Handbook on BRI Stakeholder Engagement for Financial Institutions

Environmental risk mitigation through information disclosure, public consultation, and grievance mechanisms

About this report

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Executive Summary

China's Belt and Road Initiative (BRI) is continuously developing to integrate green development concepts. Multiple guidelines, guidance, and opinions have been issued by Chinese regulators (e.g., CBIRC, Ministry of Ecology and Environment, NDRC) as well as adjacent institutions (e.g., BRIGC, GIP) to support this development and provide knowledge products as well as regulatory stipulations for improved environmental and social risk management for financial institutions and developers engaged in the BRI.

This document fills a specific gap and provides guidance for financial institutions on how to engage in responsible public participation and non-financial environmental disclosure as an institution itself and vis-à-vis their clients – that is the project developers. Public participation and environmental disclosure refer to engaging and informing the public about the project's environmental risk identification and reporting, as well as providing avenues to deal with grievances.

For example, in the project development phases, local stakeholders' participation in the project evaluation can lead to earlier recognition of environmental risks. This avoids and reduces environmental risks, and improves support from local communities in the implementation of the project. Similarly, through public reporting on environmental performance, both the project company and the financial institution are encouraged to increase internal capacity to monitor and manage environmental risks. At the same time, environmental reporting improves public trust in the project as information is more readily available. Finally, through grievance mechanisms, stakeholders have an opportunity to voice concerns with the project company and even directly with the financial institution.

This allows for quicker recognition and management of environmental (and social) risks. At the same time, it reduces the risks of public grievances to be solved through more public campaigns that negatively influence a project's or even the financial institution's public reputation. The following figure highlights various aspects of what financial institutions and their clients should and can do to improve public participation throughout the project phases.

By improving stakeholder engagement for environmental performance, Chinese financial institutions and their clients improve opportunities for international financial and project development cooperation: Active environmental information disclosure and public participation in the investment portfolio have become common practices in many international commercial banks and development finance institutions. Chinese financial institutions benefit by understanding or matching international practices to reduce transaction cost when working with international counterparts on large projects in emerging markets.

In summary, the advantages and benefits of implementing measures of disclosure and public participation for environmental risks and performance most often outweigh the risk-adjusted cost of environmental violations. This is particularly relevant in countries with weaker environmental and social laws and implementation of laws.

This guidance is written to support Chinese financial institutions engaged in overseas project finance, especially in developing economies in the BRI, in understanding good practices of environmental information disclosure, including the preparation, process, and data to acquire from project developers, as well as public participation throughout the entire project lifecycle. As every financial institution has its specific risk profile and strategy, every financial institution will have to develop its processes based on both regulatory requirements and applicable best practices. This document aims to provide a solid overview of these practices, particularly in an international context applied to China's ambition to build a green Belt and Road Initiative.

	Before projects are initiated	Project initiation	Project evaluation & design	Project construction & operation	De-commissioning /sale/transfer
Financial institutions	• Set up an ESMS framework • Integrate ESMS policies into internal operations • Set up a public grievance mechanism supported projects	• Ensure project owners/ developers/sponsors understand ESMS requirements	• Screening and categorization of proposed project • Conduct environmental and social due diligence (ESDD) • Define reporting requirements and metrics • Agree on legal agreement for environmental and social performance • Disclose project information on the institutional level	• Monitor ongoing compliance with the environmental and social covenants stipulated in the legal agreement • Provide additional oversight with public grievance mechanism	• Disclose project information on institutional level and avoid environment and social related legal risks
Clients	• Develop sustainability strategy and environmental and social risk management policies for overseas projects	• Self-evaluate and classify project category • Understand FIs' differentiated management requirements • Establish relationships with potential third parties	• Verify self-evaluation and classification results with financial institutions • Include stakeholder identification, disclosure and consultation plans, grievance mechanism in ESIA • Disclose draft ESMP and engage in consultation with stakeholders • Share consultation results with the financial institutions and the public • Establish separate project-level grievance mechanisms for the public and contracted projects workers • Finalise ESMP and agree on legal agreement	• Submit periodic monitoring reports on performance relating to E&S risks and impacts • Maintain established channels of consultation and grievance mechanisms	• Disclosure of relevant information and address complaints to avoid legal risks

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1. Introduction

China has promised to build a green and sustainable BRI through multiple top-level policy signals over the past years. The promise has been supported by an increasing number of policies seeking green BRI projects and investments from different dimensions of developers, financial institutions, and capacity building. Information disclosure and public participation have also been important aspects of building green and high-quality overseas projects, but more guidance is relevant for its application and full implementation.

The ambition to improve public participation has been laid out as late as March 2021, when the People's Bank of China (PBOC) announced its "three functions" of supporting green finance and "five pillars" that facilitate those functions[1]. One of the pillars, namely "strengthening the requirements on financial institutions supervision and information disclosure" lays out the goal of making environmental information disclosure more mandatory and standardized among financial institutions, security issuers and public sectors, particularly for domestic finance. The "Disclosure Guidelines for the Financial Sector" published by PBOC in August 2021 provided further details and recommendations for Chinese financial institutions to disclose environmental information regularly.

In June 2022, the Chinese Banking and Insurance Regulatory Commission (CBIRC) issued the updated Green Finance Guidelines[2] ("2022 Guidelines") that require banking and insurance institutions to effectively identify, monitor, and prevent environmental, social and governance risks, and to strengthen information disclosure and interaction with stakeholders along international standards. Particularly for financing in Belt and Road Initiative and overseas projects, the 2022 Guidelines require banks and insurance companies to ensure that the management of the project is substantially consistent with international good practices.

Efforts to strengthen the greening of the BRI and improve public participation have also been promoted by the Belt and Road Initiative International Green Development Coalition (BRIGC) under the Ministry of Ecology and Environment (MEE): In 2020, BRIGC issued the Green Development Guidance for Belt and Road Initiative Projects Baseline Study. The Guidance issued 9 recommendations and a traffic light system for the environmental evaluation of BRI projects. For disclosure and stakeholder participation, Recommendation 3 suggests project developers adopt stricter EIA standards, including disclosure and public participation requirements. Recommendation 6 specifies that financial institutions provide an easy-to-access and transparent grievance redress mechanism for people and NGOs that are potentially negatively affected by projects throughout all project phases. Recommendation 8 states that financial institutions provide independent reporting on the environmental performance of projects, including details on emissions, pollution, biodiversity targets and impacts, risks management, strategy, and governance. MEE, together with other ministries like MOFCOM, MFA, and NDRC, have also issued more stringent policies for overseas investment, such as encouraging Chinese businesses to integrate green development throughout the overseas investment process and comply with international rules, strengthening the ecological environment and climate change-related information sharing and strengthen communication with potentially affected communities, relevant social groups, and the public.

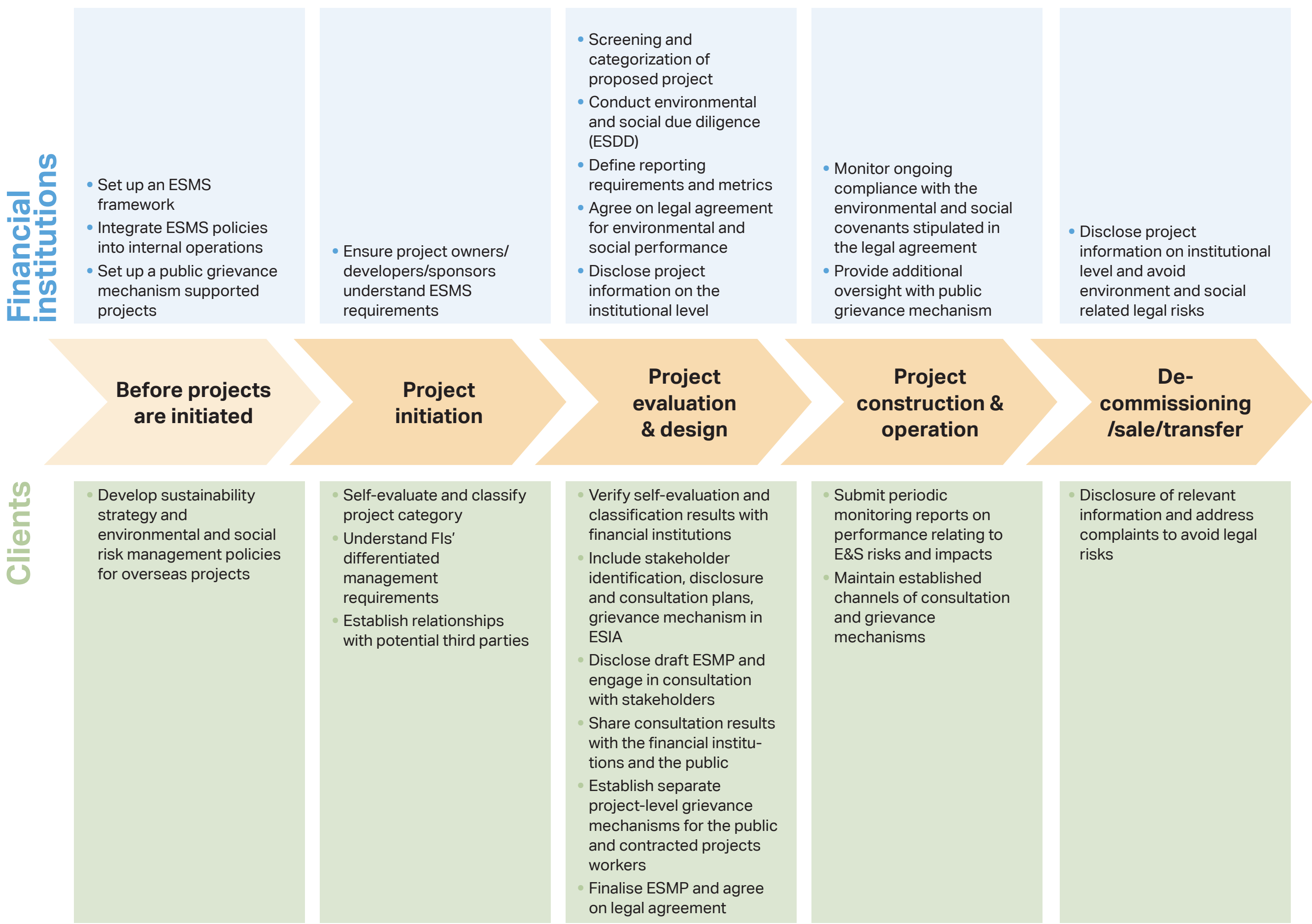
As active environmental information disclosure and public participation in the investment portfolio become common practices in many international commercial banks and MDBs, Chinese financial institutions have found it important to understand or match such practices when working with their international counterparts on large projects in emerging markets. There is also an increasing understanding that the benefits of implementing measures of disclosure and public participation most often outweigh the cost, particularly in countries with weaker environmental and social laws and implementation laws.

As environmental information disclosure and public participation, as well as the less-mentioned but equally important, grievance mechanisms are core components of stakeholder engagement, this guidance focuses on implementing stakeholder

1 陈雨露：绿色金融 "三大功能" "五大支柱" 助力碳达峰碳中和 March 7, 2021, http://finance.people.com.cn/n1/2021/0307/c1004-32044837.html.

2 中国银保监会，"中国银保监会关于印发银行业保险业绿色金融指引的通知," June 2, 2022, http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1054663&itemId=928.

Figure 1. Guide for environmental information disclosure and public participation along the project lifecycle



Source: authors

engagement in BRI investments. It aims to support Chinese financial institutions engaged in overseas project finance in understanding and performing risk mitigation through proper stakeholder engagement along the entire project lifecycle, and spells out the responsibilities of financial institutions themselves and of their clients (e.g., project developers) (see Figure 1).

2. Principles, costs, benefits, and risks of stakeholder engagement

Stakeholder engagement is an ongoing process that may involve several elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and ongoing reporting to Affected Communities[3]. Among others, information disclosure, public participation and grievance mechanisms are important tools for engaging and engaging stakeholders on the identification and reporting of project-level environmental risks, as well as providing avenues to deal with grievances. Public participation enables earlier recognition of environmental risks, builds capacity for the project to avoid or reduce environmental risks, and improves support from local communities in the implementation of the project and the financial institutions.

3 IFC, "International Finance Corporation's Guidance Notes: Performance Standards on Environmental and Social Sustainability" 2012, https://www.ifc.org/wps/wcm/connect/9fc3aaef-14c3-4489-acf1-a1c43d7f86ec/GN_English_2012_Full-Document_updated_June-14-2021.pdf?MOD=AJPERES&CVID=nXqnsJp.

This chapter provides a brief overview of the principles, costs, benefits, and risks of stakeholder engagement through environmental information disclosure, public participation and grievance mechanisms in overseas engagement. Chapter 3 will look at current practices of international and Chinese tools, while Chapter 4 will provide a more detailed overview and flowchart to implement stakeholder engagement throughout the project development.

In summary, engaging stakeholders through public participation and environmental information disclosure in the end will help Chinese financial institutions and developers to overcome one of biggest risks of project delays and cancellations (which is costly for both developers and financiers): understanding and addressing environmental and social risks.

2.1. Environmental information disclosure as the basic tool of risk mitigation

Financial institutions disclose non-financial environment-related information both as an organisation (usually part of ESG disclosure) and for individual projects. At the organisational level, environmental information reporting and disclosure practices are a means of communicating to the stakeholders about the impact of the organization's actions on the environment[4]. Disclosure standards are usually driven by governments (e.g., EU Sustainable Finance Disclosure Regulation) and sectoral or thematic associations (e.g., Task Force on Climate-related Financial Disclosure (TCFD), Global Reporting Initiative (GRI), Climate Disclosure Standards Board (CDSD), Sustainability Accounting Standards Board (SASB)). These standards provide clear guidance on the process and format of environmental information disclosure. Appendix 1 highlights processes and elements of climate-related financial disclosure of the TCFD.

At the project level, environmental and social information is required to be shared with stakeholders, including lenders, investors, local community, local government, and NGOs, allowing them to understand the risks, impacts and opportunities of the project[5]. It is also a mandatory process required by EIA laws in host countries. While financial institutions require their clients to disclose project-related information along the project lifecycle, some financial institutions also agree to disclose investment-specific environmental and social information. For example, according to its Access to Information Policy (AIP), IFC discloses information about investment projects, advisory services projects, and project results information, especially for projects with a certain E&S risk categorization[6].

Environmental information disclosure contributes to improved public participation, such as consultation and resolution of grievances, for stakeholders to have more accurate and timely information about the project[7]. Therefore, good information disclosure practices lay an important foundation of a successful stakeholder engagement. Some principles of good disclosure practices include[8]:

- Be transparent and forthcoming about information, especially if there is no compelling reason not to share it;
- Apply good practice principles (disclose early, disclose objective information, design disclosure to support consultation, provide meaningful information, ensure the accessibility of information);
- Weigh the considerations of non-disclosure (e.g., due to commercial confidentialities, privacy issues) against the benefits of keeping stakeholders informed;
- Prepare information strategically on sensitive and controversial issues such as land acquisition and resettlement to avoid risks.

4 Barnali Chaklader and Puja Aggarwal Gulati, "A Study of Corporate Environmental Disclosure Practices of Companies Doing Business in India," *Global Business Review* 16, no. 2 (April 1, 2015): 321–35, https://doi.org/10.1177/0972150914564430.

5 IFC, ed., *Doing Better Business through Effective Public Consultation and Disclosure: A Good Practice Manual* (Washington, DC: International Finance Corporation, 1998).

6 IFC, "IFC Access to Information Policy," IFC PROJECT INFORMATION & DATA PORTAL, January 1, 2012, https://disclosures.ifc.org/access-info-policy.

7 IFC, "Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets," May 2007, https://www.ifc.org/wps/wcm/connect/affbc005-2569-4e58-9962-280c483baa12/IFC_StakeholderEngagement.pdf?MOD=AJPERES&CVID=jkD13-p.

8 Id.

Figure 2. International Association for Public Participation (IAPP)'s Spectrum of Public Participation

INCREASING IMPACT ON THE DECISION →

	INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
Public Participation Goal	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternative and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
Promise to the Public	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspiration, and provide feedback on how public input influences the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulation solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

Source: authors adapted from International Association for Public Participation (Organizing Engagement, "Spectrum of Public Participation," Organizing Engagement, November 1, 2019, https://organizingengagement.org/models/spectrum-of-public-participation/.

2.2. Effective risk management with public participation

Public consultation and participation should be proactively used to identify, manage, and mitigate environmental and social risks in overseas investment.

Public participation, in general, is a concept to include relevant stakeholders in the project design and implementation process to gain on-the-ground knowledge and experience, to improve the project's social outcomes in line with the public's needs, to gain support for the project from the public, and to build a lasting relationship with the affected stakeholders to reduce risks. Public participation has different degrees of impact on the decision, such as informing, consulting, involving, collaborating, and empowering. Figure 2 shows the different goals and promises of these approaches.

For financial institutions, public participation along the project lifecycle is key to ensuring that social and environmental risks of their investments or lending are properly identified, mitigated, and managed to avoid financial risks. This is especially important in projects that exhibit high potential negative environmental and social impacts (e.g., "red" projects as defined by the traffic light system of the BRI, or A and A/B projects by various performance standards), or projects conducted in weak government countries.

Public participation, in most overseas investment practices, includes two major components: a) stakeholder consultation and b) grievance mechanism.

2.2.1. Stakeholder consultation

Stakeholder consultation includes a series of dialogues between the project company and its stakeholders to learn about the potential E&S impacts and mitigation options of the project. Principles of a good consultation include[9]:

- ▷ Plan ahead, e.g., prepare a formal Stakeholder Engagement Plan in advance;

9 IFC, "Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets."

- ▷ Tailor the techniques, methods, approaches and timetables used based on the local situation and types of stakeholders, and engage local experts throughout the process;
- ▷ Take feedback received during the consultation process seriously and make the best efforts to address issues raised through changes to project design, proposed mitigation measures, or development benefits and opportunities;
- ▷ Document the process and results of consultation; and
- ▷ Report back to stakeholders to help establish credibility, manage expectations, and reduce consultation fatigue or cynicism.

2.2.2. Grievance mechanisms

Another important element of stakeholder engagement is **grievance mechanisms.** Grievance mechanisms provide a way for affected communities to express concerns and for project sponsors and financial institutions to address these concerns[10]. Particularly during the project's implementation phase, a grievance mechanism allows affected stakeholders and communities to alert financial institutions and project sponsors about issues ("grievances") with the project. This allows involved financial institutions to identify and respond to unintended impacts of the project in a timely fashion, and therefore, increases the likelihood that the project will proceed without undue delay or complication.[11]

Financial institutions ideally require their clients to establish a grievance mechanism for projects, while financial institutions themselves also maintain a grievance mechanism for their supported projects to engage directly with the affected communities and reduce the risk of underreporting issues from the client. As an example, the Office of the Compliance Advisor Ombudsman (CAO) is an independent accountability mechanism for projects supported by the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), while the Grievance Redress Service (GRS) is an avenue for individuals and communities to submit complaints directly to the World Bank concerning the environmental and social impact of a World Bank-supported project. At this time, Grievance Mechanisms are not yet adequately utilized by Chinese financial institutions.

Establishing successful grievance redressal mechanisms requires the financial institutions to set clear, consistent, and transparent guidelines and processes internally and vis-à-vis the project developer. This includes decisions on data materiality, standards for measurement, reporting and validation, and reporting frequency. An important aspect is a proper documentation of processes for public participation and data collection, as well as the data themselves: this will enable financial institutions and related parties (e.g., clients) to better manage risks and to transparently provide data upon request by local and international stakeholders and regulators.

Key Principles of a Good Grievance Mechanism include[12]:

Principle 1: Proportionality. The scope, form, and level of complexity of a project grievance mechanism should be proportionate to the potential adverse impacts on and interaction with the local communities.

Principle 2: Cultural Appropriateness. The grievance mechanism should be designed to take into account culturally appropriate ways of handling community concerns.

Principle 3: Accessibility. A clear and understandable mechanism that is accessible to all segments of the affected communities at no cost.

Principle 4: Transparency and accountability to all stakeholders. The community should be

10 Compliance Advisor/Ombudsman (CAO), "A Guide to Designing and Implementing Grievance Mechanisms for Development Projects" (Washington, DC, 2008), https://www.cao-ombudsman.org/resources/guide-designing-and-implementing-grievance-mechanisms-development-projects.

11 Doug Cahn, "Grievance Mechanisms: A Critical Component of Project Management," September 2010, https://www.adb.org/sites/default/files/publication/29678/grievance-mechanisms-critical-component.pdf.

12 IFC, "Good Practice Note Addressing Grievances from Project-Affected Communities," 2009, https://www.ifc.org/wps/wcm/connect/f9019c05-0651-4ff5-9496-c46b66dbeedb/IFC%2BGrievance%2BMechanisms.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-f9019c05-0651-4ff5-9496-c46b66dbeedb-jkD0-.g.

able to 1) know who is responsible for handling complaints and communicating outcomes, and who is in charge of the mechanism oversight; 2) have input into its development; 3) possess sufficient information on how to access it; and 4) have power to ensure that the process is adhered to by those directly responsible for managing it.

Principle 5: Appropriate Protection. A mechanism that prevents retribution and does not impede access to other remedies.

2.3. Benefits of stakeholder engagement and risks of insufficient implementation

Environmental information disclosure, public consultation and grievance mechanisms in overseas projects are important tools for financial institutions to reduce and manage environmental and social risks. As they require the specific set-up of a transparent governance system (how to deal with issues), installing processes (e.g., grievance mechanism, information collection and disclosure), hiring people and possibly external experts (e.g., third-party opinion, environmental and social audit), it comes with initial financial expenditure.

However, the benefits of implementing these forms of stakeholder engagement outweigh the cost, particularly if the risks and pitfalls of public participation are managed as well (see Table 1). This is even more true in countries with weaker environmental and social laws and law enforcement, where government requirements alone are insufficient to identify, manage and mitigate risks. Therefore, the voluntary application of higher standards (as stipulated also by Chinese government guidance) enables financial institutions and developers to proactively adopt better risk management strategies with positive financial and environmental outcomes.

The risks of failure to establish processes for proper public participation, particularly at the early consultation stage, can also be costly, and sometimes lead to the failure of the project. Various Chinese and internationally financed overseas projects have run into severe problems with project cancellation: for example, the ESIA license by Kenya's Lamu coal-fired power plant in 2019 was cancelled by the courts as the project failed to properly conduct public consultation in the project's design phase.

Table 1. Benefits of environmental information disclosure, public consultation and grievance mechanisms

Environmental information disclosure	Public consultation	Grievance mechanism
• Internal governance mechanism to monitor and evaluate the environmental performance of the project as a basis for environmental information disclosure is improved leading to better environmental risk management • Transparency on environmental performance improves public trust and reputation • Access to finance from international partners is improved (e.g., international financial institutions would require clear environmental and social risk management systems) • Risk of unfounded accusations and consequential reputational loss are reduced	• Understanding of the needs of the local population is improved • Project design that includes knowledge of local population and stakeholders is improved • Buy-in and support of the local population is improved and leads to less resistance against the project throughout the project • Trust with the community to deal with possible challenges in the project implementation is improved • Baseline data collection to design environmental and social impact assessment are improved • Process legitimacy of project design and implementation is improved	• Risk identification at a financial institution (i.e., as a bank is not dependent on information flows via project company) is accelerated • Risk management to social grievances can be accelerated and therefore risks reduced • Sustained relationship with local stakeholders outside project company can be improved • Financial institution has better data for application of covenants with project company

Table 2. Risks of insufficient environmental information disclosure, public consultation and grievance mechanisms

Environmental information disclosure	Public consultation	Grievance mechanism
• Distrust among public and potentially with regulators on environmental performance • Lack of incentive for setting up internal control mechanisms for environmental risks • Higher legal risks should environmental performance be found to be insufficient by external parties • Worse access to international finance for future financing needs of projects	• Lack of understanding of local needs, experiences, and challenges in project design and implementation • No ability to build on previous knowledge rested within local population • Lack of social support for project as local community has no interest and psychological "ownership" of project • Higher legal risk due to population's unheard and unanswered grievances	• Slow identification of social and environmental risks, particularly for financial institutions (who depend on information flow from project company, rather than having a more direct contact with the affected stakeholders) • Increasing distrust of local population should they not have a trusted pathway for voicing grievances • Higher risk of legal action from local communities as the more suitable way to address grievances

3. International and Chinese practices of public participation and environmental information disclosure

The concepts and application of principles of public participation and environmental information disclosure are broadly reflected in national and regional regulations, and – often more importantly – by voluntary international agreements of financial institutions. As such, they are often a legal requirement for obtaining a business license and are a practical requirement to safeguard the sustainability policies of international financial institutions, including for both development financial institutions and commercial financial institutions.

3.1. International tools and practices

3.1.1. Intergovernmental agreements

Several intergovernmental agreements and instruments have been developed to improve public participation, information disclosure and grievance mechanisms. They often address government and public entities and can apply to private organizations as well (particularly on a voluntary basis). These intergovernmental agreements can also fill gaps in national regulation and cross-country projects. Their application can reduce social, environmental, and financial risks for project developers and financiers. The following agreements and instruments have seen particular attention (see also Table 3 for an overview):

▷ The **Rio Declaration on Environment and Development** was approved by the United Nations during the Conference on Environment and Development in 1992, to reaffirm the Declaration of the United Nations Conference on the Human Environment adopted in 1972. The set of principles adopted in the Rio Declaration defines the right of people to development, and their responsibilities to safeguard the common environment. In particular, principle 10 ensures that each individual has access to information, access to public participation and access to justice. Principles 20 and 22 also highlight the importance of the effective participation of women and indigenous people for sustainable development.

▷ The UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters **(The Aarhus Convention)** was adopted in 1998 to put Principle 10 of the Rio Declaration into practice. It establishes minimum and detailed standards for the three broad themes: access to information, public participation, or access to justice.[13]

13 Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (adopted 25 June 1998, entered into force 30 October 2001), UNTS 2161 (p.447), https://treaties.un.org/Pages/showDetails.aspx?objid=080000028004bb03&clang=_en.

Table 3. **Major intergovernmental agreements and instruments for environmental information disclosure and public participation**

	Adopted in	Key content
Rio Declaration on Environment and Development	1992	• At the national level, each individual shall have appropriate access to information concerning the environment… and the opportunity to participate in decision-making processes. • Effective access to judicial and administrative proceedings, including redress and remedy, shall be provided. • The full participation of women, indigenous people and their communities and other local communities should be enabled.
Aarhus Convention	1998	Establish a number of rights of the public (individuals and their associations) with regard to the environment and requires public authorities to make these rights effective, including: • the right of everyone to receive environmental information that is held by public authorities ("access to environmental information"); • the right to participate in environmental decision-making ("public participation in environmental decision-making"); • the right to review procedures to challenge public decisions that have been made without respecting the two aforementioned rights or environmental law in general ("access to justice").
Bali Guidelines	2010	Consisting of 26 Guidelines divided into three sections corresponding to the three pillars of Rio Principle 10, i.e. "Access to information" (Guidelines 1-7), "Public participation" (Guidelines 8-14), and "Access to justice" (Guidelines 15-26).
Escazu Agreement	2018	Consisting of 26 articles that guarantee the full and effective implementation in Latin America and the Caribbean of the rights of access to environmental information, public participation in the environmental decision-making process and access to justice in environmental matters, and the creation and strengthening of capacities and cooperation.

▷ Furthermore, to catalyse and accelerate the implementation of Rio Declaration Principle 10, governments adopted the Guidelines for the Development of National Legislation on Access to Information, Public Participation and Access to Justice in Environmental Matters (**Bali Guidelines**) at the 11th Special Session of UNEP's Governing Council/ Global Ministerial Environmental Forum in 2010. These voluntary guidelines provide states (especially developing countries) with recommendations to amend national legislation or practice for broader access to information, public participation and justice.[14]

▷ The latest development for facilitating public participation in environmental-related issues is the launch of the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (known as the **Escazu Agreement**) in September 2018. It entered into force in April 2021, with 24 countries (out of the 33 countries in the LAC region) having signed it and 13 countries having ratified it[15]. This regional agreement is the first legally binding regional agreement to protect everyone's rights of access to information, public participation and access to justice in environmental matters.

14 UNEP, "Guidelines for the Development of National Legislation on Access to Information, Public Participation and Access to Justice in Environmental Matters," 2010, https://wedocs.unep.org/bitstream/handle/20.500.11822/11182/Guidelines%20for%20the%20Development%20of%20National%20Legislation%20on%20Access%20to%20information%2c%20Public%20Participation%20and%20Access%20to%20Justice%20in%20Environmental%20Matters.pdf?sequence=1&isAllowed=y.

15 Including Antigua and Barbuda, Argentina, Bolivia, Chile, Ecuador, Guyana, Mexico, Nicaragua, Panama, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Saint Lucia, and Uruguay. See https://treaties.un.org/Pages/ViewDetails.aspx?src=IND&mtdsg_no=XXVII-18&chapter=27&clang=_en.

3.1.2. Thematic and sectoral tools

Internationally, industry-led organizations are continuously improving standards that support environmental information disclosure and public participation. These standards play an important role in supporting investors in decision-making and mitigating environmental and social risks, especially in countries with inadequate ESIA legislation and enforcement capacity.

In general, thematic, and sectoral guidelines relevant to the financial sectors consist of institutional-level standards (e.g., that are relevant for the whole financial institution across all its investments) and project-level standards (i.e., standards that are relevant for a specific project). Both types of standards are important for social and environmental risk management through stakeholder engagement.

3.1.2.1. Institutional-level tools

On the organisation level, several internationally recognised standards with different focuses have been established and are being adopted by different industries. Major standards include (for a more detailed summary and content specific to the financial sector, refer to Table 4):

- **Task Force on Climate-Related Financial Disclosures (TCFD)** Recommendations: with a focus on climate, they provide a voluntary set of guidelines aimed at assessing and disclosing a company's exposure to climate change risk, including both general and sector-specific guidance. As of October 2022, TCFD has over 3,800 supporters globally, around 40% of which are financial institutions.[16]

- **Global Reporting Initiative (GRI):** GRI Standards are the most well-established global Standards for sustainability reporting. GRI covers ESG topics and help organisations to understand and communicate the impact of business on critical sustainability issues. They are used by 72% of all companies reporting sustainability information worldwide and of the 74% of the 250 largest companies (G250);

- **Sustainability Accounting Standards Board (SASB)**: SASB focuses on quantifying and reporting the outward ESG impacts and risks of an organization's performance across 77 different industry standards. Since 2020, there have been 2,481 Unique SASB reporters worldwide;

- **Climate Disclosure Standards Board (CDSB)**: CDSB is s an international consortium of business and environmental NGOs and committed to advancing and aligning the global mainstream corporate reporting model to ensure that companies disclose environmental, natural and financial capital using the same approaches. Its new Framework aligns with TCFD recommendations with detailed disclosure expectations, with clearly outlined purposes. It is currently being used globally by companies with a Market Capitalization of $5.2tn.

Besides global standards, jurisdiction-specific disclosure regulations have also been established. Many jurisdictions have used TCFD recommendations as the basis for their national climate disclosure standards, such as the EU, Brazil, Hong Kong, Japan, New Zealand, Singapore, Switzerland, and the UK.

3.1.2.2. Project-level tools

Major project-level standards include the Equator Principles, IRIS+, FAST-Infra.

- **The Equator Principles**, the leading sectoral project-level principles, were developed based on IFC Performance Standards and serve as a baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing Projects. 136 financial institutions globally, referred to as Equator Principles Financial Institutions (EPFIs), have officially adopted the Equator Principles. Project-level standards are also strongly led by multilateral development financial institutions, which will be discussed in the next section.

The Equator Principles include several principles regarding the elements of public participation, including:

16 TCFD, "2022 TCFD Status Report: Task Force on Climate-related Financial Disclosures", 2022, https://www.fsb.org/2022/10/2022-tcfd-status-report-task-force-on-climate-related-financial-disclosures/.

- **Principle 2 Environmental and Social Assessment**: The EPFI will require the client to conduct an appropriate Assessment process to address, to the EPFI's satisfaction, the relevant environmental and social risks and scale of impacts of the proposed Project. The Assessment Documentation should propose measures to minimise, mitigate, and where residual impacts remain, to compensate/offset/remedy for risks and impacts to Workers, Affected Communities and the environment.

- **Principle 5 Stakeholder Engagement:** For Projects with potentially significant adverse impacts on Affected Communities, the client will conduct an Informed Consultation and Participation process. The client will tailor its consultation process to: the risks and impacts of the Project; the Project's phase of development; the language preferences of the Affected Communities; their decision-making processes; and the needs of disadvantaged and vulnerable groups. Disclosure of environmental or social risks and adverse impacts should occur early in the Assessment process, in any event before the Project construction commences, and on an ongoing basis.

- **Principle 6 Grievance Mechanism:** For all Category A and, as appropriate, Category B Projects, the EPFI will require the client, as part of the ESMS, to establish effective grievance mechanisms which are designed for use by Affected Communities and Workers to receive and facilitate resolution of concerns and grievances about the Project's environmental and social performance. Grievance mechanisms should not impede access to judicial or administrative remedies.

- **Principle 10 Reporting and Transparency**: in addition to the disclosure requirements in Principle 5, clients of category A and B projects should follow reporting requirements including 1) a summary of the ESIA is accessible and available online and that it includes a summary of Human Rights and climate change risks and impacts when relevant; 2) the client will report publicly, on an annual basis, GHG emission levels during the operational phase for Projects emitting over 100,000 tonnes of CO_2 equivalent annually; 3) the client is encouraged to share commercially non-sensitive Project-specific biodiversity data with the Global Biodiversity Information Facility (GBIF) and relevant national and global data repositories.

- **IRIS+** is manages by the Global Impact Investing Network (GIIN) and provide numerical measures used in calculations or qualitative values to account for the social, environmental and financial performance of an investment. IRIS+ provides metrics in 17 categories including agriculture, air, biodiversity and ecosystems, climate, diversity and inclusion, education, employment, energy, financial services, health, infrastructure, land, ocean and coastal zones, pollution, real estate, waste and water for investors and enterprises to determine impact results of a project.

- **FAST-Infra** (the Finance to Accelerate the Sustainable Transition-Infrastructure initiative) was conceived in early 2020 by Climate Policy Initiative (CPI), HSBC, the International Finance Corporation (IFC), OECD and the Global Infrastructure Facility and aims to establish a consistent, globally applicable labelling system for sustainable infrastructure assets. It aims to develop well-prepared projects in a more time efficient way and enables e infrastructure to become a transparent and liquid asset class.

A summary of major thematic and sectoral guidelines for environmental information disclosure and public participation is shown in Table 4.

Metro in Istanbul © Kantilal Patel | Dreamstime.com

Table 4. Major thematic and sectoral guidelines for environmental information disclosure and public participation

Category	Standards	Topics covered	Emphasis
Institutional-level standards	Task Force on Climate-Related Financial Disclosures (TCFD)	Climate	TCFD Recommendations provide a voluntary set of guidelines aimed at assessing a company's exposure to climate change risk, including both general and sector-specific guidance. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Besides recommendations for all sectors, supplemental guidance for the financial sector is provided for four different sub-sectors: Banks, Insurance Companies, Asset Owners, and Asset Managers. Example: Banks should describe significant concentrations of credit exposure to carbon-related assets and consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.
	UN Principles for Responsible Investment (PRI)	Environmental, social and governance	UN PRI develops six principles to reflect the increasing relevance of environmental, social and corporate governance issues to investment practices. It aligns investors with broader objectives of society. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Principles include: • incorporate ESG issues into investment analysis and decision-making processes. • be active owners and incorporate ESG issues into ownership policies and practices. • seek appropriate disclosure on ESG issues by the entities in which we invest. • promote acceptance and implementation of the principles within the investment industry. • work together to enhance our effectiveness in implementing the principles. • report on activities and progress towards implementing the principles.
	IFRS Sustainability Disclosure Standards	Climate	The proposals set out requirements for the disclosure of material information about a company's significant sustainability-related risks and opportunities that is necessary for investors to assess a company's enterprise value. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Climate-related information disclosure include risks associated with the transition to a lower-carbon economy, physical risks from climate change, climate-related opportunities, and capital deployment.
	Global Reporting Initiative (GRI)	Environmental, social and governance	Focuses on the economic, environmental and social impacts of the activities of a company, and hence its positive or negative contributions towards sustainable development. It includes universal standards, sector standards and topic standards. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Universal standards, including the organization and its reporting practices, Activities and workers, Governance, Strategy, policies and practices, and Stakeholder engagement apply to the financial sector. Example: GRI 2 -General Disclosures; GRI 413 – Local Communities. Standards specific to the financial sector (banking, insurance, and asset management in particular) are under development.
	Sustainability Accounting Standards Board (SASB)	Environmental, social and governance	Provides industry-specific standards to identify sustainability-related risks and opportunities most likely to affect a company's financial condition, operating performance, or risk profile, and thus its current and future market valuation. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Disclosure topics include, e.g.: • Transparent Information & Fair Advice for Customers. • Incorporation of ESG Factors in Investment Management. • Financial Inclusion & Capacity Building, etc. • varying across seven sub-sectors: Insurance, Mortgage, Investment banking & Brokerage, Security & commodity exchanges, Consumer Finance, Commercial Banks, Asset Management & Custody Activities.

* CDP, "CDP Technical Note: Portfolio Impact Metrics for Financial Services Sector Companies," January 2022, https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/002/428/original/CDP_Technical_Note_on_Portfolio_Impact_Metrics_for_Financial_Services_Sector_Companies.pdf?1610122108.

Category	Standards	Topics covered	Emphasis
Institutional-level standards (continued)	Climate Disclosure Standards Board (CDSB)	Environmental and social	Aims to help organisations present environmental and social information in mainstream reports for the benefit of investors. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** CDSB standards include guiding principles (P1-P7) and reporting requirements (REQ01-REQ12) that apply to all sectors.
	Carbon Disclosure Project (CDP)	climate change, water security & deforestation	A global disclosure reporting system on environmental impacts, which aims to incentivise and guide companies and cities on their efforts to reduce their greenhouse gas emissions, safeguard water resources and protect forests. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** CDP has a technical note on portfolio impact metrics dedicated to the financial service sector.*
Project-level guidelines	The Equator Principles (EP)	Environmental and social	Intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing projects. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Principles include: review and categorisation, environmental and social assessment, applicable environmental and social standards, environmental and social management system, stakeholder engagement, grievance mechanism, independent review, independent monitoring and reporting.
	IRIS+	Environmental and social	IRIS+ is the generally accepted impact accounting system that help impact investors to measure, manage, and optimize their impact. IRIS+ include metrics in 17 categories such as agriculture, biodiversity & ecosystems, climate, diversity & inclusion, health, etc. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Investors and enterprises, including those in the financial sector, could use the IRIS+ Core Metrics Sets and the IRIS Catalog of Metrics to measure and describe impact performance.
	FAST-Infra	Sustainable infrastructure	FAST-Infra Technology Platform seeks to help market participants: • Develop well-prepared projects. • Reduce the time it takes to develop projects by 50%. • Help make procurement simpler and more transparent, and help improve the terms on which governments • procure the quality infrastructure they need. • Simplify due diligence and project finance. • Improve operation, monitoring and risk management. • Enable infrastructure to become a transparent and liquid asset class. **CONTENT SPECIFIC TO THE FINANCIAL SECTOR** Stages for 2022 will encompass definition of a suitable legal vehicle to engage public private participants in a consortium and steer the design and development of platform through to its launch. Institutions involved in the project cycle, including governments, developers, asset owners, lenders, investors, insurers and advisors. will benefit.

3.1.3. Tools of bilateral and multilateral financial institutions

International financial institutions usually develop their own disclosure and public participation requirements to ensure their investments align with their sustainable goals (see Table 5). Multilateral financial institutions, in particular, have been leading this trend and laying the foundation for other thematic and local guidelines.

For example, IFC follows both IFC Access to Information Policy (AIP) that applies to itself and Performance Standards that apply to its clients. On the one hand, AIP defines the responsibilities of **IFC** to provide accurate and timely information regarding its investment and advisory services activities to its clients, partners and stakeholders. On the other, IFC Performance Standards (see Box 1) define **IFC clients**' responsibilities for managing their environmental and social risks. Among others, disclosure of information, consultation, external communications and grievance mechanisms for affected communities, ongoing reporting to affected communities are important elements in IFC Performance Standards. Complementary to the Performance Standards, IFC's Guidance Notes[17] provides additional information, explanation and examples on these key points related to disclosure and public participation.

The World Bank also published an Environmental and Social Framework (ESF), effective in 2018, that consists of a Vision for Sustainable Development and ten Environmental and Social Standards (ESSs) that apply to Borrowers, as well as an Environmental and Social Policy for Investment Project Financing (IPF) that applies to the Bank[18]. In particular, ESS10: Stakeholder Engagement and Information Disclosure lays out the Bank's requirements for implementing stakeholder engagement during project lifecycle, including stakeholder identification and analysis, stakeholder engagement plan, information disclosure, and meaningful consultation during project preparation, continued engagement during

17 IFC, "International Finance Corporation's Guidance Notes: Performance Standards on Environmental and Social Sustainability".

18 World Bank," Environmental and Social Framework", accessed November 23, 2022, https://www.worldbank.org/en/projects-operations/environmental-and-social-framework.

Box 1. IFC Performance Standards content related to environmental information disclosure and public participation[a]

Environmental and social impact assessment: The ESIA must conform to the requirements of the host country's environmental assessment laws and regulations, including the relevant disclosure of information and public consultation requirements, and should be developed following principles of good international industry practice[b].

Consultations: A consultation process should be conducted where the project is likely to generate adverse environmental and social impacts on Affected Communities. Based on the preliminary stakeholder analysis, consultation should be inclusive of various segments of the Affected Communities, including both women and men, and accessible to the disadvantaged and vulnerable groups within the community.

Consultation with Affected Communities should begin in the early scoping process that establishes the terms of reference for the assessment process, which includes an inventory of risks and impacts to be assessed, and should continue through the entire project life-cycle. The client should document specific actions, measures or other instances of decision-making that have been influenced by or resulted directly from the input of those who participated in the consultation.

Disclosure of information: The client will provide Affected Communities with access to relevant information on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism. The timing and the method of disclosure should also consider national law requirements.

Disclosure of information is normally expected as part of the process of identification of impacts and risks, but if the project is expected to create ongoing impacts and risks to the Affected Communities, the client should continue to provide information during the life of the project. Clients should also balance the need for transparency with the need to protect confidential information, and ensure that no personal data or information with particular individuals is disclosed.

Grievance mechanisms: A procedure at the project level that is readily accessible to the Affected Communities and that allows for receiving, addressing, and recording/documenting complaints and communications from external stakeholders should be established where the project is likely to generate adverse environmental and social impacts on Affected Communities.

The responsibility for receiving and responding to grievances should be handled by experienced and qualified personnel within the client organization, separate from the personnel in charge of management of the business activities. In some cases, due to project-specific circumstances, the client may need to involve an independent third party as part of its grievance redress process.

a IFC, "Performance Standards on Environmental and Social Sustainability", 2012, https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Document.pdf?MOD=AJPERES&CVID=jkV-X6h.

b Defined by IFC 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.

Table 5. **Examples of development financial institution standards for environmental information disclosure and public participation**

Category	DFI	Standards applying to clients	Standards applying to itself
Multilateral financial institutions	International Finance Corporation (IFC)	IFC Performance Standards	IFC Access to Information Policy (AIP)
	World Bank	Environmental and Social Standards (ESSs) as part of the 2018 Environmental and Social Framework (ESF)	Environmental and Social Policy for Investment Project Financing (IPF) as part of the 2018 Environmental and Social Framework (ESF)
	Asian Infrastructure Investment Bank (AIIB)	Environmental and Social Framework	Environmental and Social Framework Policy on Public Information
	Inter-American Development Bank (IADB)	Environmental and Social Policy Framework	IADB Access to Information Policy
	European Bank for Reconstruction and Development (EBRD)	Environmental and Social Policy	EBRD Access to Information Policy
Bilateral / national financial institutions	Agence française de développement (AFD)	Environmental and Social Framework	Corporate Social Responsibility Policy
	KfW Development Bank	Sustainability Guideline Assessment and management of Environmental, Social, and Climate Aspects: Principles and Procedures	Sustainability Guideline Assessment and management of Environmental, Social, and Climate Aspects: Principles and Procedures
	Japan International Cooperation Agency (JICA)	The JICA Guidelines for Environmental and Social Considerations (January 2022)	The JICA Objection Procedures based on the Guidelines for Environmental and Social Considerations (January 2022)

project implementation and external reporting, grievance mechanism and organization capacity and commitment.

National or bilateral development financial institutions, such as the Agence française de développement (AFD), also include a dedicated chapter of information disclosure, stakeholder engagement and grievance redress (based on IFC PS1and IFC Stakeholder Engagement Handbook) in its Environmental and Social Framework to ensure through contractual commitments and technical assistance that the project owner consults and engages all project stakeholders and local communities in particular[19]. Interests and concerns of stakeholders are also taken into account in project evaluation. AFD also makes information on its financed projects available to the public[20].

In addition, Japan International Cooperation Agency (JICA) updated its Guidelines for Environmental and Social Considerations in January 2022 (in effect in April) that include requirements for information disclosure, project categorization (Category A, B, C and FI), impact assessment, consultation with local stakeholders, grievance redress mechanism etc.

3.2. Chinese regulations and policies

Chinese government and regulators have enacted several regulations and policies regarding environmental disclosure and public participation in the past two decades. The first ***Environmental Impact Assessment Law*** (《环境影响评价法》) came in effect in 2003 and required that for projects with potential significant environmental impact, project companies should hold hearing or consultations before an EIA is submitted. The EIA law has been revised in 2016 and 2018 with several changes, including improving the process of EIA, increasing the penalty for projects without proper permits.

Policies regulating the responsibilities of companies to disclosure company-level environmental information have also been in

19 AFD, "Transforming Financial Systems for Climate: Environmental and Social Framework," accessed September 23, 2022, https://www.afd.fr/en/ressources/environmental-and-social-framework.

20 AFD, "Les Données de l'aide Au Développement," accessed September 23, 2022, https://opendata.afd.fr/page/accueil/.

place. Built on its predecessor in 2014, ***Measures for the Disclosure of Corporate Environmental Information*** (《企业环境信息依法披露管理办法》) was released by Ministry of Ecology and Environment (MEE) in December 2021, requiring that certain enterprises with environmental violation records release environmental disclosure report annually. The accompanying ***Formal Guidelines for the Disclosure of Corporate Environmental Information*** (《企业环境信息依法披露格式准则》) was published in January 2022, laying out the types of information to be disclosed, including information about environmental permits, pollutants emissions, carbon emissions, environment related investments and financing, etc.

Guidelines that apply specifically to the financial sector are also evolving. In July 2021, People's Bank of China (PBOC) released ***Environmental Disclosure Guidelines for the Financial Sector*** (《金融机构环境信息披露指南》), encouraging commercial banks, asset management, trust companies and insurance companies to voluntarily, at least annually, disclosure information including environment-related management framework, policies, products and innovations, risk management process, environmental risk assessment, etc. In June 2022, the Chinese Banking and Insurance Regulatory Commission (CBIRC) issued the updated ***Green Finance Guidelines for Banks and Insurers*** (《银行业保险业绿色金融指引》) that requires banking and financial institutions to effectively identify, monitor, and prevent environment, social and governance risks and to strengthen information disclosure and interaction with stakeholders along international standards.

While some of these guidelines are an important reference for international activities and mostly apply to domestic finance, Chinese regulators have become more active to set standards for overseas investment and related public participation. Recent developments include:

Built on its 2013 predecessor ***Environmental Protection Guidelines for Overseas Investment and Cooperation*** (《对外投资合作环境保护指南》) which required Chinese companies to follow host country regulations when going abroad, MOFCOM and MEE issued the ***Green Development Guidelines for Overseas Investment and Cooperation*** (《对外投资合作绿色发展工作指引》) in July 2021. The new guidelines encourage Chinese businesses to integrate green development throughout the overseas investment process and comply with international rules, including United Nations Framework Convention on Climate Change (UNFCCC), Convention on Biological Diversity, Sustainable Development Goals and the Green Investment Principles (GIP) for the Belt and Road (details below), especially in countries with insufficient local regulations.

In January 2022, MEE and MOFCOM published the ***Guidelines on Ecological and Environmental Protection in Overseas Investment and Projects*** (《对外投资合作建设项目生态环境保护指南》). It stipulates that enterprises going abroad shall:

▷ report ecological and environmental protection compliance information in accordance with relevant regulations.

▷ strengthen communication with potentially affected communities, relevant social groups, and the public, and listen to opinions and suggestions on the environmental impact of the project through forums, hearings, etc.

▷ regularly release the project implementation of the host country (region) ecological environment laws and regulations, the measures taken and the obtained environmental performance, etc., and share the project's ecological and environmental protection concepts and best practices.

In March 2022, NDRC, MFA, MEE and MOFCOM published ***Opinions on Promoting Green Development under the Belt and Road Initiative*** (《关于推进共建"一带一路"绿色发展的意见》). It encourages Chinese companies to:

▷ adopt international standards or higher Chinese standards in overseas investments;

▷ strengthen ecological environment and climate change related information sharing including regular publishing of environmental reports;

▷ do a good job in the environmental impact assessment of overseas projects before investment and construction.

Besides official policy documents, the ***Green Investment Principles (GIP) for the Belt and Road***, jointly launched by China Green Finance Committee and City of London Corporation's Green Finance Initiative in November 2018, have served as important voluntary guidelines for greening investment in the BRI. GIP includes seven principles at three levels, i.e., strategy,

Engineer on the top of a windmill © Oleksii Sidorov | Shutterstock

operations, and innovation. Among others, Principle 3: Disclosing environmental information and Principle 4: Enhancing communication with stakeholders focus on communication with stakeholders at the operational level. GIP signatories are expected to, accordingly, take specific measures including environmental risk analysis, information sharing and conflict resolution mechanism to contain environmental and social risks.

By November 2021, GIP's membership has expanded rapidly to cover 40 major financial institutions across Asia, Europe, Middle East, and Africa, with their global asset volume totalling 49 trillion USD; the members' scale of green loans and bonds have also kept on expanding annually[21].

Furthermore, the ***Green Development Guidance for BRI Projects (GDG),*** led by BRI Green Development Coalition (BRIGC) under the MEE, provides recommendations and specific application guide to accelerate the green development of BRI projects. Its phase I baseline study published in 2020 proposed "1 project classification mechanism" and "9 recommendations", including (directly related to environmental disclosure and public participation):

- **Recommendation 3**: Environmental (and Social) Impact Assessment (EIA/ESIA) depending on the project's perceived risks, where "red", "red/yellow", "red/green", and high-risk "yellow" projects should obtain an independent EIA assessment based on international best practices.

- **Recommendation 6**: Grievance redress mechanism provided to the affected stakeholders for full lifecycle management, enabling direct communication of environmental issues between affected stakeholders and financial institutions and complementing the other communication channels.

- **Recommendation 8**: Public reporting of environmental performance of project.

In its phase II application guide published in 2021, detailed application guide is provided for financial institutions to incorporate environmental disclosure and public participation in project lifecycle[22].

A summary of the above policies is shown in Table 6.

21 Green Investment Principles, "Statement by the GIP Steering Committee in Support of the COP26," November 2021, https://gipbr.net/Content.aspx?id=339&type=211&m=8.

22 BRIGC, "Green Development Guidance for BRI Projects Phase II Task 1," 2021, http://en.brigc.net/Reports/Report_Download/2021/202110/P020211025599678005345.pdf.

Table 6. Overview of Chinese practices and standards about environmental information disclosure and public participation

Category	Document	Released by	Details		
			Environmental disclosure	Public participation	Grievance mechanism
Official regulation and policy	Guidance on environmental protection in overseas investment (2013)	Ministry of Commerce, Ministry of Environmental Protection	• Encourage enterprises to post their environmental information on a regular basis, and publish their plans on implementation of laws and regulations on environmental protection, measures taken, and environmental performance achieved. • Advocate enterprises to establish a way of communication and dialogue mechanism for enterprises' environmental social responsibilities, take the initiative to strengthen their contacts and communications with their communities and relevant social groups.	Enterprises shall set up a system of reporting to and communication with local government, regulatory authority of environmental protection, the general public that may be affected and the headquarters of Chinese enterprises.	No specific requirements
	Environmental Impact Assessment Law (2018)	National People's Congress	No specific requirements	• Planning of land use and construction projects need to conduct environmental impact assessment and propose mitigation measures; • EIA should include opinions from relevant institutions, experts and the public through seminars and consultations.	No specific requirements
	Measures for the Disclosure of Corporate Environmental Information (2021)	Ministry of Ecology and Environment	Certain enterprises with potential significant impact or environmental violation records should release environmental disclosure report annually.	No specific requirements	No specific requirements
	Formal Guidelines for the Disclosure of Corporate Environmental Information (2022)	Ministry of Ecology and Environment	• Companies must disclose information on the generation, governance and emissions of major water and air pollutants as well as overall carbon emissions, focusing on public health and corporate behaviours that are of interest to the public. • Companies also have to disclose information on ecological environmental governance, environmental risk prevention, environmental credit evaluation.	No specific requirements	No specific requirements
	Environmental Disclosure Guidelines for the Financial Sector (2021)	People's Bank of China	Financial institutions are encouraged to disclosure at least annually in one of these formats: 1) compile dedicated environmental information report; 2) disclosure in CSR report; 3) disclose in general annual report.	• Financial institutions are encouraged to quantify their environmental impact with scenario analysis or stress testing. • Different sub-sectors (e.g., commercial banks, asset management, trust, insurance) should consider types of impact specific to their business activities.	No specific requirements

Category	Document	Released by	Details		
			Environmental disclosure	Public participation	Grievance mechanism
Official regulation and policy	Green development guidelines for overseas investment and cooperation (2021)	Ministry of Commerce, Ministry of Ecology and Environment	Companies are encouraged to communicate with local governments, media, the public and environmental organisations.	Companies are encouraged to: • conduct environmental impact assessment in overseas projects to identify potential risks in accordance with international standards; • improve project planning and get along with local community; • mitigate potential biodiversity risks in accordance with local law and regulations or international standards if local regulations are not stringent.	No specific requirements
	Green Finance Guidelines for Banks and Insurers (2022)	China Banking and Insurance Regulatory Commission	Banks and insurers should • disclose green strategies and policies and refer to international standards; • disclosure information for lending or investments with potential significant environmental, social and governance impacts.	Banks and insurers should include in covenants of requiring clients submit environmental, social and governance risk assessment report for lending or investments with potential significant environmental, social and governance impacts.	Banks and insurers should establish grievance mechanisms for lending or investments with potential significant environmental, social and governance impacts.
	Guidelines on Ecological and Environmental Protection in Overseas Investment and Projects (2022)	Ministry of Commerce, Ministry of Ecology and Environment	Enterprises going abroad shall • report ecological and environmental protection compliance information in accordance with relevant regulations. • regularly release the project implementation of the host country (region) ecological environment laws and regulations, the measures taken and the obtained environmental performance, etc., and share the project's ecological and environmental protection concepts and best practices.	Enterprises going abroad shall strengthen communication with potentially affected communities, relevant social groups, and the public, and listen to opinions and suggestions on the environmental impact of the project through forums, hearings, etc.	No specific requirements
	Opinions on Promoting Green Development under the Belt and Road Initiative	National Development and Reform Commission, Ministry of Foreign Affairs, Ministry of Ecology and Environment, Ministry of Commerce	Chinese companies are encouraged to strengthen ecological environment and climate change related information sharing including regular publishing of environmental reports.	Chinese companies are encouraged to do a good job in the environmental impact assessment of overseas projects before investment and construction.	No specific requirements

Category	Document	Released by	Details		
			Environmental disclosure	Public participation	Grievance mechanism
Thematic guidelines	the Green Investment Principles (GIP) for the Belt and Road	Green Finance Committee of China Society for Finance and Banking, City of London Corporation's Green Finance Initiative	Principle 3: Disclosing environmental information. Signatories are encouraged to conduct analysis of the environmental impact of their investments and operations, explore ways to conduct environmental stress test of investment decisions, and continually improve environmental/ climate information disclosure.	Principle 4: Enhancing communication with stakeholders focus on communication with stakeholders at the operational level. GIP signatories are expected to, accordingly, take specific measures including environmental risk analysis, information sharing and conflict resolution mechanism to contain environmental and social risks.	No specific requirements
	Green Development Guidance for BRI Projects (GDG)	BRI International Green Development Coalition	Recommendation 8: Public reporting of environmental performance of project.	Recommendation 3: Environmental (and Social) Impact Assessment (EIA/ ESIA) depending on the project's perceived risks, where "red", "red/yellow", "red/green", and high-risk "yellow" projects should obtain an independent EIA assessment based on international best practices.	Recommendation 6: Grievance redress mechanism provided to the affected stakeholders for full lifecycle management, enabling direct communication of environmental issues between affected stakeholders and financial institutions and complementing the other communication channels.

Group of women at a community meeting in the city of Bissau, in Guinea-Bissau © Tiago Lopes Fernandez | Dreamstime

4. Implementing practices on stakeholder engagement along the project lifecycle

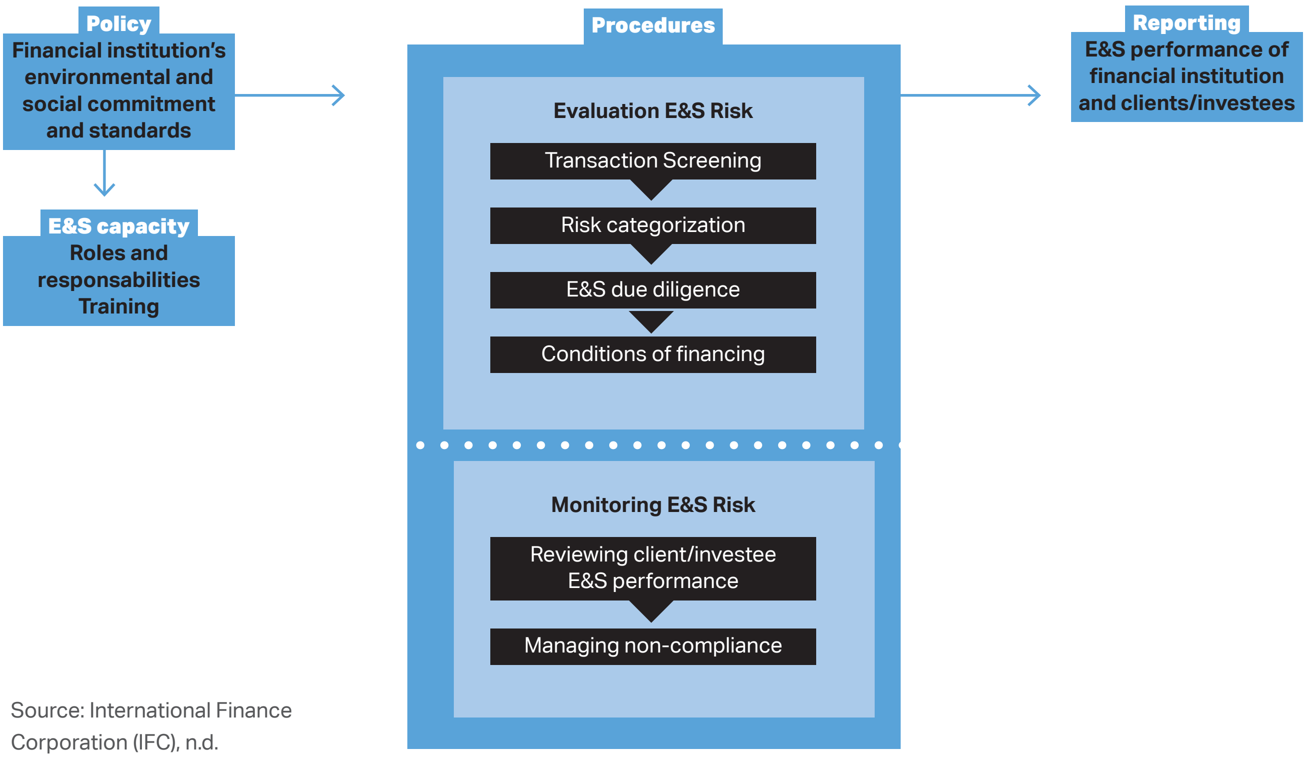
Financial institutions' operations do not pose *direct* significant environmental and social harm, but through lending and investment enable activities with significant environmental impacts. These risks in turn, pose risks to financial institutions. The financial institutions, therefore, have both impacts on environmental and social risks, and are dependent on the environmental and social performance of their clients. With the ambition to minimize these environmental risks, financial institutions set up contractual requirements, processes for measurement, reporting and validation of environmental risks, and related covenants with the project company that includes public participation and environmental information disclosure.

This chapter provides guidance on environmental information disclosure and public participation along the project lifecycle from two aspects: internal practices of financial institutions and external practices that financial institutions should require clients to comply with.

4.1. Internal practices of financial institutions for public participation and environmental disclosure

Public participation and environmental disclosure in financial institutions is typically based on a stand-alone Environment and Social policy or further, an Environmental and Social Management System (ESMS). For financial institutions with no existing practices in place, establishing an ESMS is an important step and requires several steps. Most importantly, the establishment of an ESMS needs to be mandated and actively supported by the top management (e.g., the board), with the board being responsible for the ESMS (as also stipulated by China's latest green financing guidelines issued by CBIRC in June 2022). The ESMS can consist of various key components (see Figure 3): (1) an overall environmental and social policy supported by top management and the board; (2) environmental and social capacity across the institution; (3) a variety of procedures for evaluating and monitoring E&S risk (e.g., depending on which sectors the financial institution is involved in); (4) reporting from the bank to the public.

Figure 3. Components of an Environmental and Social Management System (ESMS)



Source: International Finance Corporation (IFC), n.d.

Figure 4. Integrating ESMS policies into the internal operations of a financial institution

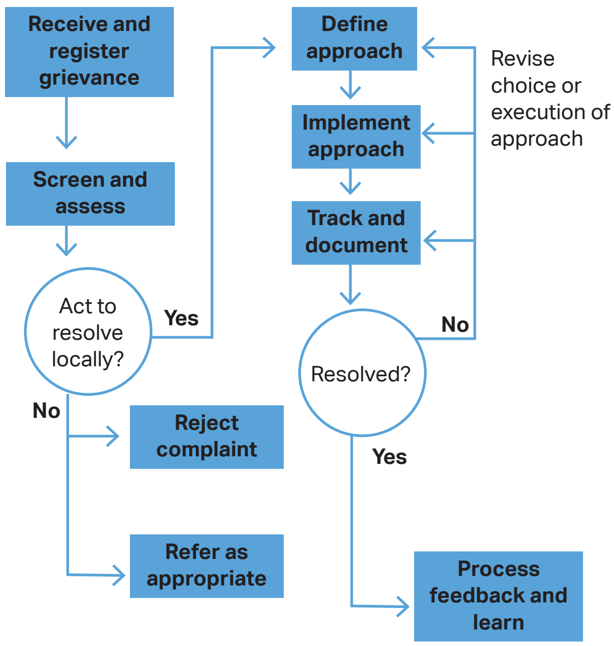
	Department/staff	Instruments	Output
Project evaluation (Screening an categorization)	Due diligence E&S, ESG or CSR Credit management	Exclusion list ENS level analysis	E&S risk level classification (high/medium/low risk) Determination of due diligence level
(Due diligence)	Due diligence E&S, ESG or CSR Credit management	E&S checklist Sector guidelines	E&S requirements Corresponding actions and steps Action plan
(Approval)	Due diligence E&S, ESG or CSR Credit management Legal	Legal covenants Noncompliance reporting ENS action plans	Legal agreement
Project implementation (Monitoring)	Compliance E&S, ESG or CSR Credit management Legal	Loan contract (or equivalent) E&S action plan E&S risk level FI's total exposure	E&S monitoring report

Source: authors adapted based on IDB (2014), Gijs Nolet et al., "Managing Environmental and Social Risks," 2014., BRIGC (2021), BRIGC, "Green Development Guidance for BRI Projects Phase II Task 1.

When an ESMS is established, its application in the institution's decision-making process and integration into internal operations are equally important. Figure 4 shows a flowchart of the instruments, outcome and department involved to achieve key ESMS milestones, especially in the project evaluation and implementation phases. For each phase, responsible departments (depending on specific structures in financial institutions) utilize institutions' formal procedures and policies to evaluate or monitor the projects, and accordingly, come up with the documents listed in the "Output" column.

Besides a sufficient ESMS framework and its integration into internal operations and before any project is initiated, the financial institution should also establish a **public grievance and response mechanism** that accommodates complains regarding all projects they support (as was stipulated in *Green Finance Guidelines for Banks and Insurers 2022* and *Green Development Guidance for BRI Projects*). A grievance and response mechanism complements (and could not be replaced by) the grievance measures taken by clients and provides a channel for stakeholders affected by these projects to share their concerns with the financial institution. A typical flowchart of a grievance mechanism is shown in Figure 5.

Figure 5. Typical steps of a grievance mechanism



Source: authors adapted based on The Office of the Compliance Advisor/Ombudsman (Compliance Advisor/ Ombudsman (CAO), "A Guide to Designing and Implementing Grievance Mechanisms for Development Projects.")

4.1.1. Project initiation

With the above-mentioned ESMS framework and a public grievance mechanism in place, during the project initiation phase, the main responsibility of a financial institution is to ensure potential project owners/developers/sponsors understand its ESMS (including disclosure and public participation) requirements. Requirements regarding environmental information disclosure and public participation can be shared, for example, in the stakeholder engagement and information disclosure, land acquisition, and indigenous people sections of ESMS requirements.

Financial institutions could also provide example tools (e.g., grievance submission forms) to help clients understand and comply with its requirements. An example can be found, for example, from the World Bank.[23]

4.1.2. Project evaluation and design

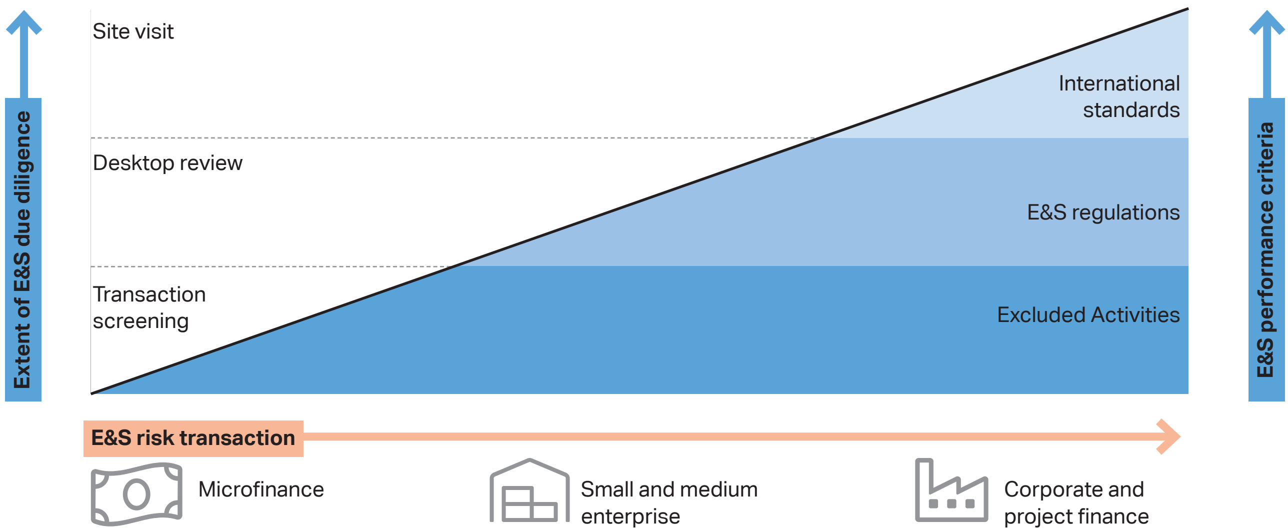
In the evaluation and design phase, financial institutions put their ESMS policies into practice and apply them to the individual case of each project. Key steps relevant to environmental information disclosure and public participation include:

- **Screening and categorization of the proposed project with** (1) criteria like exclusion list (a list of excluded activities the financial institution will not finance because of E&S or other concerns), local E&S regulations and international standards, determine whether to finance the project; (2) tools like E&S risk level analysis model, determine the risk category of the project, i.e., high risk (with significant adverse environmental and social impacts), medium risk (with specific environmental and social impacts that are moderate and readily addressed through mitigation measures) and low risk (with minimal or no adverse environmental and social impacts). This action is key to deciding the form and level of following steps, including E&S impact assessment, disclosure of information and public participation.

- **Conduct environmental and social due diligence (ESDD)**: with tools like E&S checklist and sector guidelines, identify, quantify and evaluate all environmental and social risks associated with a proposed project, as well as mitigation measures. The

23 World Bank, Grievance Redress Service, https://projects.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service.

Figure 6. Environmental and Social Due Diligence



Source: IFC FIRST for Sustainability, n.d. (FIRST for Sustainability, "Environmental and Social Due Diligence," FIRST for Sustainability, accessed September 23, 2022, https://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/environmental-and-social-due-diligence/.)

extent of ESDD, depending on the E&S risk category of the project described above, might range from a transaction screening only to a site visit (Figure 6). As clients also start to conduct ESIA which sometimes involves the disclosure of information and consultations with stakeholders at this stage, the financial institution might also need to assess the level of information disclosure and consultation conducted by the client against its requirements (e.g., EBRD Performance Requirement 10).

- **Define reporting requirements and metrics:** Reporting during project implementation is an essential part of the disclosure and public participation. It includes ongoing reporting to affected communities/stakeholders, to the public and to the financial institution. For example, clients of Equator Principle Financial Institutions (EPFIs) will ensure that an ESIA I is available online, report publicly and annually on GHG emission levels during operation, and are encouraged to share project-specific biodiversity data; IFC requires its clients to report periodically to affected communities on the implementation of mitigation plans and results of concerns raised through consultations and grievance mechanisms. The requirements for reporting during project implementation can be provided in the form of general information (e.g., GHG emissions, waste, pollution, air quality, biodiversity) or specific key performance indicators (see Box 2).

- **Agree on the legal agreement** for environmental and social performance during project implementation, including covenants, conditions precedent, event of default, corrective action plan etc. The legal agreement provides a binding tool for financial institutions to ensure client compliance with environmental information disclosure and public participation requirements in later project phases.

- Finally, for information disclosure on the institutional level, the financial institution should also **disclose E&S information regarding the proposed project**, e.g., IFC discloses a Summary of Investment Information (SII) and, if relevant, an Environmental and Social Review Summary (ESRS), depending on the E&S risk categorization. For all Category A investments, disclosure occurs 60 days prior to consideration by IFC's Board of Directors.

Box 2. Include performance indicators in evaluation and monitoring

Performance indicators provide a verifiable target value that identifies how much the agreed requirements are achieved in a specific timeframe. Other resources for the performance indicators, including where information on the status of each indicator can be found, who provides the information, and how the information is collected (i.e., specific data collection tool and/or method such as "survey of workshop participants") and how frequently it will be made available (e.g., monthly, annually, biennially) should also be specified in the project structuring phases.

For example, ADB performs five categories of performance indicators (contract awards, disbursement, financial management, Output, Safeguards) and three types of ratings (green-on track, amber-for attention, red-at risk) (Table 7). Disclosure and public participation requirements, such as whether the project has a functioning grievance redress mechanism, and whether the project is up-to-date with the scheduled monitoring reports, are included in the "Safeguards" category.

ADB uses this rating scheme quarterly from loan effectiveness until the project is financially closed to all ADB-administered sovereign projects. It serves both as part of its internal ESMS to monitor performance, and of its external disclosure to the public in reported in Quarterly Portfolio Updates (QPU) as a summary of the performance of ADB-sponsored projects.

Table 7. Sample performance indicator ratings

Performance indicator	Projects						
	1	**2**	**3**	**4**	**5**	**6**	**7**
Contracts Awards	1	0.7	0.7	1	0	0.7	1
Disturbments	1	0	0.7	1	0	0.7	1
Financial Management	1	1	1	0	1	1	1
Output	1	1	1	0	1	1	1
Safeguard	0.7	1	1	0.7	1	0.7	0
Project Rating	**0,94**	**0,74**	**0,88**	**0,54**	**0,6**	**0,82**	**0,8**

Source: Asian Development Bank (2022), (ADB, "Project Performance Monitoring," March 2022, https://www.adb.org/sites/default/files/institutional-document/33431/pai-5-08.pdf.)

For all other investments, disclosure occurs 30 days prior to Board discussion[24]. Equator Principle Financial Institutions (EPFIs) and members of Green Investment Principles also need to disclose information on the environmental impact of their investments and operations.

4.1.3. Project construction and operation

After the project gets approved and construction begins, financial institutions should monitor the clients' E&S compliance with the requirements stipulated in the legal agreement. Project monitoring happens on two levels: (1) site visits performed by financial institution staff; (2) submission of client reports on progress in meeting the E&S terms of the investment agreement.[25]

Besides, the financial institution's public grievance mechanism serves as a complement to the client's project-specific grievance mechanism and provides additional oversight over the project.

During this phase, covenants agreed in loan agreements might also be triggered to ensure reporting and disclosure compliance. Where clients are not in compliance with its environmental and social covenants during the project lifecycle, the financial institutions could exercise remedies: as a usual first step, the bank would work closely with the client to bring the project back into compliance according to its policies. Only if the project continuously fails to comply with agreements (e.g., environmental risk management, reporting requirements), should the bank threaten or execute default.

4.1.4. Project de-commissioning

In the final project phase, i.e., de-commissioning, financial institutions should:

- Disclose information on project results and project environmental impact, together with other projects supported by the institution, according to standards described in section 3.1.2.1, e.g., TCFD, UNPRI, GRI, CDP and in section 3.2, e.g., GIP for BRI projects.
- Resolve any remaining grievances from its public grievance mechanisms to avoid environmental and social-related legal risks.

Table 8 provides a structured guide on the direct action of financial institutions to ensure good practices of environmental information disclosure and public participation along the project lifecycle.

Solar panel at a mountain peak near Tibet China

© B.Zhou | shutterstock

24 IFC, "IFC Access to Information Policy."

25 IFC, "Understanding IFC's Environmental and Social Due Diligence Process," accessed September 23, 2022, https://www.ifc.org/wps/wcm/connect/aa10e586-be7e-46b8-91c3-cc5e98af6f3d/IFC+Process.pdf?MOD=AJPERES&CVID=jUzk.Hj.

Table 8. Direct actions by financial institutions to integrate environmental information disclosure and public participation into project cycle

Project phases	Goal	Action items	
		Environmental information disclosure	**Public participation and grievance mechanisms**
Before projects are initiated	Set up an Environmental and Social Management System (ESMS) framework	• Define the institution's environmental and social policy and additional matching guidelines, e.g., IFC Performance Standards • Develop procedures for evaluating E&S risk, including screening standards, risk categorization model (e.g., BRIGC Green Development Guidance, Equator Principles), E&S due diligence, conditions of financing, covenants • Define procedures for monitoring E&S risk, including ways of reviewing client performance and managing non-compliance • Develop E&S performance reporting policies of financial institutions (e.g., TCFD, UNPRI) and clients	
	Integrate ESMS into internal operations	• Define roles and responsibilities of different departments/personnel • Provide internal guidelines and training for carrying out ESMS procedures	
	Have a general grievance mechanism ready for its supported projects	Establish a grievance mechanism to address concerns regarding all projects supported by the financial institution, in case of clients' failure to maintain project-specific grievance mechanisms (e.g., World Bank Grievance Redress Service)	
Project initiation	Ensure project owners/ developers/sponsors understand ESMS requirements	Share ESMS documentation, implementation and reporting requirements, including those for disclosure and public participation	
Project evaluation & design	Screening and categorization of proposed project	• Utilize exclusion list, national and international regulations for project screening • Apply risk analysis to assign an environmental and social risk category, e.g., low, mid and high risk (refer to BRIGC Green Development Guidance, Equator Principles); verification of client self-evaluation if applicable	
	Conduct environmental and social due diligence (ESDD)	• Identify, quantify and evaluate all environmental and social risks associated with a proposed project, as well as mitigation measures • Assess the level of information disclosure and consultation conducted by the client against its requirements (e.g., EBRD Performance Requirement 10)	
	Define reporting requirements and metrics	Specific metrics regarding environmental information disclosure include: • Stakeholder identification: who, their interests and expectations, potential impact on them, how they should be involved in ESIA • E&S impact: climate impacts, biodiversity impacts, impact on indigenous people and cultural heritage • Mitigation plan: measures, implementation schedule, required resources and responsibilities • Information disclosure plan: types of information to be disclosed, locations and schedule, languages, etc.	Specific metrics regarding public participation include: • Stakeholder consultations: prior consultation activities, demographics of attendants, questions discussed, concerns raised, key actions and outcomes, gender-specific considerations; an action plan for further consultation during following project phases, how and when results of stakeholder engagement will be reported back to affected parties • Grievance procedure: place and format of filing of grievance, schedule of receipt confirmation and response, ways of disclosing relevant information etc.
	Agree on legal agreement for environmental and social performance	Including positive covenants (measures or actions to be taken by the client/investee), negative covenants (actions that the client/investee should refrain from undertaking), conditions precedent, event of default, corrective action plan etc. (See Equator Principles for reference)	
	Institutional-level environmental information disclosure regarding FI-supported projects	Disclose information on all FI-supported projects e.g., IFC's Access to Information Policy (AIP), Green Investment Principles for BRI projects, Equator Principles	/

Project construction and operation	Monitor ongoing compliance with the environmental and social covenants stipulated in the legal agreement	• Review periodic environmental and social performance reports submitted by the client/investee and regular site visits of the client's/investee's operations • Exercise covenants in the case of non-compliance and exercise remedy plan as needed.	
	Provide additional oversight with public grievance mechanism	/	Directly understand and deal with grievances regarding the project (in addition to through project reporting)
De-commissioning / sale/transfer	Disclose project information on institutional level and avoid environment and social related legal risks	Disclose information on project environmental impact according to standards e.g., TCFD, UNPRI, GRI, CDP and GIP for BRI projects	Resolve any remaining grievances filed to the institution's public grievance mechanisms regarding the project

4.2. Client non-financial environmental public participation and disclosure in practice

While financial institutions have their own processes to manage environmental risks, they depend on clients for relevant evaluation, information, and implementation of environmental (and social) risk management. Therefore, financial institutions need to negotiate clear, structured, and consistent environmental and social risk management including public participation and reporting from their clients.

Similarly on the client side, before projects are initiated, client companies should also have an overall sustainability policy and environmental and social management system ready including environmental information disclosure and public participation policies. This could minimise transaction costs and potential E&S risks.

4.2.1. Project initiation

As the project initiators, project sponsors/clients are encouraged to perform a self-evaluation of the E&S risks of the potential project, and utilise tools for an initial project classification. For example, the BRIGC Green Development Guidance provides a classification mechanism for assigning projects into green (encouraged), yellow (projects with moderate impacts) and red (projects requiring stricter supervision and regulation) categories. Other standards adopted by financial institutions, e.g., the Equator Principles, could also be used for reference.

Based on the self-evaluation and classification, it is crucial to understand differentiated management requirements for different project categories by financial institutions. Generally, projects with higher E&S risks and impacts need to fulfil more stringent requirements and provide more detailed documents. Chinese enterprises could also refer to *China Third-Party Market Cooperation for Infrastructure Projects: Financing Mechanism Handbook*[26] to understand the gaps between Chinese and international practices when financing projects in emerging markets.

Furthermore, for projects with significant environmental and social impacts (e.g., red/category A projects), project sponsors should be prepared to engage with independent E&S experts for assistance and monitoring, per the requirements of most financial institutions.

4.2.2. Project evaluation and design

During project evaluation and design, clients' responsibilities regarding disclosure of environmental information and public participation include:

- ▷ Verify self-evaluation and classification results with financial institutions: this is also an essential prerequisite for FIs to determine E&S

26 Christoph Nedopil et al., "China Third-Party Market Cooperation for Infrastructure Projects: Financing Mechanism Handbook," September 2021, https://greenfdc.org/wp-content/uploads/2021/10/Nedopil-et-al-2021-China-Third-Party-Market-Cooperation-for-Infrastructure-Projects%ef%bc%9aFinancing-Mechanism-Handbook.pdf.

requirements and provisions, including those for environmental information disclosure and public participation.

- Include environmental information disclosure and public participation as part of the ESIA process: including conducting stakeholder identification (mapping) and analysis, identifying potential E&S impacts on stakeholders and developing a draft ESMP. This step provides preliminary information for the following consultations.

- The ESIA should match financier requirements, e.g., AIIB requires Category A projects to prepare an ESIA report that includes an ESMP or ESMPF or both; for Category B projects, the bank decides on a case-by-case basis; for Category C projects, the bank requires the client to prepare a review of the environmental and social aspects of the project[27].

- Disclose the draft ESMP with stakeholders and engage in consultation on the ESMP. Consultation requirements can also be different for projects of different categories: Category A projects are normally required to provide more elaborate documentation; in cases where Involuntary Resettlement and Indigenous Peoples, and the bank may also be present.

- Based on consultation results, clients report back to financial institutions, and both negotiate to finalise ESMP and legal agreements of the project.

Some techniques and discretion should be used, however, in the implementation of environmental information disclosure and public participation to localize the efforts for better results, such as working with local experts to strengthen the connection with the local community, establishing community contact centres, drawing on experience from similar projects led by reputable international financial institutions.

Case 1 shows an example of adapting disclosure and consultation to the local context.

Case 1. Adastra Minerals' Kolwezi Tailings Project in DRC Congo[28]

The Kolwezi tailings project was developed by the Canadian mining company Adastra Minerals then First Quantum Minerals between 2004 and 2009 to recover copper from the tailings in the Kolwezi mining area of the Democratic Republic of the Congo (DRC).

During the project implementation, the project company was faced with several obstacles: few of the potentially affected community members spoke the national language (French); literacy rates were very low; communication on paper was impossible, as there were no newspapers, billboards, functioning telephone system or postal system.

To facilitate the community engagement process, the project team and consultants made use of the six local radio stations in the area which were in French and Swahili. They also use special posters depicting likely impacts to overcome the lack of literacy at EIA meetings and mobile phones to contact key people. To avoid e logistical challenge associated with bringing many people to a single site where no public transport existed and where communications were limited, a series of village-level meetings were held. Though these arrangements took considerable time compared with other cases, they demonstrate an effective way of tailoring disclosure and consultation to specific local needs.

In addition, clients are also responsible for establishing separate project-level grievance mechanisms for the public and contracted project workers. Compliance Advisor/Ombudsman (CAO) provides four-step guidance on designing and implementing grievance mechanisms for development projects[29]:

1. Define scope and determine goals: the grievance mechanism should be open to a wide range of concerns and address multi-party and multi-issue complaints; the design team should also answer questions like "Why is a grievance mechanism being established?" "What do we hope to achieve in both the short term and the long term?" and reach a consensus on the statement of purpose of the mechanism.

2. Design: develop a blueprint for what the grievance mechanism will look like, including

- Choose ways to receive, register, assess, and respond to grievances

27 AIIB, "Environmental and Social Framework," 2021, https://www.aiib.org/en/policies-strategies/framework-agreements/environmental-social-framework.html.

28 IFC, "Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets."

29 Compliance Advisor/Ombudsman (CAO), "A Guide to Designing and Implementing Grievance Mechanisms for Development Projects."

- ▷ Determine ways to screen and assess the complaint
- ▷ Select grievance resolution approaches
- ▷ Design a means to track and monitor grievances
- ▷ Ways to learn from the experience and communicate back to all parties involved

3. Implement and operate: introduce the grievance mechanism to the company employees and the public, communicate through visually engaging marketing materials, and face-to-face meetings to build awareness, and train and support participants (including, e.g., administrators, coordinators, managers and supervisors of the grievance mechanism.

4. Monitor, report, and learn: the project company should not only evaluate the performance of grievance mechanisms with pre-designed criteria and improve it but also communicate the information about the results of the grievance mechanism, as well as key conclusions from the monitoring and evaluation process with stakeholders.

Case 2 provides an example of designing a grievance mechanism in the infrastructure sector.

Industrial landscape of a developed seaport infrastructure © Bikinid60 | Dreamstime

Case 2. Tamanneftegaz terminal project in Russia: Enhancing Accessibility of the Grievance and Inquiry Mechanism[30]

The Russkiy Mir Group is a private owner of railroad tank cars in Russia and was developing a mid-sized oil terminal and port—Tamanneftegaz (TNG)—on the Black Sea. TNG established a written Mechanism for Community Grievances, Suggestions, Inquiries, and Requests as part of the Policy for Community Engagement on Social and Environmental Matters.

To help the affected communities understand the process, TNG developed a few essential materials:

a standard form used for grievances submission;

a booklet with an overview of the process, including examples of issues people may raise, means of submission (mail, community liaison, email, phone), review procedure, underlying legislation, and timing for response.

These materials were available in local government buildings, its local office, and during community

consultation meetings. They are also mentioned in project announcements in local newspapers. Information stands and submission collection boxes were placed in Sberbank offices in the surrounding communities for easier accessibility.

TNG also had the following human resources arrangement:

- assigned a designated community liaison manager who informs communities and disseminates submission forms and booklets in public places;

- educated TNG staff to receive complaints and direct interested parties to the TNG's General Director's office;

TNG's General Director's office was responsible for dealing with an issue to appropriate departments.

After a grievance is dealt with, a written response was issued by the community liaison manager that contains contact information for further questions, and an invitation for a face-to-face discussion with the concerned person or group.

4.3.2. Project construction and operation

After the project gets approved and construction begins, the project enters the most important phase for stakeholder engagement, and clients should strengthen stakeholder engagement and maintain established channels of consultation and grievance mechanisms. In detail, clients should:

- ▷ Establish resources for ESMP implementation and implementing ESMP;

30 IFC, "Good Practice Note Addressing Grievances from Project-Affected Communities."

Table 9. Non-financial environmental disclosure and public participation actions by project sponsors

Project phases	Goal	Action items	
		Environmental information disclosure	Public participation and grievance mechanisms
Before projects are initiated	Develop sustainability strategy and environmental and social risk management policies for overseas projects	Establish company's overall sustainability policy and environmental and social management system, including environmental information disclosure and public participation policies	
Project initiation	Self-evaluate and classify project category	Self-evaluate and classify the proposed project according to the scale of their potential environmental and social impact (refer to BRIGC Green Development Guidelines, Equator Principles etc.)	
	Understand FIs' differentiated management requirements for different categories of projects	Understand requirements regarding environment and social impact assessment, ESMS documentation, implementation and reporting, including those for disclosure and public participation such as consultation and grievance mechanism	
	Establish relationships with potential third parties	For projects with significant environmental and social impacts (e.g., red/category A) that require assistance of independent/external experts on E&S due diligence, be prepared to engage with them	
Project evaluation & design	Verify self-evaluation and classification results with financial institutions	Communicate project evaluation to financiers to help them fully understand potential impacts and risks of the project	
	Include stakeholder identification, disclosure and consultation plans, grievance mechanism in ESIA	• Conduct stakeholder identification and analysis, including who (1) are affected or likely to be affected (directly or indirectly) by the project ("affected parties"), or (2) may have an interest in the project ("other interested parties") • Identify potential environmental and social impacts on stakeholders • Develop mitigation measures in the form of an ESMP, including provision for project-level grievance redress mechanism	
	Disclose draft ESMP and engage in consultation with stakeholders	Disclose ESIA and ESMP information in local language(s) and in an accessible and culturally-appropriate manner	• Conduct and document stakeholder consultations (requirements for consultations may vary for projects with different risk categories) • Document a record of the consultations and list of participants in ESIA reports
	Share consultation results with the financial institutions and the public	Report details and results from consultation activities to financial institutions and if applicable, to the public	
	Establish separate project-level grievance mechanisms for the public and contracted projects workers	Disclose information and channels of project-level grievance mechanisms and FI's public grievance mechanism (e.g., in the ESIA report)	• Establish project-level grievance mechanisms for the public • Establish separate grievance mechanisms for contracted projects workers to address workplace concerns
	Finalise ESMP and agree on legal agreement	• Reflect results from consultations into ESIA and ESMP • Agree with financiers on environmental and social provisions in legal documents	

Project construction and operation	Submit periodic monitoring reports on performance relating to E&S risks and impacts	Including, e.g.: • Implementation in compliance with ESMP and legal agreement • Implementation phase consultations, if applicable • For projects of significant E&S risks, third-party verification	/
	Maintain established channels of consultation and grievance mechanisms	/	• Ensure the timely and effective stakeholder participation of any significant/material changes to the project • Maintain effective grievance mechanisms and address complaints timely
De-commissioning / sale/transfer	Disclosure of relevant information and address complaints to avoid legal risks	Keep local stakeholders informed about the decommissioning plans and if needed, environmental and social mitigation plans	• Consultation on transition arrangements and end-of-project impacts with local stakeholders • Resolve any remaining grievances

▷ Evaluate previously identified environmental and social impacts and identify new impacts of the project and update ESMP, if applicable;

▷ Provide regular updates to stakeholders on project performance and changes in scope or schedule, following the procedures agreed upon in the project preparation phase;

▷ Conduct ongoing stakeholder consultation to monitor risks and assess the effectiveness of mitigation measures;

▷ Submit periodic monitoring reports on performance relating to E&S risks and impacts to the financial institution;

▷ Collect and address grievances timely and properly.

As the case of Malampaya deep water gas-to-power project shows, even after a project is improved, ongoing engagement with the affected community is of no less necessity and importance (see Case 3).

Case 3. Malampaya deep water gas-to-power project: stakeholder engagement during project implementation[31]

The Malampaya Deep Water Gas-to-Power project was undertaken on behalf of the Philippine Government by the Service Contract 38 consortium composed of Shell Philippines Exploration B.V. (Operator), Chevron Malampaya LLC and Philippine National Oil Company—Exploration Corporation. Its community engagement efforts were conducted through SPEX and the Pilipinas Shell Foundation (PSFI).

As a condition for receiving environmental clearance from the government for the project, Shell agreed to form multiparty monitoring team (MMTs) composed of local government representatives, NGOs, community leaders, provincial and community environmental officers, and other stakeholders to monitor the environmental and social impacts of the project during its implementation.

In addition, PSFI meets with community representatives on a monthly basis to provide updates on project operations and impacts, and to allow the community to raise concerns and grievances. It also operates sustainable development programs in each affected province that provide services requested by the communities, such as job training, livelihood workshops, employment link-ups, scholarships, microfinance, health and safety workshops, and conservation activities.

The process of engagement with SPEX has produced an unanticipated benefit, empowering the community by increasing awareness of the potential of community action.

31 IFC, "Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets."

4.2.4. Project de-commissioning

Similar to financial institutions, in the final project phase, i.e., de-commissioning, clients should:

- Keep local stakeholders informed about the decommissioning plans and if needed, environmental and social mitigation plans Consultation on transition arrangements and end-of-project impacts with local stakeholders;
- Resolve any remaining grievances from both public and workers' grievance mechanisms.

Table 9 provides a structured guide on the responsibilities of clients in environmental information disclosure and public participation.

5. Taking the next leap in environmental information disclosure and public participation

China's overseas finance has been moving to a new stage of development: from strong infrastructure building to a holistic and sustainable development model. Along with this development, new opportunities are emerging that rely on collaboration between Chinese and international financial and project partners: through co-financing and co-development of projects, more project opportunities emerge with distributed financial and project risk. At the same time, through continued global integration of news, media, and data (e.g., through social media), new opportunities arise both for the management of projects and the disclosure of information regardless of the location of the financial institution, project sponsor, or other involved and interested stakeholders.

In order to benefit from these developments, while reducing environmental and social risks in projects, companies and financial institutions engaging in BRI investments need to adopt some of their processes. An important factor is public participation and disclosure that helps all stakeholders – whether they are Chinese or international financial institutions, developers, or stakeholders, to evaluate, understand, and participate in environmental risk management.

Much of this development is also being driven by the continued interest of the global financial community, their regulators, and shareholders/ investors to better understand and manage risks. Accordingly, new agreements, frameworks, standards, processes, and regulations have been emerging at a rapid pace for the analysis, and disclosure of environmental risks, as well as public participation. As an example, the Eszacu agreement provides strong legal ground for public participation no matter the financial institution's "nationality", while frameworks like TNFD or TCFD provide standards for disclosure. At the same time, more global frameworks are emerging that drive financial institutions' ambitions to reduce environmental risks, such as the Glasgow Financial Alliance for Net Zero (GFANZ) which has seen more than 550 member firms from across the global financial sector, representing more than $150 trillion in assets under management sign up to accelerate a net-zero global economy by 2050. Furthermore, global regulators are increasing ambitions and requirements for disclosure, not least in the European Union through the European Union's Sustainable Finance Disclosure Regulations (SFDR), or in the US where the regulator aims to require carbon accounting for listed companies and financial institutions.

These developments also bring more clarity to financial institutions that had been finding loopholes to selectively utilize specific standards to "greenwash" investments. With public and regulatory scrutiny increasing, global capacity and interest in public participation and disclosure of non-financial risks have been increasing and similarly the expectations when designing projects.

Also in the Chinese context, environmental information disclosure and public participation have increasingly become more standardized and are recognized as an integral part of green finance and investment both domestically and overseas: more stringent policies on green finance led by China Banking and Insurance Regulatory Commission (CBIRC) in collaboration with competent ministries (e.g., MEE) have been emerging. For Chinese financial institutions engaged in the BRI, this, however, is just the beginning of the journey – particularly if they are interested in international collaborative projects. The handbook provides just a simple guide to understanding how to engage in environmental information disclosure and public participation. While it is not intended to prescribe specific processes, it shows how financial institutions can benefit from China's domestic and international developments to improve their environmental risk management for their own benefit – and the benefit of a green BRI and planet.

Appendix 1: Climate disclosure according to Task Force for Climate-related Financial Disclosure (TCFD)[32]

Many governments base their mandatory disclosure guidelines on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), a private initiative established to provide recommendations to improve and increase climate-related disclosures. The TCFD has established a general framework to report on climate-related financial risks (see Figure 7).

According to the TCFD, climate-related financial risk reporting has four core elements that help a company report on climate-related financial risks and for the companies' investors and stakeholders to evaluate the implementation of climate-related risk management:

1. Governance: Investors, lenders, insurance underwriters, and other users of climate-related financial disclosures are interested in understanding the role an organization's board plays in overseeing climate-related issues as well as management's role in assessing and managing those issues. Such information supports evaluations of whether material climate-related issues receive appropriate board and management attention.

2. Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. This includes:

- ▷ a description of what the company considers to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms;
- ▷ a description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organization; and

32 TCFD, "Task Force on Climate-Related Financial Disclosures: Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures," October 2021, https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf.

Figure 7. Core Elements of Climate-related financial disclosure according to TCFD

- **Governance.** The organization's governance around climate-related risks and opportunities
- **Strategy.** The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
- **Risk Management.** The processes used by the organization to identify, assess, and manage climate-related risks
- **Metrics and Targets.** The metrics and targets used to assess and manage relevant climate-related risks and opportunities

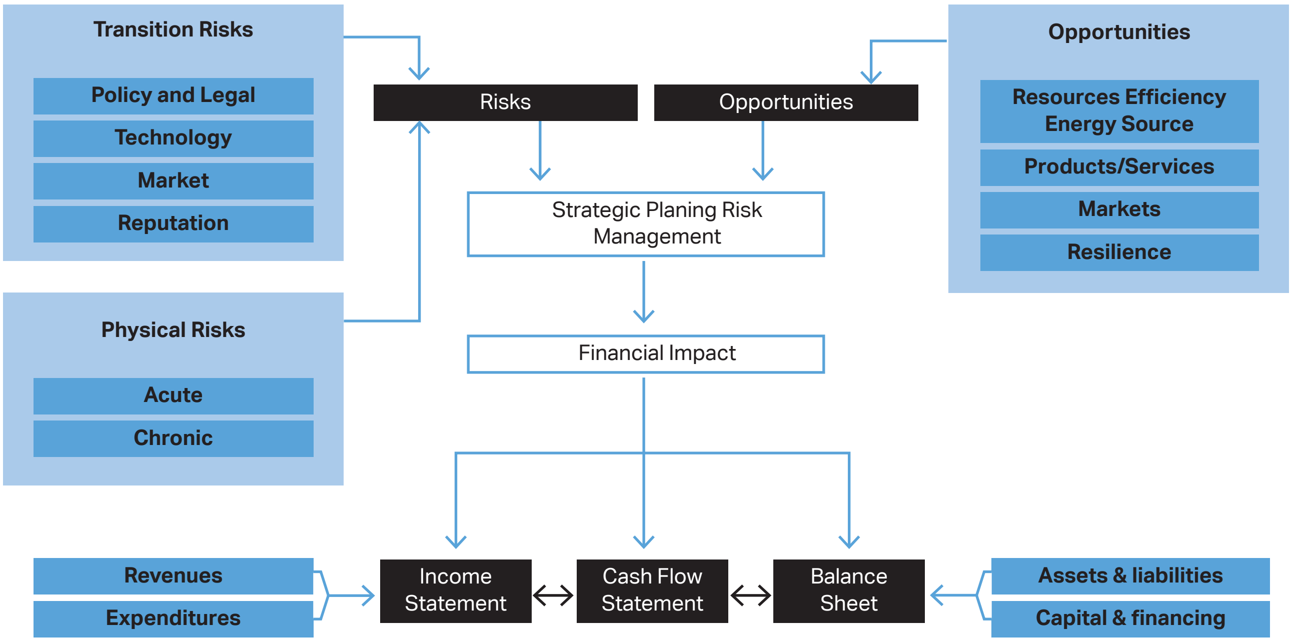
Source: TCFD Implementing Guidance 20211 (TCFD, "Task Force on Climate-Related Financial Disclosures: Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures," October 2021, https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf.)

- ▷ a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization.

Furthermore, organizations should consider disclosing:

- ▷ where they believe their strategies may be affected by climate-related risks and opportunities;
- ▷ how their strategies might change to address such potential risks and opportunities;
- ▷ the potential impact of climate-related issues on financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities); and
- ▷ the climate-related scenarios and associated time horizon(s) considered.

Figure 8. **Climate-related risks, opportunities, and financial impact**



Source: TCFD Implementing Guidance 2021 (see note N°32)

3. Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks. In this part, organizations should consider disclosing the following:

- processes for assessing the potential size and scope of identified climate-related risks and
- definitions of risk terminology used or references to existing risk classification frameworks used.

Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations.

4. Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. Organizations should provide their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks. GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. Organizations can consider providing related, generally accepted industry-specific GHG efficiency ratios.

Once an organization assesses its climate-related issues and determines its response to those issues, it can then consider actual and potential financial impacts on revenues, expenditures, assets and liabilities, and capital and financing. Figure 8 outlines the main climate-related risks (transition and physical) and opportunities organizations should consider as part of their strategic planning or risk management to determine potential financial implications.

How and whether the financial performance of an individual organization is or may be affected by climate-related issues, therefore, depends on a variety of issues:

- the organization's exposure to, and anticipated effects of, specific climate-related risks and opportunities;
- the organization's planned responses to manage (i.e., accept, avoid, pursue, reduce, or share/transfer) its risks or seize opportunities; and

- the implications of the organization's planned responses on its income statement, cash flow statement, and balance sheet.

Financial impacts associated with climate-related risks and opportunities depend on not only an organization's level of exposure and planned responses, but also on how effective its responses are in realizing opportunities and managing risks. Ideally, the organization, therefore, monitors the implementation of its risk management strategy against both internal targets and external factors to assess their effectiveness.

An organization should further determine the financial impacts of climate-related risks and opportunities generally by assessing its (1) risk exposures, its (2) strategy to deal with risk, and its (3) response effectiveness. For example, the analyses should include the following:

- the exposure and potential financial impact if no action is undertaken versus;
- the financial implications of managing risks and maximizing opportunities in the context of an organization's overall business strategy and environment.

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Environmental risk mitigation through information disclosure, public consultation, and grievance mechanisms

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