Integrating ESG into the investment process



SCREENING

DUE DILIGENCE

INVESTMENT DECISION

AGREEMENT

OWNERSHIP AND **MONITORING**

EXIT

 Confirm compliance with the fund's policy and exclusion list.

- · Identify key ESG issues early.
- Plan DD process and allocate resources.
- · Build common understanding with the company.

· Assess the ESG risks and opportunities to allow the fund's IC to make an informed decision considering: (1) ESG factors; and (2) the company's and fund manager's capacity to address risks and capitalise on opportunities.

Enable the fund's IC to make an informed investment decision that takes ESG factors into account.

· Secure and formalise commitments from the company to meet applicable ESG requirements including ESG Action Plans.

· Protect the fund from reputational, financial and/or legal damage.

• Guide/assist the company • Link evidence-improved to ensure its ongoing compliance with applicable company's value. standards, implementation • Engage with buyers on of the ESG Action Plan and improvement of ESG performance.

to new developments and/or risks.

ESG performance to

ESG and prepare reference materials.

· Ensure company's ESG · Stay informed and respond management system is selfsustaining.

- Ensure compliance with fund's policy and exclusion • Perform desk review. list.
- · Identify key ESG risks and · Conduct site visits. opportunities.
- Build a common understanding with the company.
- Categorise E&S.
- · Plan DD.

- Define scope of DD.
- Assess company's CCTR.
- · Engage ESG experts (if appropriate).
- · Agree ESG Action Plans.
- · Ensure influence and oversight.
- · Prepare DD report.
- · Provide input for the IC.

· Make an investment decision taking into account ESG factors. • Negotiate ESG terms with • Build on the relationship the company.

the shareholders agreement (or equivalent document).

established during DD.

• Incorporate ESG terms in • Regularly monitor: oversee documentation for and support the company on ESG matters.

· Manage unplanned events.

· Prepare for exit.

· Plan the exit.

 Prepare relevant ESG potential bidders.

 Identification of 'no-go' and key ESG issues.

- Initial E&S categorisation.
 ESG Action Plan(s).
- · ESG section in the screening memorandum for the IC.
- Final E&S categorisation.

- Summary of finding for the precedent.
- · DD reports, ESAP and supporting material saved.
- · IC decisions minuted.
- completion of conditions
- · Update the IC in case of material changes post-IC.

or equivalent that includes appropriate ESG clauses and clearly outlines how ESG matters will be handled during the life of the investment.

oversight.

· Record monitoring engagements.

· Annual ESG reporting and reporting to investors.

· Non-routine event communications.

Financial model taking into account ESG aspects.

information on the company's ESG performance and years.

Shareholder's agreement
 Appropriate influence and

Information

memorandum including improvements over past

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