



THE REGIONAL ENVIRONMENTAL CENTER

for Central and Eastern Europe

**GOVERNANCE PRINCIPLES FOR FOREIGN DIRECT
INVESTMENT IN HAZARDOUS ACTIVITIES**

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Governance Principles for Foreign Direct Investment in Hazardous Activities

The following governance principles are intended to apply primarily to foreign direct investment (FDI) in industrial, mining and other activities with particularly significant social and environmental impacts, especially in countries in transition, under-developed regions and developing countries. These principles have been designed to complement voluntary international codes of conduct, compacts and other instruments.

Corporate Good Citizenship

Principle 1

Investors should apply international standards and best practises for corporate "good citizenship" to their investment projects.

Responsibilities to and Relations with Recipient Countries

Principle 2

Investors should take all legal and regulatory steps required under the laws, regulations, and administrative practices of the countries in which they invest ("recipient countries") to protect the environment, sustainably use natural resources, and avoid accidents that would result in environmental harm or harm to human health.

Principle 3

Investors should take a pro-active stance towards regulatory agencies to guarantee the proper environmental and social oversight of their activities, recognising that the transitional status of recipient countries may create administrative and regulatory conditions that differ significantly from the conditions prevalent in the home country, to which end:

- Investors should gain a thorough knowledge of the legal and regulatory framework and requirements for environmental and social protection in recipient countries.
- Investors should, when appropriate, prompt relevant authorities in recipient countries to enforce all legal and regulatory requirements.

Principle 4

An investor which invests in a country that does not provide an adequate legal framework for regulating relevant activities, or properly resourced authorities with powers of approval, inspection and enforcement, must provide continuous independent and external verification that its activities comply with domestic legal and regulatory requirements and meet relevant international standards and norms.

Principle 5

Investors should support and promote the transfer of best available technology to the recipient country. The transfer of obsolete technology to the recipient country should in general be avoided.

Principle 6

Investors should abstain from creating competition between countries or regions within a country to attract a proposed investment on the basis of the level of environmental standards.

Principle 7

Investors should give due consideration to the role that their projects would play in the environmental and social/sustainable development aims and objectives of the recipient country. To this end, investors should provide national and local authorities with analyses of how proposed investments will help meet the long-term goals set in national environmental action plans, national development or sustainable development plans or policies, or other relevant plans or policies. Such analyses should take into account internationally accepted criteria and principles, such as those expressed in relevant declarations such as the Rio Declaration and the Johannesburg Declaration.

Principle 8

When Investors are involved in development of environmental and social policies of the recipient country or regions, they should seek to raise standards to international levels.

Principle 9

Investors should abstain from influencing (through financial or other means) recipient country officials or community leaders in development projects or enforcement settings where a conflict of interest may arise. Investments with ownership structures involving shares owned by governmental bodies or authorities that may be involved in regulation or oversight are of particular concern.

Principle 10

The operations of investors in hazardous activities should be marked by transparency, in particular in their relations with localities. Investors should share the results of their environmental and social performance evaluations with authorities, non-governmental organizations, and the public in recipient countries.

Investor Environmental and Related Social Policies

Principle 11

Investors should strive to continually improve their environmental and social performance and regularly review and update environmental policies, priorities, and procedures in the light of new information. Investors should establish environmental and social performance objectives and strategies in order to regularly monitor their environmental and social performance.

Principle 12

Investors should establish environmental management systems that meet or exceed the ISO 14000 series of standards and/or EMAS.

Principle 13

Investors should take steps to require that all suppliers and subcontractors meet national standards of environmental and relevant social performance, and should support and encourage suppliers and subcontractors in their efforts to meet international standards and to achieve relevant certification(s).

Principle 14

Investors should assume cradle-to-grave responsibility for all hazardous substances produced in and through their operations, even where such responsibility is not imposed on them as a matter of law. Investors should, in addition, take the necessary measures to ensure proper handling, storage and disposal of all hazardous substances obtained from others and used in their operations. Investors should employ product life cycle assessment where appropriate.

Principle 15

Investors should apply the polluter pays principle in their own operations and promote its application in the business community to which they belong.

Principle 16

Investors should adopt a precautionary approach to environmental challenges and environment related decisions. In accordance with Principle 15 of the Rio Declaration, lack of full scientific certainty should not be used as a reason for postponing or not implementing measures to protect the environment. The precautionary principle can be applied by:

- performing risk analyses for new products, processes, technologies, and actions that might have an environmental impact;
- demonstrating that new products, processes, technologies, and actions that might have an environmental impact are safe for the environment rather than waiting for evidence that they might be unsafe (applying a conservative burden of proof standard);
- building in safety margins when setting safety and environmental standards; and
- using the best available technology.

Principle 17

Investors engaged in hazardous activities should ensure the full life cycle operation of facilities, up to and including closure and remediation to the original state.

Principle 18

Investors should recognize that all investments should aid in the process of transition to sustainability. Proposed operations therefore should work within the sustainability limits of the ecosystems within which they will be built, thus:

- Investors should develop or adopt sustainability indicators that meet international standards.
- Investors are encouraged to join the Global Reporting Initiative and regularly produce independently assured sustainability reports.
- Investors should ensure that environmental impact assessments conducted on their proposed operations take into account impacts on ecosystem structure, function, and composition.
- The utilisation of natural resources by investors should fall within limits of sustainable use for those resources.
- Sustainability limits for natural resource use should be set using a precautionary approach.

Principle 19

Investors should establish environmental monitoring programs. These should include monitoring of the effects of their operations on the surrounding ecosystem and environment, including fish and wildlife, and surface and groundwater, where applicable.

Principle 20

Home offices should promote environmental awareness and responsibility in all company locations. Such support may be rendered operational by making environmental specialists available from the home office, providing home office oversight of environmental performance, and rewarding positive environmental performance.

Principle 21

The incentive structure of each company and facility should be reviewed to ensure that environmentally responsible behaviour is rewarded while environmentally irresponsible behaviour is punished, i.e.:

- Employees should be supported and rewarded for taking environmental initiatives.
- Investors should establish procedures and safe forums for employee grievances and “whistleblower” cases.
- “Whistleblowers” must be protected against retaliation.

Principle 22

Workers should be trained and educated in all relevant areas of environmental and related social responsibility.

Information, Participation and Stakeholder Relations

Principle 23

Investors should designate specific senior company officers to be responsible for environmental and related social matters including relevant communication with the public. Company environmental focal points should hold regular open meetings with the public and stakeholders to discuss issues of concern to any party, and be accessible to the public at reasonable times and places. Investors should build partnerships with the public, take advantage of local knowledge, and ensure that the public has a voice in environmental decision-making. Open meetings should be well advertised in local communities and among stakeholders, and be held in a spirit of collaboration. Senior company officers are encouraged to attend these meetings.

Principle 24

Investors shall promptly disclose to the potentially affected communities information in their possession or that comes to their attention with regard to the environmental and relevant social impacts of their operations. Claims of commercial confidentiality should not be used to avoid disclosing information that could potentially be used by members of the public to take action to reduce the extent of environmental and related social impacts of an investor’s operations.

Principle 25

Where potential impacts of an investor’s operations may be transboundary in scope, the investor should involve the public, authorities, and other stakeholders of the potentially affected country to the same extent as it would involve those of the country of location.

Principle 26

Investors should seek to achieve the broad support of affected communities (prior informed consent) and should respect and protect the rights of those affected by projects, in particular the rights of indigenous communities, minorities and the economically disadvantaged. Investors should grant opportunities and develop capacities of the public to participate in monitoring and enforcement.

Accident Prevention and Management

Principle 27

Investors should take every reasonable and prudent step necessary to prevent industrial accidents, including:

- Operations should apply safety management systems that include detailed risk assessments; strategies for reducing risks; emergency plans, and monitoring, auditing, and review of safety systems.
- Operations should employ the best available technology relevant to safety and accident prevention.
- Investors should dedicate substantial resources to training of personnel in accident prevention and response.
- The above-mentioned measures should include automated shutdown procedures for discreet units and entire operations.
- Local communities and other stakeholders should be involved in the development of emergency response plans and in periodic evaluation and revision of response plans and procedures.

Principle 28

Investors should be able to demonstrate sufficient financial assurance for the full and fair costs of compensation and remediation in the event of an accident or other damage, applying the “worst case scenario” approach, and should ensure the material and technical means for applying necessary emergency measures.

Principle 29

Planning for event horizons (such as thousand-year floods) should take into account an additional buffer due to the potential effects of climate change, employing a precautionary approach. The historical record of weather events cannot be considered indicative of future extreme weather events.

Principle 30

Investors should develop the following policies and regulations that protect the health and safety of workers:

- Investors should identify scenarios that might endanger workers and take measures to eliminate, reduce, and control them.
- Investors should periodically evaluate the effectiveness of health and safety measures and revise such measures accordingly.
- Investors should develop and implement emergency response plans and procedures in the event of workers sustaining injuries or being exposed to hazardous substances.