

Environmental and Social Due Diligence in Asset Recycling

Full Description

The Relevant Authority should be required to disclose environmental requirements (permits, standards, etc.), risks, issues, liabilities, compliance status. Climate risk disclosure can help raise awareness of and encourage efforts to reduce climate-related risks that may impact the asset.

Environmental Due Diligence

It is recommended to include the following:

- Biannual reports on environmental instrument implementation.
- Proof of company environmental certifications (e.g., ISO 14001).
- Third-party verification and professional certification of Asset compliance with sustainable infrastructure standards. Most internationally recognized standards include SuRe, ENVISION, CEEQUAL, GRESB.
- Approved Asset Environmental Impact Assessment (EIA).
- Comprehensive Assessment of the Asset Overall Climate Risk Profile, including assessment of climate-related risks and hazards exposure and project vulnerability to those hazards. Projects undertaking a climate change resilience assessment must be broadly consistent with the key steps of the ISO 31000 Risk Management Standard and include both current and future climate conditions and impacts in the analysis [Infrastructure Canada, 2019 - Climate Lens Guidelines]. Based on this Assessment the Government/Relevant Authority could be able to determine which mitigation measures are best carried out in the transaction stage and define what it expects from the bidders in the asset recycling transaction. These expectations will in turn inform the structuring of the RFQ and RFP documentation.
- Risk Valuation of Climate Risk Identified for the Asset. Suggested methods include Scenario Analysis, Sensitivity Analysis, Probabilistic Analysis.
- Any available climate modelling tools relevant for the asset recycling transaction, developed by the Government/Relevant Authority or available for the Government/Relevant Authority.
- Asset Disaster Risk Management plan (DRM plan).
- GHG Mitigation Assessment. The general guidance should be consistent with ISO 14064 Part Two: Specification with Guidance at the Project Level for Quantification, Monitoring, and Reporting of Greenhouse Gas (GHG) Emission Reductions or Removal Enhancements and/or the GHG Protocol for

Project Accounting.

- Review of Asset climate change mitigation and adaptation plan (if any).
- Other project-specific environmental safeguards requirements such as geo-technical studies, hydrological studies, charting and geo-tagging of trees.

Social Due Diligence

For social due diligence, the following assessment should be undertaken and/or documentation disclosure:

- Description of social issues relevant for the Asset including land acquisition legacy issue, outstanding community grievances.
- The implementation of grievance mechanisms for workers and communities is also an important requirement in a number of international standards (for instance, the IFC Performance Standards and OECD Guidelines for Multinational Enterprises). This includes operational-level grievance mechanisms as well as broader effective, secure, adequately funded and publicly accessible remedy processes, be they judicial or nonjudicial. A well-funded grievance mechanism that provides an important independent avenue for stakeholders to voice concerns and seek redress without fear of retaliation can help to build trust with stakeholders and affected communities [OECD (2021) "Towards a global certification framework for quality infrastructure investment: Private sector and civil society perspectives on the Blue Dot Network"].
- Right-of-Way (ROW) / Resettlement Action Plan (if applicable).
- Approved Asset Social Impact Assessment (SIA).
- Indigenous Peoples (if present or have collective attachment to the project location) - Rapid assessment of indigenous people issues, management strategies (general) and further study requirements shall be identified as part of the SIA Report for consideration in the project costing.
- Existing culture and cultural resources including physical cultural resources and heritage sites that could be affected.
- Review of Asset social/communities development program and historical related budget.

Gender Equality in Infrastructure

Factoring gender issues at the preparation phase of the project ensures that the technical and legal solutions selected for the asset considers the impact on and benefits to all members of the community. There is increasing recognition by private-sector infrastructure operators to cater more to women as users, improve the gender balance of their boards, source materials and services from more women-owned companies, and increase the number of women in the workforce.

It will also need to consider any negative impacts on the transaction that may disproportionately affect a specific gender.

Considering these risks, opportunities and developmental priorities, governments should refer to the primer on [Gender Equality, Infrastructure and PPPs](#), developed by the World Bank Group, which distils high-level advice to help practitioners plan and develop infrastructure assets that incorporate actions, design features, and strategies that will help close the persistent opportunity gaps between women and men. These include performing appropriate gender analyses in early stages of preparation on how the project affects men and women differently and incorporating the results of such analysis into the project design, results, and operations.

Related Content

[Guidelines for Implementing Asset Recycling Transactions \(Download PDF version\) - Now Available!](#)

Additional Resources

[Gender Equality & PPPs](#)

[Environmental and Social Studies and Standards](#)

[Climate Toolkits for Infrastructure PPPs](#)

Page Specific Disclaimer

The Guidelines have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions To find more, visit the Guidelines to Implementing Asset Recycling Transactions [Section Overview](#) and [Content Outline](#), or [Download the Full Report](#).

