

ESG IN THE INVESTMENT CYCLE – SCREENING AND CATEGORISATION

OBJECTIVES

- Confirm compliance with the fund's policy and basic requirements.
- Early identification of key issues that may have a significant impact on the investment and/or due diligence process.
- Build a common understanding with the company of ESG requirements, risks and opportunities.
- Enable the fund manager to plan the ESG due diligence.

ACTIVITIES

ENSURE COMPLIANCE WITH EXCLUSION LIST

- Ensure all the investments comply with any applicable lists of excluded/prohibited activities.

ENSURE COMPLIANCE WITH KEY GOVERNANCE AND BUSINESS INTEGRITY (G&BI) REQUIREMENTS

- Identify 'red flags' early. G&BI issues can significantly impact the ESG due diligence or breach the fund's policies and LP's requirements.

IDENTIFY KEY ESG RISKS, IMPACTS AND OPPORTUNITIES

- Identify the key ESG aspects of an investment and the applicable ESG standards (e.g. local regulations and IFC Performance Standards).

BUILD A COMMON UNDERSTANDING WITH THE COMPANY

- Build a common understanding of the key ESG aspects to be managed and assess the company's willingness and capacity to address them. Present the ESG business to the company.

CATEGORISE AN INVESTMENT'S INHERENT E&S RISKS AND IMPACTS

- Assign an inherent E&S risk/impact category to each investment. Take into account the company's (and subsidiaries') business plan, sector, technology, scale of operations, location and contractors' and supply chain issues.

DEFINE THE SCOPE OF AND PLAN THE ESG DUE DILIGENCE

- Define key ESG factors to be assessed at due diligence (DD) and allocate the resources required to conduct an adequate DD.

CDC ESG TOOLKIT RESOURCES

- [ESG in the Investment Cycle: Screening and categorisation](#) (includes an inherent E&S risk/impact categorisation system).
- [E&S Checklist](#) (select key questions).
- [G&BI Checklist](#) (select key questions).
- [CDC Sector Profiles](#).
- [CDC E&S Briefing Notes](#).
- [Governance and Business Integrity](#).
- [CDC Guidance: Assessing Companies' Commitment, Capacity and Track Record](#).
- [CDC Guidance: Working with Management](#).
- [CDC's Code of Responsible Investing](#).
- [Downloads/Reference Materials](#).

OUTPUTS

- Identification of 'no go' issues and 'red flags'.
- Understanding of key ESG aspects of the investment.
- Assignment of an inherent E&S categorisation.
- Preliminary view of company's commitment and ability to manage ESG.
- Plan and budget for DD.
- ESG section in the screening memorandum prepared by the fund's deal team for the Investment Committee.