

BII's relationship with its fund managers on ESG matters begins with verifying alignment, before moving to oversight and support. We consider each fund's individual characteristics when addressing the challenges and opportunities it faces and do not believe in a 'one size fits all' approach to ESG management. We challenge our fund managers to help their companies become leaders in their markets on ESG management and offer guidance and experience to help achieve that. BII guidance comprises a mixture of one-on-one advice and training sessions that enable peer-to-peer learning as well as advice from us.

Our engagement with fund managers takes a number of forms during the life of the fund:

- [Alignment with BII's Policy on Responsible Investing prior to commitment](#)  
BII conducts thorough ESG due diligence on all our funds to understand: their processes; commitment, capacity and track record (CCTR); and to develop a time-bound action plan, if improvements are required to existing capacity, systems and processes. We provide guidance on how management systems and resourcing can be improved, rather than simply passing judgement on whether they meet the requirements included in [BII's Policy on Responsible Investing](#) or not. There is increasing evidence that this approach can help fund managers to attract other investors who are looking for good ESG management systems. For further information on BII's Policy on Responsible Investing, please see [Understanding BII's Policy on Responsible Investing](#).
- [Alignment with BII's Policy on Coal-Fired Power Generation and Climate Change Policy](#)  
There is a presumption against funds, in which BII's capital is committed, making investments in new or existing coal-fired thermal power production for the public grid unless certain conditions are met (see [BII's Policy on Coal-Fired Power Generation](#) for details).

In addition, GPs are encouraged to implement BII's [Climate Change Policy](#) in their portfolio companies in order to proactively assess climate change risks and opportunities and incorporate these factors into investment strategies, with a specific focus on:

- Energy use efficiency, carbon intensity and on-site renewable opportunities (such as solar, biomass and cogeneration etc).

- Water use efficiency and water conservation measures.
- Adaptation and resilience needs and opportunities, and disaster risk management, especially in large infrastructure projects vulnerable to climate-related impacts.
  
- [Appointing an E&S officer](#)  
BII expects its fund managers to appoint an E&S officer. Typically, the E&S officer should have appropriate specialist experience.
  
- [ESG action plans](#)  
Prior to investing in a fund, BII will review the fund's ESG Management System and where available, its track record in implementing that system (see [Fund E&S management systems](#)). Where there are areas that require improvement and where these cannot be achieved prior to closing, BII will agree an ESG Action Plan with the fund manager to address the outstanding items. The period post-close when the ESG Action Plan is being implemented will typically involve a higher level of ongoing engagement and communication between BII and the fund.
  
- [Reviewing due diligence](#)  
To enable BII to assess whether the fund's E&S management system (ESMS) is being implemented effectively and to provide necessary support and advice, BII reviews the fund's first three E&S due diligences. It also reviews all due diligences of high E&S risk companies prior to the fund's final Investment Committee decision.
  
- [Working with other LPs](#)  
Where BII is invested alongside other development finance institutions (DFIs) in a fund, we will endeavour to work with them to provide aligned feedback and support on ESG matters. For example, following a review of due diligence or annual monitoring reports, BII may also raise ESG matters at Advisory Committee meetings if there is a matter that is material to all Limited Partners.
  
- [Site visits](#)  
An important element of BII's engagement with our fund portfolio includes periodic site visits to funds and their investee companies. These visits enable BII to understand the progress and on-the-ground challenges encountered by portfolio companies and

fund managers when implementing good ESG practices. They also enable BII to better support and advise fund managers on how to tackle any challenges they face.

- [Annual reporting](#)

All of BII's fund managers are required to submit an annual ESG report. This includes details of E&S and business integrity progress, challenges and plans for each portfolio company, as well as changes in the fund manager's ESMS. The report also includes information on employee numbers and company performance to enable BII to track its development impact.

BII will work with other LPs in the fund to agree a joint reporting template wherever possible to ensure all LPs receive the information they need without the fund manager having to complete numerous templates. BII's basic requirements are captured in our preferred [reporting template](#), but we accept other formats as long as they contain the basic information we need.

- [Training and guidance](#)

BII provides training for our fund managers on a range of ESG topics. We provide training on how to integrate ESG management into the private equity investment cycle and more specific technical training on topics of interest to fund managers (such as labour rights, health and safety, using the IFC Performance Standards, women's economic empowerment, climate change, board oversight of ESG and establishing an effective company-level environmental and social management system). These sessions include practical case study work and discussion, enabling participants to learn as much from each other as from the presenters. To find out if we have any workshops planned for your region, please get in touch with your BII contact person.

BII also produces a range of good practice materials and case studies that aim to increase awareness and help fund managers integrate ESG issues into their operations.

- [Support and value adding](#)

BII is also prepared to spend time assisting managers to develop and embed their own ESMS. This includes assistance with customising tools to their specific pipeline, considering how ESG upside can be captured, providing bespoke training for the investment team, providing advice or simply answering questions with respect to specific investments. We can draw upon the experience gained across our portfolio of

funds and direct investments, as well as our contact networks, to provide advice.

- [Serious incident reporting](#)

BII requires that any serious incidents involving portfolio companies that result in loss of life, severe permanent injury or severe permanent damage to health, a material adverse environmental or social impact or a material breach of law relating to an environmental, social, or business integrity matters, including financial irregularities, are reported to us promptly. Through subsequent communications with the fund manager, BII will discuss what root cause analysis has been done and the nature of the follow up actions to ensure they are appropriate and adequate to address the identified risks, and to prevent similar incidents from occurring in future. See [BII Good Practice: Preventing Fatalities and Serious Incidents](#) for guidance on how to investigate and report serious occupational health and safety accidents.