

## 1. Overview

All funds should have documented practical procedures that set out how they operationalise their BI policies on a day-to-day basis, from screening prospective investments to the ownership and monitoring stage through to exit. Procedures help to ensure that a consistent approach is applied across the investment cycle and the fund's portfolio, and to define roles and responsibilities. Above all, BI procedures should be practical and consistent with the fund's operational procedures. Simplicity and pragmatism should be prioritised over complexity and bureaucracy.

## 2. Guidance and advice

Procedures and accompanying tools (see image below) should be designed to ensure that BI matters are considered throughout the investment cycle. Ideally these procedures should be integrated within investment operating procedures and into existing management systems, rather than in a separate system.

[Click to view diagram](#)

- [Developing effective and pragmatic procedures](#)

Procedures should cover:

- How BI aspects will be *addressed at each stage* of the investment cycle e.g. due diligence
- Roles and responsibilities at each stage of the investment cycle
- Approvals, oversight and performance management including 'checks and balances'
- How the fund will communicate/report on BI matters to LPs
- Grievance mechanisms, where appropriate

Experienced fund managers have found that it is typically easier to develop BI procedures once investment procedures are in place, and to integrate these BI

procedures into existing processes. In this respect, process flow diagrams can assist in ensuring a clear overview of how and where the BI procedures apply to the investment cycle and in articulating key roles and responsibilities for each of these stages. There should be a clear explanation of what needs to be achieved at each stage of the investment cycle. Appendices containing templates to be used and adapted during screening, due diligence and monitoring could significantly help to ensure efficient and consistent implementation of the BIMS (checklists and other tools are provided in [Reference materials](#)). The procedures should take into account the BI requirements and expectations of LPs.

Above all, the aim for BI procedures should be that they help the deal team and BI Officer(s) to evaluate and manage potential BI risks and opportunities throughout the life of an investment. They must not be seen as a compliance or ‘tick box’ exercise.

- [Procedures for integrating BI management into the investment cycle](#)

Operating procedures should be prepared for the various activities to be performed throughout the investment cycle, clearly highlighting roles and responsibilities. Procedures may include templates that can be adapted on a deal-by-deal basis. A good procedure manual will typically cover the points included in the table below. Procedures, as with the rest of the BIMS, can be structured in different ways. The ultimate goal is to produce something that is helpful and appropriate for the fund to manage the investment cycle.

**Screening:** Robust procedures at screening will contribute to a more efficient due diligence process. Procedures and/or tools would typically cover: (i) identification of material breaches of the fund’s policy and Exclusions List; (ii) identification of key E&S issues; and (iii) planning of due diligence.

**Due diligence:** Significant guidance is required at this stage. Procedures and tools would typically cover: (i) assessment of the transaction’s BI risks, impacts and opportunities; (ii) assessment of a company’s compliance against applicable standards/requirements, including guidance on the information to be reviewed; (iii) site visits; (iv) assessment of the company’s commitment, capacity and track-record; (v) preparation of due diligence reports; and (vi) engagement of appropriate consultants (where appropriate).

**Investment decision:** Ensuring that all investment decisions are supported by

appropriate due diligence documentation, including a BI section in IC papers/Investment Memorandum. This enables IC members to understand and discuss BI matters at each meeting. Procedures and tools providing guidance on how to prepare IC papers (i.e. investment proposal to IC and IC minutes) should be developed.

**Investment agreement:** Ensuring that appropriate BI representations, warranties and covenants are incorporated in each investment agreement is of vital importance. It is advisable to develop a set of standard BI terms and conditions, which are then adapted to each investment based on the findings of due diligence (e.g. where material gaps are identified, an ESG Action Plan should be included in the legal documentation).

**Ownership and monitoring:** Fund managers should not only take BI matters into account during due diligence. Continued engagement with portfolio companies post-investment is key to ensuring that BI management is integrated into the portfolio company's operations, that ESG Action Plans are effectively implemented and that BI opportunities are realised. Procedures and tools would typically cover: (i) engagement with investee companies during ownership; (ii) monitoring of companies' BI performance, ESG Action Plan implementation and compliance with investment agreement requirements; and (iii) management of unforeseen events (e.g. corruption issues).

Additionally, procedures on how to engage with/report to LPs should be developed. These should include regular monitoring and reporting on material events such as unforeseen events or relevant situations involving/affecting investee companies.

Some fund managers have templates to guide portfolio data collation and reporting to LPs and, if applicable, other stakeholders. In some cases, LPs will provide a reporting template to guide fund managers (see example - [CDC's reporting template](#)). The goal should be to provide adequate detail and clear communication of actual, rather than perceived, performance, without resorting to a 'tick box' approach. Templates should be designed to be easily understood by those using them. Follow-up and feedback on the reports will also be required. Some fund managers also use Advisory Committee meetings to highlight progress made on BI matters, or include it on investor site visits to portfolio companies.

**Roles and responsibilities:** It is necessary to clearly assign roles and responsibilities for all aspects of BIMS implementation from management of BI aspects within

portfolio companies and oversight of the implementation, through to the design and application of E&S procedures within the fund itself, including reporting and disclosure to stakeholders.

**Performance management and review:** It is important to have periodic oversight and performance review to assess the continued relevance and efficacy of the BIMS and make adjustments and improvements. The procedures should identify who is responsible for the BIMS performance review and how any corrective actions and/or changes to the BIMS will be agreed and approved.

**Procedures for grievance mechanisms:** Fund managers should implement a mechanism to enable third parties to raise their grievances. Fund managers should investigate these grievances and assess whether any further action should be taken.