

## 1. Overview

All funds should report to LPs (and potentially to other stakeholders) on the implementation and progress of their BI policies and the BI performance of their portfolio companies. It is fairly standard for this to be an annual report, although some fund managers also include BI aspects in their quarterly reports. Many funds also increasingly use other communication channels to discuss BI matters in a more proactive manner including *ad hoc* calls or emails, Advisory Committee meetings, investor days and inviting investors on site visits etc. These help to build a mutually supportive relationship between the fund and its LPs.

## 2. Guidance and advice

- [Disclosure of information during fund raising](#)

During fundraising, it is important that the fund manager discloses sufficient information on its BI management to potential LPs, as this could attract LPs and/or expedite their due diligence process. A well-executed set of BI policies and a good BIMS will signal to a potential investor that the fund’s approach and commitment are solid. Where the fund manager has a track record with other funds, information demonstrating how it has supported and enhanced its portfolio companies’ management of BI risks can offer good starting points for engagement with LPs. Investors may ask to see examples of due diligence, BI coverage in legal agreements and ESG reports to LPs. As such, ensuring that progress on priorities identified during due diligence can be clearly followed through the document trail is important in demonstrating an effective system.

However, some fund managers may not have fully designed a BIMS when they contact LPs. In these cases, LPs may be able to provide guidance to fund managers on how to develop it in alignment with LPs’ expectations.

- [Reporting to limited partners](#)

Many LPs (and all DFI LPs) require fund managers to report regularly (at least annually) on the BI performance of their portfolios and of the funds themselves. The purpose of this reporting is twofold. Firstly, it allows LPs to assess how BI improvements have been implemented within portfolio companies, what challenges may have been encountered and how these were addressed. Secondly, it offers an opportunity for LPs to check that the fund is still being managed in line with the BI commitments made by the fund, and/or whether there have been any material changes

to the fund’s portfolio, strategy, management or focal sectors to justify a change in scope of, or approach to, BI management. Reporting should also address the steps the fund has taken to ensure continued implementation of its BIMS, such as additional training, recruitment and partnerships with external advisors or re-assignment of internal responsibilities.

Reporting by fund managers to LPs typically incorporate the following information:

- Update on the implementation of the BI policies, procedures and fund terms, as well as any changes or deviations. It should also outline plans for the following reporting period, including matters such as whether a review of the BIMS is planned and whether a training programme will be delivered.
- For each portfolio company, a summary of the following:
  1. The situation at investment: This should include the BI risks/issues identified, a summary of any ESG Action Plan and a judgement regarding the quality of the company’s BI management systems or ability to manage its BI.
  2. An update of progress during the reporting period, including milestones achieved (particularly those ESG Action Plan agreed with the fund manager), challenges encountered, responses to challenges, and any performance indicators that are being tracked.
  3. A summary of the priority actions for the following year. It should be easy to follow up priority actions from the report year one year to the next, with an update on progress made over the year, with any discrepancies explained.
- It can also be useful to highlight the fund’s role in helping the company to achieve milestones or identify new business opportunities, as well as highlight the effect of any sector or geographic trends that might affect it.
- Discussion of incidents that have occurred in portfolio companies over the reporting period, and whether/how these were appropriately reported, investigated and mitigated and how further incidents were prevented, including evidence to substantiate this.
- Leading funds will discuss BI-related developments that have occurred in the reporting period that could affect the implementation of the BIMS by the fund

and the fund’s management of portfolio companies. Leading funds might also highlight initiatives they have undertaken to share best practice between companies such as hosting training for them or facilitating the sharing of expertise between companies in related sectors.

- [Ongoing engagement with limited partners](#)

Fund managers should always consider contacting LPs to get guidance on BI management and have regular meetings or calls to discuss BI performance. Ongoing communication enables a constructive and trusting relationship to be built up between fund manager and LP that can be mutually beneficial. Many DFI LPs, including CDC, welcome being contacted for advice regarding BI matters (e.g. challenges faced by fund managers). DFIs can draw upon their experience and may be able to suggest solutions or possible ways forward — or put the fund in touch with others who might be able to help.

An increasing number of fund managers are seeking to incorporate BI into their mainstream LP communications, including Advisory Committee meetings, investor days, site visits and quarterly reports, as BI is increasingly seen as a material feature of the fund performance that should be reported together with other information. LPs typically welcomed this.

- [Public disclosure](#)

Some LPs now actively encourage the funds in which they invest to report publicly on their approach to managing of BI issues in their portfolios in order to encourage public transparency in the investment sector. This is particularly the case in certain domiciles that have introduced recommendations or requirements for fuller disclosure, such as [the UK Stewardship Code](#) and [the Code for Responsible Investment in Southern Africa \(CRISA\)](#).

This information should be included either in annual reports already prepared by the fund and/or on the fund manager’s website. Reports should focus on providing a balanced, objective and complete snapshot of the fund’s investments. To contextualise the reporting, information on the fund’s BIMS should be included. Additionally, examples of how these BI values and approaches have contributed to improving performance or mitigating risk in portfolio companies should be given.