INTEGRATING ESG INTO INVESTMENT PROCESS

	SCREENING	DUE DILIGENCE (DD)	INVESTMENT DECISION	INVESTMENT AGREEMENT	OWNERSHIP & MONITORING	EXIT
OBJECTIVES	• Confirm compliance with the fund's policy and Exclusion List. • Early identification of key ESG issues. • 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: (i) ESG factors; and (ii) 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 to ensure its ongoing compliance with applicable standards, implementation of the ESG Action Plan and improvement of ESG performance. • Stay informed and respond to new developments and/or risks.	• Evidence improved ESG performance and link it to company's value. • Engage with buyers on ESG and prepare reference materials. • Ensure company's ESG management system is self-sustaining.
ACTIVITIES	• Ensure compliance with fund's policy and Exclusion List. • Identify key ESG risks and opportunities. • Build a common understanding with the company. • E&S categorisation. • Plan DD.	• Define scope of DD. • Perform desk review. • Assess company's commitment, capacity and track-record (CCTR). • Conduct site visits. • Engage ESG experts (if appropriate), • Agree ESG Action Plans. • Ensure influence and oversight. • Prepare DD report. • Provide input for the IC.	• Make and investment decision taking into account ESG factors.	• Negotiate ESG terms with the company. • Incorporate ESG terms in the shareholders agreement (or equivalent document).	• Build on the relationship established during DD. • Regular monitoring: Oversight of and support the company on ESG matters. • Manage unplanned events. • Prepare for exit.	• Plan the exit. • Prepare relevant ESG documentation for potential bidders.
OUTPUTS	• Identification of 'no-go' and key ESG issues. • Initial E&S categorisation. • ESG section in the screening memorandum for the Investment Committee (IC).	• Final E&S categorisation. • Due diligence report. • ESG Action Plan(s). • Summary of finding for the IC. • DD reports, ESAP and supporting material saved.	• IC decisions minuted. • Conclude satisfactory completion of CPs. • Update the IC in case of material changes post-IC.	• Shareholder's agreement or equivalent that includes appropriate ESG clauses and clearly outlines how ESG matters will be handled during the life of the investment.	• Appropriate influence and oversight. • Record monitoring engagements. • Annual ESG reporting and reporting to investors. • Non-routine event communications.	• Financial model taking into account ESG aspects. • Information memorandum including info on the company's ESG performance and improvements over past years.
TOOLS	• See next slides.	• See next slides.	• See next slides.	• See next slides.	• See next slides.	• See next slides.