CDC
Investment works

CDC Guidance: Assessing Companies' Commitment, Capacity and Track Record (CCTR)
Discussion guide to assess company's capacity for E&S management

Objective	Leading questions	Guidance
E&S policies for the company	Does the company have an E&S policy (or policies)?	▪ If no policy, the company should develop one that is appropriate to the scale of operations, industry sector and scope of risks. ▪ The 'E&S' policy may not be a single document and the company's commitment to E&S issues may be represented in several independent documents (for example a human resources policy that covers International Labour Organization (ILO) and labour contract issues, a corporate governance policy that identifies accountabilities for E&S issues at senior management/ Board level). Beware of policies that focus on philanthropy and community investment, as it is unlikely that these will be sufficient.
	What are the main reasons and business drivers behind the company's current approach and awareness with respect to E&S-related matters?	▪ Is there evidence that the company is genuinely committed to understanding and addressing E&S matters or does it seem to have taken off-the-shelf policies and procedures that are not specific to its sector or business? If so, this may be a cause for concern.
	Does the policy specify what E&S standards will be met (e.g. national laws, CDCs Code of Responsible Investment, IFC Performance Standards (IFC PS) or other international standards)?	▪ Generally, a policy should indicate compliance with national laws and regulations at a minimum. ▪ It should potentially also comply with IFC PS and other international standards (ILO, Voluntary Principles, Roundtable on Sustainable Palm Oil) where industry sectors are driving performance and affecting business prospects (i.e. market access, access to capital).
	Does the policy include all aspects of the company's risks (i.e. including supply chains, contractors and other third parties)?	▪ Depending on the industry sector, the policy might need to include activities that do not fall within 'the factory premises' (i.e. supply chain risks, construction issues, delivery/ transport aspects of a company's operations).
	Is responsibility for compliance with the policy clear (i.e. accountability)?	▪ Is there a nominated senior manager or Board member with accountability? If not, how are E&S issues considered by senior management and integrated into business strategy?

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	Is there a commitment to update the policy over time?	▪ Is there evidence that the policy is seen as a living document that evolves over time, and that there is a process in place to evolve performance and E&S ambitions and integrate them into the businesses strategy and planning.
	Do staff know there is an E&S policy?	▪ Check to see whether staff understand both the E&S policy and their responsibilities under it.
E&S risks and impacts identification	What does the company understand about the scope and type of E&S risks that it may create?	It is often the case that companies draw the boundaries of the E&S risks around production/operational assets and don't look broadly or strategically at the E&S impacts that may affect their businesses: ▪ **Scope:** Relates to the extent of impacts and includes the physical footprint of operations, supply chains, outsourced impacts, cumulative impacts, associated facilities etc. ▪ **Type:** Relates to environment, social and labour (including health and safety) impacts that are evident. It also covers impacts that occur during construction and operations (these may be very different and require specific and different assessment). ▪ **Future Proofing E&S issues:** Are there emerging or potential E&S issues that will affect company assumptions (impacts from climate change, increased regulation of GHGs, changes to labour laws or energy/water pricing etc.) that will have a material impact on the company?
	How has the Company assessed impacts?	▪ Is there evidence (through ESIA, environmental and/or social audits, labour audits etc.) that the company has systematically looked at E&S issues? Are these reports used and do they inform company behaviour? ▪ Is the company subject to E&S audit by others (local regulators, suppliers/ buyers, other investors etc.)? How do they integrate different/ multiple audits, and how do these influence corporate behaviour?

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	Is E&S performance seen as a value driver for the Company?	Has the company begun to look at how it can integrate E&S issues into its business practices so that it creates value? Opportunities may be specific to the sector, locations scale of operation of the company but generally fall into the following opportunities: ▪ **Cost saving** (for example through adoption of resource efficiency measures and improving employee working conditions/ reduced injury and improved OHS). ▪ **Increased revenues** (for example through accessing new markets that demand higher E&S performance and the development of new products that optimise resource use). ▪ **Reduced risk** (for example through better relationships with local communities and other stakeholders). ▪ **Enhancing labour productivity** (for example through better human resource management, reduced staff turnover etc.). ▪ **Improved access to capital and investment** (for example through better governance and evidence of good E&S practices). How can the FI support such efforts?
Management programmes	How does the company manage E&S issues?	▪ Is there evidence of processes, plans etc. that show how E&S issues will be managed? Or how opportunities can be achieved, i.e. energy or water efficiency, better staff and employment? ▪ Are they credible? i.e. Do they focus on the key issues identified in section 2? Are they prioritised? Are targets realistic? Is there a budget to address issues? Are staff trained to make improvements?
	Do management programmes focus on key issues?	▪ Is the company focusing on the right issues? (Which may include contractors, supply chains, construction works managed by third parties as well as internal E&S aspects of the business such as employment and labour practices, OHS and waste effluent management).
	Is there any evidence that there is evolution and adjustment of management programs to reflect new challenges and issues?	▪ Are the plans static? Or do they show evidence of flexibility to reflect changing circumstances (expansion, new sites, more staff) or changing regulations, market expectations?

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Organisational capacity and competence	Is responsibility for E&S performance clear? Do staff have the right qualifications and experience?	▪ Are the right staff in place (skills, responsibility, seniority/ authority, location etc.) to manage E&S issues and deliver E&S opportunities? ▪ Do staff have a clear understanding of E&S requirements (including the requirements that the FI has)? ▪ Focus on terms of employment, OHS, pollution and waste management issues. (Particularly for SMEs). For larger companies, stakeholder engagement is also a key area to be assessed.
	Is accountability for E&S issues clear?	▪ How much time does the management have to devote to E&S issues? What are their top three priorities? ▪ Is there sufficient oversight and accountability for E&S issues in the company? ▪ Consider accountability at multi-site operations/on specific production lines and also institutionally (at senior management and Board levels). ▪ Do the nominated E&S staff have the knowledge, confidence and authority to deliver E&S roles? If not, what training, or clarification of roles is needed to ensure they can do their work effectively?
	Is there any training for E&S issues?	▪ Do staff receive appropriate training? This might only be 'tool box' training sessions on the shop floor. Or it may need to be more comprehensive. Focus on the way in which staff are taught about OHS (e.g. examine accident statistics and serious incidents to see if there are systematic failures that indicate that training is not working). ▪ Download the CDC serious incident guide for further information.
	Does the company rely on external assistance to deliver E&S compliance?	If a company uses consultants, NGOs or other external advisers to achieve E&S compliance: ▪ Can you meet them? ▪ Do they seem competent? ▪ Does their work/recommendations influence company behaviour?
	What is the Board's role in setting E&S values, policies and priorities and in exercising oversight over the management team on these aspects of the business's performance?	▪ How many Non-Executive Directors are there and what are their core competencies, are there any overlaps in function between business and the Board? ▪ Is there a committee or forum where E&S issues are, or could be raised and discussed? Is this limited to health and safety committees, or is it more broad?

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Emergency preparedness and response	Do the company's operations create risks to employees, the general public or local communities (for example through fire, explosion, vehicles/ traffic etc.)?	▪ Have risks to staff (particularly in relation to OHS) been assessed when they are on site or off site on company business (look specifically at risks of vehicle accidents, working with machinery etc.) See CDC guidance under E&S Topics. ▪ Do company operations create risks to local people and the public (for example from large number of migrant workforce coming in for a project development, increased traffic, risk of air emissions/ hazardous wastes, explosion, infrastructure collapse etc.)? If so, has the company consulted with local people on these issues? Have they provided training or advice to local people? Or worked with local authorities to reduce and manage risks? ▪ Is there an emergency response plan? Do staff understand it and is training provided?
	Are the company's buildings and operations accessible to the public (schools, hospitals hotels, retail etc.)?	If so, then particular attention should be paid to Life and Fire Safety (LFS): ▪ Has the company been independently audited against local and international fire codes? ▪ Are staff trained on emergency evacuation? ▪ Will the public be able to evacuate the building (consider specifically disabled, young, infirm etc.)?
	Does the company provide training in risk avoidance, mitigation and management?	▪ What evidence is there that the company has put in place appropriate training, risk mitigation, communications/ outreach? (There should be a focus on OHS and LFS).
	Where there are material risks to local communities or the public, does the company work with local authorities?	▪ Does the local authority (fire, hospital/ ambulance services etc.) have the capacity to respond to incidents? If not, what is the company doing to build capacity/address the risk that an incident could not be managed by the local authorities?
Monitoring and review	Does the company monitor E&S and labour performance?	▪ How does the company demonstrate compliance with national E&S laws and regulations (including labour/ employment practices) or other E&S requirements (from investors, from supply chains etc.)? ▪ Is there any evidence of E&S (including labour) fines or penalties? Are these ad hoc or systemic? (The latter will indicate more serious issues that need to be resolved).
	Does the company use external expertise to assess E&S performance?	▪ Is there evidence to show that reports and recommendations are acted upon?

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	Is the company subject to external audits?	▪ Is there evidence to show that these audits change practices/inform company behaviour?
	Are senior management involved and informed in E&S issues?	▪ Are senior management engaged on E&S issues? ▪ Do they talk with confidence and authority about E&S performance? Are there comments focused on the key issues and opportunities identified in section 2? Or are they more philanthropic and CSR motivated?
Stakeholder engagement (commensurate with degree of risk to local communities)	Has the company assessed its relations with local and other stakeholders?	▪ Where local communities may be affected by the company's business, has the company developed a formal plan to engage and work with local people?
	Does the company already report on its E&S performance? How good is the reporting?	▪ Does it report to other stakeholders? Does it produce an annual report which includes E&S issues? Or a separate Sustainability Report? If not, why not?
	Have local people been consulted?	▪ If there are impacts (good or bad), is there any evidence of effective engagement with local people? ▪ Did you have an opportunity to meet with any local people to hear their concerns? ▪ Was there any restriction/avoidance of this by the company? ▪ Do you see this as an unresolved issue (if so, how would you address it)? Depending on the industry sector and location, this can be a significant issue that deserves specific attention.
Grievance mechanisms	Does the company have a grievance mechanism?	Commensurate with the degree of risks and impact, the company should have a mechanism for receiving and addressing the concerns or grievances of local communities and stakeholders. This can be as simple as a notice on the factory gate with a phone number to call for any concerns about E&S issues. For companies that generate more significant risks (e.g. extractive industries, industrial production etc.) there will be need for a more sophisticated and larger scale mechanism.
	Evidence that it is used?	▪ If there is a grievance mechanism, is there evidence of successful grievance resolution under it (e.g. records of grievances and actions taken)? ▪ Is there evidence of change in company practices if grievances are significant?

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Reporting	Who does the company inform about its E&S performance and why?	▪ What reporting is there on E&S performance and to whom (Regulators, investors, local communities, staff/employees, others)? ▪ Ask for an opportunity to meet with local people to hear their concerns. ▪ What feedback is received and is action taken as needed? ▪ Is reporting focused on what is material for the business in terms of its E&S impacts?
Track Record	How is the Company's track record on managing E&S risks and impacts?	▪ Are accidents and incidents adequately reported and recorded? If yes, are there any red flags which might suggest that the Company's performance has gaps in a particular area? (No accidents reported can also be a red flag as this suggest inadequate monitoring) ▪ Are there any areas of common concern reflected in the workers' grievance registry? ▪ Are there any concerns from affected communities or other third parties which suggests that the Company is not adequately engaging with those?