



Consultation Paper

November 2020

Comments Due: February 8, 2021

Hydropower Sustainability Governance Committee

Hydropower Sustainability Standard

Consultation Paper



ACKNOWLEDGEMENTS

This Consultation Paper on the Hydropower Sustainability Standard was developed and approved by the Global Standard Working Group under the mandate of the Hydropower Sustainability Governance Committee (HSGC).

We would like to thank the Hydropower Sustainability Assessment Council (Council) and its Governance Committee, the HSGC, for their commitment to advancing sustainable hydropower.

The Council is a multi-stakeholder body made up of representatives of social, community and environmental organisations, governments, commercial and development banks and the hydropower sector. The purpose of the Council is to promote and advance good practice in hydropower development through the dissemination of the [Hydropower Sustainability Tools](#) (HST).

We would especially like to thank the **Global Standard Working Group** for their thoughtful inputs, comments and suggestions in the drafting of this Consultation Paper. The working group was established by the HSGC to agree on a recommendation for the design of the Standard. The working group includes representatives from governments, environmental and social organisations, financial institutions, hydropower operators, and HST Accredited Assessors. It is chaired by Accredited Lead Assessor Helen Locher. Participants include Debbie Gray (Hydro-Québec), Jian-hua Meng (WWF-International), Ruth Tiffer-Sotomayor (World Bank), Lesha Witmer (Women for Water Partnership), Sunil Poudel (Government of Nepal) and Eddie Rich (IHA).

Finally, our sincere thanks go to the sustainability team at the International Hydropower Association (IHA) for taking on the mandate of the HSGC and putting together the final draft of the Consultation Paper.

REQUEST FOR COMMENTS

Comments on the matters raised in this Consultation Paper on the Hydropower Sustainability Standard are requested by 8 February 2021.

Respondents are asked to submit their comments electronically through the IHAS website, by completing [the online response form](#). Comments will be considered a matter of public record and a compendium of all material issues raised in the consultation process will ultimately be posted on the website.

GLOSSARY AND ACRONYMS

Accreditation – A formal recognition that a process meets certain requirements, e.g. a company is accredited to provide certification audits, a training course is accredited to equip trainees to become assessors, etc.

Application – The process step in which a project is proposed to be assessed for Certification against the Standard.

Assessment – The process by which Accredited Assessors assess hydropower projects against the Standard and develop an Assessment Report for the project.

Certification – A comprehensive evaluation of hydropower projects against the Standard, in order to receive a Sustainability Rating approved by the HSGC. The certification methodology would be guided by agreed procedures.

HSAP – The Hydropower Sustainability Assessment Protocol, an assessment tool to measure and guide sustainable performance in the hydropower sector.

HESG – The Hydropower Sustainability Environmental, Social and Governance Gap Analysis Tool, an assessment tool based on the framework of the HSAP that provides an action plan to help project proponents to address gaps against good practice.

HGIIP – The Hydropower Sustainability Good International Industry Practice Guidelines, a guidance document on the processes and outcomes that constitute good international industry practice in accordance with the HSAP and HESG.

Hydropower Sustainability Governance Committee (HSGC) – The governance committee that brings together representatives of the multi-sectoral chambers of the Hydropower Sustainability Assessment Council (Council) in promoting the use and integrity of the Hydropower Sustainability Tools.

Hydropower Sustainability Standard (HSS) – The global standard for the sustainability of hydropower development, which sets out the criteria that must be met for a hydropower project or operating facility to achieve certification.

Hydropower Sustainability Tools (HST) – The tools and resources that define and measure sustainability in the hydropower sector. They provide a common language to allow governments, civil society, financial institutions and the hydropower sector to discuss and evaluate sustainability issues. There are three complementary tools: the HSAP, the HESG and the HGIIP.

IHA – The International Hydropower Association, a non-profit membership organisation and the voice of sustainable hydropower.

IHAS – IHA Sustainability Limited, the non-profit corporate entity in charge of the sustainability work programme of IHA. IHAS also acts as the Management Entity for the HSGC.

Management Entity (ME) – The organisation that serves the function of secretariat for the HSGC. The ME role is presently held by IHAS.

Scoring – The assignment of topic scores in an HSAP assessment, which will inform the Sustainability Rating for the project.

Standard – A document that sets out what is aimed to be achieved or demonstrated.

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I. Introduction

1. Purpose of this Paper

This paper sets out a number of important considerations for a global Hydropower Sustainability Standard (hereafter referred to as 'the Standard') upon which consultation is being undertaken and feedback is invited.

Fundamental premises underpinning the work to recommend a global Hydropower Sustainability Standard include:

1. All hydropower projects globally should be held to the same global standard.
2. The Hydropower Sustainability Governance Committee (HSGC) will promote and uphold the Standard.
3. A comprehensive suite of accompanying governance processes will be in place and effective to provide quality, consistency and confidence.
4. The HSGC will monitor the status of projects in meeting the requirements of the Standard and will develop methodologies by which participating hydropower stakeholders can disclose their performance annually.
5. Every project that applies to be assessed against the Standard will be assessed through a certification process, for which several options are outlined in this paper.
6. The certification process will result in a Sustainability Rating to be attributed to the project by the HSGC.

2. Context

At its meeting in March 2020, the HSGC, the governing body of the Hydropower Sustainability Assessment Council (Council), agreed on the recommendation to develop the Hydropower Sustainability Tools (HST) into *the* global Hydropower Sustainability Standard. The Standard would be certifiable and represent a powerful, distinct and positive brand. The HSGC seeks to give stronger recognition to good and best practice, with the aim to hold all hydropower projects to the same global standard. The Standard is intended to provide the various hydropower stakeholders with a recognisable and trusted confirmation of whether hydropower development is in line with internationally recognised levels of good and best practice set out in the HST.

The HSGC established a working group to agree on a recommendation for the design of the Standard. The working group includes representatives from governments, environmental and social organisations, financial institutions, hydropower operators, and HST Accredited Assessors. It is chaired by Accredited Lead Assessor Helen Locher. Participants include Debbie Gray (Hydro-Québec), Jian-hua Meng (WWF-International), Ruth Tiffer-Sotomayor (World Bank), Lasha Witmer (Women in Water Partnership), Sunil Poudel (Government of Nepal) and Eddie Rich (IHA).

The first meeting of the working group took place on 7 July 2020. The working group committed to a consultative approach on its considerations with the wider Council and other stakeholders. It aims to provide a final recommendation to the HSGC by early 2021.

The working group noted from the HSGC agreement that the Standard should have the Hydropower Sustainability Tools and the established assessment process as the reference point, rather than develop new tools and assessments. The HST are aligned with international financial institutions safeguards and

standards, and are under consideration as part of climate bond requirements. It is foreseen that the Standard would create further incentives for demonstrating good practice in hydropower project development, with the hope that it would be embedded into international frameworks on hydropower sustainability.

This evolution to development of a Standard has been encouraged by members of the International Hydropower Association (IHA), hydropower operators, and international financial institutions. Furthermore, this view has been reinforced by independent investigations and strategic reviews, such as a WWF-led investigation of standards in 2016, headed by Jian-hua Meng and funded by GIZ.

II. Background

1. Current Framework

Hydropower Sustainability Tools

The leading global assessment framework to evaluate the sustainability of hydropower projects is provided by the Hydropower Sustainability Tools (HST). The HST define and measure international good and best practice in sustainable hydropower development and are used to assess the performance of projects around the world.

The first publication, the Hydropower Sustainability Guidelines, was developed in 2004, followed by the first Hydropower Sustainability Assessment Protocol (HSAP) initially published in 2006. Following a three-year consultation overseen a multi-stakeholder forum, including representatives of government, NGOs, financial institutions and industry, the HSAP was updated and finalised in 2010, and formally launched in 2011. In 2018, two supporting resources were developed: the Hydropower Sustainability ESG Gap Analysis Tool (HESG) and the Hydropower Sustainability Guidelines on Good International Industry Practice (HGIIP). Today, the HST comprise the HSAP, HESG and HGIIP. The HSAP remains the leading document; all and any other documents are based on its contents.

The HSAP measures performance compared to defined basic good practice and proven best practice criteria, enabling projects to benchmark their sustainability performance in a comprehensive way. The HESG can be used to check for gaps against good practice on selected environmental, social and governance topics, and includes a gap management plan to improve processes and outcomes. The HGIIP is the key document that provides guidance on the processes and outcomes that constitute good international industry practice, expanding on the criteria statements in the HSAP and HESG assessment tools. All three documents are based on the same internationally agreed levels of good and best practice. Together, the tools provide a common global language to allow governments, civil society, financial institutions and the hydropower sector to discuss and evaluate sustainability issues.

Basic good practice statements have been designed with the idea that projects in all contexts should be working toward such practice, even in regions with minimal resources or capacities or with projects of smaller scales and complexities. Proven best practice describes proven best practice on a particular sustainability issue that is demonstrable in multiple country contexts. These statements have been designed with the idea that they are goals that are not easy to reach. However, they have been proven that they can be attained in multiple country contexts, and not only by the largest projects with the most resources at their disposal. As a general guide, good practice focuses on projects responsibly addressing all areas of project impact and risk (e.g. mitigating erosion issues caused by the project), whereas best practice recognises efforts of a project to consider, engage with and support broader, longer-term and/or more contextual issues and needs (e.g. actively supporting catchment management partnerships).

The HST were updated in 2018 to add a Climate Change Mitigation and Resilience topic, and in 2020

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to include the requirement for Free, Prior and Informed Consent (FPIC) with regard to consultation with Indigenous Peoples, in line with comparable international standards.

Multi-stakeholder governance

The HST are governed by the Hydropower Sustainability Assessment Council (Council), whose mission is to promote the use and integrity of the Hydropower Sustainability Tools. The Council consists of seven Chambers, each representing a different sector of hydropower stakeholders:

1. Hydropower consultants, contractors or equipment suppliers;
2. Hydropower operators or developers;
3. Environment or conservation organisations;
4. Social impacts, project affected communities, and Indigenous Peoples organisations;
5. Development, public or commercial banks, financial organisations, and private investors and investment funds;
6. Emerging and developing economy country governments;
7. Advanced economy country governments.

Chamber members participate in a democratic process to elect representatives to speak for their stakeholder group on the HSGC. Each Chamber elects a chair and alternate. The elected chairs and alternates of each Chamber make up the HSGC and represent the Council in promoting the use and integrity of the HST. The Council's structures and processes are described in detail in its Charter, which is available online on the www.hydrosustainability.org website.

The HST are managed by IHA Sustainability (IHAS), which is a not-for-profit corporate entity created to carry out the sustainability work programme of IHA. IHAS acts as a Management Entity (ME) to the Council and serves the function of secretariat for the HSGC. The Management Entity oversees and delivers stakeholder training to practitioners and professional accreditation courses for candidate Accredited Assessors. The ME also supports hydropower developers and operators in the preparation of official assessments and capacity building for staff and contractors.

Quality control and transparency in the use of the HST

An assessment with the HST is an independent evaluation of a hydropower project or operating facility, through a comprehensive and systematic evidence-based approach. In practical terms, objective evidence is collected during an assessment to understand how well a project is performing.

Assessments are undertaken following the principles of independence and transparency. Published assessment reports undergo an 8-week public consultation period during which the general public can make comments on the report. Responses are provided on comments received prior to the report being finalised.

Official assessments are exclusively carried out by Accredited Assessors to ensure the highest quality, independence and rigour in the assessment process. These professionals have significant experience in the hydropower sector and in relevant sustainability issues. All Accredited Assessors have been specifically trained by IHAS to deliver quality and uniformity. The full methodology and eligibility requirements are set out on the www.hydrosustainability.org website.

Alignment with current global standards and safeguards

The Hydropower Sustainability Tools provide a hydropower-specific assessment framework to measure and guide the performance of hydropower projects against globally applicable criteria for environmental, social, financial, and technical sustainability which are aligned with the safeguards and standards of international financial institutions.

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The development of the tools involved close collaboration with key global financial players such as the Equator Principles Association and the World Bank Group. The tools were designed as a hydropower-specific sustainability framework to be used alongside other global standards and performance requirements, which are typically sector agnostic.

The tools are referred to in numerous guidance documents for sustainable infrastructure development and investment, such as the [Standard Chartered's position statement on power generation](#) and the [Climate Bond Initiative's draft hydropower criteria](#).

2. The Need for a Standard

Hydropower, if developed and managed sustainably, can provide national, regional, and local benefits, and has the potential to play an important role in enabling communities to meet sustainable development objectives (e.g. UN SDG 6, 7 and 13) and in the clean energy transition. While the HST can have a fundamental role in promoting good and best practices, the hydropower industry will benefit from guidance by a global standard which recognises and encourages good and best practices in hydropower sustainability.

Following consultation with hydropower developers, international financial institutions and assessors, there was a clear demand for the HST to be developed from an assessment framework to an industry standard which would incentivise, recognise and acknowledge sustainability progress. Feedback from industry and other stakeholders is that the HST are the most comprehensive and rigorous sustainability assessment framework for hydropower, and thus can give greater assurance to stakeholders about sustainability performance of a hydropower project compared to other existing renewable energy standards and certification processes.

The development of a Standard would go beyond the current HST framework by setting minimum performance expectations for the sector and publicly rewarding projects for meeting these expectations.

All projects that meet the requirements of the Standard will be certified with a globally applicable Sustainability Rating, illustrated by a recognisable label.

The Standard aims to lift the visibility and status of the existing HST by:

1. Systematically recognising and certifying good practice in hydropower preparation, implementation and operation.
2. Offering an easy-to-understand labelling structure to promote sustainable practice in hydropower.
3. Encouraging and incentivising continuous improvement in addressing sustainability issues, whether to meet good practice or to go beyond that to achieve best practice.
4. Establishing a threshold-and-award approach ideally linked with finance instruments (such as green bonds and international financial institutions financing), sale of renewable energy certificates and regulatory frameworks.
5. Demonstrating and increasing awareness of sustainable hydropower through a broader, more systematic and simpler-to-understand communication of good and best practice.

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6. Maintaining the strong credibility of the multi-stakeholder structure underpinning the HST, the process transparency, and the quality of the independent Accredited Assessors.
7. Ensuring that the development, implementation and quality control of the Standard are self-sustaining.

The Standard will only be used to certify individual projects. In straightforward cases, the Standard could be used for a cascade or an integrated hydropower system within a basin with projects that are at the same life cycle stage and where there is one owner. Assessments at other levels (e.g. complex cascades, river basin, company fleet, country) could be goals for future development of the Standard.

As per the HST, the Standard would be tailored to individual project life cycle stages, and would specifically address the Preparation, Implementation and Operation stages. Certification against the Standard would recognise performance achievements at that life cycle stage only. Any assessment undertaken with the HSAP or HESG tools reflects a snapshot in time, documenting what assessors find with respect to the scoring statements of these tools based on the evidence they are able to review at the time of the assessment.

Certification of an operating project against the Operation stage requirements would not imply that the preparation or implementation of that project met the Preparation or Implementation stage requirements. Recognising that older projects may have been developed before there was legislation requiring environmental or social impact assessments, the Operation stage assessment framework is carefully designed, consistent with the approach of ISO 14001, so that the existing condition is the baseline and risks are assessed against that condition.

The design, development and implementation of the Standard will aim to follow the International Social and Environmental Accreditation and Labelling (ISEAL) Code of Good Practice for setting social and environmental standards. ISEAL is a non-governmental organisation whose mission is to strengthen sustainability standards systems for the benefit of people and the environment. ISEAL is the global leader in defining and communicating what good practice looks like for sustainability standards through guidance and credibility tools. Further information about ISEAL is available at www.iseal.org.

3. Value for User Groups

The Standard is envisioned to bring value to key stakeholder groups as follows:

Hydropower developers and operators

The Standard would create opportunities for hydropower developers and operators to demonstrate sustainability performance, increase public awareness and receive recognition for sustainability practices. The Sustainability Rating resulting from an assessment against the Standard will provide hydropower developer and operators a clear and straightforward way to achieve recognition for and communicate the sustainability of their projects to external parties.

Project affected communities

Individuals and communities who are directly or indirectly affected by a hydropower development or operation need a wide range of support measures. The Standard provides an important reference point and potential supporting process for these stakeholders. It can help empower them to ask questions about proposed processes and anticipated outcomes, and an independent assessment against the Standard will give greater confidence in the project.

Governments

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A key determinant in the uptake of the Standard is the extent to which national and regional decision-makers understand the Standard and value the benefits it offers. The Standard would create opportunities for decision-makers to adopt international good practice to inform regulatory decisions and standardise requirements in national policies and regulatory frameworks.

Financial institutions

The Standard would allow financial institutions to encourage their clients to adopt good practices when developing hydropower projects. Financial institutions could embed the Standard in their requirements or as a minimum threshold for financing. The Standard could also be used alongside financial institutions' environmental and social standards to provide additional guidance on good practice which is specific to hydropower. Including the Standard as a requirement for financing could ease quality control and due diligence processes.

Environmental and Social NGOs

The Standard would bring value to environmental and social NGOs by providing clarity and emphasis on how hydropower projects need to avoid, minimise and mitigate negative impacts on environment and society. Leading environmental and social NGOs have played a significant role in the development of the HST and currently sit on its governance committee. There is trust among these organisations that the definitions of good and best practice are appropriate and contribute to the improvement of sustainability performance in the hydropower sector. The Standard will build off of these experiences to continue providing a common language for NGOs and industry to discuss sustainability issues related to hydropower.

Civil society

The Standard would bring value to civil society organisations in the regions where hydropower projects are located, by clarifying the international expectations for hydropower developments and operations, and by promoting independent, fact-based and transparent processes of assessment against these. Experience with the HST to date clearly highlights the important role that an engaged civil society can play, both in ensuring that projects are developed sustainably, and in communicating transparently around benefits of sustainable projects. The Standard would provide opportunities for local stakeholders to engage in hydropower development and operation in a transparent manner in which all parties are held accountable to the same norms.

III. A Hydropower Sustainability Standard – matters for consultation

In all following subsections, respondents are requested to provide their feedback on the proposed options by completing [the online response form](#).

The recommendations are the outcome of discussions of the Global Standard Working Group and have been provided to guide the consultation process.

Subsections 1 and 2 – Options for consultation

The subsections *1. Object of the Standard & Rating System* and *2. Certification Process* present a range of options for consultation. Each option is presented and explained, relative advantages and disadvantages are outlined, and a summary “traffic light” rating of all options against aspirational statements for the Standard is provided.

Subsections 3 to 9 – Recommendations for consultation

The subsections *3. Sustainability in progress recognition*, *4. Duration of the Sustainability Rating*, *5. Rating Renewal & Update Process*, *6. Changes to the Standard*, *7. Appeals Process*, *8. Governance and* *9. Communications & Transparency Processes* are presented as recommendations for consultation.

1. Object of the Standard & Rating System

The Object of the Standard is the document that sets out the specifications against which a project will be certified. With respect to the Hydropower Sustainability Standard, it is the particular HST document that defines good practice or good and best practice. The Rating System defines how hydropower projects are evaluated against the Standard, based on their overall performance.

For those readers not familiar with how the HSAP and HESG tools are designed and applied, please see Annex A.

Of importance to appreciate in this regard is:

- The HSAP contains around 20 topics (depending on the life cycle stage) covering financial, governance, technical, social and environmental focal areas with scoring statements expressed at the levels of basic good and proven best practice.
- The HESG contains 12 topics covering environmental, social and governance focal areas with scoring statements expressed at the level of basic good practice only.

Recommendation	
<p>Option 3</p> <p>HESG good practice pass plus ratings for higher performance (to be developed)</p>	<p>Object of the Standard: HESG (<u>good and best practice</u>).</p> <p>Rating system: A pass at the level of good practice if all HESG scoring statements are met for all relevant topics (noting that the HESG has fewer topics than the HSAP, prioritising Environmental, Social and Governance topics, and only sets out criteria at the level of good practice), PLUS a rating applied to performance levels above good practice which is to be developed by adding selected HSAP best practice scoring statements to the HESG.</p>

Summary of options	
<p>Option 1 HSAP good practice pass</p>	<p>Object of the Standard: HSAP (<u>good practice</u>).</p> <p>Rating system: A pass at the level of good practice if all HSAP Level 3 scoring statements are met for all relevant topics.</p>
<p>Option 2 HESG good practice pass</p>	<p>Object of the Standard: HESG (<u>good practice</u>).</p> <p>Rating system: A pass at the level of good practice if all HESG scoring statements are met for all relevant topics (noting that the HESG has fewer topics than the HSAP, prioritising Environmental, Social and Governance topics, and only sets out criteria at the level of good practice).</p>
<p>Option 3 HESG good practice pass plus ratings for higher performance (to be developed)</p>	<p>Object of the Standard: HESG (<u>good and best practice</u>).</p> <p>Rating system: A pass at the level of good practice if all HESG scoring statements are met for all relevant topics (noting that the HESG has fewer topics than the HSAP, prioritising Environmental, Social and Governance topics, and only sets out criteria at the level of good practice), PLUS a rating applied to performance levels above good practice which is to be developed by adding HSAP best practice scoring statements to the HESG.</p>
<p>Option 4 HSAP good practice pass plus ratings for higher performance</p>	<p>Object of the Standard: HSAP (<u>good and best practice</u>).</p> <p>Rating system: A pass at the level of good practice if all HSAP Level 3 scoring statements are met for all relevant topics, PLUS a rating applied to performance levels above good practice.</p>
<p>Option 5 HSAP good and best practice</p>	<p>Object of the Standard: HSAP (<u>good and best practice</u>).</p> <p>Rating system: Tiered with two levels of certification: International Good Practice and International Best Practice.</p>

Description of options	
<p>Option 1 HSAP good practice pass</p>	<p>Object of the Standard: HSAP (<u>good practice</u>).</p> <p>Rating system: A pass at the level of good practice if all HSAP Level 3 scoring statements are met for all relevant topics.</p> <p><u>Overview</u></p> <p>Option 1 proposes that the object of the Standard is made up of the good practice scoring statements (i.e. Level 3) for each relevant sustainability topic in the Preparation, Implementation and Operation stage tools of the Hydropower Sustainability Assessment Protocol (HSAP).</p> <p>The Standard would not replace the HSAP. The HSAP would still exist and be able to be used as an assessment tool for hydropower projects, as would the HESG tool. The Standard requirements would be the good practice scoring statements of the HSAP, with the latter being used as the assessment methodology to evaluate a</p>

project against the Standard. The good practice statements of the HSAP would be put into a separate document called the Standard.

The rating system would be a pass system based on meeting at least a score of three on all HSAP topics, according to the existing one-to-five scoring approach as described in Annex A.

All projects that meet the requirements of the Standard will be certified with the same Sustainability Rating, illustrated by a recognisable label indicating that the project is fully consistent with international good practice performance expectations across a holistic set of sustainability topics.

Advantages/Disadvantages

Relative advantages of the Option 1 approach for the Standard include that:

- The main emphasis is on the HSAP basic good practice criteria, which were designed to represent a baseline that every hydropower project in the world should demonstrate.
- It includes all HSAP topics, including financial and technical, and so has the broadest possible approach to sustainability considerations.

It is somewhat less complicated than a tiered level rating / certification system. A disadvantage of this approach is that:

- It has relatively less incentive for moving to higher levels of performance.

Option 2

HESG good practice pass

Object of the Standard: HESG (good practice).

Rating system: A pass at the level of good practice if all HESG scoring statements are met for all relevant topics (noting that the HESG has fewer topics than the HSAP, prioritising Environmental, Social and Governance topics, and only sets out criteria at the level of good practice).

Overview

Option 2 proposes that the object of the Standard is an updated version of the Hydropower Sustainability Environmental, Social and Governance Gap Analysis Tool (HESG). The HESG would be renamed to the Hydropower Sustainability Standard and the HESG document would be reviewed to encompass the Standard methodology and certification process. The technical requirements would remain the same as are presently expressed in the HESG. The HSAP would continue to be available as a standalone assessment tool, but not the HESG which is fully replaced by the Standard.

The rating system would be a pass evaluation based on meeting the requirements of the scoring statements for all topics.

All projects that meet the requirements of the Standard will be certified with the same Sustainability Rating, illustrated by a recognisable label indicating that the project is fully consistent with international good practice performance expectations on environmental, social and governance topics.

Advantages/Disadvantages

Relative advantages of the Option 2 approach for the Standard include that:

- The main emphasis is on the basic good practice criteria, which were designed to represent a baseline that every hydropower project in the world should aim to demonstrate.
- The environmental, social and governance topics tend to be the ones of most concern regarding the sustainability of hydropower projects.
- The HESG is structured to align with the safeguards and standards of key international financial institutions and is under consideration by the Climate Bonds Initiative to be used as the eligibility requirement for hydropower projects to access climate-aligned finance and investments.
- An HESG assessment is cheaper and less resource intensive than a full HSAP assessment.

Disadvantages include that:

- It may miss important sustainability issues in the technical and financial aspects of the project, although ESG dimensions within the technical and financial topics of the HSAP are included the HESG.
- It has relatively less incentive for moving to higher levels of performance.

Option 3
HESG good practice pass plus ratings for higher performance (to be developed)

Object of the Standard: HESG (good and best practice).

Rating system: A pass at the level of good practice if all HESG scoring statements are met for all relevant topics (noting that the HESG has fewer topics than the HSAP, prioritising Environmental, Social and Governance topics, and only sets out criteria at the level of good practice), PLUS a rating applied to performance levels above good practice which is to be developed by adding HSAP best practice scoring statements to the HESG.

Overview

Option 3 proposes that the object of the Standard is an updated version of the Hydropower Sustainability Environmental, Social and Governance Gap Analysis Tool (HESG). The HESG would be renamed to the Hydropower Sustainability Standard and the HESG document would be reviewed to encompass the Standard methodology and certification process. The technical requirements would remain the same as are presently expressed in the HESG. The HSAP would continue to be available as a standalone assessment tool, but not the HESG which is fully replaced by the Standard.

The first stage of the rating system would be a pass evaluation based on meeting the good practice requirements of the scoring statements for all topics. The second stage would incentivise higher performance by assessing projects against best practice scoring statements, which would be added to the HESG. The best practice criteria would be based on and fully technically consistent with the scoring statements for proven best practice as defined by the HSAP.

All projects that meet the requirements of the Standard will be certified with the same Sustainability Rating, illustrated by a recognisable label indicating that the project is fully consistent with international good practice performance expectations on environmental, social and governance topics. Projects performing above good practice would receive a modified version of the label that denotes the higher performance level.

Advantages/Disadvantages

Relative advantages of the Option 3 approach for the Standard include that:

- The environmental, social and governance topics tend to be the ones of most concern regarding the sustainability of hydropower projects.
- An incentive for moving to higher levels of performance can be readily developed by drawing from best practice scoring statements in the HSAP.
- The HESG is structured to align with the safeguards and standards of key international financial institutions and is under consideration by the Climate Bonds Initiative to be used as the eligibility requirement for hydropower projects to access climate-aligned finance and investments.

Disadvantages include that:

- It may miss important sustainability issues in the technical and financial aspects of the project, although ESG dimensions within the technical and financial topics of the HSAP are included the HESG.
- The rating system to recognise higher performance has not yet been defined.

Option 4
HSAP good practice pass plus ratings for higher performance

Object of the Standard: HSAP (good and best practice).

Rating system: A pass at the level of good practice if all HSAP Level 3 scoring statements are met for all topics, PLUS a rating applied to performance levels above good practice.

Overview

Option 4 proposes that the object of the Standard is an updated version of the Hydropower Sustainability Assessment Protocol (HSAP). The HSAP would be renamed to the Hydropower Sustainability Standard and the HSAP document would be reviewed to encompass the Standard methodology and certification process. The technical requirements would remain the same as are presently expressed in the HSAP. The HESG would continue to be available as a standalone assessment tool, but not the HSAP which is fully replaced by the Standard.

The Standard would be two-tiered, with performance specifications expressed at the levels of basic good practice and proven best practice exactly as found in the HSAP. Assessments would be conducted exactly as they are now, with each topic scored on a scale of 1-5. Each topic would be assessed to see if the good practice scoring statements are met, and if all are met, then the assessor evaluates the best practice criteria to determine the final topic score.

The Sustainability Rating system for the project would first comprise a pass evaluation based on meeting all of the good practice criteria (at least a score of three) on all assessed topics, according to the existing one-to-five scoring approach. For projects that have topic scores above good practice (i.e. some topic scores of 4 or 5), the Sustainability Rating will recognise this higher performance. The rating system to reward higher performance needs to be further defined but would be based on particular mixes of scores of 4s and 5s in a manner that provides an incentive for projects to be reassessed and improve their rating, even after they get certified.

All projects that meet the requirements of the Standard will be certified with the same Sustainability Rating, illustrated by an iconic and compelling label saying that the project is fully consistent with international good practice performance expectations across a holistic set of sustainability topics. Projects performing above good practice would receive a modified version of the label that denotes the higher performance level.

Advantages/Disadvantages

Relative advantages of the Option 4 approach for the Standard include that:

- It includes all HSAP topics, including financial and technical, and so has the broadest possible approach to sustainability considerations.
- It provides the incentive for performance above good practice which has demonstrated to be achievable.

Disadvantages include that:

- It is slightly more complicated than Options 1 or 2.
- The rating system to recognise higher performance has not yet been defined.
- The high cost of a full HSAP assessment may be a deterrent to uptake.

Option 5
HSAP good and best practice

Object of the Standard: HSAP (good and best practice).

Rating system: Tiered with two levels of certification: International Good Practice and International Best Practice.

Overview

Similar to Option 4, Option 5 proposes that the object of the Standard is an updated version of the Hydropower Sustainability Assessment Protocol (HSAP). The HSAP would be renamed to the Hydropower Sustainability Standard and the HSAP document would be reviewed to encompass the Standard methodology and certification process. The technical requirements would remain the same as are presently expressed in the HSAP. The HESG would continue to be available as a standalone assessment tool, but not the HSAP which is fully replaced by the Standard.

The Standard would be two-tiered, and the rating system would similarly be tiered with two levels of certification: International Good Practice and International Best Practice. The existing assessment methodology is applied, and a one-to-five score given by the assessor to each topic.

Based on the topic scores in the sustainability profile, the project would be given a Sustainability Rating, as follows:

- International Good Practice: Minimum of all 3s for all topics.
- International Best Practice: All topics at 5.

Projects certifying against the Standard would receive one of two Sustainability Ratings, each illustrated by its own iconic and compelling label.

Advantages/Disadvantages

Relative advantages of the Option 5 approach for the Standard include that:

Consultation Paper on the Hydropower Sustainability Standard





- It includes all HSAP topics, including financial and technical, and so has the broadest possible approach to sustainability considerations.
- It is fully consistent with the existing HSAP methodology and provides a clear award for performance above good practice.














































Disadvantages include that:

- It is slightly more complicated than Options 1 or 2.
- The impracticality of scoring all 5s may be a disincentive for projects to try to perform above good practice.
- The high cost of a full HSAP assessment may be a deterrent to uptake.

Evaluation of Options for Object of the Standard and Ratings Approach

Each of the above five options is evaluated below against a set of aspiration statements for the Standard, using the following traffic light system to help frame the relative strengths and weaknesses.

Traffic light	Meaning
	Weak/Low
	Neutral/Medium
	Strong/High
	Not applicable

Aspirations for the Standard		Options under consideration				
		1 - HSAP good practice pass	2 - HESG good practice pass	3 - HESG good practice pass plus ratings for higher performance	4 - HSAP good practice pass plus ratings for higher performance	5 - HSAP good and best practice
Design	The option proposes a clear design with minimum time requirements to finalise and launch the Standard					
	The option incorporates strong quality control measures					
	The option covers a wide scope of sustainability issues					
Implementation	The option incurs minimal administrative requirements					
	The option offers applicants a clear and straightforward path to certification					
	The option involves minimal time requirements for the project proponent to go through the certification process					
Uptake	The option offers potential to rapidly scale up global roll-out					
	The option offers a clear and simple way to communicate results					
	The option incentivises continuous improvement					

2. Certification Process

Certification is the process of evaluation of hydropower projects against the Standard, in order to receive a Sustainability Rating approved by the HSGC.

Recommendation	
<p>Option 1 Assessment, Publication and Application</p>	<p>Existing assessment process and additional post-assessment step of Application by the project proponent to the HSGC, via its Management Entity, after the public comment period.</p>

Summary of options	
<p>Option 1 Assessment, Publication and Post-assessment Application</p>	<p>Existing assessment process and additional post-assessment step of Application by the project proponent to the HSGC, via its Management Entity, after the public comment period.</p>
<p>Option 2 Pre-assessment Application, Assessment, Publication and Recommendation</p>	<p>The Certification process includes the existing assessment process and adds on a pre-assessment step of Application, an additional review of the final report and a post-assessment step of Recommendation, all managed by the Management Entity.</p>

Description of options	
<p>Option 1 Assessment, Publication and Post-assessment Application</p>	<p>Existing assessment process and additional post-assessment step of Application by the project proponent to the HSGC, via its Management Entity, after the public comment period.</p> <p><u>Overview</u></p> <p>This approach provides a reliable and straightforward path to certification, although it relies more heavily on the Accredited Assessors quality control processes.</p> <p>A lean approach, Option 1 suggests simply adding a post-assessment process step for the project proponent to apply to the Hydropower Sustainability Governance Committee (HSGC), via the Management Entity (ME), to receive a Sustainability Rating. This is based on the already established strong independence and quality control processes in relation to the Accredited Assessors (AAs). As it is presently, any project proponent can directly approach an Accredited Assessor and arrange an assessment. The Accredited Assessor is obliged to ensure that all quality control aspects are in place, and no conflicts of interest arise. The project proponent can put their interest out to tender and have a competitive bid process if they wish.</p> <p>If this approach were adopted, the ME would review and update all processes and formal procedures to ensure any risks that may emerge with significantly increased take-up can be managed.</p>

This approach would require publication of the assessment and a public comment process as is presently done for any Official Assessment that is published (see Annex A). Following this, the project proponent would apply to the HSGC, via the ME, to be awarded the rating.

Sequence

Step 1: Assessment. The steps of the Certification process for the Standard follow those of the Official Assessment process with the HSAP, involving project assessment and scoring using Accredited Assessors following the rules outlined in the existing Terms and Conditions for Use. In other words, the assessor will undertake a detailed assessment in line with the guidelines of the HSAP or HESG, involving review of verbal, visual and documentary evidence from a diverse range of stakeholder perspectives, and involving an on-site inspection. The assessment team prepares a draft and then final Assessment Report for the client (the project proponent).

Step 2: Publication. The project proponent submits the AA’s final report to the ME for the ME to publish for a period of public comment. The assessment team responds to any public comments, which may involve updates to the final report. The ME and project proponent agree on its publication on the ME website.

Step 3: Post-Assessment Application. The project proponent applies for a Sustainability Rating to the Hydropower Sustainability Governance Committee, via its Management Entity, based on the published Assessment Report.

Indicative timeline

Step	Milestone	Timeline
<i>Assessment</i>	Appointment of assessor team	Start of Certification process
	Establishing and planning	Up to 8 weeks
	On-site assessment	~1 week
	Submission of draft Assessment Report to project proponent	Up to 3 weeks
	Project proponent feedback and, if applicable, further submission of evidence	Up to 2 weeks
	Submission of final Assessment Report to project proponent	Up to 2 weeks
<i>Publication</i>	Public comment period	8 weeks
	Assessor review (responses to comments and, if applicable, updates to final Assessment Report)	2 weeks
<i>Application</i>	Application to HSGC for project rating	2 weeks
	Allocation of project rating	End of Certification process (up to 28 weeks)

	<p><u>Advantages/Disadvantages</u></p> <p>Relative advantages of this Option 1 approach for the process include that:</p> <ul style="list-style-type: none"> • It adds very little administrative additions to the present processes. <p>Disadvantages include that:</p> <ul style="list-style-type: none"> • It is very reliant on the existing quality control measures through the Accredited Assessors, which over time, if the uptake expands broadly and rapidly, could become harder to manage and have confidence in.
<p>Option 2 Pre-assessment Application, Assessment, Publication and Recommendation</p>	<p>The Certification process includes the existing assessment process and adds on an additional pre-assessment step of Application, an additional review of the final report and a post-assessment step of Recommendation, all managed by the Management Entity.</p> <p><u>Overview</u></p> <p>This option is presented to increase confidence and robustness of the quality control processes, by including third party verification in addition to the control mechanisms explained above.</p> <p>In order to undergo a Certification, the following steps would be followed. Application, Review and Recommendation are new steps proposed to be added to the present Assessment step.</p> <p><u>Sequence</u></p> <p>Step 1: Application. The project proponent will put in an Application to the Management Entity (ME) via its website. This should include background documentation. A project proponent may request specific assessors in their Application and assessors may submit an application on behalf of a project proponent.</p> <p>The ME will approve and, in cases where a specific assessor team has not been requested, appoint an assessment team drawn from the approved Accredited Assessor list. The appointment or approval of the assessment team will be based on a set of criteria that are made publicly available and ensure fairness and legitimacy in the selection process. The assessor team will then draft a Contract for the assessment based on information provided with the application and in line with the Standard's Terms and Conditions for Use. The assessor will be contracted by the project proponent and report to the ME as needed.</p> <p>Step 2: Assessment. From then on, the steps of the Certification process for the Standard follow those of the Official Assessment process with the HSAP, involving project assessment and scoring using Accredited Assessors following the rules outlined in the existing Terms and Conditions for Use. In other words, the assessor will undertake a detailed assessment in line with the guidelines of the HSAP or HESG, involving review of verbal, visual and documentary evidence from a diverse range of stakeholder perspectives, and involving an on-site inspection. The assessment team prepares a draft and then final Assessment Report for the client (the project proponent).</p> <p>Step 3: Publication. The project proponent submits the AA's final report to</p>

the ME for the ME to publish for a period of public comment. The assessment team responds to any public comments, which may involve updates to the final report. The ME and project proponent agree on its publication on the ME website.

This option proposes that the ME manage a **review** of the final Assessment Report during the public comment period for quality assurance. This process step may involve external verifiers, contracted by the ME. As with the comments received from the public, comments from the ME review will be submitted to the assessment team to be addressed ahead of final publication.

Step 4: Recommendation. The ME makes a recommendation to the Hydropower Sustainability Governance Committee (HSGC) for a specific Sustainability Rating based on the published Assessment Report. Following HSGC approval, the project will be awarded its rating (verified by a multi-stakeholder body) and will have completed its Certification process against the Standard.

The Certification process described above may involve the following indicative timeframe, which may be varied depending on factors such as scale, complexity, etc.

Indicative Timeframe

Step	Milestone	Timeline
<i>Application</i>	Reception of application	Start of Certification process
	Appointment of assessor team	2 weeks
<i>Assessment</i>	Establishing and planning	Up to 8 weeks
	On-site assessment	~1 week
	Submission of draft Assessment Report to project proponent	Up to 3 weeks
	Project proponent feedback and, if applicable, further submission of evidence	Up to 2 weeks
	Submission of final Assessment Report to project proponent	Up to 2 weeks
<i>Publication</i>	Public comment period (including ME review)	8 weeks
	Assessor review (responses to comments and, if applicable, updates to final Assessment Report)	2 weeks
<i>Recommendation</i>	Recommendation by ME to HSGC for approval of project rating	2 weeks
	Allocation of project rating	End of Certification process (up to 32 weeks)

Advantages/Disadvantages

Relative advantages of this Option 2 approach for the process include that:

- The ME is involved in the process from start to finish.

Consultation Paper on the Hydropower Sustainability Standard





- The additional review provides a more robust quality assurance process.



















Disadvantages include that:

- It is administratively more complex and onerous for the ME, which may slow down the certification process.

Evaluation of Options for the Certification Process

Each of the above two options is evaluated below against a set of aspiration statements for the Standard, using the following traffic light system to help frame the relative strengths and weaknesses.

Traffic light	Meaning
	Weak/Low
	Neutral/Medium
	Strong/High
	Not applicable

Aspirations for the Standard		Options under consideration	
		1 - Assessment, Publication & Post-Assessment Application	2 - Pre-Assessment Application, Assessment, Publication & Recommendation
Design	The option proposes a clear design with minimum time requirements to finalise and launch the Standard		
	The option incorporates strong quality control measures		
	The option covers a wide scope of sustainability issues		
Implementation	The option incurs minimal administrative requirements		
	The option offers applicant a clear and straightforward path to certification		
	The option involves minimal time requirements for the project proponent to go through the certification process		
Uptake	The option offers potential to rapidly scale up global roll-out		
	The option offers a clear and simple way to communicate results		
	The option incentivises continuous improvement		

3. Sustainability in Progress Recognition

Recommendation

Projects that have been assessed against the Standard but have not met the requirements will receive a "Sustainability in Progress" recognition.

It should be noted that the "Sustainability in Progress" recognition is applicable to all four options presented in Subsection 1.

Summary

It is important that all projects that are assessed against the Standard are recognised for their commitment to sustainability and given an incentive to improve even if they do not meet the requirements.

In this light, it is recommended that projects that have assessed against the Standard but have not met the requirements would receive a "Sustainability in Progress" recognition, provided that the project proponents submit an action plan, signed by at least two executives responsible for the project, to the ME. The action plan will address all gaps against good practice and propose a pathway towards gap resolution. It should be noted that the "Sustainability in Progress" recognition is applicable to all four options presented in Subsection 1.

Projects that receive the recognition would be encouraged to resolve outstanding gaps in order to meet the requirements and be certified against the Standard, and could be reviewed as per the proposed Rating Renewal and Update Process in Subsection 5. The ME and/or Accredited Assessors would be able to support the project proponent in its journey to full certification.

The recognition would be illustrated by a modified version of the label that denotes the project's "in progress" status.

4. Duration of the Sustainability Rating

Recommendation

A Sustainability Rating is specific to the life cycle stage tool (Preparation, Implementation, Operation) and is valid for up to five years (or ten years in the case of projects of more than ten years from the date of commissioning of the first unit).

Summary

Sustainability Ratings are life cycle stage and time dependent, and dated to the year of Certification.

A Sustainability Rating will only relate to its stage of development: Preparation, Implementation and Operation. A specific rating in project preparation does not confer any implied rating in implementation, nor implementation in operation, nor any inter-relationship. The project stages are considered separate.

Major refurbishments and modernisation exercises for operating hydropower projects are typically assessed using the Preparation Stage and Implementation Stage tools. Such cases would require a new assessment and would represent a "re-set" of the clock for the stage and duration of a rating.

Minor works to increase efficiencies and rectify ageing infrastructure issues could be considered normal asset management practice for operations and would not instigate a changed project stage unless causing significant changes for sustainability issues. The project proponent can make a case to the ME for a determination on this if it believes that major works do not change any sustainability aspects of the project (for example, if the works don't cause changes to flow regimes).

Projects in Preparation Stage and in Implementation Stage would not normally be re-evaluated but could be if more than 5 years have passed and many changes have occurred. For Operation Stage projects, Sustainability Ratings are valid for five years for projects under ten years of operation, and ten years for projects over ten years from the date of commissioning of the first unit. After that, the project would need to be re-certified.

As noted above, the year of issuance of the rating would be prominently displayed with the label. Reminders for renewal would be sent out by the ME.

5. Rating Renewal & Update Processes

Recommendation

A lighter methodology is available for renewing at the end of the certification period or for updating ratings if within the time period of a rating.

Summary

In line with ISEAL guidance, if a project wishes to submit a request for a renewal before the Sustainability Rating renewal deadline (presumably with the hope of a higher score), a process would be defined so that it could do so through a renewal request. This process can equally apply to projects that did not meet all of the requirements of the Standard but are recognised with "Sustainability in Progress" designation, as described in Subsection 3.

In the case of a renewal, the project would submit a formal request for renewal to the ME, including a summary of all changes that occurred at the hydropower plant since the most recent assessment. The reassessment will be done by accredited assessors, and its complexity and scope would depend on the amount of changes to the project. The renewal process will consist of a lighter methodology of the Certification process and could take up to 15 weeks.

As noted above, a Sustainability Rating will only relate to its stage of development: Preparation, Implementation and Operation. If a project which has been rated in one stage wishes to be rated in another, this is not a renewal – it is a new Certification. In between Certifications, recognition could be given on the website for those projects that are implementing improvement plans and want to publicise improvements made to address identified gaps.

6. Changes to the Standard

Recommendation

A review of the Standard is conducted every five years. Each project Sustainability Rating will be published with a timestamp, so it is clear which version of the Standard was used.

Summary

From time to time, the Standard will be amended. For example, in May 2020, provisions for FPIC for indigenous peoples were introduced to the Hydropower Sustainability Tools. This means that all HST assessments, predating May 2020, would not be aligned with the amended Standard.

Given that amendment and review of the Standard will be part of its future, all Sustainability Ratings would be time-stamped on the website and, if the rating does not correspond to the latest version of the Standard, this will be explained in a footnote but will not invalidate the rating. Renewals would, of course, have to align with the most up-to-date version of the Standard.

Other updates might be added over time, including refinements of good and best practice of existing topics, restructuring of topics or addition of new topics. From a practical point of view, it would be difficult, time-consuming and burdensome for all assessed projects to have to be assessed anew on those issues, other than when normal renewable time periods arise.

As a result, and in line with ISEAL requirements, changes to the Standard are proposed to be based on the following process:

1. A review of the Standard will be conducted at least every five years for continued relevance and for effectiveness, and to identify any aspects that should be amended.
2. The ME will make publicly available the planned date of the subsequent review and include this date in the Standard.
3. The ME will establish and maintain a publicly accessible process to receive proposals at any time for revisions or clarifications to the Standard.
4. The ME will document input received and consider the input in the subsequent review process.
5. In the case of non-substantive changes to the standard (e.g. to clarify language), the ME will not need to conduct a formal revision process but will include notification of any changes in the subsequent review and revision process.
6. Where the ME allows for urgent substantive revisions to the standard (in-between regular revisions), it will follow a publicly available procedure that includes that the conditions under which these revisions may be triggered and the steps in the urgent revision process.

Given the recent addition of the FPIC for Indigenous Peoples topic, it is not proposed that the Standard is applied retrospectively to previously assessed projects. For example, a project that had an HSAP assessment done in 2019, before the Standard was created, would not be able to apply to be ascribed a Sustainability Rating against the Standard in 2021. In some cases, the project may be eligible to apply for a reassessment using a lighter methodology, similar to the one proposed for renewals. In cases where the project is in a different life cycle stage or has undergone significant changes, the project will have to apply for a new Certification.

Any uncertainties about how particular situations would be considered within these various procedures would be the subject of discussions between the project proponent or operating facility owner/operator with the ME. If sensitive and considered advisable, the ME would elevate a decision on approach to the HSGC. As time progresses, precedents will be established that make procedures for particular situations clearer.

7. Appeals Process

Recommendation

External stakeholders can appeal a project Sustainability Rating by submitting an appeals form to the Hydropower Sustainability Governance Committee for its consideration.

Summary

At present there are processes for obtaining external comment on the Assessment Report, but this is not an appeals process. If a project proponent wishes to publish the final Assessment Report, it is posted on the websites of both the project proponent and the ME for a period of eight weeks seeking comment. This allows external stakeholders the opportunity to comment on the Assessment Report. The assessor must respond to all comments and the responses are made publicly available. This process will be an essential inclusion under any process relating to a Standard. It is noted that there may be merit in adding more requirements to the publication mechanisms to reach local and project-affected communities.

Further to the above, and in line with ISEAL requirements, the project and/or individual stakeholders would be able to petition the HSGC to review the project Sustainability Rating following an assessment. The appellant would need to have already submitted their concerns when the Assessment Report was published and should only be appealing on the grounds that they are not happy with how their concern was addressed by the Accredited Lead Assessor.

An appeals form would be developed and made publicly available on the ME website. In response to submission of an appeal, the ME and the HSGC would review the final Assessment Report in relation to the points of disagreement raised by the petitioner and interview the relevant Accredited Assessor(s). The ME and HSGC may request additional information from the appellant, the project, the Accredited Assessor, and the Accredited Lead Assessor in such a circumstance. The ME and the HSGC will have the ability to bring in an independent Accredited Lead Assessor, who was not involved in any way with the assessment, to provide their own independent review and advice to the ME and HSGC. The HSGC will respond to the appeal within four weeks, unless the above circumstance of additional independent advice is activated. The HSGC's decision would be final. Any members of the HSGC with a clear interest in the project would be required to recuse themselves from any deliberations relating to the appeal.

In general, appeals and complaints about the Standard or Certification process will be based on the following principles:

1. The ME and HSGC will make impartial and documented efforts to resolve procedural complaints related to standard setting, based on a publicly documented complaints resolution mechanism.
2. The ME will disclose, at least to interested parties, decisions taken on procedural complaints.

8. Governance

Recommendation

The Hydropower Sustainability Governance Committee continues to be the governing body for the Standard and all HST products. The existing Charter and Terms of Use are modified following the guidance from this consultation and the decision on the Standard.

Summary

The responsibilities of the Hydropower Sustainability Governance Committee (HSGC) currently include approving “modifications to the Hydropower Sustainability Tools (HST) and recommendations for change”. As such, it is proposed that it continues its governance role over the HST and becomes the governing body for the Standard and its development and implementation.

In line with ISEAL requirements, the decision-making in relation to the Standard will be based on the following principles:

1. Participation in governance bodies making decisions on the content of the Standard shall be open to all stakeholders and shall be constituted by a reasonable balance of those stakeholders, including those that are directly affected.
2. The HSGC shall strive for consensus on decisions on the content of the Standard.
3. The HSGC shall define a set of criteria on how to proceed with decision-making in the event that consensus cannot be achieved, for example through agreed voting thresholds.

It should be noted that, in the case where an HSGC member has a business or personal connection with a project under assessment, they are asked to declare it.

Once the Standard is provisionally agreed by the HSGC, the Charter and Terms of Use will be reviewed and updated to include new procedures as required to deliver on the recommendations for and procedures required for the Standard. A Certification Handbook may be drafted in addition to these documents. Once these documents are updated and agreed by the HSGC, the Standard will be considered to be in place.

9. Communications & Transparency Processes

Recommendation

The Standard will leverage the existing Hydropower Sustainability brand and develop new marketing graphics and labels.

Summary

The development of the Standard is an upgrading and consolidation of the existing Hydropower Sustainability Tools (HST). It will require a new name, updated logo (same wheel icon, but with slight amends that make it unique to the Standard) and a significant launch campaign to raise awareness and demand. It should be noted that the present HST have a lot of good communications tools – the sustainability profile, topics icons, etc. – that should continue to be used. With regard to the name of the Standard, the ME is welcoming recommendations. Respondents are invited to submit suggestions through [the online response form](#).

Consultation Paper on the Hydropower Sustainability Standard

When it comes to the launch of the Standard, the ME will work directly with its communications and design teams to prepare attractive marketing and communication materials. It will be important that all stakeholders promote these through their channels and there is a press release with high-level endorsements. The ME will also be developing new labels (i.e. graphical images) for each rating.

In addition, a Communications Strategy will be developed to support the consultation process and the launch of the Standard. It will address how communications are handled both within the governing structure (i.e. Council and HSGC) as well as with external stakeholders.

IV. Additional Resources

The following items are helpful resources to consider in addition to the content of this Consultation Paper.

From Hydropower Sustainability:

- [The Hydropower Sustainability Assessment Protocol](#)
- [The Hydropower Sustainability ESG Gap Analysis Tool](#)
- [The Hydropower Sustainability Guidelines on Good International Industry Practice](#)
- [The Hydropower Sustainability Assessment Council Charter](#)
- [The Hydropower Sustainability Terms and Definitions](#)
- [The Hydropower Sustainability Terms and Conditions for Use](#)

From the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance:

- [Assuring Compliance with Social and Environmental Standards](#)

Annex A – Current assessment methodology and scoring system

The Hydropower Sustainability Assessment Protocol (HSAP)

The Hydropower Sustainability Assessment Protocol (HSAP) is a sustainability assessment framework for hydropower development and operation. It enables the production of a sustainability profile for a project through the assessment of performance within important sustainability topics. It was developed through a rigorous global three-year multi-sectoral process involving consultations and trialling, and has been implemented on projects of a wide range of types, sizes, settings and ages. Several content updates have been made since it was launched in 2011.

To reflect the different life cycle stages of hydropower development, the HSAP includes four tools, which have been designed to be used as stand-alone documents. Through an evaluation of basic and advanced expectations, the Early Stage tool may be used for risk assessment and for dialogue prior to advancing into detailed project planning. The remaining three assessment tools, Preparation, Implementation and Operation, set out a graded spectrum of practice calibrated against statements of basic good practice and proven best practice. The graded performance within each sustainability topic also provides the opportunity to promote structured, continuous improvement.

The HSAP will be most effective when it is embedded into business systems and processes. Assessment results may be used to inform decisions, to prioritise future work and/or to assist in external dialogue.

Within each HSAP assessment tool is a [set of approximately 20 topics](#) (varying with the tool) important to forming a view on the overall sustainability of that project at that point in its life cycle. Topics, when taken together, provide the list of issues that must be considered to confidently form a view on the overall sustainability of a hydropower project at a particular point in its life cycle.

There are six criteria that may be utilised for the scoring statements on each topic – Assessment, Management, Stakeholder Engagement, Stakeholder Support, Conformance/Compliance, and Outcomes. For each topic, scoring statements against a set of criteria describe what should be exhibited by the project to address that important sustainability issue. These provide an ability to assess both the processes in place to ensure sustainability of the project or operating facility, and the performance of that project or operating facility on that particular sustainability topic.

Assessments rely on objective evidence to support a score for each topic, which is factual, reproducible, objective and verifiable. Independent Accredited Assessors, who go through an accreditation process overseen by the Hydropower Sustainability Governance Committee (HSGC), review documentary, verbal and visual evidence to draw conclusions on where the project sits against the HSAP criteria for each topic.

In the Preparation, Implementation and Operation assessment tools, the Accredited Assessor will score each topic from Level 1 to 5. The Level 3 and Level 5 scoring statements set out in the HSAP provide meaningful and recognisable levels of performance against which the scores are derived.

Level 3 describes basic good practice on a particular sustainability topic. Level 3 statements have been designed with the idea that projects in all contexts should be working toward such practice, even in regions with minimal resources or capacities or with projects of smaller scales and complexities.

Level 5 describes proven best practice on a particular sustainability issue that is demonstrable in multiple country contexts. Level 5 statements have been designed with the idea that they are goals that are not easy to reach. However, they have been proven that they can be attained in multiple

country contexts, and not only by the largest projects with the most resources at their disposal. 5s on all topics would be very difficult to reach, because practical decisions need to be made on priorities for corporate/project objectives and availability/allocation of resources (time, money, personnel) and effort.

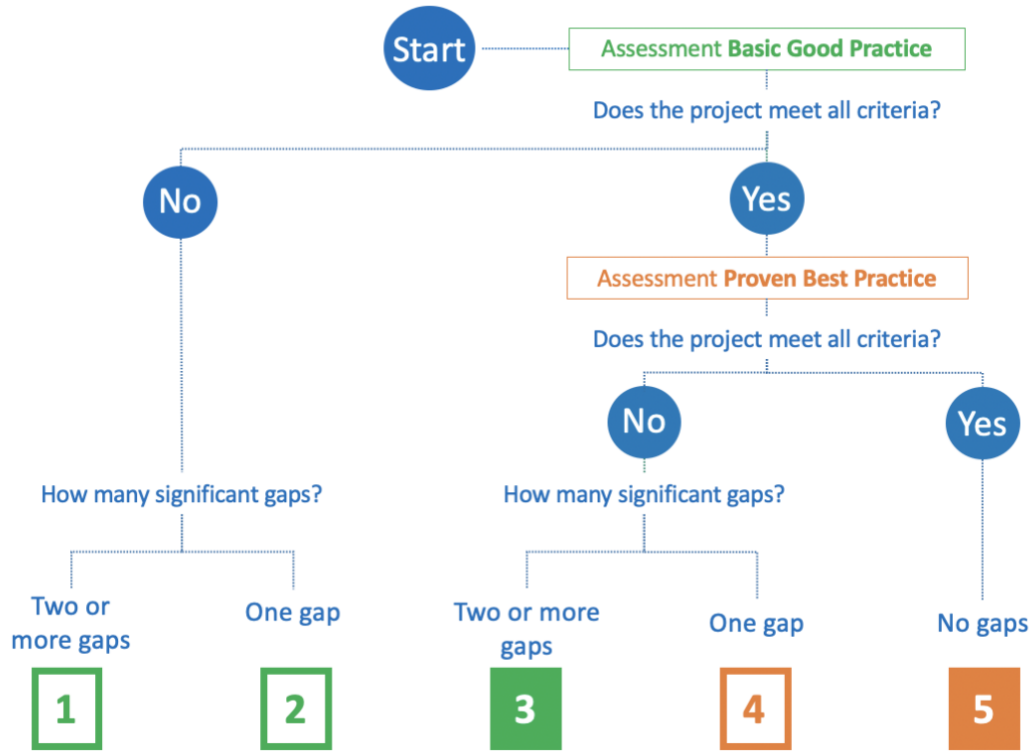


Figure 1 - Scoring process for each of the HSAP topics

The Preparation, Implementation and Operation assessment tools enable development of a sustainability profile for the project under assessment. This profile shows the scores (1-5) for each topic, so that the strengths and opportunities for improvement of the project are readily apparent.

It is recognised that different organisations may have the primary responsibility for different sustainability topics. Because it is likely that these responsibilities vary amongst countries and at project life cycle stages, no specification on organisational responsibilities is made in the HSAP scoring statements. The assessment reports indicate where organisational responsibilities lie and how they are being delivered. It is up to the project proponent and key stakeholders for that project to consider how they will respond to the findings of an HSAP assessment, and which topics and criteria they will focus on for improvement efforts going forward.

The Hydropower Sustainability ESG Gap Analysis Tool (HESG)

The Hydropower Sustainability Environmental, Social and Governance Gap Analysis Tool (HESG) enables hydropower project proponents and investors to identify and address gaps against good international industry practice. The HESG is based on and fully consistent with the assessment framework of the Hydropower Sustainability Assessment Protocol (HSAP) but is aimed at providing a more rapid good practice focussed assessment tool. The content of the HESG directly includes all

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environmental, social and governance (ESG) topics from the HSAP, plus ESG-relevant inclusions from the HSAP technical and financial topics (e.g. financing of social and environmental commitments). Technical components of the HSAP with high sustainability significant are included in the HESG, notably dam safety, occupational health and safety, and hydrological resource.

The HESG includes three separate tools: Preparation, Implementation and Operation. These reflect the different life cycle stages of hydropower development and have been designed to be used as stand-alone documents. Each tool provides an action plan to help project teams address any gaps against good practice.

Official HESG assessments are carried out by Accredited Assessors, who take an evidence-based approach. All findings are supported by objective evidence, which is factual, reproducible, objective and verifiable. The HESG is most effective when operators and developers commit to implement the recommendations provided and resolve identified significant gaps. In addition, the tool is structured to show its alignment with the safeguards and standards of international financial institutions, and it can be used to attract climate-aligned investment.

Hydropower development and operation may involve public entities, private companies or combined partnerships, and responsibilities may change as the project progresses through its life cycle. It is intended that the organisation with the primary responsibility for a project at its particular life cycle stage will have a central role in any HESG assessment.

The HESG comprises [12 sections that cover the environmental, social, governance and climate change](#) topics of the HSAP and HGIIP. A summary at the beginning of the report presents any significant gaps against basic good practice and outlines an action plan for improved performance. Within each section, requirements for good international industry practice are presented and project findings are provided. For each finding, a key indicates whether the requirement is met. A summary section analyses significant gaps and identifies each one with the symbol ●.

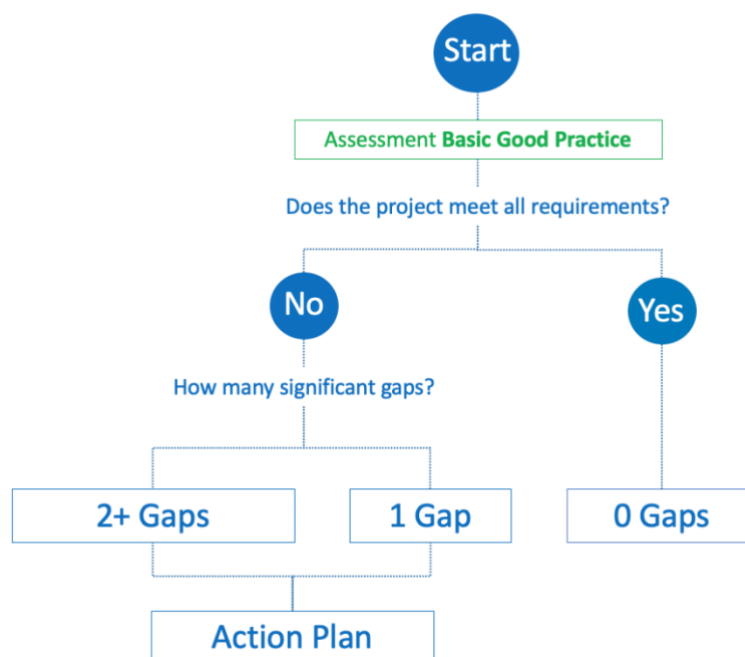


Figure 2 - Assessment process for each of the HESG topics