

# FMO

Entrepreneurial  
Development  
Bank

## FMO ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT TOOLKIT

MANUAL

POWERED BY **steward redqueen**

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## Introduction

Many development finance institutions request their clients to comply with various environmental, social and governance (ESG) requirements. Experience has shown that a significant discrepancy exists between the high-level nature of these requirements and their implementation within the clients' organizations. One of the main hurdles is the design and implementation of the so-called environmental, social management system and an appropriate governance framework (ESGMS). ESG regulations tend to become stricter over time and many internationally operating businesses are becoming more demanding with respect to the ESG performance of their suppliers and take-over candidates. It is FMO's<sup>1</sup> and Steward Redqueen's<sup>2</sup> experience that a well-functioning ESGMS can help an investment fund enhance the business performance of its investments and find better deal exit possibilities. To assist its clients with this the implementation of an ESMS, FMO & Steward Redqueen initiated in 2008 the design of an E&S (Environmental and Social) toolkit aimed specifically at investment (PE) funds. Over the years, FMO and Steward Redqueen have continued to improve and develop the Toolkit as the experience with ESG management within PE funds and the user feedback grew. Recently, FMO and Steward Redqueen have added corporate governance and business integrity analysis, making a complete ESG Toolkit. This manual explains the design of this toolkit and how it should be used. The main characteristics of the ESG toolkit are explained first and the instructions how to use it are given subsequently.

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<sup>1</sup> [www.fmo.nl](http://www.fmo.nl)

<sup>2</sup> [www.stewardredqueen.com](http://www.stewardredqueen.com)

## Overview of the main characteristics of the FMO ESG Toolkit

The objective of the FMO ESG Toolkit is to provide fund managers with a pragmatic and easy-to-use tool to integrate ESG analysis into investment decisions and portfolio management. The Toolkit enables the fund manager to quickly identify and assess potential ESG risks and opportunities for ESG improvements.

### Easy to use: Excel-based Toolkit

The ESG Toolkit is an Excel spreadsheet. The toolkit can be used by anybody who has Excel Office version 2007 (as a minimum). Since neither macros nor custom programming is used, the toolkit still functions when the strictest Excel security settings are applied. The data input is kept as limited as possible to minimize the workload for the investment fund. The corollary of this is that the output of the toolkit is directionally correct rather than exhaustive: ***the Toolkit does not provide all the answers but offers a structured approach to handling ESG aspects of investments.***

### Seven main outputs

Based on a number of characteristics of investments, the seven main outputs of the ESG Toolkit are:

1. E&S Risk Category
2. E&S Management Score
3. Corporate Governance Score
4. Business Integrity Alert
5. Business Integrity Score
6. Potential E&S Risks and Issues
7. E&S Opportunities

### *E&S Risk Category*

The E&S Risk category is determined by the sector and the type of investment. *Investment type risks* are associated with investments in existing operations, expansion of operations (brownfield) or a greenfield operation. Examples of these are risks relating to scarce resources, land acquisition, resettlement and indigenous people.

### *E&S Management Score*

The ESG Management Score is determined by 16 indicators. The score indicates the level of E&S management quality at the investment company. For a description of the indicators, see Section 2.

### *Corporate Governance Score*

The Corporate Governance Score indicates the management performance level of a portfolio company with regards to Corporate Governance. It is based on 13 Corporate Governance indicators.

### *Business Integrity Alert*

The Business Integrity Alert is based on a combination of general, static risk factors of the investment, such as sector and the state in which the investment is located and investment-specific risk factors such as the involvement of a Politically Exposed Person (PEP), state

ownership and privatization, or senior staff of the investee being on sanction lists. Our approach to identify the Business Integrity Alert is based on the approach CDC Group plc has outlined in its ESG Toolkit.

#### *Business Integrity Score*

The Business Integrity Score indicates the management performance level of a portfolio company with regards to Business Integrity.

#### *Potential E&S Risks and Issues*

Relating to the E&S risk level, three types of risks are distinguished: sector risks, state issues, state-specific sector issues. *Potential sector risks* are assigned based on the experience and expertise of E&S specialists. Some of the risks associated with investments in this way will not be entirely applicable, whereas others may not be included. On balance, however, the sector risks provide a good starting point for assessing the E&S risks of an investment.

#### *E&S Opportunities*

E&S opportunities are actions that an investment company could undertake to potentially improve E&S, for example to strive for sustainable certification of the product produced. Furthermore, Environmental and Social management performance improvements translate themselves into financial benefits (e.g. energy savings, waste reduction etc.) or improve the exit opportunities.

#### Two levels: individual investments and fund portfolio

The three above-mentioned outputs are delivered at the level of individual investments and at the level of the portfolio.<sup>3</sup> At the level of individual investments, the toolkit enables a structured approach to ESG due diligence and ESG management reviews. The toolkit also provides a reporting graph about the level of ESG risk management of individual investments and its development over the course of several ESG reviews. At the level of the portfolio the toolkit provides graphical overviews of the aggregated ESG risk management of the entire investment fund. These overviews can be used for reporting purposes.

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<sup>3</sup> In fact, overviews can be made for all investments in a particular investment stage: pipeline, due diligence, contracting, current portfolio and exit.

## **Adherence to international standards: IFC Performance Standards**

The environmental and social aspects of the ESG Toolkit are based on the IFC Performance Standards<sup>4</sup>. The governance aspects of the ESG Toolkit are twofold: the first aspect to be addressed is *Corporate Governance*, and the second is Business Integrity.

### Environmental and Social aspects of the Toolkit

IFC uses the Performance Standards to manage social and environmental risks and impacts and to enhance development opportunities in its private sector financing in its member countries eligible for financing. Together, the eight Performance Standards establish environmental and social standards that the client is to meet throughout the life of an investment:

Performance Standard 1: Social and Environmental Assessment and Management System;  
Performance Standard 2: Labor and Working Conditions;  
Performance Standard 3: Resource Efficiency and Pollution Prevention;  
Performance Standard 4: Community Health, Safety and Security;  
Performance Standard 5: Land Acquisition and Involuntary Resettlement;  
Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;  
Performance Standard 7: Indigenous Peoples;  
Performance Standard 8: Cultural Heritage.

For individual investments, the toolkit output *Risk Management* is arranged using the Performance Standard 1. The toolkit outputs *Risks* and *Opportunities* are structured along the Performance Standards 2-8. The outputs *Risks* and *Opportunities* are generated automatically by the toolkit based on the base investment data that are entered in the toolkit when adding an investment (as described on page 9). The output *Risk Management* is based on 16 E&S review indicators (regarding environmental and social aspects) that need to be scored by the investment fund (manager). Some additional information about Performance Standard 1 is presented in the text box below.

### **Some background on Performance Standard 1**

Performance Standard 1 underscores the importance of managing environmental and social performance throughout the life of a project (any business activity that is subject to assessment and management). An effective social and environmental management system is a dynamic, continuous process initiated by management and involving communication between the client, its workers, and the local communities directly affected by the project (the affected communities). Drawing on the elements of the established business management process of “plan, implement, check, and act,” the system entails the thorough assessment of potential environmental and social impacts and risks from the early stages of project development, and provides order and consistency for mitigating and managing these on an ongoing basis. A good management system appropriate to the size and nature of a project promotes sound and

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<sup>4</sup> A link to these data is included in the section ‘Miscellaneous’ on page 25

sustainable social and environmental performance, and can lead to improved financial, environmental and social project outcomes.

In this tool 16 indicators have been selected that collectively capture the management process of “plan, implement, check, and act”. How to score these indicators when doing an E&S (management) review is explained on page 10.

## Governance aspects of the Toolkit

*Corporate governance* deals with the rights and responsibilities of a company's management, its board, shareholders and other stakeholders. How well companies are governed affects their performance, market confidence and access to capital. Based on SRQ's experience, we have formulated five aspects that are to be good proxies for good corporate governance.

Corporate Governance is integrated in the Toolkit by a dynamic assessment of 13 questions. These questions are grouped into five corporate governance clusters (Commitment to CG, Structure and Functioning of the Board of Directors, Control Environment and Processes, Transparency and Disclosure and Shareholder Rights). The clustering is based on the CG Framework 33 Development Finance Institutions subscribed to in 2011. The 13 questions are described in more detail starting with page 15.

*Business Integrity* is the extent to which the company exhibits honesty, integrity, fairness, diligence and respect in all business dealings. Low business integrity exposes the company to high reputational, management and financial risks. Business Integrity therefore affects the performance of a company and private sector investment. The Business Integrity aspect of the ESG Toolkit is based on the CDC ESG Toolkit for fund managers.

For individual investments, the toolkit has two Business Integrity outputs: the 'Business Integrity Alert' and the 'Business Integrity Score'. The BI Alert represents static and dynamic risk. The static part means that it is mainly based on generic sector and state data that are entered in the toolkit when adding an investment. It combines business integrity characteristics of specific sectors with a corruption score of the state. The latter is a constructed indicator that indicates the level of transparency in the public sector and is based on the Transparency International Index<sup>5</sup>.

The second and dynamic part of the Alert is based on investment specific characteristics that indicate an increased risk for business integrity. These characteristics should be assessed by the investment fund (manager) and inserted in the Business Integrity assessment of the ESG review. This means that 3 additional indicators are taken into account that specify circumstances that increase the risk of the investment being exposed to business integrity risk such as corruption or bribery.

The Business Integrity Score comprises 3 questions that address the way the company manages Business Integrity risk. These three questions are described on page 18.

## Summary

The indicators that have been selected collectively capture the management process of "plan, implement, check, and act" and together score the company's management ability. The indicators are divided over the ESG topics as follows:

- 1 Compliance Indicator
- 16 Environmental and Social Management Indicators\
- 13 Corporate Governance Indicators

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<sup>5</sup> A link to these data is included in the section 'Miscellaneous' at page 25.



- 3 Business Integrity Management Indicators
- (3 additional Business Integrity indicators that, in certain countries or sectors will increase *the Business Integrity Alert*). These indicators however do not affect the ESG Management Score.

How to score these indicators when doing an ESG (management) review is explained on page 18.

## Instructions for using the ESG Toolkit

### Navigation through the different Excel worksheets

The ESG Toolkit contains all the information that is needed to generate the different outputs. Users only have access to those parts of the Excel workbook that are needed for their purposes:

1. 'Investment data': inserting an investment
2. 'ESG review'; inserting an ESG review
3. 'Modify data "xx"': modifying investment data
4. 'ESG overview per investment': viewing ESG characteristics of an investment
5. 'ESG graph at investment level': viewing the ESG performance of an investment over time
6. 'ESG graph at portfolio level': viewing the ESG performance of all investments in portfolio

The START panel (Exhibit 1) can be reached by clicking the START button on all different panels. On the start panel the six actions mentioned above can be selected by clicking the corresponding buttons. Only in case of modifying an investment, the user first has to select this investment from a drop-down menu and subsequently click the button below the investment selection box. From any user-accessible place of the tool, one can return to the main navigation screen by clicking the START button.

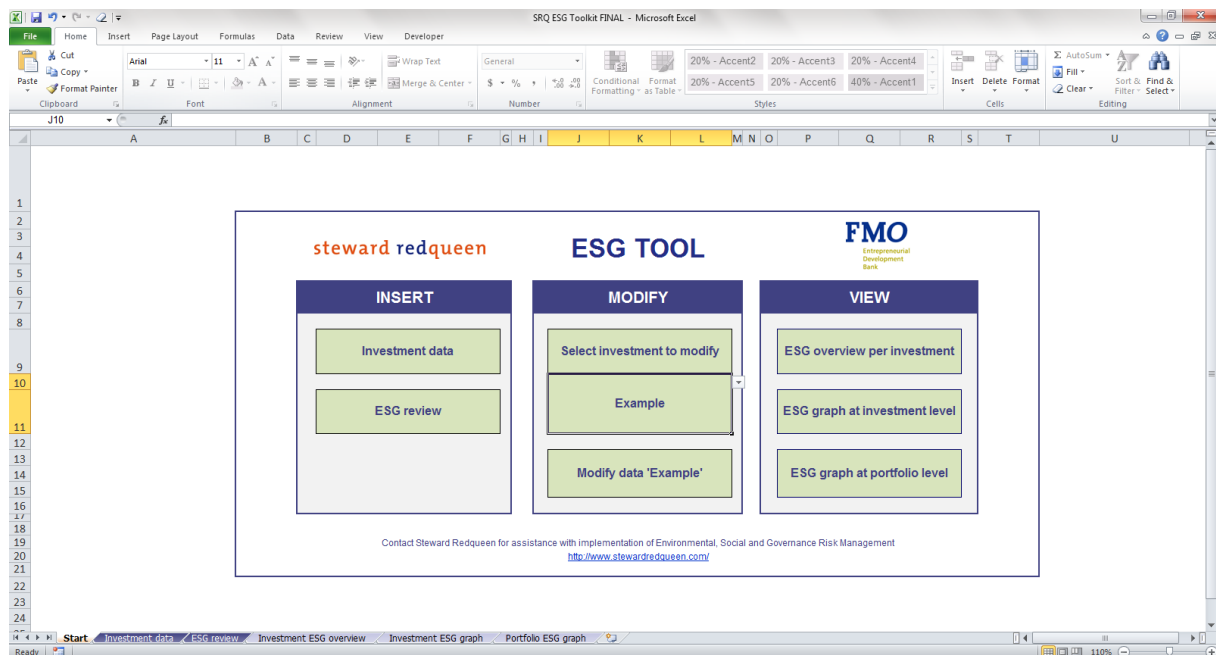


Exhibit 1: START panel

### 1. Inserting an investment

To insert an investment, follow the procedure below:

- i. Go to the START panel (indicated in Exhibit 1) using the START button on all different panels;
- ii. Press the INVESTMENT DATA button. This will bring you to the worksheet INVESTMENT DATA (Exhibit 2). Going from the left to the right, seven fields need to be completed;

- iii. Enter the name of the investment. Please note that it is impossible to add an investment more than once. If you need to modify an investment, follow the procedure *Modify data*, (see page 19);
- iv. Select the applicable investment stage from the drop-down menu:
  - Pipeline: The fund has targeted a potential investment and is in the preparatory stages of the investment process in which only general investment data is available to the fund; i.e. (sub-) sector, country, and investment type and amount;
  - Due Diligence: The fund investigates the potential investment's financial, environmental, social and governance performance, which will be the basis of the fund's investment decision;
  - Contracting: The fund decides to invest in the potential investment and is in the process of formalization of the investment decision;
  - Portfolio: the fund has formally invested in the investment company and now needs to monitor the investment on its financial and ESG performance;
  - Exit: The fund has divested the company;
- v. Select the sector that best describes the investment from the pull down menu. For detailed structure and explanatory notes on sectors according to ISIC Rev.4 , click [here](#);
- vi. Subsequently the applicable sub sector can be selected. For detailed structure and explanatory notes on subsectors according to ISIC Rev.4, click [here](#);
- vii. Select the applicable country from the drop-down menu;
- viii. Select the applicable investment type from the drop-down menu
  - Existing: the investment company is not changing its physical activities: no new instruments or buildings are built which cause no new direct impact on environment and/or society, nor changes existing impact;
  - Expansion: the investment company physically expands the current plant or operations on the same project site (i.e. a new wing to an existing plant) which potentially creates additional direct impact on environment and/or society or which potentially changes existing direct impact;
  - Greenfield: the investment company starts a new activity or project site that requires -from the ground up- construction of new operational facilities. It will have direct impact on environment and/or society (i.e. a new plant);
- ix. Enter the amount of the investment. If the fund makes investment in different currencies, convert the amount into the currency that the fund reports its financials in.

Based on the sub sector and country entered, the main ESG risks, issues, opportunities and hyperlinks to relevant IFC guidelines will be assigned. These can be reviewed using the INVESTMENT ESG OVERVIEW panel, which will be explained on page 19.

Please note that every investment needs to be inserted according to the above procedure to enable other actions (i.e. ESG review, investment graph etc.)<sup>6</sup>.

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<sup>6</sup> An exception to this is 'investment data' – which not directly affects the outcome of 'INVESTMENT ESG OVERVIEW'

| Investment | Investment stage | Sector   | Sub-sector   | Country    | Investment type | Amount       |
|------------|------------------|--|--|------------|-----------------|--------------|
| Company A  | Portfolio        | Professional, scientific and technical activities    | Professional, scientific and technical activities  | Rwanda     | Existing        | € 4,000,000  |
| Company B  | Portfolio        | Water supply, sewerage, waste management             | Remediation activities and other waste management services                                     | Paraguay   | Expansion       | € 2,500,000  |
| Company C  | Due diligence    | Electric, gas, steam and air conditioning            | Renewables like wind, small hydro (up to 30 MW), geothermal, solar                             | Niger      | Expansion       | € 3,000,000  |
| Company D  | Due diligence    | Construction   | Civil engineering  | Sudan      | Existing        | € 2,500,000  |
| Company E  | Due diligence    | Manufacturing  | Manufacturing of high content alcoholic beverages  | Tajikistan | Existing        | € 4,250,000  |
| Company F  | Pipeline         | Water supply, sewerage, waste management             | Sewerage   | Uruguay    | Greenfield      | € 3,500,000  |
| Company G  | Contracting      | Wholesale and retail trade, repair of motor vehicles | Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods | Turkey     | Expansion       | € 10,000,000 |
| Company H  | Portfolio        | Mining and quarrying                                 | Extraction of crude petroleum and natural gas  | Panama     | Existing        | € 1,000,000  |
| Company I  | Exit             | Agriculture, forestry and fishing                    | Crop and animal production, hunting and related service activities                             | India      | Existing        | € 2,750,000  |
| Company J  | Due diligence    | Water supply, sewerage, waste management             | Remediation activities and other waste management services                                     | Malawi     | Expansion       | € 5,000,000  |

Exhibit 2: INVESTMENT DATA PANEL

## 2. Inserting an ESG review

To insert an ESG review, follow the procedure below:

- i. Go to the START panel (indicated in Exhibit 1) using the START button on all different panels;
- ii. Press the ESG REVIEW button. This will bring you automatic to the worksheet ESG REVIEW (indicated in Exhibit 3);
- iii. Select the name of the investment from the drop-down menu. Please note that for investments that have not been added using the previous procedure, no ESG review can be added;
- iv. Indicate the number of the review in the sequence of plural ESG reviews (i.e. first, second, third etc.);
- v. Enter the date at which the review is made. If no date has been entered, the cell will become red in order to remind the user to supply a date;  
Going from the left to the right, 37 indicators need to be scored using the numbers 0, 1 and (in some cases) 2.

## Business Integrity risk Indicators

Please note that to the following three Business Integrity Indicators affect only the Business Integrity Alert on the ESG Overview.

- a) A *Politically Exposed Person (PEP)* represents a greater risk to business integrity because of the possibility that such an individual may abuse its position and influence to accept and extort bribes and misappropriate state assets. A PEP is broadly defined as any individual (or a family member or close associate of such individual) who is or has been entrusted with a prominent public function by a state or an international body, including:

- heads of state, heads of government, ministers and deputy or assistant ministers;
  - members of parliament;
  - members of supreme courts, of constitutional courts, or of other high-level judicial bodies;
  - members of courts of auditors or of the boards of central banks;
  - ambassadors, chargé d'affaires and high-ranking officers in the armed forces; and
  - members of the administrative, management or supervisory bodies of state-owned enterprises.
- Score 0 if a Politically Exposed Person (PEP) is involved in the investment;
  - Score 1 if no Politically Exposed Person (PEP) is involved in the investment;
- b) When an investment involves a *Significant State Ownership* or privatisation the risk for Business Integrity increases as the investment company is potentially exposed to greater risks of state level (and possibly organized) acceptance and extortion of bribes and other non-integer behaviour. State ownership is deemed to be significant where a state has i) an ownership interest in the portfolio company in excess of 20%, which is presumed to be a level that allows for participation in the financial and operating policies of a portfolio company (if the percentage is lower but gives rise to the same participation, this will also meet the definition of significant influence); or (ii) board representation to a level that allows for participation in determining the financial and operating policies of the portfolio company; or (iii) rights to influence the financial and operating policy decisions of the portfolio company pursuant to a shareholders' or similar agreement (based on CDC's definition of significant interest)
- Score 0 if the investment involves a company with a significant state ownership interest or privatisation;
  - Score 1 if the investment involves a company without a significant state ownership interest or privatisation;
- c) It is relevant to check whether or not relevant international (e.g., economic or financial) sanctions apply to the investment. Therefore it needs to be checked whether or not the client/investee company, board members and ultimate beneficial owners (being individuals having at least 50% direct or indirect ownership or control in the investment company) are included on the EU, UN or OFAC sanction lists. In case the client/investment company, board member or ultimate beneficial owner is included in an applicable sanction list, a transaction with the client/investment company may not be conducted. It is also important to check if there are EU, UN or OFAC sanctions applicable to the country in which the client/investment company is located, in order to assure that transactions with the client/investment company can be conducted. In case a country is included on a sanction list, it is relevant to check the content of a sanction: it depends on the specific sanction whether or not a transaction can

be conducted with a country. Sanctions do also change; therefore it is important to periodically check the changes to the applicable sanctions.

- Score 0 if the investment involves a country, client/investee company board member or ultimate beneficial owner which or who is included on the EU, UN, OFAC sanction lists.
- Score 1 if the investment does not involve a country, client/investee company board member or ultimate beneficial owner which or who is included on the EU, UN, OFAC sanction lists or when the sanction on a country is not relevant for the transaction.

## Compliance Indicators

- d) The degree to which a client declares to be in *Compliance with applicable laws and regulation* is a fundamental requirement and gives the investment company the basic licenses to operate.

To what extent does the investment company (both with and without the engagement of the investment fund) declare to be in compliance with applicable legislation?

- Select 0 when the client to be non-compliant with applicable laws and regulation
- Select 1 when the client declares to be in process towards compliance with applicable laws and regulation
- Select 2 when the client declares to be in compliance with applicable laws and regulation

NB: compliance with applicable laws and regulation is required under IFC guidelines.

The scores for indicators d through f (assessment scores, reflecting the situation based on which it is decided to invest or not) are scored from the perspective of the *investment fund*. The subsequent indicators (indicators e to t) reflect the investment fund's opinion of the E&S management of an *investment company*.

## Environmental and Social Management Indicators

### Assessment

- e) *Baseline Data* are data regarding the investment company that enable an adequate assessment of the social and environmental risks and impacts (e.g. use of resources, pollution, labour conditions etc.). The most important risks and issues associated with the investment are indicated in the *Sector Risks and Country Issues* box that can be found in the INVESTMENT ESG OVERVIEW worksheet (see page 20 for a more in-detail description).

To what extent are Baseline data available to the investment funds that enable an adequate assessment of the environmental and social impacts and risks?

- Select 0 when no quantitative data is available to assess risks and issues mentioned in Investment ESG Overview;
- Select 1 when data is available to assess the sector risks mentioned in Investment ESG Overview;
- Select 2 when data is available to assess both sector risks and country issues mentioned in Investment ESG Overview;

f) *Applicable E&S legislation* (laws and regulations, including international treaties) that pertain to social and environmental matters of the governing jurisdiction(s) must be known to the investment fund in order to comply with them.

To what extent has the investment fund executed an analysis of applicable environmental and social legislation?

- Select 0 when no identification of applicable E&S legislation is done;
- Select 1 when a quick-scan identification of applicable E&S legislation has been done;
- Select 2 when a detailed review of applicable E&S legislation has been undertaken.

g) *E&S risks and Impacts assessment* needs to be conducted by the investment fund for the area of influence associated with the investment, which encompasses the primary object sites and related facilities as well as surrounding areas that can be affected by the operations. The risks and impacts that must be analysed are categorized per Performance Standard in the *Sector Risks and Country Issues* box that can be found in the INVESTMENT ESG OVERVIEW worksheet (see page 20 for a more in detail description). In the same box hyperlinks are given to detailed descriptions of the Performance Standards 2-8, which can help in conducting the risks and impacts assessment. Detailed and (sector-) specific information regarding social and environmental risks and impacts can be found in the IFC sector guidelines. Hyperlinks to the investment relevant sector guidelines can be found in the box *Links to relevant IFC guidelines* on the INVESTMENT ESG OVERVIEW worksheet (see page 19 of this manual).

To what extent has the investment fund executed a risk and impact assessment of the investment company?

- Score 0 when no risk and impact assessment has been undertaken;
- Score 1 when risk and impact assessment/report has been undertaken by the fund manager;
- Score 2 when risk and impact assessment/report has been undertaken by an independent specialist (commissioned by the investment fund).

#### Management & Action Program

h) *E&S risk Mitigation Measures* must be formulated by the investment company when in its current state the investment is not able to fully comply with applicable legislation (see point e. above) or with the Performance Standards 2 through 8.



The Performance Standard descriptions and IFC (sector) guidelines mentioned under point f. can serve to identify adequate risk mitigation measures.

To what extent has the investment company (both with and without the engagement of the investment fund) formulated E&S risk mitigation measures in order to comply with applicable legislation and/or Performance Standards?

- Score 0 when no risk mitigation measures are identified for the company;
- Score 1 when generic risk mitigation measures are identified for the company;
- Score 2 when detailed risk mitigation measures are identified for the company.

- i) *E&S Performance Improvements* are aimed at reducing negative social and environmental impacts associated with the investment but which do not pose compliance risks. One can think of measures like reduction of energy or water use that reduce Environmental & Social (and often financial) performance yet are not required in order to comply with legislation. As a first general indication of possible improvements can be found in the *Opportunities* box on the INVESTMENT ESG OVERVIEW worksheet (see page 19 of this manual). The IFC sector guidelines (on the INVESTMENT ESG OVERVIEW worksheet) contain more detailed possibilities for performance improvements.

To what extent has the investment company (both with and without the engagement of the investment fund) identified E&S performance improvements?

- Score 0 when no performance improvements are identified for the company;
- Score 1 when generic performance improvements are identified for the company;
- Score 2 when detailed performance improvements are identified for the company.

- j) *Operational E&S Policies, Procedures & Processes* must be established to achieve the mitigation measures and performance improvements mentioned under point d. and e. When the mitigation measures and performance improvements have been adequately chosen, they cover all material Environmental & Social aspects of the entire company. The policies, procedures and processes will favour prevention and avoidance of risks and impacts over minimization, mitigation and compensation whenever technically and financially possible. For high (E&S) risk investments (as indicated in the *Risk, management and opportunity* box on the INVESTMENT ESG OVERVIEW worksheet) a detailed set of policies and procedures must be available.

To what extent has the investment company (both with and without the engagement of the investment fund) formulated Operational E&S Policies, Procedures & Processes?

- Score 0 when no E&S policies and procedures are established within the company;



- Score 1 when generic E&S policies and procedures are established within the company;
  - Score 2 when detailed E&S policies and procedures are established within the company.
- k) An E&S *Action Plan* must be formulated when specific mitigation measures have been identified in order to comply with legislation (see point g. above). The action plan may range from a brief description of routine mitigation measures to a series of specific plans (e.g. hazardous materials management plan; Emergency response plan etc.).
- To what extent has the investment company (both with and without the engagement of the investment fund) formulated an E&S Action Plan?
- Score 0 when no E&S Action plan is established for the investment;
  - Score 1 when an E&S Action plan is established for the investment;
  - Score 2 when an E&S Action plan is completed by the company or proven to be not needed.

#### Organizational capacity

- l) *Roles and responsibilities* for environmental and social aspects (as reflected in the operational policies, procedures & processes, see point i. above) must be defined and assigned to specific personnel with clear lines of authority.
- To what extent has the investment company (both with and without the engagement of the investment fund) defined E&S roles and responsibilities?
- Score 0 when no roles and responsibilities are defined within the company;
  - Score 1 when roles and responsibilities are defined but not adequately assigned within the company;
  - Score 2 when roles and responsibilities are defined and adequately assigned within the company.
- m) Clear *communication of roles and responsibilities* to specific personnel and the rest of the organization is a pre-requisite in order to render them effective.
- To what extent has the investment company (both with and without the engagement of the investment fund) communicated E&S roles and responsibilities?
- Score 0 when roles and responsibilities have not been clearly communicated within the company;
  - Score 1 when roles and responsibilities have been clearly communicated within the company.
- n) Adequate *resources* must be provided to assure that the roles and responsibilities can be adequately implemented. In practice this means provision of managerial, human, and financial resources.

To what extent has the investment company (both with and without the engagement of the investment fund) allocated resources for implementation of roles and responsibilities?

- Score 0 when no resources are allocated to implement Action Plan and responsibilities;
- Score 1 when resources are allocated to implement Action Plan and responsibilities;
- Score 2 when resources are provided to implement Action Plan and responsibilities.

- o) A *training plan* for employees and contractors with direct responsibility for operations must be developed in order to assure that they have the knowledge and skills to perform their work, including knowledge of the prevailing regulatory requirements and IFC performance standards. The training also must cover the specific measures included in the action plan, if present (see point j.)

To what extent has the investment company (both with and without the engagement of the investment fund) defined a training plan for employees and contractors?

- Score 0 if no training plan is available;
- Score 1 if a training plan is available or when proven that none is needed.

#### Stakeholder engagement

- p) *Disclosure of E&S Risks and Impacts* is important to help affected communities understand the risks, impacts and opportunities associated with the investment. For instance, in case an E&S assessment has been undertaken, the assessment document will be publicly disclosed.

To what extent has the investment company (both with and without the engagement of the investment fund) disclosed the E&S risks and impacts?

- Score 0 if E&S risks and impacts of the company's activities have not been disclosed to the public;
- Score 1 if E&S risks and impacts of the company's activities have been disclosed to the public.

- q) *Community Consultation* is needed when communities may be subject to risks or adverse impacts so that they can express their views on risks, impacts and mitigation measures.

To what extent has the investment company (both with and without the engagement of the investment fund) consulted the communities that may be subject to risks or adverse impacts of the investment company?

- Score 0 when Community consultation on company activities has not taken place;
- Score 1 when Community consultation on company activities has taken place or is proven not to be necessary.

- r) A *grievance mechanism* must be established when ongoing activities pose risks or adverse impacts to affected communities.

To what extent has the investment company (both with and without the engagement of the investment fund) established a grievance mechanism?

- Score 0 when no grievance mechanism is established for affected communities;
- Score 1 when a grievance mechanism is established for affected communities or proven not to be necessary.

## Monitoring

- s) A *monitoring system* must be established to monitor and track the effectiveness of the management program and action plan. Such a system records information and establishes operational controls but also allows for inspections and audits to verify compliance and progress toward desired outcomes. The extent of the monitoring system should be commensurate with the risks and impacts associated with the investment.

To what extent has the investment company (both with and without the engagement of the investment fund) established a monitoring system?

- Score 0 if no monitoring system is established for the company's E&S management;
- Score 1 if a monitoring system is established and actively used for company's E&S management.

- t) *Internal Reporting*, assures that senior management will receive periodic assessments of the effectiveness of the management program, based on systematic data collection and analysis. External reporting assures disclosure of the progress of the action plan (point j.) and of the ongoing risks and impacts. The frequency of both internal and external reporting will be proportionate to the risks and impacts as well as the concerns of affected communities, but not less than annually.

To what extent has the investment company (both with and without the engagement of the investment fund) established a reporting mechanism?

- Score 0 when there is no E&S reporting system on company's E&S management;
- Score 1 when an *internal* reporting system on company's E&S management exists;
- Score 2 when both an *internal* and *external* reporting system exists or when an external reporting system is proven to not be needed.

## Corporate Governance Indicators

### Commitment to Corporate Governance

- u) Commitment to Corporate Governance is the fundament for the four following more subject-related areas. Often, the availability of CG related policies such as a company code or a board charter is an indication that there is some

commitment of the company to improve CG. Also, the existence of a CG-related function, such as a company secretary, is a positive indication.

- Select 0 when resistance to CG improvements exists;
- Select 1 if a positive attitude to CG improvements exists;
- Select 2 if internally assigned CG responsibility exists (e.g. a company secretary).

v) The involvement of family members as employees, managers and shareholders poses challenges to a family business that need to be managed through similar structures and processes than for the investment company itself. If the investment company involves family members as managers or employees but has no policies or structures in this regard, it will face issues with its long-term sustainability. Policies are family employment or succession policies, for example; structures are a family assembly or family council, for example.

- Select 0 if the company is a family business in second or later generation;
- Select 1 if family constitution, employment, succession or other policies exist;
- Select 2 if family governance bodies exist.

#### Structure and Functioning of the Board of Directors

w) An independent board of directors that meets regularly ensures for the strategic guidance of the company, the effective monitoring of management and the board's accountability to the company and the shareholders.

- Select 0 if the board has more than 15 or less than five members and/or board meets less than 4 or more than 12 times a year;
- Select 1 if the board has adequate size and meets between 4 and 12 times a year.

x) Proper composition is crucial for the board to properly fulfill its function. 'Non-executive' means that the board member is not in an executive and full-time employment function with the Company. 'Independent' means that the director has no other significant relationship with the investment company than his or her board seat, meaning that s/he is not a shareholder, supplier, former employee, related to or friend with the CEO, etc.

- Select 0 if the board has no non-executive, independent board members;
- Select 1 if the board has a minimum of 2 independent directors or at least 30% of total board members are independent.

y) Board committees are important for the board to manage its manifold tasks. An audit committee that is comprised of a majority of non-executive and independent directors would be a strong indication for an adequate governance structure.

- Select 0 if the board did not establish any board committee;
- Select 1 if the board established at least an audit committee;

- Select 2 if the audit committee is comprised of a majority of independent directors.

## Control Environment and Processes

z) Often, smaller investee companies have not documented their internal control processes, which is a major deficiency to educate especially new staff on what the existing procedures are. Not all smaller investee companies need to have an internal audit function. It depends on the size of the business and how process intense the investment company's business is. Most of the times, having an annual independent review is considered useful for almost all businesses and for non-financial institutions outsourcing the internal audit function is indeed a possibility.

- Select 0 if no documented internal operational and financial controls exist;
- Select 1 if no independent function, such as internal audit, to ensure that key processes are followed;
- Select 2 if an adequately staffed or outsourced internal audit function exists.

aa) The external auditor is a further 'line of defense' and thus its independence from the investment company is important. Having done the audits for too long for the same company will disqualify independence. Internal (partner) rotation can address the issue but it depends a bit on the size of the audit firm.

- Select 0 if the independence and quality of external auditor is insufficient because of long-term relationship with company;
- Select 1 if a reputable external auditor is regularly rotated (at least once every three years if internal rotation or five years if external rotation).

bb) The quality of the Management Information System (MIS) is directly reflected in the quality of reports the investment company provides for. Also, the lesser the quality of internal reporting, the more difficult it is for a board to monitor properly. If the reporting system is not based on standard MIS, the more easily it can be manipulated.

- Select 0 if the company has a basic internally controlled MIS in place with formulated KPIs;
- Select 1 if the company has a full internally and externally controlled MIS in place.

## Transparency and Disclosure

cc) Financial Transparency is based on audited financial statements. Ideally, a time frame of five years could be taken into account for both qualifications and material restatements.

- Select 0 if the company's financial statements are not audited at all;
- Select 1 if audit opinions have been qualified in the past five years;

- Select 2 if financial statements are audited and audit opinions have not been qualified over the past five years.
- dd) If the investment company has a website or an annual report, where it publishes its annual results, it is likely that it will be less entrenched and more transparent.
- Select 0 if no financial disclosure;
  - Select 1 if publication of (audited) financial statements or annual report exists.

## Shareholder Rights

- ee) Minority shareholders are vulnerable to the dominance by other shareholders that enables the latter to take measures that unfairly benefit the majority or subordinates the minority (i.e. inequality of voting rights, refusal of dividends etc.). Clear and enforceable policies need to be formulated to protect shareholders' rights.
- Select 0 if no (minority) shareholder rights defined;
  - Select 1 if equitable treatment of shareholder rights is guaranteed.
- ff) Intra-group transactions, more commonly referred to as related party transactions (RPTs), are clearly defined in IAS 24. Yet, regulation most often does not adequately cover an appropriate approval process for RPTs or intra-group transactions including up-front approvals before they actually happen. Good governance would ask for a distinction between one-off and revolving RPTs and then further involve different independent decision making bodies at different thresholds for up-front approvals for both types of RPTs.
- Select 0 if no independent approval of intra-group transactions;
  - Select 1 if an independent approval of significant intra-group transactions adequately arranged for;
  - Select 2 if an independent and up-front approval of significant intra-group transactions adequately arranged for.
- gg) Conflicts of interest need to be carefully monitored within the investee client. The disclosure of such conflicts is testimony that clients are serious about the way they manage their internal conflicts. Disclosure in this case means disclosure to the minority shareholders and not public disclosure.
- Select 0 if no disclosure of (potential) conflicts of interest exists;
  - Select 1 if disclosure of (potential) conflicts of interest is adequately arranged for.

## Business Integrity Management Indicators

- hh) Business Integrity Principles or Policies provide the company, its employees (and potentially suppliers and [sub-] contractors) with applicable guidelines on ethical conduct and business integrity. Examples of *Business Integrity Policies*

are Codes of Ethics/Conduct, Know Your Customer (KYC) programs, Applicable Anti-Money Laundering (AML) programs and Anti-Corruption programs. For more examples refer to the CDC ESG Toolkit.

To what extent has the investment company (both with and without the engagement of the investment fund) established a set of Business Integrity Principles or Policies?

- Select 0 if no BI Principles or Policy exist;
- Select 1 if BI Principles are defined ;
- Select 2 if a BI Policy in place.

ii) *Business Integrity Engagement*

To what extent has the investment company (both with and without the engagement of the investment fund) established a Business Integrity Engagement program to raise awareness and knowledge about the relevance, content and implementation of existing policies? This program can include for example awareness training for personnel, training on application of the policies, internal communication to keep awareness and knowledge up to date and in a later stage, external communication on what the companies' practices and achievements are in this field.

- Select 0 when no Business Integrity Engagement Program is in place;
- Select 1 when the company actively engages employees on BI issues;
- Select 2 when the company actively engages employees and external stakeholders on BI issues (i.e. investors).

jj) *Business Integrity Roles & Responsibility* for business integrity aspects (as reflected in the business integrity policies, see point y above) must be defined and assigned to specific personnel with clear lines of authority.

To what extent has the investment company (both with and without the engagement of the investment fund) defined Business Integrity roles and responsibilities?

- Select 0 when no Business Integrity roles and responsibilities are defined within the investment company;
- Select 1 when Business Integrity roles and responsibilities are defined but not adequately assigned within the investment company;
- Select 2 when Business Integrity roles and responsibilities are defined and adequately assigned within the investment company.

## Indicator Scores

As can be seen in Exhibit 3 the scores are associated with three colours ranging from white (minimum value) to green (maximum value). For E&S Management, the scores given are grouped into five categories, which are indicated in the *Management – Performance Standard 1* box on the INVESTMENT ESG OVERVIEW panel:

- a. **Assessment score**, the average of the scores for d) Baseline Data, e) Applicable E&S Legislation and f) ESG risk and Impact Assessment;



- b. **Management & Action Program score**, the average of the scores for g) E&S Mitigation Measures, h) E&S Performance Improvements, i) Operational E&S Policies, Procedures & Processes and j) E&S Action Plan;
- c. **Organizational capacity score**, the average of the scores for k) Roles & Responsibilities, l) Communication of Roles and Responsibilities, m) Resources and n) Training Plan;
- d. **Stakeholder Engagement score**, the average of the scores for o) Disclosure of ESG risks and Impacts, p) Stakeholder Consultation and q) Grievance Mechanism;
- e. **Monitoring & reporting score**, the average of the score for r) E&S Monitoring System and s) Reporting System.

The E&S *Management Score* is the average of the scores on the five categories above. The overall score and the category scores are indicated on the INVESTMENT ESG OVERVIEW panel, which will be explained from page 18 onwards.

The **Corporate Governance score** is the average of the scores for t) Shareholder’s rights, u) Board of Directors, v) Operational Control Mechanism and w) Financial Transparency and Disclosure.

The **Business Integrity score** is the average of the scores for x) Compliance with applicable laws and regulation, y) Business Integrity Policies z) Business Integrity Implementation and aa) Business Integrity Roles and Responsibilities.

| Investment | Investment stage | Number of review | Date of review | Business Integrity Alert |       | Compliance |            | Environmental and Social Management |                             |                         |                        |            |                  |   |   |   |   | Commitment to CG |   | Structure and Functioning of the Board of Directors |   |   |
|------------|------------------|------------------|----------------|--------------------------|-------|------------|------------|-------------------------------------|-----------------------------|-------------------------|------------------------|------------|------------------|---|---|---|---|------------------|---|---|---|---|
|            |                  |                  |                | Alert                    | Alert | Compliance | Compliance | Assessment                          | Management & Action Program | Organizational Capacity | Stakeholder Engagement | Monitoring | Commitment to CG | Structure and Functioning of the Board of Directors | Structure and Functioning of the Board of Directors | Structure and Functioning of the Board of Directors |   |                  |   |   |   |   |
| Company A  | Portfolio        | First            | 01/01/11       | 0                        | 0     | 1          | 1          | 1                                   | 0                           | 0                       | 1                      | 0          | 0                | 0   | 0   | 0   | 0 | 0                | 1 | 0   | 1 | 0 |
| Company A  | Portfolio        | Second           | 01/03/12       | 1                        | 0     | 1          | 1          | 2                                   | 1                           | 0                       | 2                      | 1          | 0                | 0   | 2   | 1   | 1 | 0                | 1 | 1   | 1 | 2 |
| Company A  | Portfolio        | Third            | 27/03/13       | 1                        | 1     | 1          | 1          | 2                                   | 1                           | 1                       | 2                      | 2          | 0                | 1   | 2   | 1   | 1 | 1                | 1 | 1   | 1 | 2 |
| Company B  | Portfolio        | First            | 05/11/11       | 1                        | 0     | 1          | 1          | 1                                   | 1                           | 1                       | 1                      | 1          | 1                | 1   | 1   | 1   | 0 | 1                | 1 | 1   | 1 | 0 |
| Company B  | Portfolio        | Second           | 05/11/12       | 0                        | 0     | 1          | 1          | 1                                   | 1                           | 1                       | 1                      | 1          | 1                | 1   | 1   | 1   | 1 | 1                | 1 | 1   | 1 | 1 |
| Company C  | Portfolio        | First            | 10/11/10       | 1                        | 0     | 1          | 1          | 1                                   | 1                           | 1                       | 1                      | 1          | 1                | 1   | 1   | 1   | 1 | 1                | 1 | 1   | 1 | 1 |
| Company C  | Due diligence    | Second           | 12/11/11       | 1                        | 1     | 1          | 1          | 1                                   | 1                           | 1                       | 2                      | 2          | 2                | 2   | 2   | 1   | 1 | 1                | 1 | 1   | 1 | 1 |
| Company C  | Due diligence    | Third            | 12/12/13       | 1                        | 1     | 1          | 1          | 1                                   | 1                           | 0                       | 0                      | 0          | 0                | 0   | 0   | 1   | 1 | 1                | 1 | 1   | 1 | 0 |
| Company D  | Portfolio        | First            | 10/10/16       | 1                        | 0     | 1          | 1          | 2                                   | 2                           | 2                       | 2                      | 2          | 1                | 1   | 1   | 0   | 2 | 1                | 1 | 1   | 1 | 2 |

Exhibit 3: ESG REVIEW PANEL

### 3. Modifying investment data

In order to modify investment data (i.e. investment stage, (sub) sector, country and amount), follow the procedure:



- i. Go to the START panel (indicated in Exhibit 1) using the START button on all different panels;
- ii. Select in the arrow (next to line “*Select investment to modify*”) the investment that needs to be modified from the drop-down menu;
- iii. Press the MODIFY DATA button. This will bring you to the selected investment in the INVESTMENT DATA panel;
- iv. Modify the data that need to be modified from the left to the right. Please be careful not to change the name of the investment since otherwise the ESG reviews that have been undertaken cease to correspond to the investment.

#### 4. Viewing ESG characteristics of an investment

In order to get an overview of the ESG risks, management and opportunities for an individual investment, follow the procedure:

- i. Go to the START panel (indicated in Exhibit 1) using the START button on all different panels;
- ii. Click the E&S OVERVIEW PER INVESTMENT button on the START panel. This will bring you to the INVESTMENT E&S OVERVIEW panel.

The screenshot displays the 'Investment ESG Overview Panel' in an Excel spreadsheet. The panel is organized into several key sections:

- Investment Details:** Includes fields for Company B, Investment stage, Amount (\$25), Country, Investment type (Expansion), Sector, and Sub-sector. A dropdown menu allows selecting the investment to modify.
- E&S Risks, Management & Opportunities:** Shows an ES Risk Category of 'Medium' and an Environmental & Social Opportunity Category of 'Low'. A 'Date of most recent review' is noted as 19/02/20.
- Corporate Governance & Business Integrity:** Displays a Corporate Governance Score of 62%, a Business Integrity Alert of 'Medium', and a Business Integrity Score of 45%.
- Links to relevant IFC Guidelines:** Provides links to General EHS Guidelines and Waste Management Facilities.
- Sector Risks & Country Issues:** A table mapping Performance Standards (PS 2, PS 3, PS 4) to various risks (a-f) and country issues (a-f). For example, PS 2 is linked to Risk a (Working Conditions & OHS) and Country issue b (Women economic rights).

**Exhibit 4: INVESTMENT ESG OVERVIEW PANEL**

The INVESTMENT ESG OVERVIEW panel consists of seven boxes (five of them can be seen in Exhibit 4). Each one of them is explained below:

- a. In the *Investment* box the main data of the investment are summarized. The investment for which the ESG overview is compiled can be selected in the green field in the box header;
- b. The *E&S Risks, management & opportunities* box provides the highest-level E&S summary of the selected investment. The *Environmental & Social Risk Category* is assigned based on the sub sector chosen and reflects SRQ’s experience. It has the

possible values *High*<sup>7</sup>, *Medium* and *Low*. The final possibility is that the investment is 'excluded' from investment based on the fact that the sector is listed on the *IFC Exclusion List*.

The Environmental & Social Management Score is the overall management score in the *Management* box and as such has been explained under point 2. In case the investment has not yet been reviewed on ESG Management level, this will be indicated. The E&S Management Score will be 0% and indicated in red figures in case it has been explicitly indicated in the *ESG Review* that the investment does not comply with applicable legislation.

The *Environmental & Social Opportunity Category* is assigned based on the sub sector chosen and again reflects SRQ's experience.

- c. The Corporate Governance & Business Integrity block comprises the Business Integrity Alert, Business Integrity Score and Corporate Governance Score. The *Business Integrity Alert* reflects the risk of the investment being exposed to bribery and corruption based on the country, the sector and 3 investment specific conditions regarding business ethics in the ESG Review. It has the possible values *High*, *Medium* and *Low*. In order to indicate the Business Integrity Alert, the fund managers needs to assess three investment specific conditions on the ESG REVIEW panel (columns E to G). The Business Integrity Score comprises the answers to the 3 Business Integrity Management questions. The Corporate Governance Score is the score constructed out of the 13 Corporate Governance questions.
- d. In the *Links to relevant IFC Guidelines* box the most relevant IFC documents are hyperlinked. These documents contain more in-depth general and sector-specific Environmental & Social guidelines. The links require an active internet connection to be activated;
- e. The *Sector risks and country issues* box contains the most important sector risks and country issues. For each of the performance standards 2 through 8, it is indicated what the relevance of the specific performance standard is for the sector<sup>8</sup> and the maximum five most relevant sector risks and the maximum four most country issues are stated. They reflect SRQ's experience in these sectors and countries. Above the country issues is a sub box which is reserved for specific country/sector issues, most of which are in the Agriculture, Forestry and Fishing sectors. Some of the risks and issues will not be entirely applicable. They do, however, provide a good starting point for (in-house or external) E&S due diligence and at the minimum it should be elaborated upon when a risk is deemed not applicable. Obviously, there can be specific ESG risks that are not included in the overview yet are important for the selected investment: the INVESTMENT ESG OVERVIEW is not intended to replace rational and reasonable judgment but rather to provide a systematic starting point;
- f. The box in between the box with the links to Guidelines and the box with sector risks and country issues, is the Country-specific sector issue box (this box is empty in Exhibit 4). This box contains, when applicable, a combined "Country-specific sector issue" for a particular investment. Whenever this is not applicable, this box remains empty.
- g. The *Management* box summarizes the overall and the category specific scores (both on a 0%-100% scale) that were explained at the end of section 2 on page 18. The most

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<sup>7</sup> In case the risk category is high, an independent risk and impact assessment is mandatory, as will be explained in more detail under point 5 of the section.

<sup>8</sup> Ranging from 1 (unimportant) to 5 (very important). Sector risks will only be stated when the relevance of that Performance Standard to that sector is higher than 2.

recent and the initial (i.e. first review) scores are indicated so that progress can be tracked. Whenever it has been explicitly indicated that the investment does not comply with applicable legislation, the overall E&S Management Score will be replaced with the warning to “*Compliance with applicable laws and regulation is mandatory*”. Only when the ESG Review indicates that the investment is in compliance (or in the process towards compliance), the *Management box* will indicate the management scores.

In case the most recent scores are below 100%, the management indicators that still have improvement potential are indicated. Scoring of the management indicators was discussed on page 18;

- h. In the *Opportunities* box the most relevant and sector-typical Environmental and Social performance improvement possibilities are indicated. As for the ESG risks, these opportunities reflect SRQ’s experience in the sector under consideration. Some of these may or may not be relevant for the investment, depending on specific circumstances that are outside the scope of this tool. On the other hand, significant improvement opportunities may exist that are not indicated. In general, the opportunities can serve as a starting point to look at Environmental and Social performance improvement. More often than not, Environmental and Social performance improvements translate themselves into financial benefits (e.g. energy savings, waste reduction etc.) or improve the exit opportunities.

#### 5. Viewing ESG performance of an investment over time

In order to get an overview of the level and the development of the ESG risk management of a (potential) investment follow the following procedure:

- i. Go to the START panel (indicated in Exhibit 1) using the START button on all different panels;
- ii. Press the ESG GRAPH AT INVESTMENT LEVEL button on the START panel. This will bring you to the INVESTMENT ESG GRAPH panel.

The INVESTMENT ESG GRAPH panel is illustrated in Exhibit 5 and contains one graph that contains the results of all executed reviews per selected investment<sup>9</sup>. The investment can be selected with the control *Select Investment*. Also, the reviews that serve as input to the graph can be chosen with *Review #1* and *Review #2*. The Spider Graph shows the 6 subcategories of the E&S Management Score, the Corporate Governance Score and the Business Integrity Score.

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<sup>9</sup> In case the graph does not show the results of the ESG reviews of the selected investment, refer to tips on page 25

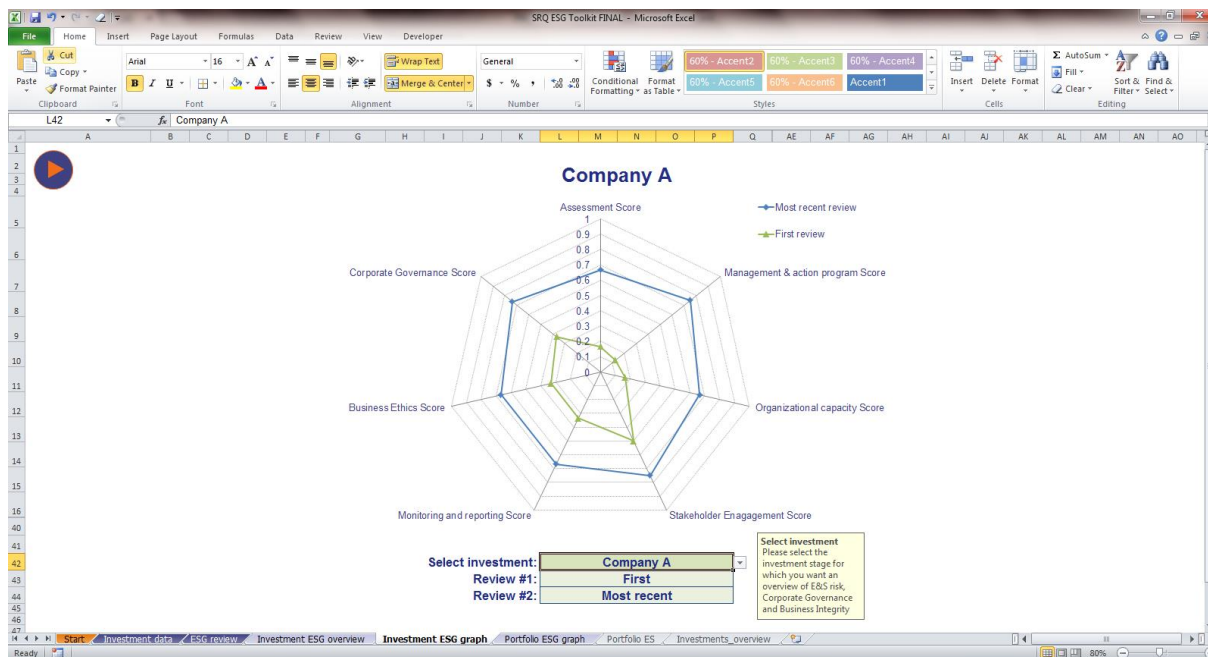


Exhibit 5: INVESTMENT ESG GRAPH PANEL

## 6. Viewing ESG performance of all investments in portfolio

In order to get an overview of the ESG risks, management and opportunities for all (potential) investments in the different stages (*Pipe line, Due diligence, Contracting, Portfolio and Exit*) follow the procedure<sup>10</sup>:

- i. Go to the START panel (indicated in Exhibit 1) using the START button on all different panels;
- ii. Press the ESG PORTFOLIO GRAPHS button on the navigation panel. This will bring you to the ESG PORTFOLIO GRAPHS panel.

The ESG PORTFOLIO GRAPHS panel is illustrated in *Exhibit 6* and contains three graphs that contain all investments in the selected investment stage. The investment stage can be selected with the control *Investment stage*.

The *E&S Management Score over time, Corporate Governance Score over time and Business Integrity Score over time* show the E&S Management Score, Corporate Governance Score and Business Integrity Score of all investments in the selected investment stage over time.

<sup>10</sup> In case the graph does not show the results of the ESG reviews of the investments in the selected investment stage, refer to tips on page 25;

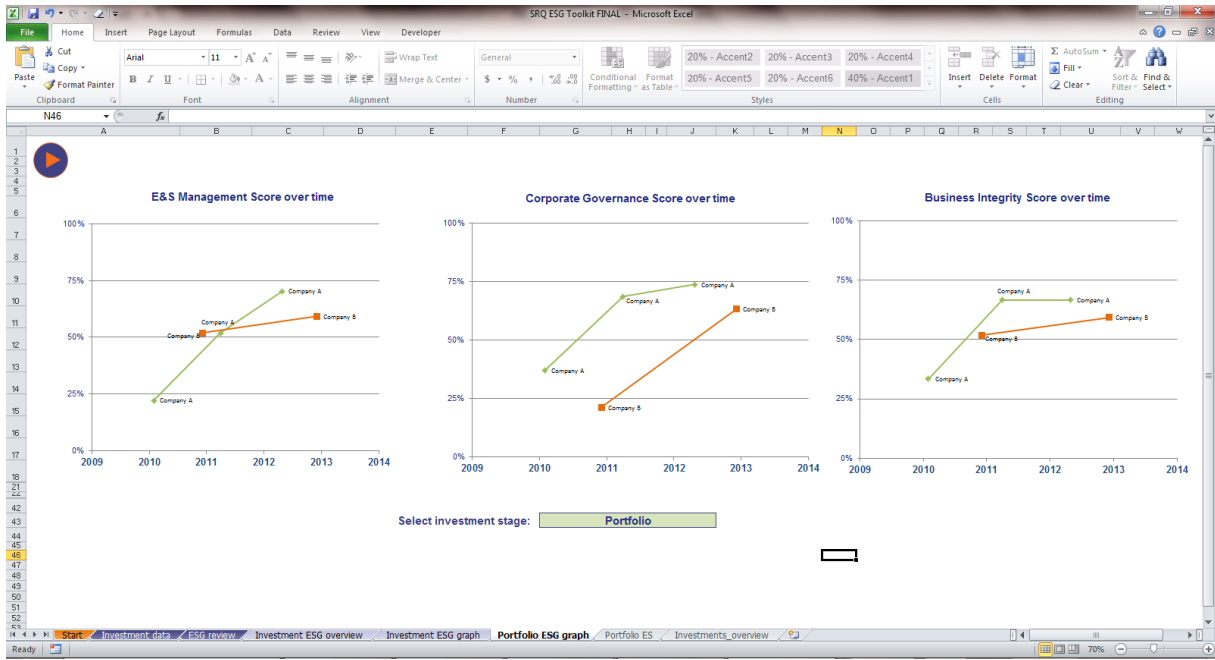


Exhibit 6: ESG PORTFOLIO GRAPHS panel

## **Instructions for updating the FMO ESG Toolkit**

### Toolkit consists of two files: Toolkit and data file

The toolkit has been developed using Excel 2007. The two files that jointly constitute the toolkit are:

- FMO ESG Toolkit.xlsx, which contains the actual toolkit to be used;
- FMO ESG Data.xlsx, which contains the risk and opportunity data used in the tool. Users do not need to use this file and SRQ will send regular updates of this file.

*Both files need to be stored in the same directory.*

## Miscellaneous

### Tips

- When using the graphs for reporting purposes, for optimal usability, select the graph, copy and paste as 'enhanced meta file'.
- Whenever the INVESTMENT ESG GRAPH and the PORTFOLIO ESG GRAPH do not work properly, please check the following settings and data inputs:
  - The regional settings of Windows (7, Vista or XP) are set to either UK or US.

#### INVESTMENT DATA panel:

- Investment stage reflects the stage in which the investment currently is and that is reflected as such in the INVESTMENT DATA panel.
- Investment amount should be inserted as numbers only. The currency is indicated as a format of cells i.e.:
  - investment amount is \$ 4 mln
  - type 4000000
  - format currency: dollars
  - ESG Toolkit shows \$4,000,000

#### ESG REVIEW panel:

- Indicate sequence and date of the review (dd/mm/yy)

### Data

- For more information on the Transparency International Index, click [here](#);
- For more information on the EPI database, click [here](#);
- For more information on the Cingranelli-Richards (CIRI) Human Rights Dataset, click [here](#);

### Guidance

- For more information and guidance on the IFC Performance Standards, click [here](#);
- For more information on sanction lists: The [EU list](#), [UN list](#) and [OFAC list](#).
- For more detailed information and guidance on the CDC Toolkit for fund managers, click [here](#);
- For more detailed information and guidance on the OECD Principles of Corporate Governance, click [here](#);
- For more detailed information and guidance on the United Nations Convention against Corruption, click [here](#);
- For more detailed information and guidance on the OECD Anti-Bribery Convention, click [here](#);
- For detailed structure and explanatory notes on sectors according to ISIC Rev.4, click [here](#);

- For more information on the IFC Environmental, Health, and Safety Guidelines, click [here](#);
- For more information on the IFC Exclusion list, click [here](#);

#### Assistance

- Contact [Steward Redqueen](#) or [FMO](#) for assistance with implementation of the Environmental, Social and Governance Risk Management