

ENVIRONMENT & SOCIAL RISK SCREENING MECHANISM

Objectives

Capital Trust Limited (CTL) has very limited risk exposure of environmental and social (E&S) issues considering the amount of the loans and focus area of lending. However CTL has developed an E&S risk screening mechanism for the business activities of the borrower prior to disbursement of loan (especially **Small Enterprise Loans**). Through this mechanism CTL will identify the risks and impacts associated with environmental, social, labour, occupational health and safety and security of the activities/ industries considered for lending.

The flow diagram used for E&S Risk Screening in lending process is described in Appendix 1.

The term “project” here refers to the defined set of business activities for which CTL’s financing is sought by a client and the set of business activities defined in the financing agreements and as approved by the Board of Directors or other decision-making body.

E&S Risk Screening Mechanism helps in determining the following risks because of CTL’s projects:

- Identify potential E&S risks and their impacts;
- Determine the level of E&S assessment and management required to address potential risks and impacts;
- Strengthen the E&S outcomes;
- Avoid adverse impacts to stakeholders and environment;
- Minimize, mitigate, and manage adverse impacts where avoidance is not possible;
- Strengthen internal capacities for managing social and environmental risks

E&S Checklist

Checklist # 1: General¹

SN	Check points	Yes/No
1	Is the project under consideration a manufacturing unit?	<input type="checkbox"/>
If answer to point 1 is 'YES' then fill additional information/data in checklist # 2		
2	Does the project require government permits/licences?	<input type="checkbox"/>
3	If yes, does the project have all required government approvals?	<input type="checkbox"/>
4	Does the project help in generating employment for local community?	<input type="checkbox"/>

¹ Applicable for manufacturing and non manufacturing sectors

5	Does the project employ child or forced labour?	<input type="checkbox"/>
6	Does the project use star rated utility appliances (e.g. refrigerators, ACs etc.)?	<input type="checkbox"/>
7	Does the project use energy efficient lighting source (CFL/LED) in the offices?	<input type="checkbox"/>
8	Does the project utilize natural light for lighting purposes - Sun roofing, Sun facing big windows?	<input type="checkbox"/>
9	Is there a provision for adequate lighting in the project?	<input type="checkbox"/>
10	Are there adequate fire management measures (e.g. Fire Extinguishers) in place?	<input type="checkbox"/>
11	Is there provision of first aid box in project premises?	<input type="checkbox"/>

Checklist # 2: Manufacturing Units

SN	Check points	Yes/No
1	Is the project potentially involve the manufacture, trade, release, and/ or use of hazardous chemicals and/or materials?	<input type="checkbox"/>
2	Does the project include activities that require significant consumption of raw materials and energy?	<input type="checkbox"/>
3	Does the project use chemicals or materials subject to international bans or phase-outs ² ?	<input type="checkbox"/>
4	Does the project involve significant extraction, diversion or containment of surface or ground water?	<input type="checkbox"/>
5	Does the project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological hazards during operations?	<input type="checkbox"/>
6	Is the project a water intensive industry?	<input type="checkbox"/>
7	If yes, does the project have system in place to treat water before discharging it to sewage line?	<input type="checkbox"/>
8	Is the waste water properly managed or allowed to accumulate in public areas?	<input type="checkbox"/>
9	Is the community around the project affected because of its operations e.g. noise, smell, unmanaged waste etc?	<input type="checkbox"/>
10	Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)?	<input type="checkbox"/>
11	If yes, Is there any plan in place to manage the waste?	<input type="checkbox"/>
12	Does the unit ensure that the waste/by products leaving the premises of the unit are safely disposed off?	<input type="checkbox"/>
13	Will the project involve the application of pesticides that may have a negative effect on the environment or human health?	<input type="checkbox"/>
14	Is there provision to ensure circulation of clean air (exhaust fans, air conditioning etc.) on the shop floor?	<input type="checkbox"/>

² For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol

15	Do the labour/employees use PPPs (personal protective equipments) on the shop floor?	<input type="checkbox"/>
16	Is there provision of basic amenities to the workers (e.g. drinking water, clean toilets)	<input type="checkbox"/>
17	Have there been incidents or accidents related to occupational health and safety?	<input type="checkbox"/>
18	Does the project meet compliances of labour laws of the country (such as non-payment of wages, minimum wages, overtime hours, etc.)?	<input type="checkbox"/>

Based on the inputs received through this checklist, CTL assess the risk (especially reputational) associated with its lending operations.

REVIEW

This E&S Risk Screening Mechanism shall be reviewed once in a year to ensure the alignment of the policy with the mission and business objective of the organization.

Appendix 1: Environment & Social Risk Assessment Mechanism

