**CDC ENVIRONMENTAL AND SOCIAL CHECKLIST**

**Introduction**

This checklist supports the [CDC Sector Profiles](http://toolkit.cdcgroup.com/sector-profiles) and should be used in conjunction with them and, where appropriate, the relevant [E&S Briefing Notes](http://toolkit.cdcgroup.com/e-and-s-briefing-notes). It aims to provide guidance for fund managers on the key potential environmental and social (E&S) aspects that may arise within an investment. Additional guidance is provided in the [CDC Guidance: Site Visits](http://toolkit.cdcgroup.com/esg-in-the-investment-cycle/cdc-guidance/site-visits) and in [CDC Guidance: Assessing Companies’ Commitment, Capacity and Track Record (CCTR) sections](http://toolkit.cdcgroup.com/esg-in-the-investment-cycle/cdc-guidance/assessing-cctr).

**Important**

This checklist provides a general overview of typical E&S issues which may be encountered in an investment. However it is important to assess every investment based on its own specific circumstances and risk factors including main business activities, scale of operation, technology, location, as well as company [commitment capacity and track record](http://toolkit.cdcgroup.com/esg-in-the-investment-cycle/cdc-guidance/assessing-cctr). For example, depending on the company’s operations and locations, issues such as negative impacts on Indigenous Peoples and cultural heritage may apply. See [E&S CDC Briefing Notes](http://toolkit.cdcgroup.com/e-and-s-briefing-notes), [CDC Sector Profiles](http://toolkit.cdcgroup.com/sector-profiles), [IFC Performance Standards](http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards) and [World Bank Group EHS Guidelines](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/ehsguidelines) for further information. Similarly each investment will provide different opportunities.

This checklist is divided into themes and a series of questions are provided to help guide the E&S due diligence and monitoring. Hints and tips are provided to help fund managers to assess the completeness and quality of responses. Sources of verification and further guidance are also provided.

Not all questions will be relevant. The able bellow will help fund managers to focus their attention on the most common and relevant topics for each sector. Fund managers will need to be guided by prior experience, the comments and guidance of consultants and experiences of others (including potentially the [IFC Projects Database](http://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/$$Search?openform)) as sources of information and guidance.

**MOST FREQUENT AND RELEVANT RISK, IMPACTS AND OPPORTUNTIES PER SECTOR**

|  | ***General E&S management*** | ***Labour and working conditions*** | ***Pollution prevention and resource use efficiency*** | ***Community health , safety and security*** | ***Biodiversity conservation and natural resources management*** | ***Land acquisition and involuntary resettlement*** | ***Indigenous People and cultural heritage*** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Design and Construction phase** | • • | • •★ | •• • | •• • | •• • | •• • | •• • |
| **Agribusiness and Aquaculture** | • • | • •★ | • •★ | • •★ | • •★ | • •★ | • |
| **Power** | • • | •★ | • •★ | • •★ | •• • | •• • | • |
| **Fisheries** | • • | • •★ | • | • | • •★ |  |  |
| **Education** | • • | •★ | • | • |  |  |  |
| **Food and Beverages** | • | •★ | •★ | • | • |  |  |
| **Forestry** | • • | • •★ | •★ | • •★ | • •★ | • •★ | •• • |
| **Healthcare** | • | •★ | •★ | • |  |  |  |
| **Hospitality** | • | •★ | •★ | • | •★ |  | •★ |
| **Infrastructure** | • • | • •★ | •★ | • • | • •★ | • •★ | •• • |
| **Manufacturing** | • • | •• •★ | •• •★ | • | • |  |  |
| **Mining** | • • | • •★ | • •★ | • • | • •★ | • •★ | •• • |
| **Oil and Gas** | • • | • •★ | • •★ | • • | • • | • • | •• • |
| **Pharmaceuticals** | • | •★ | •★ | • |  |  |  |
| **Retail** | • | •★ | •★ | • |  |  |  |
| **Telecoms** | • | •★ | •★ | • |  | • |  |

Indicative E&S risks and opportunities by sector:

• • Indicates that this topic can typically generate significant business risks in a sector if not well managed

• Indicates that this topic (i) typically generate less significant business risks in this sector if not well managed and /or (ii) is less frequently encountered in the sector.

Blank Topic very unlikely to be relevant.

★ Indicates significant opportunities to add value in this sector by proactively addressing the topic

|  |
| --- |
| **General E&S management**  Evidence of an effective Environmental and Social Management System (ESMS) is a leading indicator of a company’s ability to assess and manage risk, as well as identifying opportunities where better E&S performance can drive value creation. Underpinning the effectiveness of the ESMS is the Company’s Commitment, Capacity and Track Record (CCTR), and guidance on assessing CCTR is provided in [CDC Guidance: Assessing Company Management’s Commitment, Capacity and Track Record](http://toolkit.cdcgroup.com/esg-in-the-investment-cycle/cdc-guidance/assessing-cctr).  The structure of a company’s ESMS will in many instances be similar to that developed in the Fund ESMS (ie (i) development of an appropriate Policy, (ii) identification of risks and issues, (iii) development of management practices and Standard Operating Procedures, (iv) development of internal capacity and accountability mechanisms, (v) implementation of an appropriate stakeholder engagement program and grievance mechanism, and (vi) monitoring and reporting procedures. Additionally for company’s it may be appropriate to develop emergency preparedness and response capacity where a company’s operations generate physical risks for workers or local communities.  The questions below will help clarify the extent to which the company has an ESMS that is appropriate in terms of scope, sophistication and efficacy. Refer to [CDC E&S Briefing Note - Environmental and Social Management System (Company-level)](http://toolkit.cdcgroup.com/e-and-s-briefing-notes/company-level). |

| **Discussion points/questions** | **Verification and information sources** | **Hints and tips** | |
| --- | --- | --- | --- |
| ***E&S policy*** | | | |
| * Does the company’s policy focus on the key E&S risks and opportunities? * Does it cover the full range of issues (including labour and employment practices, supply chains or other third parties) and clearly articulate the standards that the company will seek to achieve? * What E&S standards does the Policy seek to achieve? * What are the accountabilities for implementation and oversight of policy implementation? * Has the Policy been communicated to employees or others (including investors)? * Is the Policy public and are there commitments to report on progress? * What evidence that the policies evolve over time? | Hold meetings with (as appropriate):   * Senior management. * HR staff. * E&S staff. * Employees.. * Contractors (where relevant).   Review:   * E&S Policy. | * The best policies are often short and clearly worded. Watch out for policies that conflate policy statements with implementation guidance (which should be addressed in Standard Operating Procedures / management protocols) and also for Policies that make statements about commitments to social causes/ CSR (but which don’t focus on key risks and issues that the company creates). * The Policy should: * Clearly articulate the E&S objectives and principles that guide the company to achieve sound E&S performance. * Provide a framework for the E&S assessment and management process. * Specify that the company will comply with the local and international applicable laws and regulations and, where appropriate, with international standards (e.g. IFC Performance Standards). * Specify the individuals who will be accountable and responsible for the implementation of the policy. * Be communicated to and available to all levels of the organisation. * Approved by a representative of the senior management team and dated. | |
| ***Identification of risks and opportunities*** | | | |
| * How have E&S issues been identified (ESIA, E&S audit) and what evidence is there that the company has implemented recommendations? * Does the baseline assessment seem credible and accurate? Does it fully assess impacts in the company’s “area of Influence” Does it focus on the key risks and issues that are identified in the CDC sector and briefing notes? * Consider in particular whether labour, Green House gas emissions, supply chains, third party construction, and community health and safety have been assessed. * Ask how the company adjusts its focus between construction and operational phases if relevant. * What controls and expectations does the company have in managing the E&S performance of third party contractors (especially during construction work)? | Hold meetings with (as appropriate):   * E&S staff. * HR staff. * Employees. * Contractors (where relevant).   Review:   * E&S Impacts Assessments (ESIAs). * Internal/External audits * Relevant procedures to assess risks and impacts.   Site visits. | | * Labour and wider social impacts may receive less attention, but labour issues and practice are relevant to all investments and a proactive approach to improving labour and employment practices can generate significant value for companies, so should form part of the risk and opportunity identification process. * The company’s/project’s area of influence will vary depending on the sector, location, scale of operation and other factors. Consider specifically the number and location of assets, whether the company could create indirect and induced effects, whether there are associated facilities or supply chains that need to be included and whether there could be cumulative impacts. * The company should have oversight and control of third party contractors. This is especially important during construction work (when labour and OHS risks may be significant). |
| ***Management programmes*** | | | |
| * To what extent is there a document (s) or evidence of systematic processes that would ensure the effective implementation of an ESMS? * Who is responsible for these documents (ie in terms of updating, communicating their requirements, ensuring that they are implemented)? * Is there evidence of evolution of approaches and practices over time? | Hold meetings with (as appropriate):   * HR staff. * E&S staff * Employees. * Contractors (where relevant).   Review:   * Management programmes and plans (e.g. waste management plan, Occupational Health and Safety management plan, Biodiversity Management Programmes).   Site visits. | | * Assess whether there is a disconnection between the content of the management programmes and the company’s practices. There a significant difference between developing a policy and implementing it. * The volume and complexity of the ESMS should be commensurate with scale and significance of E&S issues. * An effective ESMS (i) reflects the key issues – both risks and opportunities – that the company needs to manage, (ii) has appropriate oversight and capacity to deliver, and (iii) is understood by employees and management. * The ESMS may be represented in a single document, or (more usually) as a series of documents (for example it might comprise a human resources policy, environment management system and stakeholder engagement plan). Importantly the sum of the plans should address the sum of the E&S issues. |
| ***Development of internal capacity and accountability mechanisms*** | | | |
| * Do staff with responsibilities for implementing the ESMS have appropriate skills, capacity and authority to ensure it is implemented? * Which member of the senior management team has oversight for the ESMS, do they seem engaged and do they have sufficient time to devote to oversight? What do they see their role as being? * Are the responsibilities of other employees clear and understood? | Hold meetings with (as appropriate):   * HR staff. * E&S staff * Employees. * Contractors (where relevant).   Review:   * Training programmes and records. * Internal/external audits.   Site visits. | | * The experience of key staff should reflect the particular focus of the ESMS. Beware of E&S coordinators, who have no technical training, or who are focussed primarily on CSR and Public Relations work. * HR departments can play a significant role in promoting better labour practices and driving production efficiencies through creating more motivated and higher performing staff. Does the HR department provide confidence that they have the capacity and mandate to deliver this. * For multi-location assets, check that there is adequate E&S / HR support and direction at each asset. * Do individuals have the mandate and authority to act and is their evidence that senior management are supportive of the ESMS goals and objectives. |
| ***Emergency preparedness and response*** | | | |
| * Are there risks of infrastructure failure, chemical release or other emergency circumstances that could affect employees or others? * What communication and outreach is in place to ensure that these parties understand risks and response in the case of incidents? * Are government emergency response services able to manage the consequences of an incident? What support will the company provide? | Hold meetings with (as appropriate):   * HR staff. * E&S staff * Employees. * Contractors (where relevant). * Local communities (if relevant).   Review:   * Training programmes and records. * Internal/external audits.   Site visits. | | * Companies should implement emergency preparedness and response systems so that the company, in collaboration with appropriate and relevant third parties, will be prepared to respond to accidents and emergency situations (e.g. fires, accidental oil spills) in a manner appropriate to prevent and mitigate any harm to people and/or the environment. * The emergency preparedness and response activities should be periodically reviewed and revised, as necessary, to reflect changing conditions. * Where applicable, the company should assist, inform and collaborate with potentially Affected Communities and local government agencies in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to ensure effective response. |
| ***Stakeholder engagement program (SEP) and grievance mechanism*** | | | |
| * Does the company have a SEP? * Does the company disclose information on E&S performance to local communities? If so what information and does it seem appropriate to the audience? * Do communities (or other stakeholders) feel that their interests have been taken seriously by the company? * How does the company respond to any criticisms that it receives from stakeholders? * Is the SEP the responsibility of other parties (usually government agencies?) Assess the adequacy and completeness of this. | Hold meetings with (as appropriate):   * HR staff. * E&S staff - Community Liaison Officer. * Employees. * Contractors (where relevant). * Local communities (where relevant).   Review:   * Stakeholder engagement programme/plan. * Grievance mechanism (for workers and local communities). * Stakeholder engagement reports and records. * Grievance register.   Site visits. | | * The nature, frequency and depth of engagement is a function of the scale and degree of risk and SEPs should be commensurate with the degree of risk and impact that local communities (and others) may face. * Where significant risks are evident, consider third party expert assistance in developing a SEP. * Where there are potentially significant adverse impacts on affected communities (often identified via an ESIA) consider appointing expert third party specialists to assist in the development of consultation processes that should ensure Informed, Consultation and Participation (i.e. that extra efforts are made to ensure that SEP involves a more in depth exchange with affected parties (including men, women vulnerable groups). * If Indigenous Peoples are affected ensure that third party expert advice is sought and assume longer, more complex SEP process that result in Free Prior Informed Consent by the IPs in question. * Guidance on establishing grievance mechanisms is provided here [Addressing Grievances from Project Affected Communities (IFC 2009)](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/learning+and+adapting/knowledge+products/publications/publications_gpn_grievances) |
| ***Monitoring and review*** | | | |
| * What does the company monitor and who does it report this information to? * What evidence is there that monitoring shapes and informs company practices? * Does the company use external monitors, if so why? * Are there specific E&S performance targets? If so how are they identified and who monitors progress in achieving them? What consequences if targets are not met? * Which external audiences receive E&S reports and why? | Hold meetings with (as appropriate):   * Senior management. * HR staff. * E&S staff. * Employees. * Contractors (where relevant). * Local communities (where relevant).   Review:   * Annual reports * E&S committee meeting notes * Evidence of evolution of practices and targets as a consequence of monitoring * Senior management (or Board) minutes that indicate E&S monitoring has been discussed and that oversight of E&S performance is acknowledged as senior management responsibility   Site visits. | | * An ESMS should be designed to evolve. The company’s E&S performance and the adequacy of the company’s ESMS should always be monitored in order to identify areas for improvement and if necessary, implement corrective actions. Fund managers should ensure companies have implemented appropriate procedures to monitor compliance with any related legal and/or contractual obligations and regulatory requirements and, more broadly, measure the effectiveness of the ESMS. The level of monitoring should be commensurate with the E&S risks and impacts and with compliance requirements. * In order to achieve the above, companies would typically: * Define Key Performance Indicators (KPIs). * Record relevant information to track performance. It is important for companies to think carefully about which information should be collected in order to avoid collating irrelevant data. * Establish practical and efficient operational controls. * Conduct internal and/or commission external inspections and audits to assess progress against desired outcomes. * The company’s monitoring programme should be overseen by the appropriate level in the organisation. Senior management in the client organisation will receive periodic performance reviews of the effectiveness of the ESMS |

|  |
| --- |
| **Labour and working conditions**  All companies have employees, so these questions are applicable to all investments, however particular attention should be given to investments in sectors which employ large numbers of people, low wage industries (such as agribusiness or textiles), sectors where outsourced labour is an important component of the business, and sectors with construction activities. Also companies where there has been any industrial action or disputes, workplace or work related fatalities or retrenchment in the past three years.  Prior to site visits or meetings with management it is helpful to request relevant data from the company such as workforce numbers and Occupational Health and Safety (OHS) statistics. It is also useful to conduct a media search to identify any relevant coverage (positive or negative) relating to the labour issues in company, sector(s) or countries in which the company operates in. Check the labour trends in the sector, host country/countries and internationally (e.g. recurrent strike action around pay or working conditions) and ask the company how they are addressing or pre-empting these. If the answers to the questions below are inadequate or appear evasive, consider appointing specialist labour due diligence (DD) support.  Proactive management of labour and employment practices can help to drive significant value in companies and therefore this is an area of E&S DD that should receive particular focus. |

(See next page).

| **Discussion points/questions** | **Verification and information sources** | **Hints and tips** |
| --- | --- | --- |
| ***Human resources (HR) and International Labour Organization (ILO) core labour standards.*** | | |
| * Who has responsibility for HR in the company? Does this person or team have the necessary expertise and skills? * Is there a HR policy? Does it apply to all employees? * Does the company comply with national employment regulations and core ILO Labour Conventions? Have the core ILO Labour Conventions been ratified by the country of operation? * Are the terms and conditions of employment clearly defined? Are there specific requirements for minimum age, minimum wage, forced labour and discrimination? * Does the company apply a non-discrimination policy? * Do all employees have a formal contract? * Has the company ever faced any issues related to labour and working conditions? (e.g. excessive working hours, wages below national minimum wage, child labour). * What is the minimum age of workers and contractors? * Does the company or the company’s contractors employ people under the age of 18? In what capacity? * Does the company have a grievance mechanism for its employees and contractors? * Does the company provide any worker accommodation? * If asked, what does company management think the workforce would say are their primary concerns about working for this company? * What is the minimum wage paid to employees? What percentage of the workforce is paid minimum wage? How are annual wage increases set? * What are the standard working hours? Is over-time work paid? * How do labour practices vary between employees, contractors, part-time or other workers? | Hold meetings with (as appropriate):   * Senior management. * HR staff. * OHS staff. * Employees. * Contractors (where relevant).   Review (as appropriate):   * HR policy/Employee handbook; * Information on the workforce composition (e.g. number of employees, any employees under the age of 18). * Labour contracts/certificates for employees (Sample).     Perform site visits. | * *Child labour:* Check if there workers/contractors under the age of 18 or 15 and understand their roles. Ensure any young workers perform tasks which do not interfere with their mental and physical development or wellbeing. In the case of people under the age of 15, ensure their job does not negatively impact upon their school attendance (or educational / vocational programs) * *Forced labour*: Forced labour relates not only to ‘slave labour’ but includes a range of subtle control tools (e.g. retention of identity documents or certificates that restrict the freedom of employees). * *Discrimination:* Look for labour policy statements that commit to the prevention of discrimination (especially gender * What is the workforce composition? (gender balance; age proportion; ethnic background; local vs expat, etc.). Is this typical for this sector, If not, why? * Workforce composition may point to potential problems (e.g. imbalances or bias towards expat vs local) and also to discrimination. Ask for a breakdown of employees by age and gender. Most companies should be able to provide a table. * If the company provides worker accommodation, arrange a visit it if possible. Assess whether accommodation provides adequate privacy, sanitation and security (especially with regard to fire and safety, security and the separation of male and female workers). * Contractors should be treated fairly and should have the same OHS requirements as direct company employees. * Smaller operations may not have formal labour policies or manuals. Where this is the case, it is important to look out for evidence that the workforce is treated fairly and in accordance with at least national legal requirements. A member of company management should be able to discuss confidently the legal requirements and fair practice with regards to recruitment and labour management. * ESIAs may not identify labour related issues (since the preceded employment) and should not be used to judge the adequacy of the company’s employment practices alone. |
| ***Freedom of association & collective bargaining*** | | |
| * What form of worker representation is there at the company? * Are workers representatives democratically elected and free to carry out their duties within working hours? * Can employees freely express their opinions/concerns? * Are workers free to join a union? What proportion of workers are union members? Is this increasing or decreasing over time? * How many grievances have been filed by workers (or their representatives) in the past 12 months? How many have been resolved? | Hold meetings with (as appropriate):   * Senior management. * HR staff. * OHS staff. * Employees. * Contractors (where relevant).   Review (as appropriate):   * Documentary evidence of Union / Management meetings | * Meet union/workers representatives and discuss their relationship with management (ideally without management being present). * Addressing working conditions for example through formal and transparent hiring processes and pay grading or addressing OHS matters or workplace conditions can improve staff morale and productivity. * Understand how wage negotiations are undertaken and how equitable they are |
| ***Occupational Health and Safety (OHS)*** | | |
| * Who has responsibility for OHS? Do they have appropriate skills and training? * Does the company have a process to record, and investigate near misses and accidents and to ensure that corrective actions are effectively implemented? * Does the company have data on OHS performance (e.g. Lost Time Injury Frequency Rates (LTIFR). How does this compare to national or international benchmarks? Is it increasing or decreasing year-on-year? * What does the company see as its most significant OHS challenges? And what is it doing to address these? * Has a risk assessment been conducted by a suitably qualified person to identify, assess and control health and safety risks associated with workplace hazards? * Has the company taken all steps necessary to avoid or where not possible, mitigate (to an acceptable level) OHS risks? * Are collective protective measures (e.g. installation of machine guards) prioritised over the use of personal protective equipment (PPEs)? * Where residual risks remain after the implementation of collective protective measures, is PPE provided to help reduce the overall risk? * Are employees familiar with the risk assessment process? Do they understand why PPE is required for certain tasks and how to use it? What does the company do when it sees that safe working methods are not being followed? * Are there risks from OHS liabilities, for example from chronic illness and injuries that workers may have, that could affect valuations? * What OHS training is provided to workers ?(including part time, seasonal, indirect employees and other workers). This may be sector specific or relate to specific types of risk (e.g. falls from height, risk of fire, safe and defensive driving). | Hold meetings with (as appropriate):   * Senior management. * HR staff. * OHS staff. * Employees. * Contractors (where relevant).   Review (as appropriate):   * OHS management system. * OHS records (e.g. accident investigation reports). * OHS data (e.g. Lost Time Injury Frequency Rates (LTIFR)); * Internal and external audit reports (may include audits on contractors). * Information on contractors, including company’s policies/procedures regarding contractors. * Relevant certificates (e.g. OHSAS 18001). * Training programmes.   Perform site visits. | * Getting a company to discuss its most significant OHS risks provides insight into its understanding of the sector related risks and impacts as well as company specific challenges. The company’s response to addressing these risks is often a leading indicator of commitment to OHS management and E&S issues more broadly. * Ask whether OHS performance has led to industrial action or fines and other penalties? * During any site visit, consider whether you feel safe? If not, this may indicate that OHS aspects are deficient * Collective protection should always be prioritised over individual protection (e.g. it is better to install a guard on a machine to prevent workers being injured than providing PPE to workers to avoid or reduce that risk. However, in a lot of cases, the use of PPE is still required to ensure a safe work environment. * Health and safety signs and posters should be evident at any company operation commensurate with the level of OHS risks. All safety signs should be provided in languages understood by the workforce and occupants. Note that signs are necessary but are not sufficient on their own as a preventive measure. * Some company’s operations may not have formal management plans. Where this is the case, there should be evidence of an overall company approach or ethos to protecting the workforce. * There should be training which covers the use of PPE, job related specifics and broader sector needs. Are toolbox training sessions provided to workers (including third parties who may be working on site – especially during construction)? * Some companies issue PPE to the workforce, but do not enforce its use. Ask how use of PPE is monitored and enforced? * Look for evidence of an incident/accident logging system including investigation into root causes. Discuss whether these statistics are typical for the sector. Discuss what the company is doing or planning to do to improve their record. Does the record indicate repeats of similar incidents? If so why have they not been addressed? * Refer to [CDC’s Good Practice Guide on Preventing Fatalities and Serious Accidents](http://www.cdcgroup.com/Documents/ESG%20Publications/Preventing%20Fatalities_Serious%20Accidents_Good%20Practice%20(lo%20res).pdf). |
| ***Worker Productivity Skills and Development*** | | |
| * Is the company committed to continuously reviewing and improving labour practices and working conditions? How does it plan to do this? * Does the Company have a higher than average turnover of staff? Why? * What is the % of women in management positions? Has this changed in the past 3 years? * What on the job training is provided? Is this provided to all staff? * Does the Company have any concerns about levels of absenteeism? Is this increasing or decreasing? Why? | Hold meetings with (as appropriate):   * Senior management. * HR staff. * Employees.   Review (as appropriate):   * HR information (e.g. turnover, absenteeism) * Training programmes. * Information on companies productivity. | * Does the company provide training? Assess whether training is appropriate and effective? Do workers think their training is adequate? * Meetings with workers can be a source of helpful information to triangulate Management statements. * High turnover can indicate that working conditions or labour management is a problem. * Find out which company within the sector is regarded as the best place to work, and why? What lessons can be learned? |

| **Discussion points/questions** | **Verification and information sources** | **Hints and tips** |
| --- | --- | --- |
| ***Retrenchment- reducing the number of employees*** | | |
| * Has the company undertaken any retrenchment in the last five years? If so, how many people and why? * Are any job losses likely as part of this investment? * Have alternatives been considered to avoid retrenchment (voluntary redundancy, retraining for other roles etc.)? * How does the company ensure that retrenchment is managed fairly? * If retrenchment has taken place in the past are there outstanding liabilities that could affect valuations? | Hold meetings with (as appropriate):   * Senior management. * HR staff.   Review:   * Retrenchment plan. | * If job losses are likely, it is important that the company considers alternatives to retrenchment where possible. * Where job losses are inevitable, a structured and fair plan must be devised to guide the process in a transparent and recorded manner. * Active engagement with employees and their representatives is essential. * See [IFC’s Good Practice Note: Managing Retrenchment](https://commdev.org/good-practice-note-managing-retrenchment) for further guidance. |
| ***Contractors, third parties, supply chains and temporary workers*** | | |
| * Does the company use third party contractors or other workers who are not direct employees? How do their terms and conditions of work differ from full time employees? * How does the company ensure all workers (including migrant or contract workers) are treated fairly and consistently? * Where does the workforce come from? Why? (Establish ratios of permanent / contract or seasonal / migrant staff). Has this always been the case? If not, why has it changed? * Describe the company’s use of contractors. | Hold meetings with (as appropriate):   * Senior management. * HR staff. * OHS staff. * Contractors.   Review (as appropriate):   * OHS management system. * OHS records (e.g. accident investigation reports). * OHS data (e.g. Lost Time Injury Frequency Rates (LTIFR)); * Internal and external audit reports (on contractors). * Information on contractors, including company’s policies/procedures regarding contractors. | * Ask why contractors are used rather than permanent staff. (to check that the company is not by-passing labour or fair pay requirements). * Labour policies should be transparent and include formal mechanisms that allow the workforce to raise grievances and to prevent discrimination. * Policies should extend to contractors and the company should have systems in place to ensure contractors comply with the company’s requirements (this should include compliance with applicable regulations). |

|  |
| --- |
| **Pollution prevention and resource use efficiency**  Many companies will use chemicals, generate waste and effluents, or use energy and water in significant amounts. It is therefore important that E&S DD specifically considers how these factors can be managed, and reduced where possible, and whether there are opportunities to enhance E&S performance through a more efficient approach. |

| **Discussion points/questions** | **Verification & Information Sources** | **Hints and tips** |
| --- | --- | --- |
| ***Reducing waste and preventing pollution****.* | | |
| * What production processes does the company use? Can these adversely impact the air, water, soil, local communities, fauna and/or flora? * Does the company produce or use any hazardous chemicals, (agrochemicals, pharmaceuticals, CFCs etc) and wastes that are deemed illegal under applicable local or national regulations. Does it use materials which are subject to internationally agreed phase-outs or bans? * What are the arrangements for storage, handling and management of chemicals (training, control of spills, disposal of chemical containers, provision of PPE etc.)? * How does the company minimise storage, handling transfer and disposal of hazardous, toxic and other waste and effluents? * What waste and effluent streams does the company generate and what evidence is there that the company is actively reducing and managing these as much as possible? * If contractors are used to dispose of solid waste, does the company monitor them and have documentary evidence of safe and legal disposal (i.e. duty of care for waste management)? * Could there be liabilities from the use of chemicals or from historic / more recent pollution (e.g. soil contamination)? * Could the company be associated with other forms of pollution (e.g. noise, electromagnetic fields, odours, pathogens, visual impacts)? | Meetings with (as appropriate):   * E&S staff. * Operators. * Contractors (where relevant).   Review (as appropriate):   * Process flow diagram / Process description. * ESIA (particularly in the case of greenfield Projects / expansions). * Historical site uses, current and former bulk storage of hazardous materials. * Air emissions monitoring plan.   waste and wastewater management plans, integrated pest management plan (IPM) for agribusiness.   * Other plans as appropriate (e.g. radiation management plan); * Data/records on air emissions, wastewater discharges, waste generation and hazardous materials usage. * Material safety data sheets (MSDS). * Internal and external audit reports (may include audits on contractors); and * Relevant certificates (e.g. ISO 14001).   Perform site visits. | * Asking the company to supply a process flow diagram can clarify the movement, use storage and disposal of chemicals and other materials and in the understanding of risks, impacts and opportunities. * Different chemicals pose different risks to humans and the natural environment. The nature of chemicals used should be taken into account to ensure safe storage. Emergency response plans should be clear on how to treat accidental exposure and to contain any spills or discharges. * Companies may not have formalised chemical or waste management plans, but should pay careful attention to how hazardous materials are sourced, stored, handled and disposed of. * Ask the company to list chemicals used and their purpose. This is often very sector and industry specific (e.g. agrochemicals). Ask what hazard level or what risks these chemicals pose and how they are stored/ handled. * For all chemicals, the company should retain MSDS that define safe storage and handling requirements. Regular training should ensure the workforce is aware of safe working requirements. Frequent checks should be undertaken to ensure safe use. * Ask about efforts to reduce, re-use or recycle waste (and effluents). Do the responses seem credible (are they focused on important waste streams, do they relate to active markets for recycled materials etc.)? * Does the company track costs of waste disposal? Are they increasing? If so how is the company looking at reducing these costs? * Duty of care: Waste management contractors should be assessed to ensure they are operating according to approved protocols (i.e. have correct permits, are handling and disposing of hazardous and other waste at approved disposal sites, and transport waste materials in appropriate vehicles with safe and secure containers / storage). * Consider different forms of pollution generated by radiation, odours, noise, pests, pathogens and/or light/visual impacts and what measures the company is taking to mitigate any associated risks and impacts. |
| ***Energy and water use efficiency*** | | |
| * What is the company’s primary energy and water source? * Does the company have a clear understanding of energy and water costs (or are they aggregated within a general operating budget)? * Has the company undertaken an energy or water use audit? If so, what were the conclusions and what actions were taken. If not, explore the rationale for not undertaking one. * Where energy is supplied by the national grid, are there any risks associated with this supply (e.g. power outages or dramatic price increases). * What technically and financially feasible renewable energy options are available to the company? | See above. | * Asking the company to supply a process flow diagram can assist with understanding risks, impacts and opportunities. All inputs and outputs should be annotated in order to see what the key raw materials and quantities are and how much product and non-product output are generated. * Is there potential for closed water loop production. Consider renewable energy sources, or co-generation. How could energy efficiency techniques reduce energy drawdown? * Expansions and modernisations offer an opportunity to retrofit or improve operations to reduce energy and water use. Consider reconfiguration of production for heat exchange. * Consult databases/guidelines including information on energy and water use, waste generation and raw materials consumption per activity/sectors so that this can be compared with the company’s figures. For example, fund managers can consult [World Bank Group EHS Guidelines](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/ehsguidelines) (provides figure on what is considered Good International Industry Practice (GIIP)) and/or the [European Commission Best Available Techniques Reference Documents (BREFS)](http://eippcb.jrc.ec.europa.eu/reference/) (provide detailed information on Best Available Techniques (BAT) for a large number of sectors). |
| ***Greenhouse gas (GHG) emissions and Climate Change*** | | |
| * What are the main energy sources used by the company? Does this include fossil fuels? * Does the company generate GHGs? * What plans or actions has the company undertaken to control and/or reduce emissions? * Are GHG emissions seen as a business risk? * Are the company’s operations or assets at risk from climate change (including increased flooding, drought or other severe weather events), business disruption or damage to assets and production from these events? | See above. | * Momentum for greater control of GHG emissions will continue to rise, and across all industry sectors reducing GHG will become a business imperative (regulatory controls, emission pricing, access to markets and other drivers will apply variably to many sectors). * Companies should always explore opportunities to reduce GHG emissions (e.g. by implementing energy efficiency measures or energy sources which emit less GHGs). * Climate change risks (drought, flood, increased temperatures) also create operational and business risks for many companies / sectors * Companies that are not actively assessing and managing their emissions and or exposure to climate change create investment risks for investors. |
| ***Pesticides and other Agrochemicals*** | | |
| * Does the company produce or use agrochemicals that are deemed illegal under applicable local or national regulations, or which are subject to internationally agreed phase-outs or bans? * Can the company provide an inventory of the agrochemicals it uses and are any of these rated as extremely hazardous (1a) or hazardous (1b) according to the [World Health Organisation](http://www.who.int/ipcs/http:/www.who.int/ipcs/publications/pesticides_hazard/en/) (WHO)? * Ask the company to describe how it uses agrochemicals, specifically:  1. How and where chemicals are stored, what controls are in place to access and use chemicals, and what measures are in place to dispose of old agrochemical containers; 2. What training and safety procedures are in place for people who use chemicals; 3. What monitoring is undertaken to ensure maximum efficiency and efficacy of use, and what monitoring is undertaken of the receiving environment (e.g. water courses, local communities) to ensure that adverse impacts are not evident? Is there any consultation with local people? 4. What alternatives to agrochemical use are evident? Integrated pest management – IPM should form part of all farming systems – is this systematic or *ad hoc*? | See above | * Agrochemicals are an important aspect of many farming operations but the selection and use of chemicals should focus on those with lowest toxicity to non-target species and reflect GIIP for all chemicals used. * Chemicals which are rated 1(a) and 1 (b) by WHO should be phased out of use in the immediate/near term. WHO states that agrochemicals rated as moderately hazardous (2) should only be used if there is evidence of high levels of management control capacity and training for staff. * Integrated Pest Management (IPM) is important and should form part of the business planning and operations of any company that uses agrochemicals – IPM offers significant cost saving, health and safety and other operational benefits. |
| ***Contaminated land or land with liabilities*** | | |
| * What risks are there that the company has historical or current contaminated land liabilities? Or that it will incur these in the acquisition of new sites and assets? * Does the company have processes for assessing contaminated land risks in the acquisition of new assets (especially brownfield) | See above | * Discuss with the company historical site uses, including current and former bulk storage of hazardous and persistent organic pollutants (e.g. polychlorinated biphenyls). * Underground storage of hazardous materials (i.e. fuel tanks) and underground pipelines are particularly prone to undetected leaks. * In some cases, satellite imagines can be very helpful to get additional information on past activities/plant layout. |

|  |
| --- |
| **Community health, safety and security**  Many companies underestimate the risks their businesses can create within local communities and may not acknowledge responsibility for any E&S issues occurring beyond the ‘factory gate’, including specifically, increased traffic, impacts on water, explosion, fire and life safety and the use of security personnel. However these risks can have a significant impacts on company operations, particularly if local communities are concerned or impacted by a company’s activities, and in extreme circumstances, they can result in the loss of a social licence to operate. This is not an issue for all companies, but should be specifically assessed in each transaction. Where risks are evident, the fund should work with the company and potentially the community to identify and reduce risks and develop communication and consultation mechanisms with all relevant parties. |

| **Discussion points/questions** | **Verification & Information Sources** | **Hints and tips** |
| --- | --- | --- |
| **Community health, safety and security** | | |
| * Does the company create new or significant risks to and/or impacts on local communities – specifically through:  1. Air emissions and/or wastewater discharges. 2. Transport, storage, disposal or use of hazardous materials/wastes. 3. Changes in the availability or quality of water. 4. Fire and explosion risks (including situations where members of the public have access to company assets – hotels, schools hospitals, etc.) 5. Increased risk of disease, including sexually transmitted and water borne diseases. 6. The use of security personnel, particularly if armed. 7. Increased traffic or the development of infrastructure that could cause off-site impacts (e.g. power transmission and distribution lines or bulk storage of hazardous, flammable or explosive materials).  * Has the company assessed community health, safety and security risks and impacts? * Does the company have an emergency response management system which takes into account risks to local communities? | Hold meetings with (as appropriate):   * E&S staff, including Community Liaison Officer; and potentially * Local communities and local authorities.   Review (as appropriate):   * ESIA (particularly in the case of greenfield Projects / expansions); * OHS management plans (this may contain relevant information to help assess how risks to local communities are mitigated). * Emergency response management system. * Stakeholder engagement plan and associated records. * Grievance mechanisms and associated records (e.g. grievances from local communities). * Records on stakeholder engagement and grievances from local communities * Information on security management (including information on security contractors). * Other management plans as appropriate (e.g. traffic management plan). * Internal and external audit reports.   Perform site visits. | * ESIAs should contain relevant information regarding community health, safety and security risks and impacts. * Discuss the types of risks and the likelihood of occurrence. What the company is doing to prevent these risks from occuring? Also what structures are in place to deal with any incidents or accidents, e.g. how is community protection incorporated into emergency response? * Discuss emergency response plans with the company. Do these include local communities? Have local communities been informed about the risks they are exposed to? * The proximity and nature of company operations will determine the extent of any potential risk to local communities. * Where risks to local communities are high, companies will need to liaise with local authorities to ensure an effective and immediate response in case of emergency. Any arrangement with local authorities should be documented in the company’s emergency response plans. * Companies may suggest that they deliver corporate social investment (CSI) projects (e.g. construction of a local school rather than directly addressing risks to the community). While CSI is an important positive contribution by companies or businesses to the local community, this is not a substitute for managing social risks. |
| ***Stakeholder engagement and consultation*** | | |
| * If the company creates risks for local communities, how does it engage with affected parties? * Is there a grievance mechanism? How effective has it been? * Does the company work with local communities and statutory agencies to ensure that emergency response plans are understood and that affected communities understand what to do in the event of an emergency? | See above. | * Companies should have a grievance or complaints mechanism which allows external stakeholders to raise concerns. Look for proactive stakeholder engagement in the form of community consultation (for new developments) or ongoing informative briefings and interactions for more established operations. * Where you believe there may be significant unmanaged / unrecognised risks consider appointing specialist external consultants to assist with the development of consultation and grievance mechanisms. |
| ***Security personnel*** | | |
| * Does the company use security personnel (either employed directly or via third parties)? Why is security required? * Are security personnel armed? If so why? Ask for details of recruitment and the oversight and controls that are in place to ensure the behaviour of security personnel is proportionate to the risks and follows GIIP. * Have there been any complaints from the local community about the actions or behaviour of the security forces? * Have there been any incidents involving security forces (injuries or fatalities) in the last five years? What steps have been taken to prevent this from happening again? | See above. | * The presence of armed security personnel, especially if not employed or controlled directly by the company creates additional risks and issues. The company should be able to demonstrate they have undertaken due diligence on the security services provider including back ground checks, an assessment of the company’s past performance and its protocols and procedures for controlling the use of arms. * Companies and security providers should be guided by principles of proportionality and good international practice in relation to hiring, rules of conduct, training, equipping, and monitoring of security workers. As well as by applicable law. These principles include practices consistent with the [Voluntary Principles on Security and Human Rights](http://www.voluntaryprinciples.org). * There should be a grievance mechanism in place for local communities. The mechanism should function effectively and allow local people to express their opinion on the behaviour of security personnel.. * The company must have control and active oversight of security personnel (armed or not) regardless of whether they are employees or third party contractors. |

|  |
| --- |
| **Land acquisition and economic displacement**  Any acquisition of land resulting in involuntary resettlement or economic displacement can lead to significant social impacts on the livelihoods, health and wellbeing of affected parties. If not well managed involuntary resettlement can lead to costly compensation and significant project development delays. If an investment has led to historic involuntary resettlement or economic displacement, or could in the future, it is advisable to exercise caution and provide additional E&SDD resources, time and energy. Every effort (including analysis of credible alternatives) should be made to avoid and reduce the need for involuntary resettlement.  There may be additional complexities if any past resettlement was poorly managed and led to legacy concerns, or if it was initially managed by government agencies on behalf of a private company or in anticipation of private sector investment.  Where economic or physical displacement of local communities has occurred, it is wise to consider appointing a third party technical adviser to assist with E&S DD and investment monitoring.  *Note - The questions below do not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures sanctioned by the legal system of the host country if negotiations fail). These questions also do not apply to impacts on livelihoods where a project is not changing the land use of the affected groups or communities.* |

| **Discussion points/questions** | **Verification & information sources** | **Hints and tips** |
| --- | --- | --- |
| ***Acquisition of land which has or will result in the involuntary resettlement or economic displacement of people.*** | | |
| * Has the company acquired land through expropriation in the past, or might it in the future?   *Note – If a company has negotiated or will negotiate directly with affected persons without triggering an expropriation process, but such a process could have been triggered or could be triggered if negotiations fail, this is still considered ‘land acquisition’.*   * If so how and when was the land acquired? What compensation was provided to affected persons and was a Resettlement Action Plan developed? How was compensation calculated? * How many people will be physically or economically displaced? Are there any vulnerable groups which require particularly attention (e.g. Indigenous Peoples)? * Has the extent/relevance of the impacts on affected people’s livelihood been properly assessed? (e.g. through an ESIA). * Where the resettlement and compensation process was historic, did the company commission an audit to assess whether the livelihoods of affected persons had been restored? * How does the company engage with affected persons? What kind of relationship does the company have with affected persons? * Does the company have an effective grievance mechanism? Have there been any claims/grievances? * Are there legacy liabilities or could there be as a result of any ongoing resettlement? * Does the company have an experienced Community Liaison Officer who reports to senior management? * Has there been or will there be government involvement in the land acquisition? | Hold meetings with (as appropriate):   * Senior management. * The company’s Community Liaison Officer. * In some cases, affected persons. * In some cases, other relevant parties (e.g. government, NGOs)     Review (as appropriate):   * ESIAs. * Resettlement and Livelihood Restoration Action Plans. * Compensation methodology and valuation. * Stakeholder engagement plans. * Grievance mechanisms. * Other relevant records, including grievances, minutes of meetings with affected persons and compensation agreements. * Livelihood restoration audits.   Perform site visits. | * If involuntary resettlement or economic displacement issues are evident seek professional third party assistance. * In emerging markets, land tenure and rights of use can be unclear and complex due to a lack of regulation, potential customary/traditional land tenure issues and use and presence of communities who occupy and use lands without a recognizable legal right or claim. The company must properly identify and compensate affected persons and help them improve or restore their standards of living or livelihoods to avoid risks of additional costs and/or loss of license to operate. * The company should have an effective community engagement plan and grievance mechanism in place. When resettlement is triggered, it is very common for affected persons and other stakeholders to raise grievances. It is important to assess how the company has dealt with, or is dealing with grievances. The absence of grievances can be indicative of an ineffective grievance mechanism or maybe due to the company not recording all grievances. * A Community Liaison Officer should be appointed to manage resettlement and compensation processes. * Where land access and acquisition are the responsibility of the government, companies should engage and collaborate with the government to avoid any potential longer term negative impacts from poorly constructed compensation, relocation or expropriation terms. |

|  |
| --- |
| **Biodiversity conservation and natural resources management**  Biodiversity includes flora and/or fauna, their supporting habitats (e.g. forests, wetlands) and the services that nature provides to mankind (ecosystem services) such as clean water or an environment that enables foods and fibre crops to grow. Biodiversity provides the inputs and materials for many production processes and corporate impacts such as habitat conversion, water pollution or poor natural resource management can threaten biodiversity. Therefore biodiversity management is a significant - if under-recognised - issue for many companies.  Sectors such as agribusiness, forestry and extractives have the potential to cause the most significant biodivesity impacts, but it is important to ensure the risks and impacts on biodiversity are adequately considered for all sectors. Every effort should be made to avoid and reduce impacts which could significantly affect key ecosystem services used by local communities, as well as protected or internationally recognised areas and/or critical habitats.  Understanding biodiversity is often complex. If there are material risks and/or impacts associated with an investment, fund managers should consider appointing third party professionals for technical advice, particularly where an investment is likely to present significant risks or adverse impact to biodiversity and ecosystem services.. |

| **Discussion points/questions** | **Verification & information sources** | **Hints and tips** |
| --- | --- | --- |
| ***The value of biodiversity and the risks to biodiversity*** | | |
| * Does or could the company impact biodiversity (e.g. through conversion of habitats to other land uses, introduction of non-native species, extensive water abstraction)? What is the company doing to prevent or minimise these risks and impacts? Is there a Biodiversity Management Plan (BMP)? * Does the company adversely impact legally protected and/or internationally recognised areas (e.g. RAMSAR sites)? * Could the company impact endangered or critically endangered species? * Does the company rely directly or indirectly (via supply chains) on the goods or services provided by ecosystems? If so, how does it ensure these are from sustainable sources? * Could the company’s operations contribute to the protection or restoration of biodiversity in any way? * Could the company introduce invasive alien or non-native species of flora and fauna in areas where they are not normally found? * Has the company been targeted by (or is the sector subject to) NGO programmes or campaigns in relation to biodiversity? | Hold meetings with (as appropriate):   * E&S staff. * Where necessary other relevant parties (e.g. authorities responsible for managing legally protected areas).   Review (as appropriate):   * ESIAs. * Biodiversity Management Plan. * Biodiversity Action Plan. * Stakeholder engagement plan (particularly relevant where ecosystem services used by local communities are impacted). * Relevant data/records (e.g. data on water consumption where this can impact ecosystem services)   Relevant certificates and related audit reports covering biodiversity (e.g. Global GAP, RSPO) Perform site visits. | * Most ESIAs provide information on whether a company: (i) may be impacting protected, endangered and/or critically endangered species; and (ii) could impact protected areas. However, this is not always the case and ESIAs prepared to local standards often do not include a specific assessment of whether a company may be impacting critical habitats or ecosystem services. Additionally, fund managers should always check whether the information included in an ESIA(s) is still relevant at the time of the investment. * Is there a Biodiversity Action Plan (BAP)? * Risks to biodiversity primarily arise from the company’s location and operations (including through supply chains). Will expansion or existing operations result in destruction or fragmentation of habitats? Are there protected areas nearby that could be affected? * There are often close relationships between impacts on biodiversity and local communities (who may rely on biodiversity). If biodiversity impacts are evident, check there is an effective consultation process with local communities. * If the company is proposing to use genetically modified products or if company activities potentially result in the introduction of non-native species (alien species) either through deliberate action or inadvertently, seek professional third party advice. * Where there are significant unmanaged / unrecognised risk or impacts consider appointing specialist consultants. |
| ***Management of ecosystem services*** | | |
| * If the company relies on renewable natural resources (for example agribusiness, food, forestry and fisheries companies), how is it managing biodiversity risks and impacts? How does it ensure its supply chains are not creating biodiversity impacts? * How does the company assess risks to production from changes in ecosystem services (particularly water and climate related)? * Could the company create impacts on ecosystems services used by local communities (e.g. water, soil, timber)? Are there measures in place to mitigate and/or compensate for such impacts? | See above. | * The company should work towards certification of production practices (or buying against certified sources ) over an agreed timeline. Certification standards should be credible and assure performance for labour, sustainable production practices/biodiversity and other key risks and issues associated with the commodity. |

|  |
| --- |
| **Indigenous Peoples**  Occasionally, investments may impact indigenous Peoples (IPs). For the Toolkit. IPs are considered to be groups of people with identities that are distinct from mainstream groups in national societies. They may be referred to in different countries by terms such as ‘indigenous ethnic minorities’, ‘aboriginals’, ‘hill tribes’, ‘minority nationalities’, ‘scheduled tribes’, ‘first nations’ or ‘tribal groups’.  Managing impacts on IPs can be complex and can create significant risks for companies and investors. Fund managers should seriously consider appointing a third party professional to provide technical advice if impacts on IPs have been identified. If IPs are affected by the company’s operations then extensive consultation is required and **Free Prior Informed Consent** from IPs need to be obtained. Fund managers should ensure that the companies engage with IPs over the course of the investment. |

| **Discussion points/questions** | **Verification & information sources** | **Hints and tips** |
| --- | --- | --- |
| ***Protection of the rights pf Indigenous Peoples*** | | |
| * Could the company’s operations directly or indirectly affect IPs? * How many IPs could be affected? * Did the company obtain the Free, Prior and Informed Consent (FPIC) of affected IPs? * Has the extent/relevance of the impacts on IPs livelihood been properly assessed? (e.g. through an ESIA). * Does the company have an effective grievance mechanism to allow IPs to raise their concerns/claims? | Hold meetings with (as appropriate):   * Company’s Community Liaison Officer. * IP’s or their representatives. * In some cases, other relevant parties (e.g. government, NGOs).     Review (as appropriate):   * ESIAs (these may not specifically assess whether affected communities contain IPs). * Stakeholder engagement plans and Grievance mechanism. * Evidence that FPIC has been obtained * Relevant records, including grievances, minutes of meeting with affected persons and compensation agreements. * Resettlement and Livelihood Restoration Action Plan. * Compensation methodology and valuation. * Livelihood restoration audits.   Perform site visits. | * Impacts to IPs should be avoided wherever possible, but if unavoidable seek professional third party assistance. * IPs are often among the most marginalised and vulnerable people in society. As a result they are afforded special protection and consideration by the United Nations ([UN](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)). * The presence of IPs is often well recognised (however government sources of information should not be used exclusively). There are a range of NGO and UN agencies which can used to help identify whether there are IPs in a specific location. * Some industry sectors (extractives, infrastructure agribusiness and forestry) are more likely to impact IPs than others. Ultimately geography / location are the key factors in understanding whether IPs may be impacted. * If significant impacts to IPs are likely a comprehensive stakeholder engagement program should be implemented and FPIC is required * Ensure that IPs are engaged and compensated in a culturally appropriate manner. * When discussing compensation with IPs, ensure that the interests of affected IPs are appropriately represented by the interlocutors. |

|  |
| --- |
| **Cultural heritage**  Occasionally, investments may impact cultural heritage. Cultural heritage includes physical heritage which may be obvious (archaeological features and ancient buildings) as well as intangible heritage (e.g. sacred graves or natural features that have historic and cultural significance) which may be less obvious and may only be identified through consultation with local communities. Cultural heritage also includes ‘chance finds’ which may be discovered during construction or development activities.  Managing impacts on cultural heritage can be complex and can create significant risks for companies and investors. Fund managers should seriously consider appointing third party professional to provide technical assistance if required. |

| **Discussion points/questions** | **Verification & information sources** | **Hints and tips** |
| --- | --- | --- |
| ***Protection of cultural heritage*** | | |
| * Could the company’s operations directly or indirectly affect cultural heritage? * Have the extent/relevance of the impacts on cultural heritage been properly assessed? (e.g. through an ESIA). * If cultural heritage may be impacted, has the company obtained the necessary permits/approvals for its operations? * If cultural heritage may be impacted, has the company implemented a formal consultation and engagement process with relevant stakeholders to discuss the impacts and any mitigation measures? * Does the company have an effective grievance mechanism? * Has the company developed and implemented ‘chance find’ procedures? * Is the company going to use cultural heritage for commercial gain? If yes, will these benefits be equitably shared with the affected communities? | Hold meetings with (as appropriate):   * Company’s E&S staff. * Affected communities * In some cases, other relevant parties (e.g. government, NGOs).     Review (as appropriate):   * ESIAs. * Archaeological studies. * ‘Chance find’ procedures and relevant management plans. * Stakeholder engagement plans. * Grievance mechanism. * Agreements with affected communities. * Relevant records, including grievances, minutes of meetings with affected persons and compensation agreements. * Evidence of approvals from statutory agencies / authorities   Perform site visits. | * Seeking third party specialist advice and guidance is recommended for situations where cultural heritage is significantly impacted or at risk. * Efforts should always be made to conserve archaeological finds *in situ*, and removal should only be undertaken with the support of professional (and potentially regulatory) advice and approval. * If the company is already operating and no construction/expansion is planned, then impacts to cultural heritage are probably unlikely. If construction is scheduled in an area where cultural heritage is evident then consideration should be given to the potential risk of impacts from company operations. * If cultural heritage is impacted and/or at risk a comprehensive stakeholder engagement program should be implemented. * Construction works should consider the appointment of Archaeological Clerks of Works in situations where there is the potential for chance finds during the construction works. |