

1. Applicability

This Sector Profile is designed to help financial institutions (FIs) quickly familiarise themselves with the most frequent and important environmental, social and governance (E&S) aspects of investments in the healthcare sector. It aims to be a starting point for thinking about E&S risks and opportunities, and not a detailed technical guidance document.

- [Using this sector profile](#)

A company can be affected by non-sector specific issues such as impacts on Indigenous Peoples and cultural heritage. Therefore, each company must be carefully considered based on its specific characteristics and circumstances including scale of operation, location, technology utilised, management capacity, supply chains, commitment and track record. Additionally, the environmental and social (E&S) impacts, risks and opportunities in a particular company or sector can change over time (e.g. changes in the applicable laws, or expansion of a company's activities or assets). FIs should have systems in place to identify such changes and manage any associated risks and impacts and, where possible, capitalise on new opportunities.

This Sector Profile draws on internationally recognised good practice standards and guidance, particularly the [International Finance Corporation \(IFC\) Performance Standards](#) and the [World Bank Group Environmental, Health and Safety \(EHS\) Guidelines](#). The Sector Profile identifies key international standards that are generally applicable to each sector (refer to the 'Standards, guidelines and other resources' section below). It is not a substitute for such standards, which should take precedence as authoritative sources and basic technical references. Applicable laws and regulations must be taken into account and compliance with them should be regarded as the minimum acceptable performance standard. Situations/transactions in which the FI (i) would conduct E&S due diligence against international standards and/or (ii) require its clients to comply with such standards shall be determined by the FI's E&S management system(s) (ESMS).

See [Resources](#) for indicative questions/checklists that a FI should ask/use when assessing a transaction.

- [Scope of this sector profile](#)

Unless otherwise stated, the risks, impacts and opportunities outlined below relate to

the operational phase of business activities. Generic guidance on E&S risks, impacts and opportunities associated with Project design and construction of healthcare facilities and services may be found in the [BII Project Design and Construction Guide](#).

2. Key environmental and social aspects

This section outlines some of the key E&S risks and opportunities that can emerge from the healthcare sector. Weak management of these risks may result in financial, operational and reputational damage and limit the company's ability to retain a good workforce and attract patients. On the other hand, once the company is able to demonstrate strong management and control of risks and compliance requirements, it may be in the position to explore a number of E&S opportunities related to resource efficiency, cost savings, revenue generation and improved patient quality of care and reputation.

- [Management commitment, capacity and track record \(CCTR\)](#)
FIs should ensure that at a minimum, companies operate in compliance with applicable laws and regulations. Additionally, FIs should assess companies' alignment with international standards and their ability to develop Action Plans to ensure that any gaps are addressed within a reasonable time frame. Where significant risks and impacts are encountered, it is likely that specialised advice will be required. For further advice, refer to [BII Guidance: Assessing Companies' Commitment, Capacity and Track Record](#).
- [Environmental and social management system \(ESMS\)](#)
Companies should develop and implement an ESMS commensurate with the level of risks and impacts associated with its activities. Healthcare facilities often have a number of assets under management which means E&S management is best organised under a decentralised structure. It is beneficial to have a clear E&S governance and monitoring structure set up with regular E&S committee meetings to ensure that there is a two-way dialogue between onsite facility/E&S managers and corporate-level monitoring and management of activities. E&S data management systems are also important to track areas of material importance to the company such as resource use, legal registers for all licences, and logging grievances and occupational injuries.

As part of the ESMS, healthcare facilities should also build in mechanisms for effective stakeholder engagement and set up and clearly communicate how to use the grievance mechanism to address both internal and external grievances. This is particularly

important given the business risks posed by inadequate patient quality of care and reputational risks posed through compromising community health safety and security.

Companies should develop and implement an ESMS commensurate with the level of risks and impacts associated with its activities. For further advice refer to [BII E&S Briefing Note: Company level E&S management system](#)

- [Labor and working conditions](#)

Note - Occupational health and safety is covered separately below.

Risks for the business

- Companies may face prosecution or fines (or have their licences removed) if they fail to comply with labour laws and regulations.

- Financial, reputational and legal risks can result from poor staff morale or attitudes, industrial action, high staff turnover, theft and poor employee health (e.g. due to long working hours and working late at night).

- High turnover of staff arising from poor labour standards and working conditions can lead to increased recruitment and training costs.

- Quality customer service is a key factor for any healthcare business. Therefore it is critical to ensure that careful attention is given to training so that workers know how to appropriately treat patients and also how to engage with the patients and their relatives/friends.

- Costs can be reduced and productivity enhanced through good labour standards and working conditions. In the service industry, staff performance, friendliness, competence and quality all significantly impact on the reputation, success and profitability of a business. Attention to good working and labour conditions can help to attract and retain motivated and competent workers.

Opportunities for the business

- Client base can be enhanced if a company achieves certain standards or related certifications covering labour and working conditions (e.g. SA 8000 or those related to the service industry including customer service and quality).

- Developing skills of employees can help create a more efficient workforce, and may reduce turnover.

The healthcare sector can be susceptible to risks outlined in the ILO Labour Conventions on wages, forced labour, bonded labour and child labour. A lack of

stringent checks and balances at recruitment stage can lead to the company being associated with forced and child labour, particularly within the supply chain such as cleaning staff, factory workers and construction workers who provide hospital materials and services. Due diligence should also pay close to the risks associated with bonded labour whereby original copies of certifications of nurses are sometimes retained by the company as a security deposit for minimum length of service, which prevents the right and freedom of nursing staff to move on to other employment opportunities.

Safeguarding: Safeguarding is a collective term encompassing the harm caused by modern slavery, gender-based violence and harassment (GBVH) and the abuse or exploitation of children. While safeguarding risks can be present in any sector or geography, certain sectors are considered high risk due to sector characteristics and profile of the workforce, including Healthcare. Companies should ensure that they have robust and survivor-centered safeguarding policies, procedures and grievance mechanisms to protect employees and communities and prevent safeguarding incidents. For additional guidance on this topic and good practices to minimize key safeguarding risks please refer to E&S Topics Page on Gender-based violence and harassment and Modern Slavery.

Other considerations include:

- Payment of minimum wages and workers not being adequately remunerated for overtime.
- Protection and controls against sexual harassment and non-discrimination.
- Poor on-site living facilities for trainee staff.
- Separate sanitation facilities for men and women.
- Working hours and provision of time off for well-being and balance.
- Freedom to join worker organisation, collective bargaining and access to union representation.
- Employee grievance mechanism which allows workers to raise complaints and concerns in an anonymous and trusted environment without risk of retribution.

By working towards best practice in labour and working conditions, healthcare facilities would be able to attract and retain a good workforce and benefit from reputational improvements through provision of better job quality.

For further general guidance on Good International Industry Practice (GIIP) relating to labour standards and working conditions (in line with [ILO Core Conventions](#)), refer to [BII E&S Briefing Note: Labour Standards](#) and [IFC Performance Standard 2: Labor and Working Conditions](#).

- [Occupational health and safety \(OHS\)](#)

Risks for the business

- Companies may face prosecution or fines if workers or contractors are injured or killed.
- Poor OHS practices can lead to damage or loss of company assets, clients and business as well as increased insurance premiums and even legal claims.
- Low workforce morale and erosion of trust can lead to higher staff turnover, lower productivity, additional training and recruiting costs, and reputational damage.
- Workers especially in hospitals may risk exposure to infections and diseases
- Life and fire safety is a key risk as patients can be less mobile. Oxygen, machinery and equipment further complicate emergency plans.

Opportunities for the business

- Proactively involving workers and contractors in key decisions can help to identify and maintain good OHS practices, and improve implementation if found to be significantly different to existing practices or new practices adopted.
- Quality of service can be improved and insurance premiums for workers' and compensation payments can be reduced.

FIs should ensure that, at a minimum, companies' management systems are designed and implemented to provide a safe and healthy work environment and are compliant with local laws and regulations.

OHS risks that health care workers may be subject to include:

- Exposure to infections and diseases.

- Exposure to hazardous chemicals, materials and waste.
- Exposure to radiation.
- Electrical hazards, trips and slips.
- Fire safety.

Companies should implement a management system which is able to track, monitor and manage incidents related to occupational health and safety and ensure that corrective action measures are met. Sufficient training and Personal and Protective Equipment (PPE) should be provided to workers facing OHS risks commensurate to the level of risk and exposure they face within their role. FIs should check that the company has clear policies and standard operating procedures for all staff and ensure that this is built into employee induction programmes.

For further general guidance on GIIP relating to OHS, refer to [BII Briefing Note: Occupational Health and Safety](#), [IFC Performance Standard 2: Labor and Working Conditions](#), [World Bank Group General EHS Guidelines](#) and [BII Good Practice: Preventing Fatalities and Serious Accidents](#).

- [Patient quality of care](#)
Many aspects of E&S management are linked to improving clinical aspects of patient quality and care such as waste and infection control, emergency response procedures, facility management and grievance handling procedures. Additional aspects which relate to quality of care are beyond the scope of this briefing note but form key elements of best practice healthcare accreditations that can help a company gain international recognition.
- [Emergency preparedness and response](#)
Emergency planning and preparedness including fire and life safety is a fundamental requirement of healthcare facilities and FIs should pay close attention to this during due diligence to ensure that it is well managed. Neglect in the governance of fire safety issues which then contributes to harming patient and public safety can result in criminal liability for board members and senior management.

It is important that hospitals install proper firefighting systems and conduct regular

mock drills related to disaster management and fires, based on clear emergency response plans and procedures. Regular internal audits should also be conducted to check that firefighting equipment is working and stored properly and that no emergency exits are obstructed. Due diligence should also check that access roads are kept clear so that emergency services are able to easily enter the facility without facing delay and obstructions. FIs should work with the company to consider nominating and training a fire and emergency response team at each healthcare facility who would be responsible for coordinating and managing staff during such events and to ensure compliance with national fire safety codes.

If there is any uncertainty around the management of emergency response and fire safety, FIs should consider engaging external expertise for further advice.

- [Life cycle and green-building design](#)

As well as the approaches to waste management mentioned below, investors in the healthcare sector can undertake a material process flow / input-output analysis to identify ways in which resource use and waste volumes can be reduced. The company may choose to engage external experts who would be able to conduct this type of exercise. Effective analysis could eventually lead to process optimisation, reduced spending on materials and, therefore, costs savings on procurement and ultimately waste disposal.

FIs should bear this in mind when considering expansion of healthcare assets. There are many organisations who can assist with the resource-efficient design of buildings ultimately leading to economic and environmental gain in the areas of energy, water and embodied energy. See 'Additional references, standards and guidelines' below for further information. For more information, refer to [BII E&S Briefing Note: Circular Economy and Resource Efficiency](#). However, a brief table highlighting the risks and opportunities resource efficiency and pollution prevention are highlighted below:

Risks for the business

- Fines and penalties can be imposed for non-compliance with national pollution prevention standards and waste management.
- Excessive expenditure on energy and water supply.
- Excessive expenditure on management of emissions, solid waste and wastewater.
- Reputational risks linked to poor waste management practices.

Opportunities for the business

- Lower operating costs, reduced environmental footprint and future proofing for resource shortages or increased resource costs can result from adopting energy efficiency, water efficiency and cleaner production measures.

- Improved access to market and customers and enhanced reputation from adoption of certification standards such as EDGE green building certification and/or ISO 20121 (green event management).

- Waste reduction: especially plastic waste reduction and waste-to-energy opportunities from food scraps

- Renewable energies for example rooftop solar

- **Waste management**

Effective waste management is material to the healthcare sector as operations often generate large volumes of hazardous and non-hazardous waste. Given the nature of the sector, there are often stringent regulations in place for the safe disposal of biomedical and hazardous waste and companies may face strict penalties if these regulations are not adhered to.

Such wastes include (but are not limited to) infectious, pathological, needles and sharps, chemical, pharmaceutical, genotoxic and radioactive. It is important to extend the due diligence scope to waste-disposal vendors the company engage with to check that they are adequately licensed and practising according to local laws and regulations - particularly in terms of waste segregation, handling, treatment and disposal. Other typical non-hazardous waste streams include electronic waste, paper, food and general waste. A good way to manage waste is to begin tracking all waste categories by volume over a certain period. By gaining a better understanding of waste generation, the company can set targets to reduce waste volumes, purchase and disposal costs, and storage times.

Healthcare waste also poses a risk to patients, health workers and the general public. Such risks include:

- Injury from needles and sharps.
- Inadequate wastewater treatment and disinfection prior to discharge, leading to surface or ground-water contamination.

- Release of toxic pollutants into the air from inadequate incineration of waste materials.
- Pollution through the release of pharmaceutical products.

The company should engage with all stakeholders who may be affected by its waste, through provision of adequate awareness raising and training, PPE and building secure waste-storage areas. The company should also conduct regular monitoring and testing of waste management and disposal methods to ensure that it meets regulation.

- **Water management**

Water consumption is typically very high for healthcare facilities and may pose material risks to the company if facilities are located in water-stressed regions. As per energy management below, it is important to have good data-management systems in place to track water-consumption levels and identify hotspots. Effective water management can lead to reducing, reusing and recycling water in order to improve the company's water footprint and mitigate against future water-scarcity threats.

Typical water-efficiency practices may range from simple changes such as fixing leaks and installing low flow-faucets to larger capital expenditure optimisations, such as recirculating treated water from Sewage Treatment Plants. Additional suggested measures for water efficiency include:

- Installing smart water-meters for better monitoring of incoming water.
- Optimisation of flush systems and using treated water for flushing.
- Optimisation of water consumption in kitchens and canteens.
- Installing rainwater harvesting and water-recharge equipment and other closed-loop water systems.
- Water leakage campaigns.

- Energy management

Due to the nature of operations, healthcare facilities are very energy intensive. It is important to have good data-management systems in place to track energy consumption and identify hotspots. There is plenty of scope to implement energy-efficiency measures and reduce energy consumption. A reduction in kilowatt hours per occupied bed would not only save on electricity bills but also reduce a hospital's carbon footprint. Solar water heating and optimal use of renewable energy sources are other measures that can be explored which may result in revenue generation, such as the company exporting excess energy to the grid.

Some of these measures may require larger capital expenditure to replace old equipment (lighting, air conditioning units, chillers, medical machinery, heat pumps) and may have a longer payback period. Therefore, it is important to conduct a good cost-benefit analysis before deciding on investments for energy efficiency. Other initiatives, including behavioural changes and campaigns, can provide fairly quick returns.

- Corporate social responsibility

Given the close relationship with public stakeholders, healthcare companies may also wish to consider developing corporate and social responsibility (CSR) programmes. Not only will this improve the company's reputation and social licence to operate, it also helps employees find greater satisfaction in their job and potentially feel increased pride in their workplace. Healthcare providers are in a prime position to provide health-related CSR support. Some ideas include:

- Investing in telemedicine and e-health centres to service remote and rural communities.
- Partnering with local NGOs to provide healthcare camps and awareness raising.
- Mobile healthcare clinics for diagnostics and preventative care.
- Equipping primary healthcare centres to deliver affordable care.
- Supporting medical training for the next generation.
- Investing in medical research.

3. Business integrity considerations

FIs should ascertain and continue to ensure that companies (regardless of sector) comply with the FI's business integrity requirements. For further information, see [Governance and Business Integrity](#).

- [Business integrity issues specific to the healthcare sector:](#)

Business integrity is relevant to a number of areas within the healthcare sector. These range from health system governance and regulation, to delivery of healthcare services; from research and development, to procurement, storage and distribution.

Healthcare companies should have clear assessment and mitigation processes in place to manage the risks associated with their area of healthcare.

4. Advice for financial institutions

See also [Resources](#) and E&S in the [Transaction Cycle](#).

- [Sector risk overview](#)

In the face of increasing water scarcity, rising costs of energy and more influential regulatory authorities and standards within the healthcare sector, healthcare companies face rising challenges related to E&S issues. Healthcare facilities and their investors should therefore ensure that the E&S risks are adequately identified, managed and monitored. Potential impacts include:

- Fines and other penalties for any violations of legislation including (but not limited to) those related to consent to establish, consent to operate and no objection certifications (NOC) for fire and life safety. Given the highly regulated and public-facing nature of the healthcare sector, it is essential that these basic compliance requirements are met and monitored regularly.
- Loss or reduction of clients based on poor patient care and quality standards, which is inextricably linked to reputational damage.
- Operational costs linked to mismanagement of water, waste, energy and other resource uses.

- Reputational risks related to poor labour and working conditions such as restricting access to worker unions, poor staff living and sanitation facilities or non-compliance with local wage requirements.
- High staff turnover and poor retention rates due to lack of adequate training, mentoring and career development support.

These risks will vary depending on the specific circumstances and geographies of each company. External consultants can be engaged to advise on E&S matters, depending on the nature, scale and location of a company's operations, its track record and the FI's expertise and capacity to conduct appropriate E&S due diligence.

- [Scoping considerations](#)

In addition to the aspects highlighted above, FIs should take into account the following during the life of the credit line:

- **Associated facilities.**
- **Contractors** whose operations present significant E&S issues which could have an impact on the business (e.g. cleaning staff).
- **Supply chains** (e.g. food suppliers or medical suppliers). Even where a company cannot directly address risks because it lacks leverage or commercial influence, it is important that FIs are aware of the risks. For further guidance refer to [BII E&S Briefing Note: Supply Chains](#).

- [Situations requiring extra attention](#)

Extra attention, longer timescales, more intensive E&S due diligence and ongoing company engagement may be required in more complex situations. This may involve engaging consultants (see [BII Guidance: Working with Consultants](#)) to conduct a gap analysis against the applicable local and international E&S standards (e.g. [IFC Performance Standards](#) and [World Bank Group EHS Guidelines](#)).

Examples of activities or situations in the healthcare sector which require extra attention include:

- *New projects/expansions*: Greenfield construction, major expansion projects where the scale of operations carries a high risk of major social or environmental impacts, projects involving land acquisition or where the site is in a sensitive location (e.g. close to protected natural habitats). See also the [BII Project Design and Construction Guide](#).
- Transactions and geographies with high business integrity risks.
- Any other activities or projects involving involuntary economic and/or physical displacement of communities or significant adverse impacts on biodiversity or ecosystem services, Indigenous Peoples, cultural heritage, or local communities: There are no intrinsic features of the healthcare industry that predispose the sector to be associated with such impacts and risks (other than through the primary supply chain), but such issues may arise on occasion and should be managed in accordance with the applicable IFC Performance Standards.

5. Standards, guidelines and other resources

FIs should consult the applicable laws and, as appropriate, international standards such as the IFC Performance Standards and World Bank Group EHS Guidelines. The below focuses on international standards that may be applicable. As stated above in this Guidance Note, FIs shall require their borrowers to comply with applicable laws.

- [Applicable IFC Performance Standards](#)

The IFC Performance Standards most commonly applicable to credit lines in this sector are:

- [IFC 2012 Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts](#).
- [IFC 2012 Performance Standard 2: Labor and Working Conditions](#).
- [IFC 2012 Performance Standard 3: Resource Efficiency and Pollution Prevention](#).
- [IFC 2012 Performance Standard 4: Community Health, Safety and Security](#).

In addition, other IFC Performance Standards may be applicable depending on the specific characteristics and locations of the company's operations. The screening stage of the FI's E&S due diligence should always include a routine check for the potential presence of significant impacts covered by the IFC Performance Standards.

- [Applicable World Bank Group EHS Guidelines](#)

The most relevant World Bank Group EHS Guidelines in this sector are:

- [World Bank Group Environmental, Health and Safety \(EHS\) Guidelines for Health Care Facilities.](#)
- [World Bank Group General Environmental, Health and Safety \(EHS\) Guidelines, Section 2.0 Occupational Health and Safety.](#)

- [Additional references, standards and guidelines](#)

- [Joint Commission international "JCI" Accreditation](#)
- [National Accreditation Board for Hospitals and Healthcare Providers](#)
- [SafeCare Standards](#)
- [Council for Health Service Accreditation of Southern Africa \(COHSASA\)](#)
- [IFC EDGE "Excellence in Design for Greater Efficiencies" standard](#)
- [Imperial College London, 'Evaluating the impact of private providers on health and health systems' \(commissioned by BII\).](#)