



March 6<sup>th</sup>, 2019

## **Comments to the draft of the Environmental and Social Policy of European Bank for Reconstruction and Development (EBRD)**

**Submitted by Make ICT Fair consortium**

### **The supply chain related responsibilities of the Bank and its clients**

Environmental and Social Policy (ESP) of the EBRD outlines how the Bank will assess and monitor the environmental and social risks and impacts of its projects. It sets minimum requirements for the whole project cycle and defines the responsibilities of both EBRD and its clients. Primary supply chain of the clients and its procurement practices should be treated as another layer of the implementation of the bank's policies. This layer should create decent work and ensure sustainable management of natural resources in line with the best existing practices. The consortium of European CSOs running the campaign "Make ICT Fair" submits the following comments to the ESP draft:

#### **1. Clear reference to the international social, labour and environmental standards and procedures in procurement.**

Although in PR2, #2 there are precisely indicated the ILO core Conventions to be respected for all project workers, whether engaged directly by the client or by a third party, this is only the part of the international standards and procedures to be used in responsible procurement. The policy, in PR1, #25. "*A client is required to make reasonable efforts to identify risks associated with its primary supply chains.*" should include reference to Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement for the implementation of the EBRD policy. The Directive lists international social and environmental conventions, out of which only ILO core Conventions are referred in the EBRD policy. It includes: Vienna Convention for the protection of the Ozone Layer and its Montreal Protocol on substances that deplete the Ozone Layer; Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention); Stockholm Convention on Persistent Organic Pollutants (Stockholm POPs Convention); Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (UNEP/FAO) (The PIC Convention) Rotterdam, 10 September 1998, and its 3 regional Protocols. Additionally, EBRD should make it mandatory for companies that receive loans to comply with the following international standards:

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas<sup>1</sup>
- OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector<sup>2</sup>
- OECD document on Responsible business conduct for institutional investors Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises<sup>3</sup>

The policy should also make clearer reference to the specific core instruments of the UN ICCPR International Covenant on Civil and Political Rights, more specifically:

- ICESCR- International Covenant on Economic, Social and Cultural Rights
- CEDAW- Convention on the Elimination of All Forms of Discrimination against Women
- ICMW- International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families

EBRD states in its new Energy Sector Strategy 2019-2023, that “*The Bank will finance projects that promote improvements in the corporate governance and corporate social responsibility of its clients, and that also comply with the principles of the Extractive Industries Transparency Initiative at company and country level.*”. Nevertheless, the Extractive Industries Transparency Initiative (EITI) is not indicated as a reference point in the ESP Policy. Not only the energy sector projects are extractive ones and the clear reference in the policy document to the EITI would build the standard of transparency and good governance based on globally acknowledged principles.

## **2. Effective verification schemes in procurement undertaken by the clients.**

The policy in PR1, rightly requires from the clients to identify risks associated with its primary supply chains and points on any measures identified during due diligence to be included, where appropriate, in the Environmental and Social Management Plan (ESMP). An example of this could be identification of the risks for implementation of the International Labour Organisation (ILO) core Conventions. To avoid this risk, the criteria used in a procurement tender, such as the exclusion of child labour or measures related to health and safety and decent wages need to be verifiable in a transparent and effective way. We notice the lack of such verification schemes in place to control that supply chain assessments are properly done and specific measures are planned.

The policy, in PR1, #25. should include the requirement to develop verification schemes for the primary supply chains of the clients to ensure the compliance with the best standards and practices in procurement. The verification needs to be performed by industry independent monitoring organisations.

In order to support the development of a clients common understanding of supply chain effective risk-based due diligence, the need of the specific guidance on responsible supply chain assessment and management could be included in the Policy and the guidance developed.

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<sup>1</sup> [www.oecd.org/daf/inv/mne/mining.htm](http://www.oecd.org/daf/inv/mne/mining.htm)

<sup>2</sup><http://mneguidelines.oecd.org/stakeholder-engagement-extractive-industries.htm>

<sup>3</sup> <http://mneguidelines.oecd.org/rbc-financial-sector.htm>

### **3. Access to information about supply chain of the clients.**

The policy in PR 10 develops tools and procedures to ensure that appropriate environmental and social information is disclosed. When it comes to the information related to clients' supply chains though, #18 doesn't point on the need of its disclosure including assessed risks and undertaken measures. In our preliminary screening of Project Summary Documents on the Bank's website, we noted that project summary documents very often claim that the projects are "*unlikely to be associated with significant environmental and social issues*" without usually mentioning supply chain or procurement. The enhanced disclosure requirements would help to demonstrate the results of proper implementation of PR1 while respecting the right to know of affected workers, consumers, service users, communities and the public. Currently, the project summary documents, accessible on the EBRD website, include very generalized environmental and social summaries. The Bank should ensure that its clients clearly disclose their business relations, (naming their biggest buyers from the mine for example) in order to provide best possible transparency in the supply chain.

For example, the environmental and social summary for the ICT project of category B in Greece[1] states: "*The ESDD showed that Cosmote (the client) environmental and social risk management systems are in line with EBRD PRs. The Group is publicly committed to good environmental and social sustainability practices and is a member of UN Global Compact. The official 2016 Sustainability Report comprehensively covers all environmental and social sustainability aspects of the Group's activities and objectives. The Group is accredited with ISO 14001 and OHSAS 18001. The Group has corporate fair employee policy in accordance with legal requirements of Greece and the EU as well as the UN Global compact.*". This description lacks detailed assessment of any of the environmental and social risks, not even mentioning the ones related to supply chain. Another example comes from the Environmental and Social Management Plan of Amulsar gold mine project of category A[2]. The only information on the environmental and social standards applied to the suppliers states that: "*The tender evaluation will require a detailed input with respect to environmental, social, health and safety in combination with the technical and commercial aspects of the proposal.*"

### **4. Information and Communication Technology (ICT) sector projects should be carefully assessed due to its highly intransparent and complex supply chains.**

Thinking about the most risky projects, when it comes to the environmental and social impact, one could probably not put the ICT sector on the podium. ICT related raw materials though come very often from the countries with the poor human rights and democracy record and the high risk of environment unsustainable exploitation. Countries, where ICT is manufactured, are often facing similar challenges. That makes ICT sector one of the most intransparent and complex, when it comes to its supply chains. At the same time, the ICT sector is one of the most important international trade sectors nowadays. Having in mind all these factors, ICT projects supply chains should be carefully monitored and assessed against human rights abuses and environmental damage.

The fifth-generation wireless network (5G) technology development and its envisaged rapid growth in the next five years can serve as a test case for the EBRD responsible approach regarding the supply chain in ICT sector projects. 5G technology, which among others is predicted to greatly benefit the billions or even trillions transmitting objects of Internet of Things, could simply mean the instant access to super-high-speed, low-latency wireless communication from any point on the planet. That seems to be connected with unprecedented societal change on a global scale as the purchase and installation of this new equipment (network transmitters) will consume a significant amounts of primary sources. So, the development of this ICT technology will also be connected with the unprecedented environmental and social impact. Transparent and responsible supply chains of the clients, meaningful consultations with impacted stakeholders and access to information about the project provided on time will be the prerequisites of the bank responsible approach to the support provided to ICT sector. In this respect, the Bank should make sure that the equipment suppliers of the future clients- network operators, also comply with the highest international human rights and transparency standards.

**Make ICT Fair is an initiative of eleven European NGOs and Academia working on the improvement of labour rights in the supply chain of electronics.**

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[1] Information on Cosmote Mobile project available on: [www.ebrd.com/work-with-us/projects/psd/cosmote-mobile-telecommunications-sa-loan-.html](http://www.ebrd.com/work-with-us/projects/psd/cosmote-mobile-telecommunications-sa-loan-.html)

[2] Information on Amulsar gold mine of Lydian project available on: [www.ebrd.com/cs/Satellite?c=Content&cid=1395250602829&d=Mobile&pagename=EBRD%2FContent%2FContentLayout](http://www.ebrd.com/cs/Satellite?c=Content&cid=1395250602829&d=Mobile&pagename=EBRD%2FContent%2FContentLayout)



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