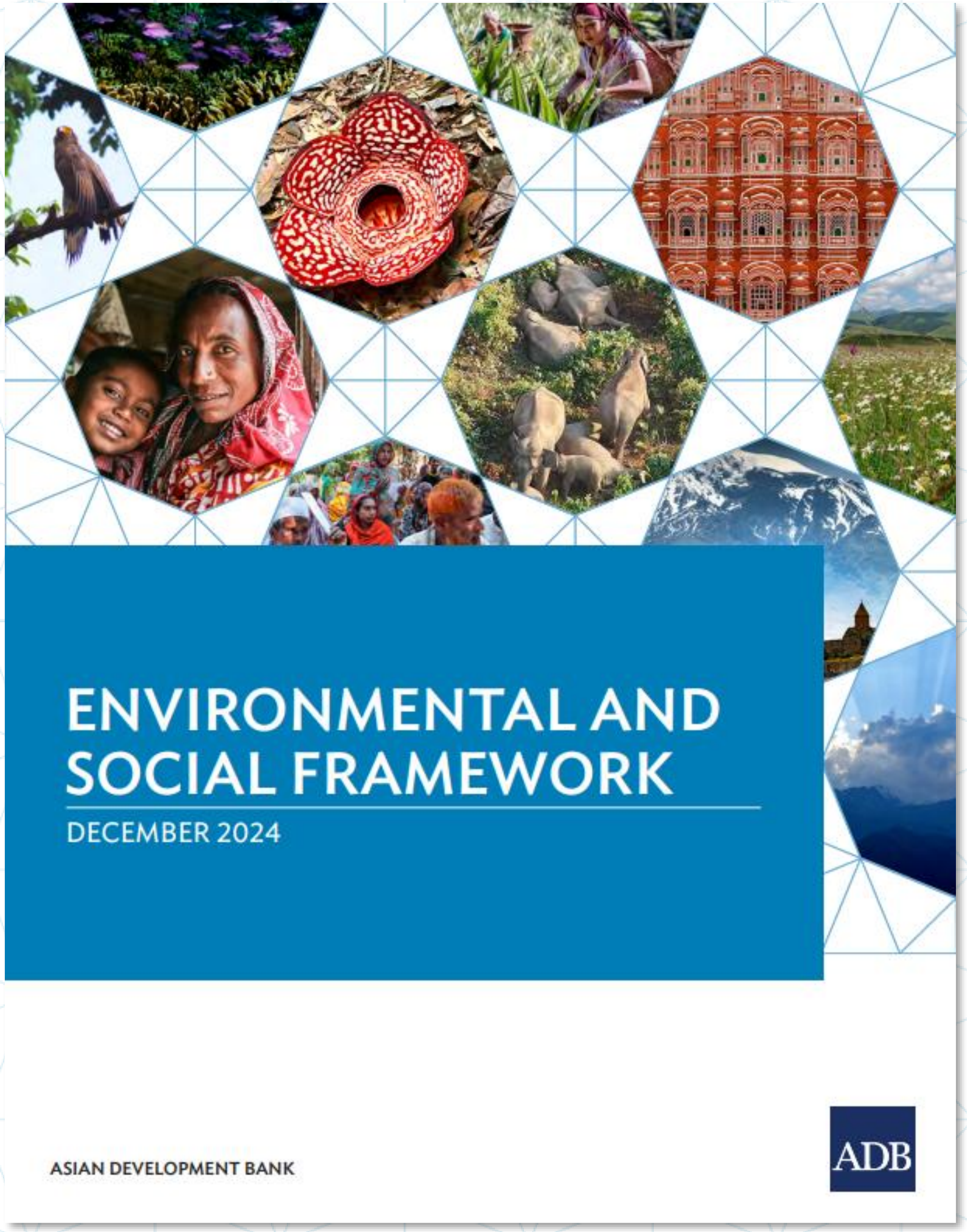
OFFICE OF SAFEGUARDS

Environmental and Social Framework (ESF) Briefing



Get a copy of the ESF

Send us questions at
AskESF@adb.org

ADB

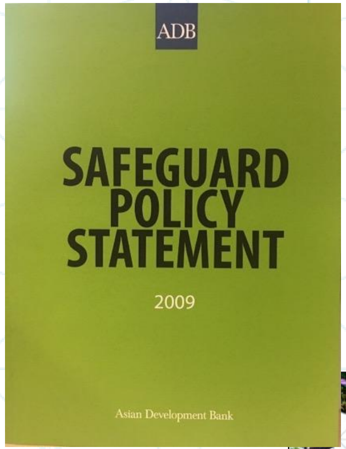
Why Environmental and Social Standards?

- **Risk management**
  Identification and management of risks to people and the environment, and legal, financial, and reputational risks to institutions and companies
- **Sustainable development**
  Long-term economic growth aligned with environmental and social well-being, and strengthening of national systems and capacity
- **Environmental protection**
  Reduced pollution, conservation of natural resources, sustainable use of ecosystems
- **Health and safety**
  Improved working conditions and reduction of health hazards
- **Social equity and community well-being**
  Fair labor practices, community development, social inclusion
- **Social license to operate**
  Stakeholder support reduces complaints, delays, and costs
- **Legal compliance**
  Meeting national law, international commitments, and ADB legal requirements

ADB

Key ESF Changes Compared with the 2009 SPS

- Stronger **protections** for people and the environment
- Requirements **proportionate** to project risks
- **Aligns** ADB's approach with other multilateral development banks
- New standards will **protect** children, workers, and communities from risks



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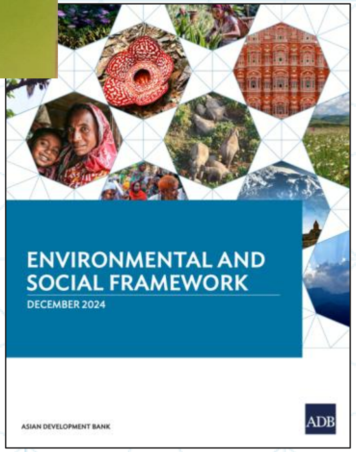

- A new **climate change** standard aims to minimize GHG emissions and enhance climate resilience
- Stronger commitment to meaningful **consultation**, information and disclosure, and **grievance management**
- Stronger **biodiversity** protections supporting nature-positive investments

Enhanced Implementation Effectiveness and Efficiency

- Focus on **results and outcomes**
- Strengthening of **institutional frameworks** and **capacity**
- **Integration** between environmental and social standards
- Integrated E&S **risk classification**:
  High, Substantial, Moderate, and Low
- **Proportionality** and **adaptive management**
- Improved tailoring for non-sovereign operations
- Differentiation between different lending modalities
- Material consistency with **national frameworks** and common approaches with **development partners**
- Strengthening of **staffing and skills**

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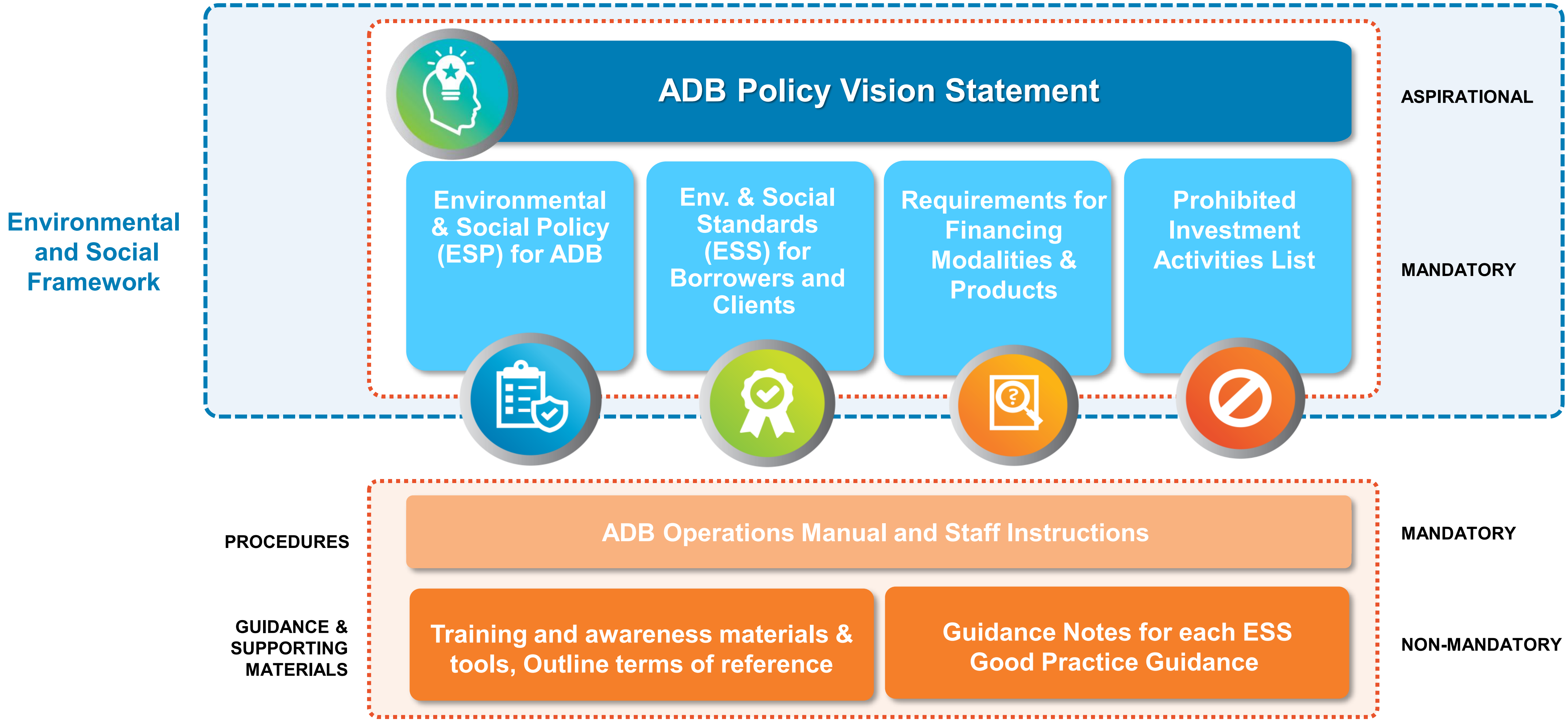
Overview of ADB's Environmental and Social Framework (ESF)

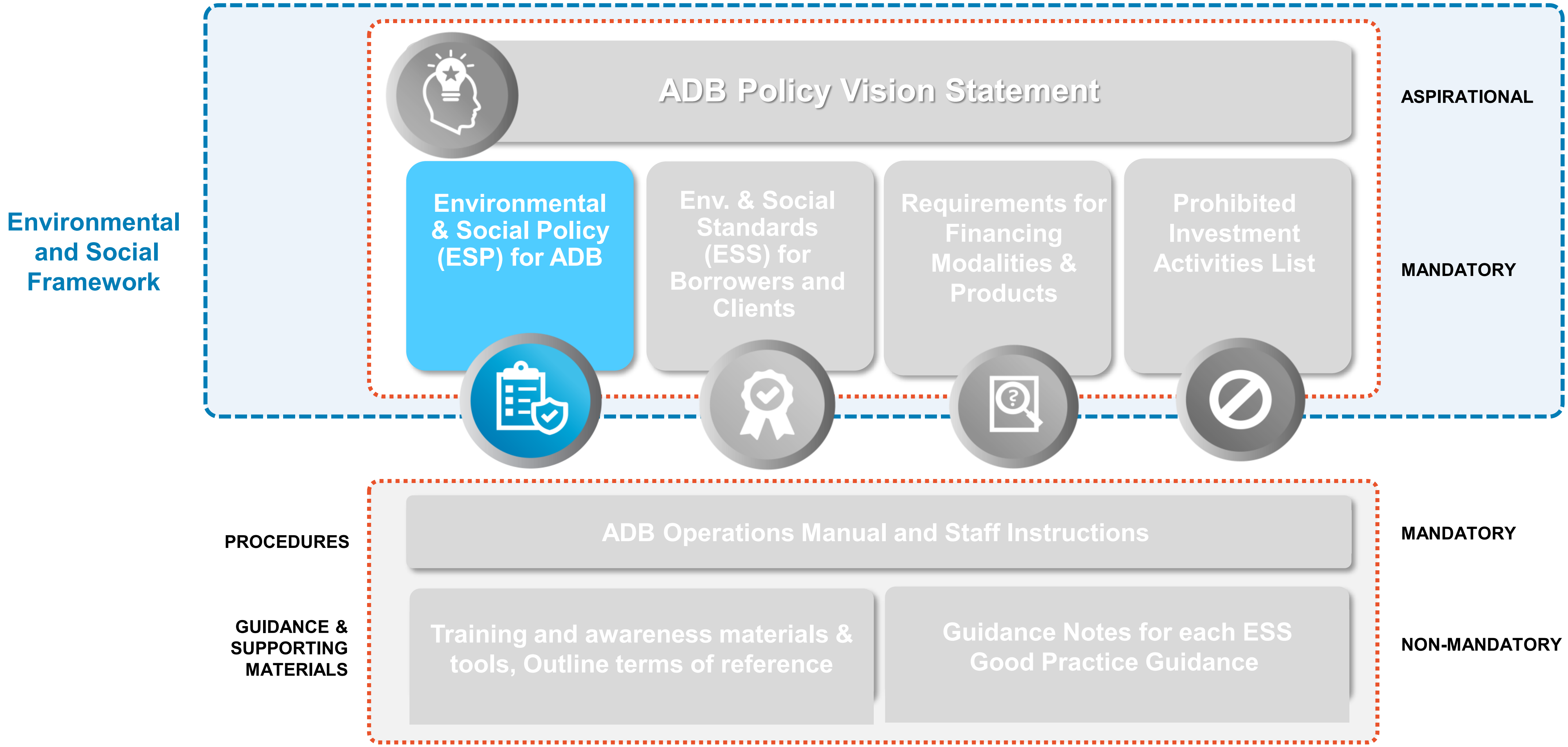
The ADB Board of Directors approved the ESF on 22 November 2024

Expected to become effective on 1 January 2026 for projects without an approved concept note

What's in the ESF?

- Vision
- Environmental and Social Policy
- 10 Environmental and Social Standards
- Requirements for Financing Modalities and Products
- Prohibited Investment Activities List


Environmental and Social Framework
ADB Policy Vision Statement
ASPIRATIONAL
Environmental & Social Policy (ESP) for ADB
Env. & Social Standards (ESS) for Borrowers and Clients
Requirements for Financing Modalities & Products
Prohibited Investment Activities List
MANDATORY
PROCEDURES
ADB Operations Manual and Staff Instructions
MANDATORY
GUIDANCE & SUPPORTING MATERIALS
Training and awareness materials & tools, Outline terms of reference
Guidance Notes for each ESS Good Practice Guidance
NON-MANDATORY



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Environmental and Social Policy

New Provisions and Improved Requirements

Risk-Based Adaptive Management

- ✓ Can conduct environmental and social assessments before or after ADB Board approval, based on the project's level of risk and specific project context

Use of Common Approach

- ✓ Broad alignment with other MDBs. ADB to agree with co-financiers and borrower on a common approach to E&S that is materially consistent with the objectives of the relevant ESSs

Use of Borrower's E&S Systems

- ✓ Requires "material consistency" with the relevant ESSs and ability to address project risks
- ✓ Assessment is done on a project-specific basis

Environmental and Social Policy

A New Approach to Risk Classification

Integrated environmental and social risk screening and classification:

- **Direct, indirect and cumulative** impacts
- **Inherent** risk factors in different sectors
- **Vulnerability and sensitivity** of people and the environment

Additional considerations

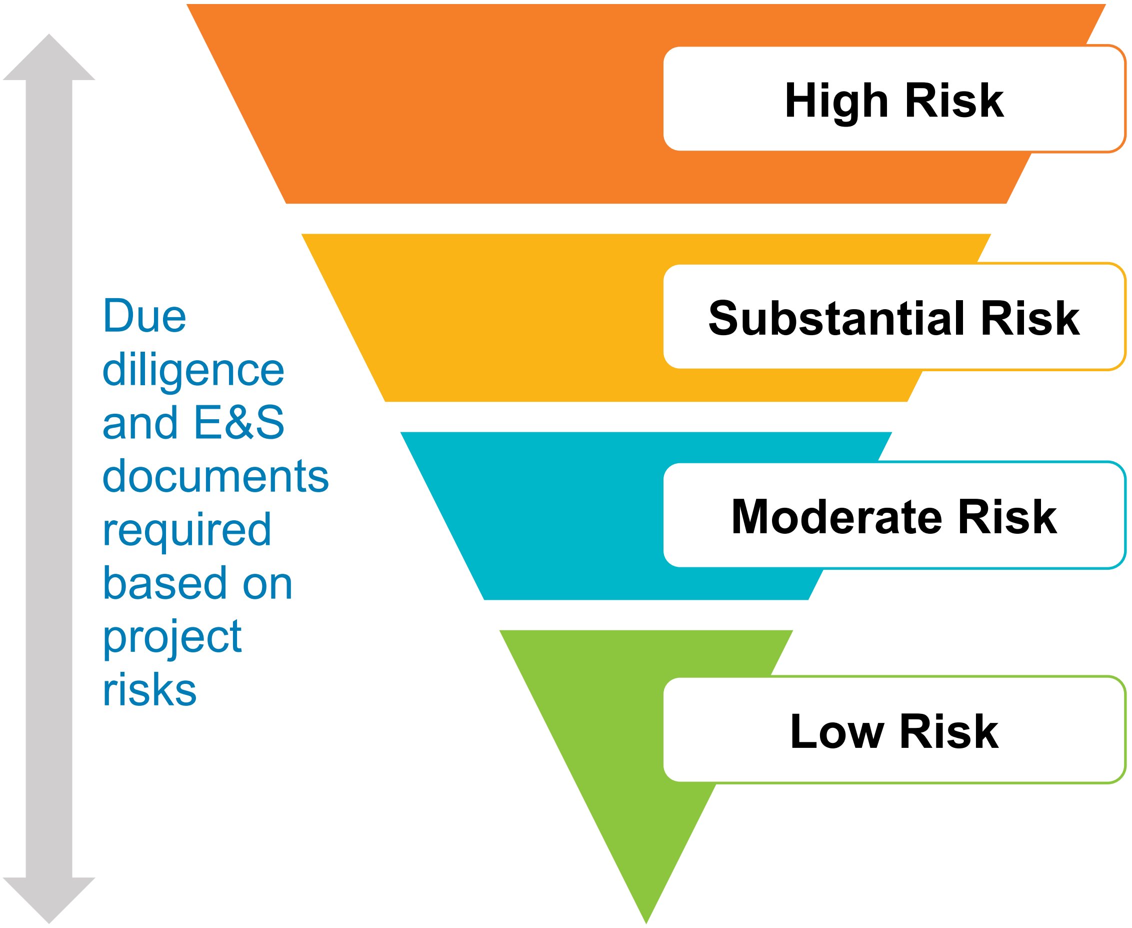
- **Contextual risk factors**
- **Capacity** and **past performance** of the borrower

Environmental and Social Policy

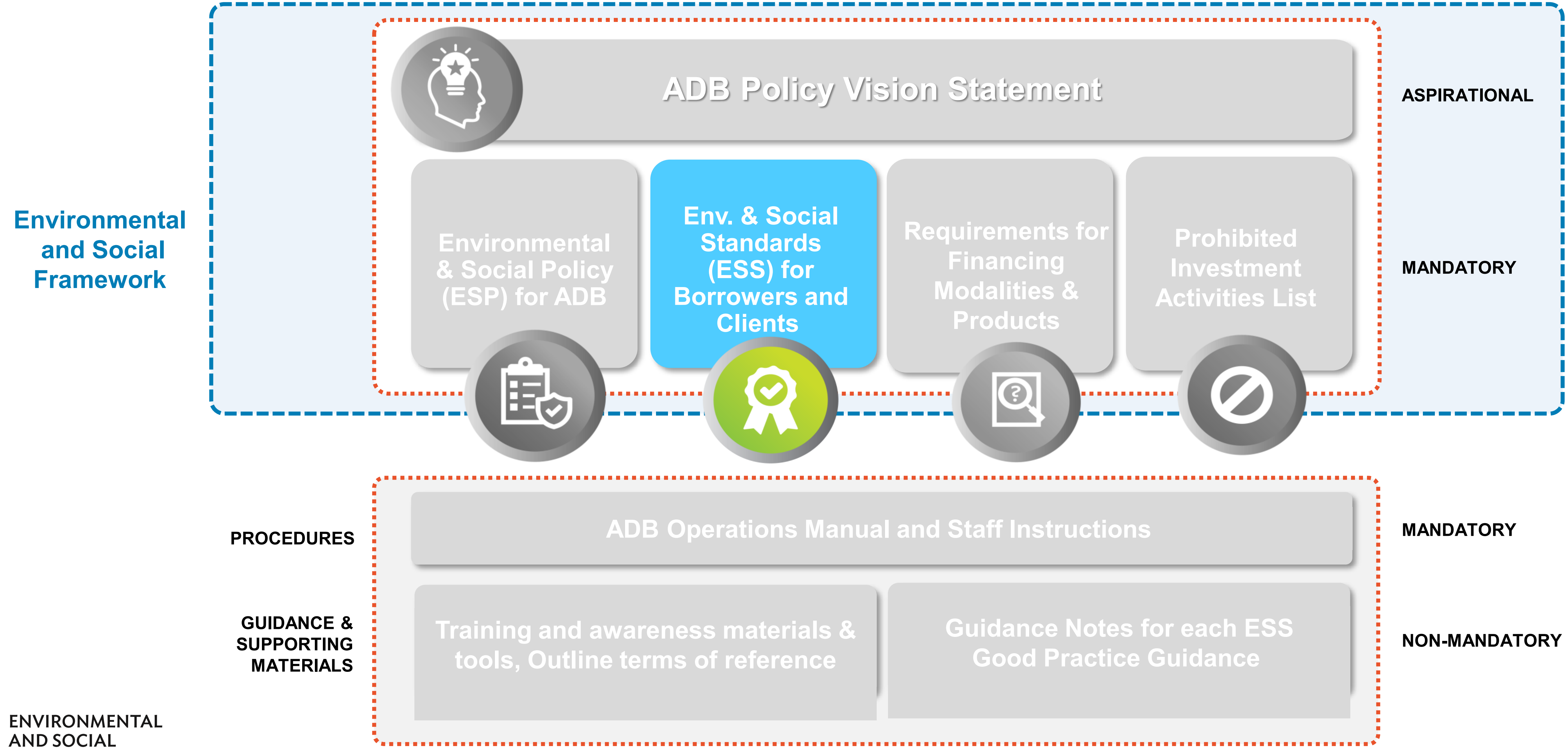
A New Approach to Risk Classification

One risk classification per project, compared to three in the SPS (for environment, involuntary resettlement, and Indigenous Peoples)

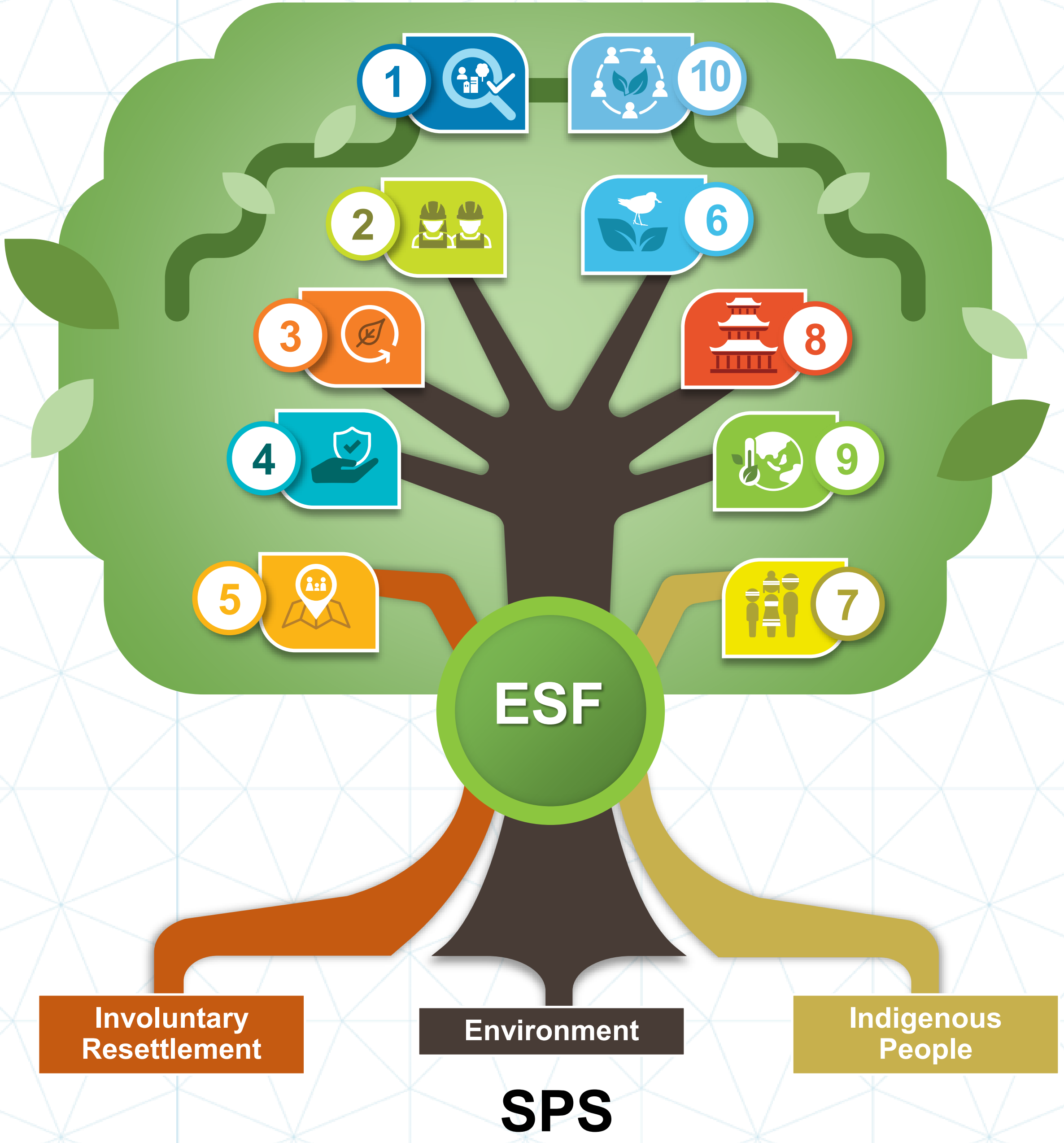
SPS categories mapped to ESF classifications:
Cat A (= High)
Cat B (= Substantial or Moderate)
Cat C (= Low)
FI (= FI-1, FI-2 and FI-3)



Architecture of the Environmental and Social Framework



The ESF has grown out of the three requirements in the Safeguard Policy Statement (SPS)



ADB's Environmental and Social Standards (ESS)

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Conservation and Pollution Prevention
4. Health, Safety, and Security
5. Land Acquisition and Land Use Restriction
6. Biodiversity Conservation and Sustainable Natural Resources Management
7. Indigenous Peoples
8. Cultural Heritage
9. Climate Change
10. Stakeholder Engagement and Information Disclosure

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ESS: Highlights of key changes

1 Assessment and Management of Environmental and Social Risks and Impacts

- **Integrated E&S assessment**
- Use of **Environmental and Social Commitment Plan/Action Plan (ESCP/ ESAP)** to manage E&S risks through out the project cycle
- E&S requirements are cascaded down to **contractors and subcontractors**

2 Labor and Working Conditions

- Differentiated requirements applicable to **different categories of project workers**
- **Grievance mechanisms for project workers,** including confidential reporting of sexual exploitation, abuse and harassment (SEAH)
- **Child labor, forced labor, and safety risks** assessed in relation to the primary suppliers

3 Resource Conservation and Pollution Prevention

- Consider **circular economy approach** in a project
- **Minimize** intensity of resource use (energy, water, soil, raw materials).
- **Management of hazardous chemicals and wastes**

4 Health, Safety, and Security

- Borrower identifies, addresses and manage project related **SEAH** risks for **workers** and **affected communities**
- Manages worker and community **security risks**
- Explicit requirements on **incident reporting and management**

5 Land Acquisition and Land Use Restriction

- Clarified existing requirements on land acquisition and land use restrictions, including due diligence related to **voluntary land transactions**

ESS: Highlights of key changes

6	7	8	9	10
Biodiversity Conservation and Sustainable Natural Resources Management	Indigenous Peoples	Cultural Heritage	Climate Change	Stakeholder Engagement and Information Disclosure

6 – Biodiversity Conservation and Sustainable Natural Resources Management

- **Includes "no-go zones:"**
  - » Alliance for Zero Extinction Sites (AZEs),
  - » UNESCO Natural and Mixed World Heritage Sites,
  - » Free flowing rivers of >500km in length
- Includes consideration of **natural resource supply chains** and impacts on ecosystem services

7 – Indigenous Peoples

- **Free Prior and Informed Consent (FPIC)**
- **IPs Living In Voluntary Isolation**

8 – Cultural Heritage

- **Tangible** and **intangible** cultural heritage
- Different types of cultural heritage
- **Indigenous Peoples** and interlinkages to cultural heritage

9 – Climate Change

- Consider alternatives to minimize **GHGs.**
- Assess and develop **climate change adaptation** and **resilience measures**

10 – Stakeholder Engagement and Information Disclosure

- **Safe engagement** without threat of reprisal, and provides for confidentiality and data privacy procedures, including allowance for anonymous channels for grievances.
- **Disadvantaged or vulnerable groups** need to be assessed to recognize and account for their concerns and inputs in the stakeholder engagement, project design and implementation to manage E&S risks.
- Emphasis on **information disclosure**

Expanded Coverage, Especially for Social Risk Factors

- **Labor and working conditions**
- Strengthened **stakeholder engagement,** with emphasis on **disadvantaged or vulnerable**
- Management of risks related to sexual exploitation, abuse, and harassment (**SEAH**)
- **Health, safety, and security**
- Prohibition on **forced eviction**
- Free, prior, and informed consent (**FPIC**) of Indigenous Peoples required in certain circumstances

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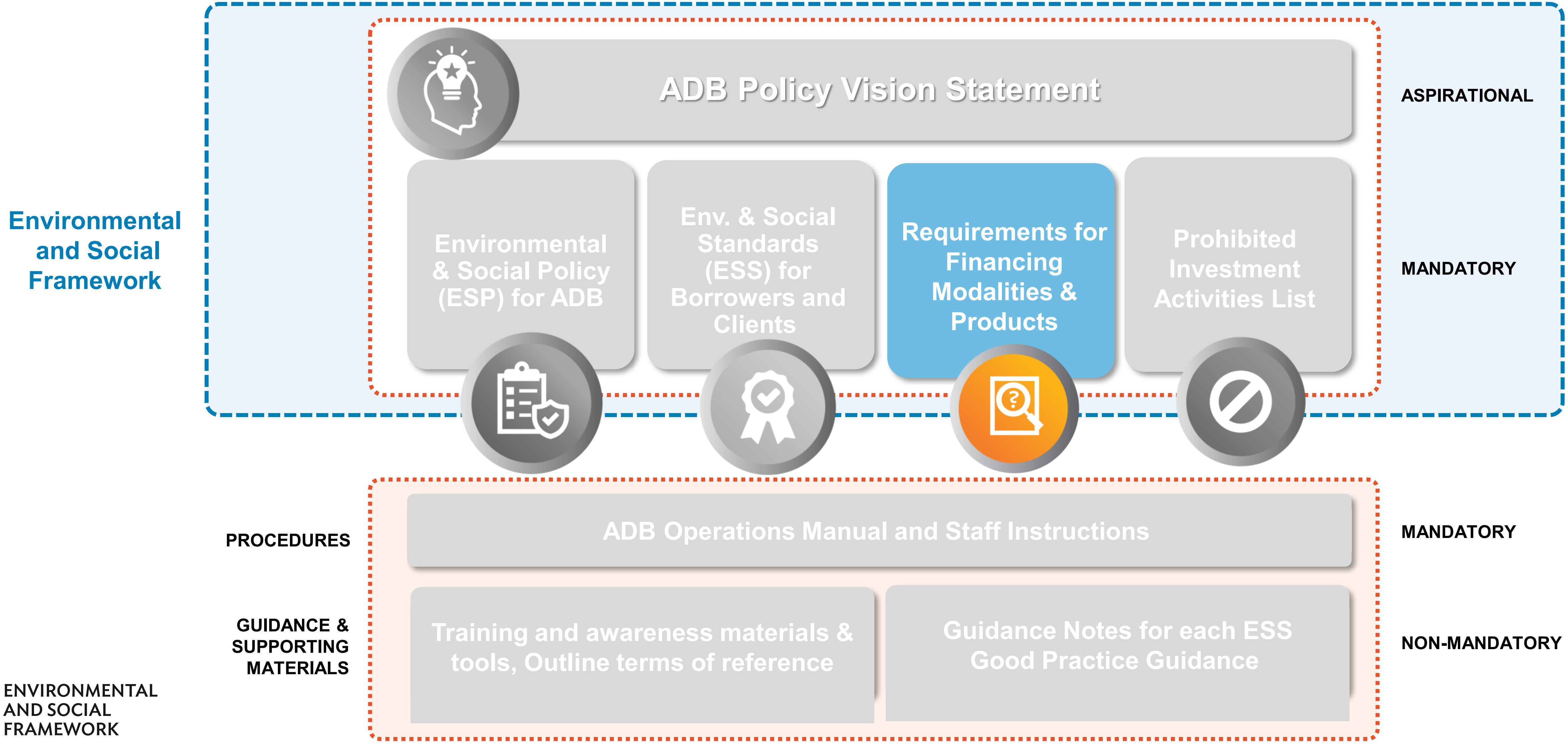
Architecture of the Environmental and Social Framework



Requirements for Financing Modalities & Products

Project lending	Technical assistance	Policy-based Lending	Project readiness financing	Results-based lending	Financial Intermediaries
Emergency assistance lending	Sector lending	Sector development program	Multitranche financing facility	Small expenditure financing facility	Corporate Finance

When Will it Start?

2025 Concept Note

All projects with an approved concept note by the end of 2025 will continue to be delivered under the existing Safeguard Policy Statement

The ESF is expected to become effective on

2026 Concept Note

All projects with concept notes approved after 1 January 2026 will apply the ESF

ESF Rollout

Transition from SPS to ESF (staff instructions and guidance)

Change Management

Internal Bank Capacity Building

Borrower Capacity Building

Business Processes, Systems and Tools

Partnerships

Thank you