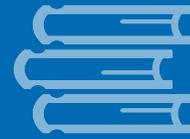


EDUCATION



Key sector ESG aspects:

Health, safety & security | Resource efficiency and pollution prevention
| Business integrity

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1. APPLICABILITY

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

1.1 Using this Sector Profile

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

This Sector Profile draws on internationally recognised good practice standards and guidance, particularly the [International Finance Corporation \(IFC\) Performance Standards](#) and the [World Bank Group Environmental, Health and Safety \(EHS\) Guidelines](#). The Sector Profile identifies key criteria that are generally applicable to each sector (See: 'Standards, guidelines and other resources' section below). It is not a substitute for such standards, which should take precedence as authoritative sources and basic technical references. Applicable laws and regulations must be taken into account and compliance with them should be regarded as the minimum acceptable performance standard.

See also [CDC Environmental and Social Checklist](#) and [CDC Governance and Business Integrity Checklist](#) for questions that fund managers should consider when evaluating an investment in the education sector from an ESG perspective.

1.2 Scope of this Sector Profile

This profile covers investment in educational facilities offering full or part time instruction through:

- Day care, primary and secondary school facilities in both rural and urban settings.
- Tertiary education facilities or campuses including universities, technical colleges or business schools.
- Preparation of learning materials for face-to-face or online delivery.

Business activities that fall within the scope of this Sector Profile include:

- Provision of teaching and instruction in classrooms, playgrounds, sports fields or online.
- Research activities.
- General facilities management.
- Catering services.
- Boarding and dormitory services and facilities.
- Management and upkeep of campus grounds.
- Transport services for students.

For education related activities such as tuck shops or school supply shops or other retail activities, refer to the [CDC Retail Sector Profile](#).

Unless otherwise stated, the risks, impacts and opportunities outlined below relate to the operational phase of business activities. Generic guidance on ESG risks, impacts and opportunities associated with project design and construction of educational facilities is provided in the [CDC Project Design and Construction Guide](#).

2. KEY ENVIRONMENTAL AND SOCIAL ASPECTS

This section outlines some of the specific risks and impacts that emerge from poor ESG practices. Weak management of these issues can lead to reputational damage, reduce a company’s capacity to raise funding (debt and equity) and, more broadly, damage a company’s financial performance. Conversely, sound E&S practices are likely to improve a company’s reputation, access to investors and overall performance.

2.1 Management commitment, capacity and track record (CCTR)

Companies need management’s commitment and sufficient capacity to ensure that the necessary resources are available for sound E&S management. Refer to [CDC Guidance: Assessing Companies’ Commitment, Capacity and Track Record](#).

2.2 Environmental and social management system (ESMS)

Companies should develop and implement an ESMS commensurate with the level of risks and impacts associated with its activities. For further advice refer to [CDC E&S Briefing Note: Environmental and Social Management Systems \(company-level\)](#).

2.3 Labour and working conditions

Note – Occupational health and safety is covered separately below.

Companies shall operate in accordance with applicable labour laws and regulations and ILO Fundamental Conventions. Please refer to [CDC E&S Briefing Note: Labour Standards](#).

2.4 Occupational health and safety (OHS)

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| <p>Risks for the business</p> | <ul style="list-style-type: none"> • Poor attention to Life and Fire Safety (LFS) can cause injury or loss of life and lead to reputational, legal and financial risks if incidents occur. • Reputational damage from poor occupational health safety and security (OHS) practices can reduce the student base and hurt profitability. • Low morale and erosion of trust can cause high staff turnover, lower productivity and lead to additional training and recruitment costs. It can also cause reputational damage. |
| <p>Opportunities for the business</p> | <ul style="list-style-type: none"> • Proactively involving teachers and contractors in key decisions can help to identify and maintain good OHS practices and improve their acceptance if new or significantly different to previous practices. • Productivity can be improved and compensation payments can be reduced. • Effective fire safety and emergency response standards to protect students and surrounding community will ensure stronger community and student support. |

OHS is an important consideration for any business, regardless of sector, and all companies must have in place appropriate OHS and emergency preparedness and response management systems, commensurate with level of risks.

If contractors are involved in operation and maintenance activities, companies should implement measures to ensure contractors work in accordance with applicable regulations and Good International Industry Practice (GIIP). Such measures should be covered by companies’ OHS and emergency preparedness and response management systems.

The main sector-specific risks in education are those related to **Life and Fire Safety** (LFS) not only from an OHS perspective, but also for students’ safety. Where possible LFS risks should be addressed during the design and construction phase of an educational facility, as it can be both complex and costly to retrofit buildings to meet relevant LFS standards.

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

2.5 Pollution prevention and resource efficiency

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| <p>Risks for the business</p> | <ul style="list-style-type: none"> • Excessive expenditure on energy and water supply. • Excessive expenditure on management of solid waste and wastewater quality. • Potential fines and penalties for non-compliance with waste management or hygiene standards. |
| <p>Opportunities for the business</p> | <ul style="list-style-type: none"> • Adopting energy and water efficiency measures can result in reduced operating costs and environmental footprint, and future proofing for a world of increased resource costs or resource shortages. |

Energy efficiency: The education sector can be a large consumer of energy. Schools and universities often require a continuous supply of energy to light classrooms and power equipment. Therefore opportunities for improved energy efficiency or the use of renewable energy should be explored and where possible implemented.

This is often achieved during the design phase (see [CDC Project Design and Construction Guide](#)) when energy efficiency measures can most easily be incorporated into the operational practices of hospitality facilities (e.g. training of staff, encouraging student contribution to energy conservation, ensuring preventive maintenance and updating to more energy efficient products when replacing appliances).

Many energy efficiency technologies that may not have been feasible at design and construction are now economically attractive on a retrofit basis especially in areas where electricity prices have increased. Examples include LED lights, occupancy or motion sensors. The price of renewable power sources such as solar panels has also reduced significantly.

Air emissions: The education sector does not generate significant air emissions. The bulk of air pollution from education operations stems from on-site power generation (particulate matter and

GHGs), and ozone depleting substances from large heating, ventilation and air conditioning (HVAC) systems. Particularly where older or poorly maintained equipment is used.

Water management: The education sector often requires a continuous and reliable supply of large quantities of good quality water for drinking, student ablutions, food preparation, cleaning, laundries, recreation, landscaping and design, fire protection and general premises upkeep. Consumption of water by guests, students and staff can exceed that of the local population and therefore there is potential for conflict with local communities regarding access to water – posing a significant business risk. High levels of water use also lead to large volumes of wastewater, which may be expensive to treat and may require special permits, particularly in remote or pristine areas. Special attention should be paid to on-site sewage treatment to prevent ground water contamination and the potential for grey water and post treatment water recycling should be investigated.

Waste management: The bulk of the waste generated by the education sector is non-hazardous waste (e.g. waste paper, packaging waste, organic solid waste from catering services) and can be considered domestic waste. Globally the introduction of waste segregation and recycling programmes at schools has proven successful, both as a way to reduce waste to landfill and to incorporate environmental awareness issues into the curriculum. This can lead to better waste management and environmental practices in the local community.

Where even relatively small volumes of hazardous wastes are generated (e.g. detergents and solvents from cleaning and laundry operations, or pesticides and herbicides from landscaping) the educational facility should ensure that these are stored, handled, transported and disposed of in accordance with GIIP. The facility should prevent environmental contamination or danger to handling workers and nearby communities.

For further general guidance on GIIP relating to resource efficiency and pollution prevention, refer to [CDC E&S Briefing Note: Resource Efficiency](#), [CDC E&S Briefing Note: Pollution Prevention](#), [IFC Performance Standard 3: Resource Efficiency and Pollution Prevention](#), and [World Bank Group General EHS Guidelines](#).

2.6 Community health, safety and security

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| <p>Risks for the business</p> | <ul style="list-style-type: none"> • Companies’ licence to operate can be put at risk if appropriate LFS measures are not put in place. This could also lead to reputational damage, claims from students and legal and financial liabilities. • Poor attention to hygiene and food safety can have economic, legal and reputational impacts for the business |
| <p>Opportunities for the business</p> | <ul style="list-style-type: none"> • Building relationships with local communities can help to improve reputation and support for school initiatives • Good community relations can help to widen the student base through improved dialogue and engagement with prospective students and parents. |

Life and Fire Safety (LFS): This is vital to the education sector. All buildings used by staff and students should meet the highest standards for LFS. These standards should also be taken into account at the design and construction phase, as retrofitting can be costly, and monitoring and maintenance systems should be implemented during operations. Companies should design and

implement emergency response measures and plans to protect the public (e.g. having clear signs for evacuation routes and the installation of smoke detectors and sprinklers).

Security: Some education providers employ security staff to protect staff and students, and the use of security personnel and security screening procedures is likely to increase in many emerging markets. When using security forces, education providers should be guided by the principles of proportionality, good international practice and applicable laws for hiring, rules of conduct, training, equipping and monitoring of security personnel – as set out in the general guidance below. Systems should be in place to ensure security forces do not commit abuses on local communities or students.

Hygiene/food safety: Facilities should be cleaned regularly to ensure a hygienic environment for students and teachers. Where the company provides catering services (either directly or via contractors), appropriate food safety standards in accordance with GIIP should be followed.

Child protection: The education sector has an additional set of concerns arising from the interaction between students and adults in a position of authority, i.e. teachers and other school employees such as cleaners and security staff. In particular, risks of child abuse or physical injury to students require careful attention. Schools should adequate background and security checks for employees and contractors. Such checks help assist employers in making safer recruitment decisions. However the check should only be viewed as one part of broader set of management measures that should ensure the children are afforded a safe, healthy and secure educational environment.

For further general guidance on GIIP relating to community health, safety and security, refer to [CDC E&S Briefing Note: Community Health, Safety and Security](#), [IFC Performance Standard 4: Community Health, Safety and Security](#), [UN Code of Conduct for Law Enforcement Officials](#), [UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials](#) and [Voluntary Principles on Security and Human Rights](#).

3. BUSINESS INTEGRITY CONSIDERATIONS

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

3.1 Business integrity issues specific to the education sector:

Depending on the country of operation, education can be a high-risk sector. In addition to standard business integrity concerns, demands for bribes to guarantee a place at a school or university are the most common. Any financing from public education budgets also presents the risk of money being misused or siphoned off before it reaches the educational institution. The Education provider remains accountable for the funding even if it was never received. Licenses and permits to operate and access to infrastructure and the awarding of degree certificates are also potential risk points.

Strict controls and systems for the management and oversight of all financial transactions including those with students and government officials should be implemented. Regular anti-corruption training should be provided to all staff to ensure any suspicious or illegitimate fees or transactions are identified.

For further guidance and information refer to [Transparency International](#) and [Ethics and Corruption in Education](#).

4. ADVICE FOR FUND MANAGERS

See also [CDC Environmental and Social Checklist](#) and [CDC Governance and Business Integrity Checklist](#) and [ESG in the Investment Cycle](#).

4.1 Sector risk overview

Several ESG issues may be material to the long-term value of education companies, depending on the specific circumstances and geographies of each company. Fund managers should expect to find that while the ESG risks and impacts can be complex, they can usually be addressed through the application of widely-used, proven techniques and management practices (although this will need to be assessed on a case-by-case basis). External consultants can be engaged to advise on ESG matters, depending *inter alia* on the nature, scale and location of a company's operations, its track record and the fund manager's expertise and capacity to conduct appropriate E&S due diligence (DD).

It should also be noted that corruption risks can be high. Therefore, it is critical that fund managers assess all business integrity issues during DD and insist that companies having strong systems in place to mitigate any operational risks.

4.2 Scoping considerations

In addition to the aspects highlighted above linked to the company's assets, activities and workers, fund managers should take into account the following during the life of the investment, from screening to exit:

- **Associated facilities:** Not very common in this sector although some large education facilities may need associated facilities (e.g. new or expansion of access roads).
- **Contractors:** Whose operations present significant E&S risks and impacts which could have an impact on the business (e.g. construction contractors, land clearing, security services).
- **Supply chains:** Where these could present significant E&S risks. Refer to [CDC E&S Briefing Note: Supply Chains](#).

4.3 Situations requiring extra attention

Extra attention, longer timescales and enhanced ESG DD may be required in more complex situations. This may require engaging external consultants to conduct a gap analysis against the applicable local and international E&S standards (usually [IFC Performance Standards](#) and [World Bank Group EHS Guidelines](#)). Refer to [CDC Guidance: Working with Consultants](#).

Examples of activities or Projects in this sector include:

- New Projects/expansions: Greenfield construction, major expansion Projects where the scale of operations carries a high risk of major social or environmental impacts, Projects involving land acquisition or where the site is in a sensitive location (e.g. close to protected natural habitats). See CDC Project Design and Construction Guide.
- Situations where LFS measures may not be compliant with GIIP: Education facilities should develop and maintain a high level of emergency preparedness. This should include identification of worst-case scenarios and designation of emergency response

procedures and teams. Evacuation plans including escape routes, as well as containment strategies and equipment, should be regularly evaluated and tested.

- Transactions/geographies with high business integrity risks.
- Any other activities or Projects involving involuntary economic or physical displacement of communities or significant negative impacts on biodiversity or ecosystem services, Indigenous Peoples, cultural heritage or local communities. There are no intrinsic features of the education industry that predispose the sector to be associated with these types of impacts and risks (other than through the primary supply chain). Where they do arise they should be managed in accordance with the applicable IFC Performance Standards.

5. STANDARDS, GUIDELINES AND OTHER RESOURCES

For authoritative guidance, fund managers should consult the applicable IFC Performance Standards and World Bank Group EHS Guidelines.

5.1 Applicable IFC Performance Standards

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

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

In addition, other IFC Performance Standards may be applicable depending on the specific characteristics and locations of a company's operations. The screening stage of the fund manager's ESG DD should always include a routine check for the potential presence of significant impacts covered by IFC Performance Standards.

5.2 Applicable World Bank Group EHS Guidelines

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

- [World Bank Group General EHS Guidelines.](#)

5.3 Additional references, standards and guidelines

Additional resources that may be valuable are:

- [Center for Environmental Education: Blueprint for a green school.](#)
- [UN Code of Conduct for Law Enforcement Officials.](#)
- [UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.](#)
- [Voluntary Principles on Security and Human Rights.](#)
- [Transparency International.](#)
- [Ethics and Corruption in Education.](#)