

## **Stakeholder engagement: demonstrating compliance with international standards**

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For projects seeking loans or investment from financing organisations operating to international standards there is always scrutiny during an Environmental & Social Due Diligence (ESDD) process as to whether the project has been planned and developed with adequate stakeholder engagement. This is a core requirement of projects conducted to international standards and is particularly important for projects in societies in transition, where limited access to information and the ability of stakeholders to raise issues and concerns can be a barrier to achieving environmental justice. Very often projects do not have robust records of stakeholder engagement and this creates a substantial challenge for conducting ESDD. In the absence of robust record-keeping, financing organisations cannot verify whether stakeholder engagement has been effective, and the associated risks in terms of compliance and / or reputational impacts cannot be easily determined. The net result can be delays as additional stakeholder engagement is carried out, or even risk to the completion of the financing. This paper provides a model for recording stakeholder engagement in a way that helps to demonstrate alignment with international standards and to provide robust evidence to support the ESDD process.

### **Background**

Stakeholder engagement is a fundamental requirement for all projects that receive funding from those financial institutions that apply international standards to project financing. Engagement involves the disclosure of project-related information and consultation with potentially affected people on matters that could affect them. It can involve various activities, including individual, group or community meetings, public hearings, and provision of information through newspapers, radio and websites.

A key component of the project planning phase is the preparation of an Environmental Impact Assessment (EIA) for national regulatory approval. Financing institutions that mandate compliance with international standards require the completion of an Environmental and Social Impact Assessment (ESIA) whenever the EIA does not demonstrate that the project can comply with those standards. The ESIA process typically involves further engagement beyond that completed for an EIA, including further consultation with potentially affected people and disclosure of the ESIA.

The required scope and depth of engagement that must be conducted is determined by the international standards that are applied by the financing institution. Currently, 92 financing institutions are signatories to the Equator Principles (EP). The EP include requirements for stakeholder engagement directly through Principle 5 as well as indirectly where the project is required to adopt the International Finance Corporation (IFC) Performance Standards (PS) (IFC, 2012), in accordance with Principle 3 (EP, 2013). Principle 5 requires that financed projects demonstrate effective engagement during the planning phase and as an ongoing process. IFC PS 1 specifies requirements for stakeholder engagement, including stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, application of a grievance mechanism, and ongoing reporting to affected communities. Other institutions apply their own standards, and these are comparable to the standards set by EP 5 and PS 1.

## **Environmental and Social Due Diligence**

Prior to the completion of financing for projects that are subject to international standards, the financing institution completes an Environmental and Social Due Diligence (ESDD) process. This process is used to help ensure that the project receiving finance can comply with the required standards. The ESDD process requires the project to demonstrate that adequate engagement has been conducted during the EIA and / or ESIA phase, and that plans and resources are in place to continue that engagement throughout the execution of the project. When assessing the level of engagement that has been conducted, the ESDD process considers the impacts to and vulnerabilities of potentially impacted people. When impacts or vulnerabilities are potentially significant a higher threshold is set for the required level of disclosure and consultation. This is particularly applicable for projects in societies in transition, where limited access to information and the ability of stakeholders to raise issues and concerns can be a barrier to achieving environmental justice.

### **Purpose of an engagement register**

The author has observed that very often projects do not have robust records of the stakeholder engagement that has been conducted. This creates a substantial challenge for conducting ESDD and verifying that stakeholder engagement has been effective. Risks in terms of compliance and / or reputational impacts cannot be easily determined. If potential lenders face these unknowns, the net result can be delays as additional stakeholder engagement is carried out, or even create risk to the completion of the financing.

To provide the required evidence for the ESDD process, engagement activity should be recorded in summary form in an engagement register. This should address what the IFC's Stakeholder Engagement Good Practice Handbook refers to as the *"careful documentation"* required to keep *"track of the 'who, what, when, and where' of consultation"* (IFC, 2007, p124). The register should summarise detailed engagement records (e.g., meeting minutes), and be produced in an easy-to-access table or spreadsheet format. As well as supporting ESDD, engagement registers can be used to provide up-to-date information to the project team, and may also be included in a full or simplified format in the ESIA. Engagement registers can also be used to inform other project activities beyond the ESIA, including community investment programmes.

### **Activity to record in an engagement register**

The engagement register should summarise any activity that involves the sharing of substantive information about the project or the receipt of feedback (including grievances) from an external party. The following types of engagement activity should be recorded in the register:

- Meetings with individuals, groups and communities.
- Public hearings, including those run by regulators.
- Letters and phone calls made to and received from external parties.
- Engagement that occurs in a project office, including 'drop-ins' from members of the public.
- Social baseline field work if it includes the sharing of information about the project.
- Information posted to webpages, including EIA / ESIA held on the proponent's or regulator's website.
- Information provided through newspaper, radio or other media.

The engagement register should record cases when engagement is attempted or scheduled but does not take place due to factors outside of the proponent's control.

When appropriate, a single line item in the engagement register can be used to summarise multiple or repeat activity.

### **Model engagement register**

The model engagement register provided in Table 1 is designed as a guide as to what information should be included to demonstrate compliance with international standards. This is based on the author's experience of conducting ESDD and ESIA, and addresses the gaps that the author has frequently noted when reviewing incomplete records of engagement. This model builds on the sample register included in the IFC's Stakeholder Engagement Good Practice Handbook (IFC, 2007).

This model should be implemented in a table or spreadsheet by setting up the information fields as column headers and entering each engagement activity as a new row. Some of the information fields stated in Table 1 may not be applicable for all engagement activity, e.g., for some meetings there may be no issues raised or actions taken.

### **Concluding remarks**

Engagement activity is critical to the development of successful projects, and particularly those that are subject to international financing. The effective recording of this engagement activity is essential for demonstrating that international standards related to engagement have been addressed. Recording this information in an effective format and to the required level of detail does not need to be an administrative burden, but can save significant time and minimise compliance risks when the project is subject to ESDD.

The model engagement register provided in this paper is designed to address the gaps and limitations that the author has frequently experienced when reviewing records of engagement activity in ESIA and as part of ESDD. It provides the author's view on good practice, building on that provided by IFC's Stakeholder Engagement Good Practice Handbook (IFC, 2007), and should be adapted to best address the requirements of the project and of the financing institution.

Table 1 - Model requirements for a stakeholder engagement register

Information field	Required information	Examples
Engagement type	The <u>type</u> of engagement that took place.	<ul style="list-style-type: none"> <li>• Community meeting.</li> <li>• Letter sent or letter received.</li> <li>• Information posted on website.</li> <li>• Notice in newspaper.</li> </ul>
Date and time	The date of the engagement activity and, when applicable, the duration of the activity. For meetings, this should include the duration of the meeting. For disclosure of information, this should include the duration that information was publicly available.	<ul style="list-style-type: none"> <li>• 23<sup>rd</sup> October, 2pm to 3.30pm.</li> <li>• ESIA posted to website from 23<sup>rd</sup> October to 13<sup>th</sup> February.</li> <li>• Project office operating daily from 10<sup>th</sup> March to 10<sup>th</sup> September.</li> </ul>
Location	For meetings, state where the engagement activity took place.	<ul style="list-style-type: none"> <li>• Meeting place, Ekumeni village.</li> <li>• Ministry of Environment head office.</li> </ul>
Stakeholder	<p>The individual, group or community that was involved in the engagement. State the roles or position of people who attended in an official capacity, particularly representatives of government or regulator. For community meetings state the number of people who attended, and, where applicable, provide a break-down of this number by sub-groups (e.g. women, elders). For written or broadcast communication, state the intended target audience.</p> <p>Make it clear whenever indigenous peoples or those who may be directly impacted by are project (e.g. those being resettled) are involved in the engagement.</p>	<ul style="list-style-type: none"> <li>• Total of 52 community members from Oryot, including the Mayor of Oryot and two councillors.</li> <li>• Four senior officials from the national Ministry of Environmental Protection.</li> <li>• President of the Littleton Fishing Association.</li> <li>• Twenty community members from High Pass, including four hereditary leaders and one elected councillor from the Slimineen tribe.</li> </ul>
Scope of engagement activity	<p>Summarise the engagement activity. Describe the information that was provided, including the scope of any presentations and written materials (e.g. handouts, brochures).</p> <p>This description should be adequate to give the reader a sense of the level of engagement that took place, including how much information and opportunity for feedback and dialogue was provided.</p> <p>For written communications, provide a summary of the information that was provided.</p>	<ul style="list-style-type: none"> <li>• Project engineer and Head of HSE provided a 30minute presentation about the project, followed by 30minute questions and answers. Attendees were given a two-page brochure about the project. The Grievance Mechanism was explained, and attendees were introduced to the Community Liaison Officer.</li> <li>• Letter provided a half-page introduction to the project and referred the recipient to the ESIA on the proponent's website.</li> <li>• Phone call between project environment consultant and Slimineen tribe elected leader to discuss findings of the fish survey.</li> </ul>

Information field	Required information	Examples
Prior notification	For community meetings and public hearings, state how and when community members were notified about the planned meeting. This helps to demonstrate that interested parties were given reasonable notice of the planned engagement activity.	<ul style="list-style-type: none"> <li>Letters sent to the Mayors of Ekumeni and Bani on Sep 3<sup>rd</sup>.</li> <li>Half-page notice was included in the Oryot Times on 4th and 11th March.</li> </ul>
Special measures	Describe any special measures that were taken to support the engagement activity, particularly to increase participation and address the requirements of vulnerable groups. This could include provision of transportation and translation, and the use of approaches tailored to local cultural norms.	<ul style="list-style-type: none"> <li>Buses were provided to transport residents to and from Ekumeni, Bani and Kikuni villages.</li> <li>Meeting was arranged through the Women's Cooperative to maximise attendance of women.</li> </ul>
Issues raised	List any issues that were raised by stakeholders during the engagement activity, including feedback on potential impacts, concerns, requests and suggestions.	<ul style="list-style-type: none"> <li>Concern over water quality impacts to the Bani River, and to the fish that are harvested as a food source.</li> <li>Request that more information is given about the worker accommodation camp, including its location and size.</li> <li>Suggestion that the community elders are consulted about areas of cultural heritage value.</li> </ul>
Actions taken	List the actions or commitments that were agreed by the proponent or by engaged parties. This could include, for example, commitments to conduct further engagement, to provide certain information, or actions in response to questions or issues raised.	<ul style="list-style-type: none"> <li>Proponent agreed to arrange a meeting with community elders to consult about areas of cultural heritage.</li> <li>Mayor of Oryot agreed to provide a land use map of the community.</li> </ul>

## References

Equator Principles (EP), 2013. *The Equator Principles, 2013*.

International Finance Corporation (IFC), 2007. *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*.

International Finance Corporation (IFC), 2012. *Performance Standards on Environmental and Social Sustainability*.