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**EMPEA
ENVIRONMENTAL, SOCIAL
AND GOVERNANCE (ESG)
REFERENCE GUIDE**

SECOND
EDITION

EMPEA 

Introduction

Environmental, social and governance (ESG) is a broad term used to define a variety of non-financial investment issues. Developing a nuanced understanding of these issues is imperative for industry practitioners and stakeholders as investor attention to ESG matters increases. The growing importance of ESG in the private equity industry is evident in the proliferation of available resources and content on the subject. EMPEA has created and updated this ESG Reference Guide in an effort to facilitate this information exchange and communicate the availability of these resources.

About this Reference Guide

This reference guide is an initiative by EMPEA's [Frontier Markets Council](#). Now in its second edition, the Guide has been updated with additional sections and new content to reflect changes in the space, including initial learnings from the EMPEA Councils ESG Reporting Initiative. EMPEA would like to thank members from the Frontier Markets, LP and DFI Councils for their detailed inputs. It is through these inputs that we are able to provide this publication resource to serve the needs of general partners (GPs), limited partners (LPs) and related stakeholders in the industry.

By no means exhaustive, instead this guide is designed to serve as a reference for industry practitioners including GPs and LPs. Written for a diverse set of practitioners—those with and without ESG management experience—this guide will provide users with resources to either enhance their current knowledge or facilitate in their initial understanding of relevant issues within the space.

In an effort to persevere the guide's utility, it will remain a "living document" with periodic updates to reflect new information and the needs of its users. To submit content for future editions please contact Abigail Beach at beacha@empea.net.

- Peter Tropper, *EMPEA Senior Advisor,
Frontier Markets Council Chair*

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Gerherd Pries

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Publication Lead

Abigail Beach

Manager, Strategic Engagement

Production Assistance

Mike Shotton

GRC Direct

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Acronyms

- ESG - Environmental, social and governance
- EM - Emerging markets
- PE - Private equity
- LP - Limited partner
- GP - General partner/fund manager
- DFI - Development finance institution

EMPEA Brief ESG Reporting

By Abigail Beach, EMPEA

In the age of transparency, ESG reporting has evolved into a common practice for private equity practitioners in emerging markets, as evident by the shift in the dialogue around ESG. Instead of speculating over the value of ESG reporting, practitioners are instead engaging around strategies to enhance the quality and value of their reporting activities. In this new reporting age, what trends and best practices can be gleaned from the myriad of current reporting approaches, resources and tools? What lessons can be learned from the practitioners active in the space?

This section summarizes learnings from the EMPEA Councils ESG Reporting Initiative, specifically drawing on insights from interviews with various EMPEA Members, including LPs, GPs and industry advisors.

Best Practices in ESG Reporting

Effective Reporting is a By-Product, not the Driver, for How You Approach ESG

Good ESG reporting is not the driver nor end goal, rather it is an outcome of a firm's effective ESG management system. As James Magor, Manager of Responsible Investments for Actis states, "If reporting is seen as the end goal, that isn't best practice." Dr. Samantha Lacey, ESG Manager for CDC Group plc, expands this statement, "Ultimately good ESG reporting has to stem from decent ESG management at the fund manager and portfolio company level. ESG reporting is not the be all end all nor the driver. The drivers should be identifying the risks, impacts and opportunities and managing those well. If you do that reporting should be easy."

Avoid a Checklist Approach and Instead Focus on Materiality, Consistency and Accuracy

Applying appropriate and insightful metrics is key to achieving relevant, actionable reporting data. Rather than simply relying on an extensive list of generic metrics, an organization's reporting metrics should reflect the sectorial, geographical and contextual nuances of the investment portfolio. According to James Magor of Actis, "A core set of particularly insightful metrics supplemented by investment-specific data points is best practice rather than an exhaustive list of generic metrics or a checklist approach."

Building upon this, EBRD suggests that principles for good reporting both to internal and external stakeholders involve focusing on materiality, selecting and compiling reports consistently and accurately. In terms of materiality, a firm must determine and report on what is relevant and vital from both the investee company and investor perspective.

Deriving Value from ESG Reporting Requires Early Intervention, Analysis and Diligent Follow Up

Realizing the full returns of ESG reporting requires practitioners to: 1) integrate ESG early on and throughout the investment life cycle; 2) develop a baseline assessment to evaluate future impact; 3) conduct meaningful data analysis; 4) diligently follow up with all related stakeholders.

Incorporating ESG initially and throughout the investment lifecycle (from due diligence to exit) maximizes the ESG investment, and provides greater opportunities to create value and enhance carry, according to James Brice, Managing Director for EBS Advisory. "The later the ESG involvement is left in these investment activities, the lower the opportunity for ESG to enhance carry. We have evidence that ESG can shift carry well above the 15% estimated by one DFI. We have seen numbers of 16% and higher, even above 17% for some assets with high ESG exposure." Brice

Ultimately good ESG reporting has to stem from decent ESG management at the fund manager and portfolio company level. ESG reporting is not the be all end all nor the driver. The drivers should be identifying the risks, impacts and opportunities and managing those well. If you do that reporting should be easy.

- Dr. Samantha Lacey,
ESG Manager for CDC Group plc

Practitioner's Perspective: A North American public pension fund

When engaging with GPs around private equity investments, this North American public pension fund inquires about:

- GP's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks
- If and how the GP influences and supports its portfolio companies' management of ESG related risks and pursuit of ESG-related opportunities
- How the GP will help the LP to monitor and, where necessary, ensure that the GP is acting consistent with the agreed-upon ESG-related policies and practices as set forth at fund formation
- GP's approach to managing and disclosing material incidents at the GP and portfolio levels

also suggests combining a social and environmental baseline assessment with the due diligence risk assessment. Doing this will provide a baseline against which any further impact (both positive and negative) generated by the asset can be measured. Conducting these assessments together also utilizes the firm's resources efficiently by maximizing the value of having an independent ESG professional on the site.

Measuring and reporting on ESG information is only helpful if there is analysis and follow up behind it James Magor of Actis explains. Information analyzed should also be used to "set objectives with meaningful actions to achieve those objectives."

Build Internal Capacity to Report and Supplement Appropriately

According to Dr. Lacey of CDC, "For larger funds or those with high E&S exposure, we find that having in-house E&S expertise and then using consultants for the technical issues can be quite effective."¹ Felipe Albertani, E&S Development Specialist for IFC agrees, "Some funds hire full-time E&S specialists and that is a good indicator of success. Training fund staff and employing qualified consultants with the appropriate expertise is also critical." Employing consultants to carry out specific elements of this work does however put the onus on the fund to follow up with the consultant around specific action items. It is also critical that any in-house E&S experts work in tandem with the investment team to ensure effective ESG management implementation, according to Dr. Lacey of CDC.

Prasad Modak, Dean of IL&FS Academy for Applied Development (IAAD), suggests that LPs looking to build out their program should also "engage third party experts to carry out independent evaluation of implementation of ESG." Related to this, a North American public pension fund emphasizes that an "ESG program should be incorporated throughout the organization and across all asset classes."

Trends in ESG Reporting

ESG reporting has experienced major changes and development in recent years. Stakeholder groups including investors and regulators as well as the proliferation of tools and related-research are all drivers of these trends.

Web-Based Disclosure

Increasingly LPs and GPs have recognized the value of more frequent reporting, or as James Magor of Actis explains, "If your focus is on a year-end report, you aren't keeping your finger on the pulse of what is going on in your underlying portfolio. If you are analyzing data points on a more frequent basis you can track trends across the year."

¹ For additional guidance on how to work with consultants refer to the CDC Toolkit Resources at http://toolkit.cdcgroup.com/assets/uploads/Working_with_consultants.pdf

Practitioner's Perspective: EBRD Creating an Effective Environmental, Social Management System (ESMS)

Building out your ESG program (consequently enhancing your ESG reporting) starts with developing an effective Environmental, Social Management System (ESMS). EBRD advises firms that building out and implementing an ESMS involves:

1. Developing a strategy and policy statement
2. Identifying risks and impacts
3. Preparing management plans and procedures
4. Ensuring organizational competency and capacity
5. Engaging internal stakeholders
6. Implementing management plans and procedures
7. Monitoring and reporting on performance
8. Reviewing performance and make changes where necessary

Anne Fossemalle, Director, Equity Funds at EBRD comments that, "Building out an ESG program from nothing can be a daunting process. EBRD offers practical help and resources to its clients by providing bespoke face to face training delivered by consultants and/or members of its ESG department or via EBRD's E&S E-learning program." As part of EBRD's wider support to enhancing ESG matters, it has also created an E&S Risk Management Manual for Financial Institutions (E-manual) available to all on its website and highlighted under Publicly Available Tools and Resources Section of this Guide.

"If your focus is on a year-end report, you aren't keeping your finger on the pulse of what is going on in your underlying portfolio. If you are analyzing data points on a more frequent basis you can track trends across the year."

James Magor,
Manager of Responsible Investments for Actis

Web-based reporting and interactive tools have been developed in an effort to optimize resources and support increased reporting efforts.

Integrated Reporting

Integrated reporting is a product of investors increasing consideration of non-financial factors when assessing the value of companies. "Integrated reporting builds on the existing financial reporting model to incorporate nonfinancial information that can help stakeholders understand how a company creates and sustains value over the long-term."² Prasad Modak of IAAD explains, "ESG Reporting has undergone major changes in the last decade especially in the form of integrated reporting where environmental and social performance is included along with financial performance. [PUMAs annual integrated report](#) has been a well discussed case where environmental and social externalities have been brought into the balance sheet." Integrated reporting may also be helpful in inserting the ESG issues in the context of the business.

Harmonization and Standard Setting

In recognition of the potential burden that the growing number and complexity of ESG issues and reporting requirements could have, industry initiatives have been launched around harmonization and standardization of approaches. A North American public pension fund acknowledges these efforts, and the "growing role and importance of organizations in setting consistent standards in the industry that have meaningful impact on investment results."

Sector-Specific Resources

Practitioners in the space including GPs and LPs have developed sector-specific resources to help build a more nuanced understanding of key ESG standards and issues involved in individual sectors. These resources are helpful to practitioners

2 "Integrated Reporting: Going beyond the financial results." August 2013, <https://www.pwc.com/us/en/cfodirect/assets/pdf/point-of-view-integrated-reporting.pdf>

in identifying and executing on insightful ESG metrics. IFC built upon their Performance Standards and the World Bank Group EHS Guidelines to create the Industry Sector Guidelines. As part of the launch of their new toolkit for fund managers, CDC Group plc developed Sector Profiles. EBRD also has related resources called Sub-sectoral E&S Guidelines. Additionally investor initiatives have been created around individual sectors to build tailored sector-specific ESG resources, including the Farm Animal Investment Risk and Return (FAIRR), which provides practitioners with ESG resources specifically devoted to livestock and aquaculture supply chains.

Acquire Actionable Data by Applying Insightful Metrics

Understanding what information you want and need to report on is a critical step in building out a system and set of metrics to aggregate the desired information. Reporting on ESG requires determining what is material for investee companies and what information is required by investors. Determining what information is additive and required to report on can be an arduous task. Dr. Lacey of CDC Group plc provides an insightful framework for GPs on how to approach reporting at the individual portfolio company-level to LPs. “From an E&S perspective what I need to know is: what were the E&S issues you identified at the time of the investment, what progress has been made or challenges faced relative to last year’s priorities, and what are your priorities for the following year?”

Once the information needed is determined, identifying and applying appropriate metrics is the next critical step to insightful ESG reporting. Appropriate metrics would be metrics which reflect the context of the business and provide data with suitable scope. Achieving suitable scope enables stakeholders to analyze data at varied levels and granularity.

Recognizing the general strategy behind each ESG category is helpful in calibrating organization-specific metrics.

■ Environmental

Environmental metrics should focus on resource efficiency. Resource efficiency is informed by usage and reduction statistics (generally focused on electricity, water, waste, etc.). Focusing on just resource usage instead of resource efficiency will inadvertently penalize growth. James Magor of Actis

explains, “You don’t want to penalize a business for growth, instead you want to report on how the business has normalized usage and become more resource efficient.”

■ Social

In general, social metrics relate to employment and workers’ rights. Rather than merely looking at the number of jobs created, metrics focused on voluntary leavers, change in employment and gender breakdown will provide more actionable, insightful data to benchmark across sectors and markets. These types of metrics according to Magor, “Provide more granularity and deeper insight into staff welfare and labor conditions.”

■ Governance

Governance-related metrics focus on business integrity, board effectiveness and transparency. Metrics such as the number of staff trained on anti-bribery policy, number of breaches recorded, implementation of compensation policies and board composition help to inform on business integrity and transparency. A North American public pension fund emphasizes the importance of these metrics, “Governance-related metrics are most important to [this institution], such as quality of corporate governance, board composition and compensation policies, as well as transparency and disclosure of all fees charged to portfolio companies.”

Common ESG Reporting Mistakes

Being Too Output Driven

Instead of concentrating on building a ESG Management System that delivers actionable reporting data, GPs can become preoccupied with creating a reporting product that they think the LP reader wants to see. Albert Van Leeuwen, Senior Environmental Officer at FMO explains, “Non-aligned and detailed reporting requirements from LPs may lead to GPs spending more time and effort on how the LPs want to see the information than on the quality of the data behind report.” Hany Assaad, Co-Founder and Chief Portfolio and Risk Officer for Avanz Capital Partners agrees, “GPs need to figure out the business side of measuring and reporting, not just focus on the report itself. GPs need to determine what they are trying to achieve by measuring and reporting in order to improve the business of the company.”

Not Following Up Appropriately

It is best practice within the space to hire a consultant to supplement in technical areas. Often times in this space initial due diligence reports are outsourced. If this activity is outsourced, it is imperative for GPs to work with the consultant to understand the report's findings and follow up appropriately with the consultant's action items. In order to execute on this, GPs must assign internal responsibility for this follow up within the firm.

From the LP perspective, it is also critical that as stakeholders they follow up with their GPs. Albert Van Leeuwen of FMO recognizes this, "We have regular (ESG-related) communication with our GPs in addition to annual ESG reports. We use this to follow up and work through any new challenges."

Not Maximizing the Value of ESG Reporting

Stakeholders who approach ESG reporting merely as a requirement will be missing value creation opportunities. James Brice of EBS Advisory explains, "Almost all monitoring and reporting in EM is focused on minimizing the reputational risk to the LP, rather than optimizing social and financial returns to the investee company and its beneficiaries (i.e. its labor, suppliers, customers, community and environment)."

Analyzing Data in Isolation

Realizing the full returns of ESG reporting requires stakeholders to both understand the underlying drivers behind the data points and benchmark across sectors and market trends. As James Magor of Actis describes, "A common mistake is not collecting data at frequent enough intervals to allow analysis of trends. One data point in isolation rarely tells you much but if you can track trends across extended periods you can get meaningful insight from trend analysis."

ESG Reporting in Emerging Markets versus Developed Markets

ESG reporting in emerging markets presents both unique opportunities and challenges relative to developed markets.

Additional Opportunities for Value Creation

For those stakeholders that invest in a good ESG Management System and report effectively they have

opportunities to differentiate themselves from their competitors. James Magor of Actis explains, "Within emerging markets ESG measuring and reporting analysis is seen as an opportunity to stand out from the crowd because it isn't the norm and that does drive value in an emerging markets business." James Brice of EBS Advisory supports this idea, "ESG defines the emerging markets investment landscape more than in other markets, and results in upside opportunities for the prudent and active investor which are hanging much lower on the tree than in developed markets."

Greater Emphasis on Transparency and Disclosure

Public sentiment and perceived risk can create challenges for practitioners active in emerging markets. A North American public pension fund explains "[Our institution] has the same approach on ESG assessment for emerging markets and developed markets managers. However, we believe that complete transparency and disclosure is of critical importance in emerging markets."

Understanding the Local Context is Key

In emerging markets, especially markets that lack an effective regulatory framework and mechanisms for implementation and enforcement, understanding the local context and following up with local stakeholders is key. As Dr. Samantha Lacey of CDC explains, "In emerging markets you need a lot more context, understanding what the company does, where they operate and the situation on the ground is really important if you are going to understand what the pressures on the company are. You can't assume that the basics are going to be covered by local legal compliance. Implementation and enforcement can be very rarely relied upon in emerging markets. You have to ask and follow up on the basic, minimum questions."

Conclusion

As the business case for effective ESG management becomes stronger and more common amongst a diverse set of industry stakeholders, the pressures and complexities around ESG reporting increases. ESG reporting in emerging markets creates an additional layer of both opportunities and intricacies. But for those stakeholders who invest in understanding the available resources and strategies, and who approach ESG reporting as an opportunity, they will be rewarded with insightful, actionable data.

EMPEA ESG Reporting Survey

During Q1 2016, EMPEA surveyed its DFI Council members (13 in total) to identify broad trends in ESG reporting within the community. The following is a summary of our findings from the survey.

Finding	Additional Resources
<p>The majority adhere to the EDFI Principles for Responsible Investment</p> <p>Over half (54%) of the Council are EDFI members and have committed to the organization's harmonized ESG standards.</p>	<ul style="list-style-type: none"> ■ EDFI³ ■ EDFI Principles for Responsible Investment⁴
<p>Over a third of the Council are Signatories to the Principles for Responsible Investment (PRI)</p> <p>39% of the Council are PRI Signatories with the majority (80%) being European DFIs.</p>	<ul style="list-style-type: none"> ■ PRI⁵
<p>The IFC Performance Standards on Environmental and Social Sustainability is the most referenced framework for E&S policy</p> <p>Nearly all of the Council members' E&S policies reference The IFC Performance Standards on Environmental and Social Sustainability.</p>	<ul style="list-style-type: none"> ■ The IFC Performance Standards on Environmental and Social Sustainability⁶
<p>The UN Declaration of Human Rights and ILO Core Conventions are commonly referenced in individual policies</p> <p>Over 1/3 of the Council members reference these frameworks in their ESG policies.</p>	<ul style="list-style-type: none"> ■ The Universal Declaration of Human Rights⁷ ■ ILO Core Conventions⁸
<p>Many DFIs have their own publicly available ESG reporting templates</p> <p>Nearly 40% of the Council maintains individual, publicly available ESG reporting templates.</p>	<ul style="list-style-type: none"> ■ Refer to the DFI Reporting Tools & Requirements section on page 22 for more details
<p>Annual ESG Reporting is the norm, but ad hoc reporting is becoming more common</p> <p>Annual ESG reporting remains the standard both for European and North American DFIs, but over 1/3 of the Council now engages in supplemental reporting with GPs throughout the year.</p>	<ul style="list-style-type: none"> ■ Refer to the DFI Reporting Tools & Requirements section on page 22 for more details

³ <http://www.edfi.be/>

⁴ http://www.swedfund.se/media/21/edfi_principles_responsible_financing-signed_copy_22-23-24.pdf

⁵ <http://www.unpri.org/>

⁶ http://www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afdf998895a12/IFC_Performance_Standards.pdf?MOD=AJPERES

⁷ <http://www.un.org/en/universal-declaration-human-rights/>

⁸ <http://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

Finding	Additional Resources
<p>Nearly all the members have separate ESG annual reports and/or ESG policy statements available publicly</p> <p>Referring to these DFI documents is helpful in understanding an organization's ESG reporting requirements.</p>	<ul style="list-style-type: none"> ■ BIO E&S Reference Documents⁹ ■ CDC Investment Code¹⁰ ■ DEG Sustainability Report¹¹ ■ EBRD Environmental and Social Policy¹² ■ EIB Sustainability Report¹³ ■ Finnfund ESG Policy¹⁴ ■ FMO ESG Policy¹⁵ ■ IADB Evaluation of IDB Group's Work through Financial Intermediaries: Environmental and Social Safeguards Background Report¹⁶ ■ IFC Policy on Environmental and Social Sustainability¹⁷ ■ Obviam's Approach to Responsible Investment¹⁸ ■ OPIC Investment Policies¹⁹ ■ PROPARCO Responsibility Resources²⁰ ■ Swedfund's Policy for Sustainable Development²¹

9 <http://www.bio-invest.be/en/component/downloads/downloads/32.html>

10 <http://www.cdcgroup.com/pagefiles/149/cdcinvestmentcode.pdf>

11 <https://www.deginvest.de/International-financing/DEG/Die-DEG/Nachhaltigkeit/>

12 <http://www.ebrd.com/downloads/research/policies/esp-final.pdf>

13 <http://www.eib.org/infocentre/publications/all/sustainability-report-2014.htm>

14 http://www.finnfund.fi/yritys/sustainability/en_GB/environmental_policy/

15 <https://www.fmo.nl/esg-policy>

16 <https://publications.iadb.org/handle/11319/7536>

17 http://www.ifc.org/wps/wcm/connect/33a34dcb35efaa36c37a38a/SP_English_39.pdf?MOD=AJPERES

18 <http://www.obviam.ch/med/116-110411-obviam-ri-conceptfinal.pdf>

19 <https://www.opic.gov/doing-business-us/OPIC-policies/the-environment>

20 http://www.proparco.fr/lang/en/Accueil_PROPARCO/financement-responsable/responsabilite-sociale-environnementale

21 <http://www.swedfund.se/media/40/swedfund-policy-for-sustainable-development-41-42-43.pdf>

Publicly Available Tools & Resources

Resource	Author (s)	Type	Summary	Sample Topics Covered
Abraaj Group Sustainability Report & The Abraaj Sustainability Index ²²	The Abraaj Group	Report	Annual sustainability report highlighting how the firm integrates ESG into their investments	<ul style="list-style-type: none"> ■ Sustainability as a business principle ■ Sustainability at The Abraaj Group & case studies ■ Responsibility and innovation
Aligning Expectations Guidance for Asset Owners on Incorporating ESG Factors into Manager Selection, Appointment and Monitoring ²³	PRI	Report	A framework for Asset Owners who appoint and monitor external managers to assess whether their managers' investment policies and processes are consistent with their ESG expectations	<ul style="list-style-type: none"> ■ Developing ESG-related expectations ■ Manager selection ■ Manager appointment ■ Manager monitoring
BVCA Guide to Responsible Investment ²⁴	BVCA	Guide	A guide for GPs on how to manage ESG risks and opportunities throughout the investment lifecycle	<ul style="list-style-type: none"> ■ Developing an ESG agenda ■ Managing ESG risks/ opportunities across the investment cycle ■ Responsible investment reporting ■ Summary of key ESG risks and opportunities ■ Case studies
EBRD Webinar: Environmental and Social Policy Development - Best Practice for Financial Institutions ²⁵	EBRD	Webinar	Best practices for E&S policy development	<ul style="list-style-type: none"> ■ What is an E&S policy and why is it needed? ■ Key considerations when developing an E&S policy ■ Best practice elements ■ Review of good policy examples

²² <http://www.abraaj.com/sustainability/sustainability-report-2014-15/integrating-esg-into-our-investments>

²³ http://2xjmlj8428u1a2k5o34l1m71.wpengine.netdna-cdn.com/wp-content/uploads/Aligning_Expectations_2013.pdf

²⁴ <http://www.bvca.co.uk/ResearchPublications/Publications/BVCAGuides/PubliclyAvailableGuides.aspx>

²⁵ <http://www.ebrd.com/who-we-are/our-values/environmental-emanual-education.html>

Publicly Available Tools & Resources

Resource	Author (s)	Type	Summary	Sample Topics Covered
EBRD Sustainability Index for FIs²⁶	EBRD	Index	The Index is designed to help EBRD partner FIs to understand how they are responding to sustainability issues and the extent to which they have implemented a systematic approach to managing sustainability issues	<ul style="list-style-type: none"> ■ What to expect when working with CDC ■ ESG business case ■ How to address ESG matters throughout the investment cycle ■ How to set up and continually improve ESMS and governance and business integrity management systems (GBIMS) ■ How to assess and manage governance and business integrity matters ■ Sector profiles ■ E&S briefing notes ■ Case studies ■ Further references, checklists, templates and other useful materials
EBRD Webinar: Environmental and Social Management Systems - Best Practice for Financial Institutions²⁷	EBRD	Webinar	This webinar session provides guidance for financial institutions (FIs) to establish and implement Environmental and Social Management Systems (ESMS) that align with industry best practice	<ul style="list-style-type: none"> ■ What is an ESMS ■ Summary of EBRD E&S requirements ■ Building an ESMS ■ Successful ESMS
E&S Risk Management Toolkit²⁸	EBRD	Toolkit	A toolkit to help EBRD partner financial intermediaries to meet the requirements of EBRD's E&S Risk Management Procedures for Corporate Loans, SME Loans and Equity Investments	<ul style="list-style-type: none"> ■ E&S risk assessment ■ Legal compliance ■ Commitment, capacity & track record questionnaire ■ Site visit checklist ■ E&S due diligence report

²⁶ <http://www.ebrd.com/who-we-are/our-values/environmental-emanual-toolkit.html>

²⁷ <http://www.ebrd.com/who-we-are/our-values/environmental-emanual-education.html>

²⁸ <http://www.ebrd.com/who-we-are/our-values/environmental-emanual-toolkit.html>

Publicly Available Tools & Resources

Resource	Author (s)	Type	Summary	Sample Topics Covered
ESG in Private Equity-2015 ²⁹	Malk Sustainability	Study	A 2013 assessment of the state of the private equity sector's management of ESG issues	<ul style="list-style-type: none"> ■ LP & GP drivers propelling adoption of ESG management ■ LP & GP trends in ESG commitment ■ Structuring ESG capabilities
ESG in Private Equity: A Fast-Evolving Standard ³⁰	INSEAD's Global Private Equity Initiative (GPEI)	Report	A practical guide for both GPs and LPs interested in developing a nuanced understanding of the existing approaches to managing ESG investment considerations in portfolio firms	<ul style="list-style-type: none"> ■ Emerging frameworks presently used for managing ESG considerations ■ ESG measurement & valuation ■ ESG in EM ■ GP snapshots and case studies
Farm Animal Investment Risk & Return (FAIRR) Resources ³¹	FAIRR	Website	FAIRR, a Jeremy Collier Initiative, provides investors with a wide range of publications and materials to help them understand and manage risks and opportunities linked to factory farming	<ul style="list-style-type: none"> ■ Factory farming assessing investment risks report ■ Business benchmark on farm animal welfare ■ Case studies
FIRST for Sustainability ³²	IFC, Ministry of Foreign Affairs Finland, Sida	Website	Website for financial institutions with ESG-related content, resources and tools	<ul style="list-style-type: none"> ■ Multi

²⁹ <http://malksp.com/esg-in-pe/esg-in-private-equity-2015/>

³⁰ <http://centres.insead.edu/global-private-equity-initiative/research-publications/documents/ESG-in-private-equity.pdf>

³¹ <http://www.fairr.org>

³² <https://firstforsustainability.org/>

Publicly Available Tools & Resources

Resource	Author (s)	Type	Summary	Sample Topics Covered
FMO & Steward Redqueen ESG Toolkit ³³	FMO & Steward Redqueen	Toolkit	Publicly available Excel-based toolkit designed to provide GPs with a practical tool to integrate ESG analysis into investment decisions and portfolio management. The toolkit is also designed to help GPs efficiently identify and assess potential ESG risks and opportunities for ESG improvements	<ul style="list-style-type: none"> Multi
Getting your House in Order: Why it is Imperative for GPs to Manage ESG Opportunity and Risk ³⁴	KPMG	Survey	Survey using 59 LP interviews to highlight trends and specific issues related to ESG in PE	<ul style="list-style-type: none"> Evolving ESG trends Value of managing ESG risks-LP perspective Practical guidance for managing ESG risk
Global Reporting Initiative (GRI) ³⁵	GRI	Guides, templates, example reports	As an organization focused on sustainability reporting, the GRI offers sector and industry-specific reporting guides and resources	<ul style="list-style-type: none"> Multi
Guidelines for Responsible Investment ³⁶	US Private Equity Growth Capital Council (US PEG-CC)	Guidelines	A set of comprehensive responsible investment guidelines adopted by PEGCC membership which cover environmental, health, safety, labor, governance and social issues	<ul style="list-style-type: none"> 9 guidelines outline environmental, health, safety, labor, governance and social issues related to responsible investment
IFC-CESI Environmental and Social Review Procedures Manual ³⁷	IFC	Manual	Outlines IFC-CESI's Environmental and Social Review Procedures for both direct investments and financial intermediaries	<ul style="list-style-type: none"> Multi

³³ <https://www.fmo.nl/esg-tools>

³⁴ <https://www.kpmg.com/lu/en/topics/climatechangeandsustainabilityservices/documents/57-getting-your-house-in-order-why-it-is-imperative-for-gps-to-manage-esg-opportunity-and-risk.pdf>

³⁵ <https://www.globalreporting.org/information/about-gri/Pages/default.aspx>

³⁶ <http://www.pegcc.org/private-equity-council-members-adopt-guidelines-for-responsible-investment/>

³⁷ <http://www.ifc.org/wps/wcm/connect/62d63fb64ef65a66bb67/ESRP+Manual.pdf?MOD=AJPERES>

Publicly Available Tools & Resources

Resource	Author (s)	Type	Summary	Sample Topics Covered
IFC: Guidance on integration of environmental & social considerations for use by Private Equity Funds ³⁸	IFC	Guide	Guidance for integrating ESG issues across the investment lifecycle	■ Multi
IFC Performance Standards on Environmental and Social Sustainability ³⁹	IFC	Industry standards	IFC's Sustainability Framework articulates the Corporation's strategic commitment to sustainable development, and is an integral part of IFC's approach to risk management. The Sustainability Framework comprises IFC's Policy and Performance Standards on Environmental and Social Sustainability, and IFC's Access to Information Policy	■ Multi
IL&FS Academy of Applied Development (IAAD) ⁴⁰	IAAD	Reports, videos, training	Not-for-profit research-to-practice facilitator in the domain of sustainability. The aspiration is to create a knowledge hub of excellence for innovation and a think-tank for policy & advocacy to address the emerging challenges and opportunities in the areas of climate change & sustainability	■ Multi
ILPA Due Diligence Questionnaire Tool ⁴¹	ILPA	Questionnaire	The tool covers topics related to fund diligence with dedicated sections to governance and risk/compliance/ESG	■ Multi

38 <https://firstforsustainability.org/media/ESMS%20Guidance%20for%20PE%20funds.pdf>

39 http://www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afdf998895a12/IFC_Performance_Standards.pdf?MOD=AJPERES

40 <http://www.ilfsacademy.org/>

41 <https://ilpa.org/best-practices/due-diligence-questionnaire/>

Publicly Available Tools & Resources

Resource	Author (s)	Type	Summary	Sample Topics Covered
ILPA Private Equity Principles ⁴²	ILPA	Guidelines	Principles designed to further partnership between LPs and GPs	<ul style="list-style-type: none"> ■ Multi
Integrating ESG into the Investment Process ⁴³	MSCI Research	Report	A report designed to provide guidance for integrating ESG considerations into the investment process of mainstream institutional GPs	<ul style="list-style-type: none"> ■ Motivations and key rationales for integrating ESG into institutional portfolios ■ Strategies for integration and engagement ■ Analytical approach for measuring and monitoring ESG risk at the portfolio level
Limited Partners' Responsible Investment Due Diligence Questionnaire & How to Use It ⁴⁴	PRI	Guide	The LP Responsible Investment DDQ aims to understand and evaluate a GP's processes for integrating material ESG factors into their investment practices and to understand where responsibility for doing so lies	<ul style="list-style-type: none"> ■ Questioning guides for LPs ■ Case studies demonstrating the market relevance of the due diligence questions ■ Additional resources
PRI Reporting Framework 2013/14 ⁴⁵	PRI	Framework	A framework to provide guidance on how organizations govern and implement responsible investment. GPs can use the Direct– Private Equity module as guidance on how to integrate ESG factors into their investment processes	<ul style="list-style-type: none"> ■ The framework consists of 12 modules. There are modules for direct and indirect implementation, each tailored for individual asset classes
Putting a Price on Value ⁴⁶	PwC	Survey	The PwC PE Responsible Investment survey aggregates the attitudes to responsible investment within the PE industry of existing practices and future plans in ESG management	<ul style="list-style-type: none"> ■ Survey results on how PE firms view ESG management ■ Trends in ESG risk management ■ Deriving value from ESG initiatives

⁴² <http://www.pegcc.org/private-equity-council-members-adopt-guidelines-for-responsible-investment/>

⁴³ http://www.syntao.com/Uploads/%7BB2543895-467B-4D56-AE76-F03D5B57826F%7D_Integrating_ESG_into_the_Investment_Process_Aug_2011.pdf

⁴⁴ http://www.unpri.org/wp-content/uploads/PRI-LP-Responsible-Investment-DDQ_accompanying-guidance.pdf

⁴⁵ <http://www.unpri.org/areas-of-work/reporting-and-assessment/reporting-framework/>

⁴⁶ http://www.pwc.com/gx/en/sustainability/publications/assets/putting-a-price-on-value_pwc-private-equity-survey.pdf

Publicly Available Tools & Resources

Resource	Author (s)	Type	Summary	Sample Topics Covered
Responsible Investment in Private Equity: A Guide for Limited Partners ⁴⁷	PRI	Guide	Designed to highlight the role LPs have in promoting ESG factors into PE investment decisions	<ul style="list-style-type: none"> ■ ESG considerations for PE investing ■ Guidance for LPs on how to integrate ESG considerations into: <ul style="list-style-type: none"> • Investment policy and investment decisions • Ownership activities, i.e. monitoring and engagement • The disclosures sought from a GP and underlying portfolio companies
Responsible Investment in Private Equity: Case Studies ⁴⁸	PRI	Case Studies	These case studies are intended to help facilitate the implementation of responsible investment through the exchange of best practices	<ul style="list-style-type: none"> ■ 9 case studies on: <ul style="list-style-type: none"> • Abraaj • Actis • Blue Wolf Capital Management • Doughty Hanson and Avanza Group • The New Zealand Superannuation Fund and Direct Capital Partners • KKR • Permira • Robeco
Writing A Responsible Investment Policy Guidance for Asset Owners ⁴⁹	PRI	Guide	Guidance to asset owners who would like to develop a responsible investment policy and how such policy links to the overall institutional policy structures	<ul style="list-style-type: none"> ■ Getting started ■ Writing up your policy ■ Example asset owner policies

47 http://www.unpri.org/wp-content/uploads/PE_Guide_2.pdf

48 <http://2xjmlj8428u1a2k5o34l1m71.wpengine.netdna-cdn.com/wp-content/uploads/PEcasestudiesFINAL.pdf>

49 http://www.unpri.org/wp-content/uploads/PRI_tool_Writing_a_responsible_investment_policy_Guidance_for_asset_owners.pdf

The LP Perspective

Organization	What LPs are Saying About ESG	Related Resources
Caisse de dépôt et placement du Québec	"The Caisse believes that if businesses manage environmental, social and governance factors (ESG factors) proactively and effectively, they are more likely to achieve sustainability and to create value over the long term." ⁵⁰	CDPQ Responsible Investment Report 2014 ⁵¹
CalPERS	"CalPERS believes that environmental, social, and governance issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, and asset classes over time." ⁵²	Towards Sustainable Investment & Operations 2014 Report ⁵³
CDC Group plc	"There is wide recognition in the financial community that an effective analysis of ESG risks and opportunities is a fundamental part of the assessment of a company's value. Addressing ESG risks and realizing opportunities for ESG improvements during a fund's investment period are important levers for fund managers to add value to their portfolio companies." ⁵⁴	CDC's Code of Responsible Investing ⁵⁵
FMO	"Experience has proven to us that those who incorporate sustainable environmental, social and governance (ESG) practices into their business have enjoyed stronger financial results and long-term viability." ⁵⁶	FMO ESG Policy ⁵⁷
Ontario Teachers' Pension Plan Board (OTPP)	"Our principled approach encompasses a careful consideration of the material environmental, social and governance (ESG) risks and opportunities facing the companies and other assets we own. We take these into account because we believe these issues can affect investment returns." ⁵⁸	OTPP's Responsible Investing Q&As ⁵⁹

50 CDPQ Responsible Investment Report 2014, http://cdpq.com/sites/all/files/medias/en/nouvelles-medias/documents/ra2014_responsible_investment_en.pdf

51 http://cdpq.com/sites/all/files/medias/en/nouvelles-medias/documents/ra90_responsible_investment_en.pdf

52 Towards Sustainable Investment & Operations, 2014 Report, <https://www.calpers.ca.gov/docs/forms-publications/esg-report-2014.pdf>

53 <https://www.calpers.ca.gov/docs/forms-publications/esg-report-80.pdf>

54 CDC's Code of Responsible Investing, [http://www.cdccgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20\(Final%20Annotated\).pdf](http://www.cdccgroup.com/Documents/ESG%20Publications/Code%20of%20Responsible%20Investing%20(Final%20Annotated).pdf)

55 [http://www.cdccgroup.com/Documents/ESG%91Publications/Code%92of%93Responsible%94Investing%95\(Final%96Annotated\).pdf](http://www.cdccgroup.com/Documents/ESG%91Publications/Code%92of%93Responsible%94Investing%95(Final%96Annotated).pdf)

56 FMO, ESG Matters, <https://www.fmo.nl/esg-matters>

57 <https://www.fmo.nl/esg-policy>

58 OTPP'S Responsible Investing Q&As, <https://www.otpp.com/investments/responsible-investing/our-principled-approach/qa-s>

59 <https://www.otpp.com/investments/responsible-investing/our-principled-approach/qa-s>

Organization	What LPs are Saying About ESG	Related Resources
QIC Global Private Equity	“Due to the long-term nature of its private equity investments, QIC Global Private Equity (GPE) believes that by considering ESG factors when investing, it can broaden the sources for idea generation and potentially improve risk management and increase return opportunities for clients. QIC GPE considers ESG factors through an overarching risk management and opportunity seeking framework. ESG considerations are taken into account at the time of selecting GPs to determine how management of these issues are carried out and how appropriate opportunities are sought, as well as to understand how these factors impact the companies the GP invests in on our behalf.” ⁶⁰	QIC Global Private Equity: ESG Guidelines 2013 ⁶¹

DFI Exclusion Lists⁶²

Exclusion lists define the types of projects individual organizations do not finance. Reasons for not financing specific types of investments vary among organizations.

- [Harmonized European Development Finance Institution \(EDFI\) Exclusion List](#)⁶³
- [European Bank for Reconstruction and Development \(EBRD\) Environmental and Social Exclusion List](#)⁶⁴
- [European Investment Bank \(EIB\) Excluded Activities](#)⁶⁵
- [International Finance Corporation \(IFC\) Exclusion List](#)⁶⁶

60 QIC. “QIC Global Private Equity: ESG Guidelines 2013” <http://www.qic.com.au/downloads/file/corporategovernance/GPEESGGuidelines.pdf>

61 <http://www.qic.com/about-qic/corporate-information/~media/A81BB82ACF83ABAA84CC85CD86DA87B88Fashx>

62 This is intended for informational purposes only; please contact the DFI directly for specific exclusion lists and related information.

63 <http://www.norfund.no/getfile.php/Documents/Homepage/Norfund%20governing%20documents/Norfund%20Exclusion%20List.pdf>

64 http://www.ebrd.com/downloads/about/sustainability/Environmental_and_Social_Exclusion_and_Referral_Lists_15092008.pdf

65 http://www.eib.org/attachments/documents/excluded_activities_97_en.pdf

66 http://www.ifc.org/wps/wcm/connect/b296fe00436490eb946e96d3e9bda932/IFC_Exclusion_List.pdf?MOD=AJPERES

DFI Legal Agreements⁶⁷

EDFI⁶⁸	Many European DFIs require adherence to the IFC Performance Standards and EHS Guidelines as a core part of their investment agreements with fund managers.
CDC Group plc⁶⁹	As part of the investment agreement with CDC, fund managers are required to commit to CDC's Investment Code. This is normally accomplished through CDC's standard side letter. Fund managers are expected to implement management systems which effectively identify and address ESG risks in their portfolio companies, and to work with portfolio companies to manage such risks and bring about improvements in business practices during the investment period.
EBRD⁷⁰	<p>To help its clients and their projects achieve compliance with good international practices relating to sustainable development, EBRD defined ten performance requirements covering the key areas of environmental and social issues and impacts.</p> <ul style="list-style-type: none"> ■ EBRD Performance Requirements (PRs)⁷¹ ■ How to implement EBRD's performance requirements⁷²
IFC⁷³	<p>The IFC requires a side letter legal agreement with fund managers that invest its capital. Requirements in IFC's side letter include:</p> <ul style="list-style-type: none"> ■ Adherence to IFC Performance Standards and EHS Guidelines⁷⁴; ■ Right to visit, upon reasonable notice, the premises of fund portfolio companies; ■ A seat on the fund advisory committee; ■ The right to opt out of participating in an investment holding vehicle; and ■ An acknowledgement of the IFC's interest in potential co-investment opportunities.

⁶⁷ This is intended for informational purposes only; please contact the DFI directly for information on specific legal documents and requirements.

⁶⁸ "Investments from Different Development Finance Institutions (DFIs): Comparing Standards and Procedures." CDC Toolkit on ESG for Fund Managers. 2010. [http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_\(2010\).pdf](http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_(2010).pdf)

⁶⁹ "Investments from Different Development Finance Institutions (DFIs): Comparing Standards and Procedures." CDC Toolkit on ESG for Fund Managers. 2010. [http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_\(2010\).pdf](http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_(2010).pdf)

⁷⁰ "Investments from Different Development Finance Institutions (DFIs): Comparing Standards and Procedures." CDC Toolkit on ESG for Fund Managers. 2010. [http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_\(2010\).pdf](http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_(2010).pdf)

⁷¹ <http://www.ebrd.com/who-we-are/our-values/environmental-and-social-policy/performance-requirements.html>

⁷² <http://www.ebrd.com/who-we-are/our-values/environmental-and-social-policy/performance-requirements.html>

⁷³ "Investments from Different Development Finance Institutions (DFIs): Comparing Standards and Procedures." CDC Toolkit on ESG for Fund Managers. 2010. [http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_\(2010\).pdf](http://toolkit.cdcgroup.com/assets/uploads/CDC_Toolkit_on_ESG_for_Fund_Managers_(2010).pdf)

⁷⁴ http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes

DFI Reporting Tools & Requirements⁷⁵

For additional information and resources on ESG reporting, please refer to the ESG Reporting Survey on page 10.

CDC Group plc⁷⁶	<p>CDC provides a reporting template through its toolkit: Non-Financial Annual Report Template for Limited Partners.⁷⁷</p> <p>CDC will accept reporting in the format used by other DFIs if CDC's core reporting requirements are covered.</p>
DEG⁷⁸	<p>DEG has developed a comprehensive Excel-based tool to assist its environmental and social risk management, called the Environmental and Social Risk Indicator (EaSI). Fund managers can use EaSI for their environmental and social risk management purposes and can be purchased from DEG.</p>
EBRD⁷⁹	<p>Under the requirements of PR 98, a financial institution (FI) is required to report annually to EBRD on the implementation of its Environmental and Social Management System (ESMS) and the E&S performance of its portfolio. The level of reporting required on a FI's portfolio depends on the nature of the contractual relationship with EBRD.</p> <ul style="list-style-type: none"> ■ If EBRD has an equity stake in the FI, the FI is required to report on the E&S risk management of its full portfolio of business activities. ■ If EBRD does not have an equity stake in the FI, but provides, for example, a credit line, the FI is required to report on the E&S risk management of transactions carried out using EBRD financing. <p>As of April 2015, all FIs will be required to report under the Sustainability Index. EBRD is transitioning to an online E&S reporting system, called the FI Sustainability Index.</p>
FMO⁸⁰	<p>FMO's Excel based assessment and reporting tool provides a structured approach to environmental and social due diligence, reviews and management. The tool can provide graphical overviews of the aggregated environmental and social state of the entire investment fund. This overview can be used for reporting purposes from the GP to FMO.</p>

⁷⁵ This is intended for informational purposes only; please contact the DFI directly for specific reporting requirements and available tools.

⁷⁶ "Investments from Different Development Finance Institutions (DFIs): Comparing Standards and Procedures." CDC Toolkit on ESG for Fund Managers. 2010. [http://www.cdcgroup.com/Documents/ESG Publications/finalcdctoolkitforfundmanagers20101.pdf](http://www.cdcgroup.com/Documents/ESG%20Publications/finalcdctoolkitforfundmanagers20101.pdf).

⁷⁷ <http://toolkit.cdcgroup.com/downloads-and-reference-materials>

⁷⁸ For more information on the Environmental and Social Risk Indicator (EaSI) please contact DEG directly. <https://www.deginvest.de/International-financing/DEG/>

⁷⁹ Environmental & Social (E&S) reporting to EBRD <http://www.ebrd.com/cs/Satellite?c=Content&cid=1395247832978&pagename=EBRD%2FContent%2FDownloadDocument>

⁸⁰ <https://www.fmo.nl/esg-tools>

DFI Reporting Tools & Requirements

IFC⁸¹

IFC provides a template for reporting, [“Annual Environmental and Social Report for Financial Intermediary Clients”](#).^{81A}

As part of IFC’s annual reporting requirements, PE funds are required to provide information on:

- Portfolio breakdown by [investment type](#)^{81B}: Listed equity, private equity, market debt instruments, privately placed debt and other.
- Portfolio breakdown by [industry sector](#)^{81C}: As a percentage of the total funds invested.
- Project description for all new and existing investments:
 - Industry sector,
 - Description of business activity of the commercial enterprise;
 - [Environmental and social risk category](#)^{81D} assigned;
 - Specific [environmental and social issues](#)^{81E} identified during the [due diligence process](#)^{81F}; and
 - Changes in the environmental and social performance of the commercial enterprise identified during the [monitoring process](#)^{81G}.
- New investments (as applicable): Completed [environmental and social due diligence reports](#)^{81H} and [corrective action plans](#)^{81I}.
- Implementation of the [Environmental and Social Management System](#)^{81J}:
 - Status of policies and processes to ensure compliance with the applicable [IFC environmental and social performance requirements](#)^{81K};
 - Capacity for [managing environmental and social risks](#)^{81L};
 - Two examples of completed [environmental and social due diligence reports](#)^{81M} for high risk projects (if required);
 - Monitoring commercial enterprises for ongoing compliance with the applicable [IFC environmental and social performance requirements](#)^{81N}; and
 - [Internal and external reporting](#)^{81O} on environmental and social performance (as applicable).
- [Sustainable finance](#)^{81P}: Investments in projects with environmental and social benefits such as management systems, [energy efficiency](#)^{81Q}, [renewable energy](#)^{81R}, [cleaner production](#)^{81S}, pollution management, [supply chain greening](#)^{81T}, corporate social responsibility, and community development.

IFC reviews the Annual Environmental Performance Report (AEPR) and follows up with [Private Equity Funds](#)^{81U} to provide clarification on applicable [IFC environmental and social performance requirements](#)^{81V}, discuss how to improve its environmental and social performance and the ESMS and identify any value-added [environmental business opportunities](#)^{81W}.

81 ESMS for Private Equity Fund, https://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/managing-environmental-and-social-risk-2_2/what-is-an-esms/esms-for-private-equity-fund/

(Please refer to the appendix on page 25 for the URLs cited in this section)

Other Reporting Tools & Resources

Resource	Author	Summary
ESG Management Tool for Private Equity ⁸²	EDF	Free Excel-based self-assessment management tool for both LPs and GPs which assess current ESG management across 100 industry best practices.
ESG Reporting for Private Equity Improve Reporting Quality and Effectiveness ⁸³	BriteGreen Sustainable Strategy	A report which provides general guidance on ESG reporting.
Let's Report Template ⁸⁴	Global Reporting Initiative (GRI)	Let's Report Template, allows organizations to prepare a basic GRI report.

Communicating Your ESG Management Strategy

Resource	Author	Summary
A proactive ESG Communication Strategy ⁸⁵	BSR	BSR dedicates a section of its "Trends in ESG Integration in Investments" to communicating ESG strategies. Readers will learn how to develop a communication strategy that is proactive and appealing to investors.
Enhancing Company-Investor Communication: Insights from the ESG Investor Briefing Project ⁸⁶	Global Compact Lead & PRI	A report which provides an overview of the lessons learned and practical next steps based on the ESG Investor Briefing Project.

82 <http://business.edf.org/projects/featured/private-equity-green-returns/green-returns-esg-tool/>

83 <http://brite-green.co.uk/index.php/our-work/reports-and-publications/esg-reporting-for-private-equity>

84 <https://www.globalreporting.org/resource/library/English-Lets-Report-Template.pdf>

85 http://www.bsr.org/reports/BSR_Trends_in_ESG_Integration.pdf

86 <https://www.unglobalcompact.org/library/210>

Appendix

Refer to the resources cited on page 23 under IFC Reporting Tools & Requirements.

- 81A <https://firstforsustainability.org/media/IFC%20Reporting%20Format%20for%20Equity%20Funds.doc>
- 81B <http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/environmental-and-social-risk-for-financial-institutions/>
- 81C <http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/>
- 81D http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/risk-categorization-and-managing-portfolio/
- 81E <http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/environmental-and-social-issues/>
- 81F http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/environmental-and-social-due-diligence/
- 81G http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/monitoring-client-investee-se-performance/
- 81H http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/environmental-and-social-due-diligence/
- 81I http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/corrective-action-plan/
- 81J http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/managing-environmental-and-social-risk-2_2/what-is-an-esms-esms-for-private-equity-fund/
- 81K <http://firstforsustainability.org/risk-management/implementing-ifc-environmental-and-social-requirements/establish-and-maintain-an-esms/ifc-environmental-and-social-performance-requirements/>
- 81L http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/managing-environmental-and-social-risk-2_2/
- 81M http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/environmental-and-social-due-diligence/
- 81N <http://firstforsustainability.org/risk-management/implementing-ifc-environmental-and-social-requirements/establish-and-maintain-an-esms/ifc-environmental-and-social-performance-requirements/>
- 81O http://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/components-of-an-esms/internal-and-external-reporting/
- 81P <http://firstforsustainability.org/opportunities/environmental-business-opportunities-by-type/>
- 81Q <http://firstforsustainability.org/opportunities/environmental-business-opportunities-by-type/energy-efficiency/>
- 81R <http://firstforsustainability.org/opportunities/environmental-business-opportunities-by-type/renewable-energy/>
- 81S <http://firstforsustainability.org/opportunities/environmental-business-opportunities-by-type/cleaner-production/>
- 81T <http://firstforsustainability.org/opportunities/environmental-business-opportunities-by-type/sustainable-supply-chain/>
- 81U <http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/client-investee-exposure-to-environmental-and-social-risk-private-equity-fund/>
- 81V <http://firstforsustainability.org/risk-management/implementing-ifc-environmental-and-social-requirements/establish-and-maintain-an-esms/ifc-environmental-and-social-performance-requirements/>
- 81W <https://firstforsustainability.org/opportunities/>

We invite our global investors
and EMPEA Members to our new leadership Summit:



SUSTAINABLE INVESTING IN EMERGING MARKETS

BRIDGING SMART CAPITAL WITH
ESG TO MAXIMIZE RETURNS | **2016**

25 October 2016 InterContinental London

Sustainable investment practices are transforming private capital investments, demonstrating that returns and a positive impact can — and should — go hand in hand.

Sustainable investing strategies that address both financial and systemic factors can mitigate the risks that impact an investment's long-term potential, create resilient value and increase capital efficiencies. Particularly pertinent in emerging markets, which are ripe with opportunity but prone to unpredictability, ESG safeguards investors from uncertainties — i.e., rapidly changing demographics and evolving policy environments — protecting investments even when regulations or market stability are absent.

Sustainable investing has reached a level of maturity where it is clear that, especially in the emerging markets, the debate is no longer about why investing sustainably is critical for business. Instead, the focus is on how to successfully integrate these strategies into investments in order to maximise value and impact — not only for the holding period but for the lifespan of the business. Benchmarking environmental, social and governance (ESG) best practices can influence investment performance and improve alignment of values. Exits through IPOs and secondary buyers also require demonstrating adherence to ESG standards.

FT and EMPEA's Sustainable Investing in Emerging Markets will gather the leading investors across these growth regions to discuss gaining the competitive edge through the implementation of sustainable investment practices at the fund level and within the portfolio company, and why LPs increasingly expect private equity firms to consider ESG factors into their investment strategies.

Keep up to date with this event and EM PE Week in London by visiting
empea.org/events-education.

Interested in getting involved? Contact programs@empea.net



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