

## 1. Overview

All fund managers should have an E&S policy that:

- Clearly articulates the fund’s investment principles and values from an E&S perspective and conveys the fund manager’s strategy, ambitions and business culture with regard to managing E&S risks, impacts and opportunities.
- Includes or refers to a list of the activities in which the fund/fund manager will not invest (the fund’s ‘Exclusion List’).
- Highlights the fund manager’s/fund’s intentions with respect to identifying and realising business opportunities relating to E&S themes.
- Specify the individuals who will be accountable and responsible for the implementation of the policy.
- Meets the E&S requirements as set out by LPs in the Limited Partners Agreement/side letter that governs the fund.
- Is communicated and available to the fund management team, portfolio companies and current and prospective LPs.
- Is approved by a representative of the senior management team and dated.
- Explains the framework of the whole E&S management system, including the E&S standards the fund manager will apply and expects portfolio companies to meet (e.g. local regulations, International Labour Organization (ILO) Core Labour Conventions, and International Finance Corporation (IFC) Performance Standards- where applicable).

## 2. Guidance and advice

- [Developing an approach](#)  
The most effective and realistic E&S policies evolve where fund managers have properly considered the types and significance of the E&S issues to which the fund will be exposed, their own market positioning, their specific circumstances, and the

resources available internally to develop their policies and procedures. It is also important to consider investors' priorities and expectations and align the direction of the fund's policy and practices with those of key stakeholders.

- **Elements of a good policy**

Good policies typically contain or address the following:

- A summary of the fund's beliefs and stance on E&S matters and responsible investment. This explains briefly how the fund's values and practices are aligned with and contribute to the organisation's overall mission and objectives, as well as its approach to addressing challenges.
- A brief statement about the scope and applicability of the policy (e.g. define whether the policy applies to all funds managed by the fund manager or whether it will be retroactively applied to funds already in existence and/or those assets already in the portfolio?)
- A clear statement regarding the sectors and activities in which the fund manager will not invest ('Exclusion List').
- A clear statement regarding E&S norms and standards that the fund will follow and to which it will hold its portfolio companies. This will often be structured as a hierarchy whereby certain requirements will apply to all portfolio companies. For example: a list of excluded activities and the requirement to comply with local law and/or the ILO Core Labour Conventions, with other standards (such as IFC Performance Standards) applied when they are relevant.
- A commitment to work realistically and pragmatically towards the application of these standards over time and a description of how the fund intends to achieve this goal despite the challenges it may face.
- A reference to internationally recognised initiatives, principles or standards that the fund manager has adopted or committed to follow (e.g. United Nations (UN) Principles for Responsible Investment (PRI)).
- A summary of how the policy will be applied and how progress will be reported.
- The policy should be clear and understandable.
- The policy should be signed by top-level management (to demonstrate the fund

manager's commitment) and dated. The policy (and the rest of the ESMS) should be communicated to the fund's team and revisited with appropriate regularity to ensure it remains relevant and up to date. There should be a process for revising the policy and other components of the ESMS. Changes to the ESMS may need sign-off by LPs.

- Communicating the policy

Policy document should be visible and adequately communicated and explained, to all members of the fund management team, and should be easily accessible and made prominent (e.g. published on the fund manager's intranet, LP zone of the website or potentially disclosed publicly online).

Consideration should also be given to whether and how the policy is communicated externally. It is also important to consider who might be interested in the policy - potential and current portfolio companies, as well as investors - and then make the policy easily accessible to them.

During fund raising, it is important for the fund to disclose enough information on its ESMS to allow potential LPs to assess whether their approaches are aligned. A well-conceived policy and ESMS will signal E&S commitments to potential investors.