

# Monitoring and Reporting

## *E&S in the transaction cycle*

### OBJECTIVES

- Oversee client's timely implementation of prescribed ESAP items to improve E&S performance.
- Guide and support clients to ensure ongoing compliance with applicable standards.
- Stay informed and respond to new developments and/or risks relevant to clients' E&S performance.
- Work with clients to identify opportunities to add value beyond compliance with E&S standards
- Monitor and record serious incidents to ensure appropriate responses and safeguard reputation.
- Demonstrate progress made against internal FI E&S requirements and commitments.
- Facilitate learning, transparency, and accountability between investors, FI's, and clients.

### ACTIVITIES

#### BUILD ON THE CLIENT RELATIONSHIP ESTABLISHED DURING DD

- Fostering an open and trusting partnership between the FI and the client is key to managing E&S risks and building value in the client's business.

#### DISCUSS KEY E&S POINTS EARLY

- Clients' may face some initial difficulties in getting E&S management systems/practices in place. The FI should support the client to the best extent possible. It is important to: (1) set expectations in initial interactions with clients; (2) revisit and discuss E&S DD findings; (iii) discuss the monitoring process and required information with the client early on; and (iv) identify engagement priorities and appropriate mechanisms.

#### REGULARLY MONITOR: OVERSIGHT OF E&S MATTERS

- Regular monitoring includes planned, structured and recorded activities which take place on an ongoing basis once the client is part of the FI's portfolio. The main objective is to monitor the client's' E&S performance and compliance with the FI's E&S requirements. This can be achieved through a combination of: (1) regular meetings with clients to discuss E&S matters; (2) review of E&S monitoring reports prepared by clients and other relevant information such as E&S audit reports; (3) review of client's ESAP (if applicable); (4) site visits; (5) engagement of consultants (where required); (6) internal FI E&S portfolio-level reports; and (7) integration of E&S performance as a discussion point in relevant FI management committees (i.e. Internal Portfolio Review Meetings, Risk Committees, E&S Committees, etc.).

#### MANAGE UNFORESEEN EVENTS

- FIs must implement mechanisms to respond appropriately and swiftly to serious accidents, incidents or events associated with clients' operations and other changes in the client's circumstances, to ensure that lessons are learned and applied in future (e.g. fatalities, environmental damage, withdrawal of permits, fines etc.). Serious incidents may need to be reported to various bodies (e.g. credit, risk, reputational and other types of internal committees, investors, etc).
- Additional scenarios that FI's should consider, identify and address include: (1) instances of material non-compliance with the FI's requirements (e.g. related to the client's ESAP or against regulatory requirements); (2) any significant stakeholder-related issues (e.g. social protests and grievances); (3) departure of client's key E&S staff; (4) significant changes in the client businesses which may affect its ability to manage E&S; and (5) critical or concerning media publicity.

### OUTPUTS

- FI's ongoing and appropriate oversight of each client's E&S performance, including compliance with FI's E&S policies and related standards.
- Responsive and effective management of unforeseen events (e.g. serious accidents).
- Good E&S risk management by the FI at both portfolio and transaction levels.
- Good stakeholder relations, including clients and investors.
- Records to demonstrate good E&S monitoring procedures, performance, and compliance with the FI's policies.

### KEY TOOLKIT RESOURCES

E&S in the transaction cycle: Monitoring and reporting

E&S Checklist – See resources

Sector profiles

E&S topics

Business integrity

Internal portfolio E&S monitoring and reporting template

CDC guidance: Site visits

CDC guidance: Specialist E&S assessments

CDC guidance: Assessing CCTR

CDC guidance: Working with consultants

CDC Good Practice: Preventing fatalities and serious incidents

Resources

Abbreviations: CCTR, commitment, capacity and track record; ESAP: environmental and social action plan, E&S: environmental and social, FI: Financial Institution