

**Guidance Note D: Outline of a Project
Specific Environmental Audit**

1. An environmental audit is normally a requirement for projects that involve expansion, modernization, privatization or a corporate investment program.

2. The purpose of an environmental audit is to determine the nature and extent of all environmental areas of concern (including occupational health and safety) at an existing facility or with corporate practices. The audit identifies and justifies the appropriate measures to mitigate the areas of concern, estimates the cost of the mitigation measures, and recommends a schedule for implementation of these mitigation measures. The target audience is the project sponsor and IFC staff.

3. An environmental audit focuses on two elements: (1) compliance of existing facilities and operations with relevant environmental (including occupational health and safety) laws, regulations, and IFC requirements; and (2) the nature and extent of significant adverse environmental impacts, including contamination to soils, groundwater, and structures, as a result of past activities at the existing facility.

4. An environmental audit is normally performed by an independent consultant having broad and extensive industrial experience in the areas of the environment and occupational health and safety.

5. The environmental audit report should include the following sections:

- a) **Executive Summary:** A concise discussion of all environmental and occupational health and safety areas of concern, recommended mitigation measures and their priority, the cost of mitigation, and a schedule for compliance.
- b) **Project Description:** A concise description of the project, including both past and current operations. The description should focus on project components with potential environmental and occupational health and safety concerns.
- c) **Regulatory Setting:** Details of host country, local, and any other applicable environmental and occupational health and safety laws, regulations, guidelines, and policies as they may directly pertain to the project.

- d) **Audit Procedure:** Details of the approach used to conduct the audit, including the audit protocol. This section should include specifics relating to historical research and records review, interviews, site inspections, and other aspects of the audit procedure.
 - e) **Areas of Concern:** Detailed discussion of all environmental and occupational health and safety areas of concern. The areas of concern should be discussed in terms of both existing facilities and operations and contamination or damages due to past activities.
 - f) **Mitigation:** Specifics on the appropriate mitigation measures and why they are necessary, and a discussion of whether the appropriate mitigation measures are readily available in the project's host country.
 - g) **Costs and Schedule:** Estimates of the cost of implementing the mitigation measures and a schedule for their implementation. Cost estimates are to be based on host country conditions. Schedules should be recommended within the context of any planned capital expenditures for the facility.
 - h) **Annexes:** These should include references, copies of interview forms, any details regarding the audit protocol not already included in (d), and data obtained during the audit but not included directly in (e), (f) and (g) above.
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