's operations.	Ongoing	CCSD, OSFG
K. Alignment between E&S requirements and procurement processes		
K.1. Incorporation of ESF requirements into the sovereign procurement and bidding documents and align E&S requirements and procurement process.	Dec 2025	PPFD, OSFG
K.2. Develop capacity development and training materials for ADB Staff, borrowers, and clients	Dec 2025	PPFD, OSFG
K.3. Deliver training programs	2025-2027	PPFD, OSFG

Action	Target Date	Responsibility
L. Enhanced information disclosures through ADB's website and support at project levels		
L.1. Improvement of accessibility to E&S information on ADB website. Consultation with stakeholders to seek feedback on ADB's web-design, access, and e-notifications.	Dec 2025	SEC, ITD, DOCK, OSFG
L.2. Evaluation of implementation of information disclosure and meaningful consultation requirements under ESS10.	2-3 years after the effectiveness of the ESF	IED, OAG, OSFG
M. TA funding mobilization and partnerships to increase scale and effectiveness		
M.1. Discuss with relevant ADB departments, trust funds and donors to mobilize additional funding for effective E&S preparation and implementation and DMC capacity support.	Ongoing	OSFG, SPD, Sectors, donors
N. Securing staffing on new skills and consultant support resources		
N.1. Assess and determine staffing and skills needs for effective ESF implementation	Ongoing	BPMSD, OSFG

ADB = Asian Development Bank, BPMSD = budget, people, and management systems department, CCSD = climate change and sustainable development department, DMC = developing member country, DOCK = department of communications and knowledge management, E&S = environmental and social, ESF = environmental and social framework, FCAS= fragile and conflict-affected situations, GHG = greenhouse gases, IED = independent evaluation department; ITD = information technology department, MDB = multilateral development bank, OAG = office of the auditor general, OSFG = office of safeguards, PPFD = procurement, portfolio, and financial management department, SEAH = sexual exploitation abuse and harassment, SEC = office of the secretary, SIDS=small island developing states, SPD = strategy, policy, and partnerships department.