ESG drafting guide for equity investors

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***A close-up of a book

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# Part One – General guidance

How to use this guide

This Drafting Guide is for lawyers acting for funds or fund managers on equity investments. Part One contains general guidance on how to approach environmental, social and governance (**ESG**) matters in legal agreements. Part Two contains suggested wording for inclusion in investment documentation. Please refer to the guidance below and the drafting notes for more information on the purpose and use of these clauses.

The drafting will require adaptation for the deal context. Fund managers must take their own legal advice on deals and BII cannot provide this.

Finally, legal drafting is never perfect. If you have any comments or improvements to suggest, please feed these back to BII’s ESG-I or Legal teams.

BII’s Policy on Responsible Investing

The objective of the drafting is to ensure that investee companies comply with BII’s [Policy on Responsible Investing](https://assets.bii.co.uk/wp-content/uploads/2022/03/22114326/Policy-on-Responsible-Investing.pdf) (**PRI**), together with other relevant policies such as BII’s policy on climate change. In the context of equity investments this includes:

compliance with relevant laws and regulations;

mitigate adverse environmental and social impacts and enhancing positive effects on the environment, workers and all stakeholders in line with International Finance Corporation performance standards,

upholding high standards of business integrity and corporate governance; and

prohibitions on certain activities (e.g. trading in dangerous chemicals, gambling and prostitution).

If these clauses are used there should be no need to explicitly incorporate the PRI or other policies into the legal agreements.

Nomenclature

This guide uses the following nomenclature and this is reflected in the definitions in Part Two:

**E&S**: environmental and social matters (which includes health & safety, resettlement, safeguarding and employment issues);

**BI**: business integrity matters (which includes anti-corruption, financial crime and related issues);

**ESG**: environmental, social and governance matters – this is used as a composite expression to include corporate governance but not business integrity, and BII’s **ESG-I** team covers all these areas; and

**DI**: development impact (i.e. ensuring that the investment has its intended impact on development - for example job creation or equality).

Use of definitions

The drafting assumes the requirements should apply to the entire Group (including subsidiaries which are subsequently acquired) through the **Group Company** expression. It is assumed that the investing fund is an **Investor**.

The definitions in the ESG Schedule (see section 19 below) should be checked by legal counsel against the general definitions and drafting in the main shareholders’ agreement to avoid duplicative or inconsistent definitions. For convenience (and reflecting practice we have seen), we have included the ESG definitions in the ESG schedule, but they may be incorporated in the main definitions section if that is the preference of draftsperson. The defined expressions are used outside of the ESG Schedule (e.g. the warranties) so the drafting should allow for that.

Agreed Form ESG documents

The Agreed Form documents referred to in the drafting are:

BI Action Plan

E&S Action Plan

Monitoring reports for E&S, BI and DI matters

Anti-bribery and corruption policy

Whistleblowing policy

Safeguarding policy

Each action plan will be prepared following due diligence. There is not typically a DI action plan but there may be specific covenants in the legal agreements. Depending on the nature of the business or the details required, the action plans may be in a composite format (with different tabs in excel, for example) or separate forms. This will depend upon the fund manager’s normal practice.

Similarly, policies may need to be adopted or updated, depending on what the company currently has in place. If what is in place is inadequate or non-existent, the investor may require new policies to be adopted as a CP, depending on the risk profile of the deal.

Conditions precedent

Depending on the outcome of due diligence, conditions precedent to address specific ESG issues may be required. Typical examples include:

the creation of remuneration, audit/compliance or E&S committees; and

updates to ABC/AML or other policies.

As these are bespoke to the investee company, we have not provided drafting. Please check the E&S/BI action plans for matters which must be addressed prior to closing and should therefore be included as CPs.

For financial institutions, we have included in section 15 a draft CP around management of financial exposures to fossil fuels.

Representations & warranties on ESG matters

* 1. Approach

Representations, warranties & indemnification (collectively referred to here as “**warranties**”) are an important part of the due diligence process. Meaningful warranties encourage disclosure of ESG issues. Compensation for loss resulting from significant undisclosed issues is also a factor, but for minority equity investors it is often a secondary one.

It is recommended that specific warranties regarding ESG are obtained. A general “compliance with law” warranty does not provide adequate comfort that ESG compliance has been considered by the giver of the warranty. Separate warranties should cover:

Compliance with applicable environmental laws and regulations

Compliance with applicable social, labour and health & safety laws and regulations and core standards of the International Labor Organisation (for example on child labour);

Compliance with applicable laws intended to prevent extortion, bribery and financial crime (particularly in relation to financial institutions); and

The operation by the company of anti-bribery principles and bribery prevention procedures.

If specific warranties cannot be obtained, or they are limited in such a way as to be of no substantive benefit, please discuss this with your legal advisers. An investor’s position will depend upon, amongst other things, the perceived risk of ESG matters in the relevant business sector - and in the target company in particular - and the outcome of our due diligence on ESG matters. The competitive environment of the transaction may affect how you approach the requirements. But fund managers are expected to achieve the substantive objective of establishing - to a reasonable degree of comfort - the level of ESG compliance in the target company.

* 1. Scope

Discuss with the fund manager’s ESG Team whether the investor requires warranties on compliance with all the investor’s E&S requirements, or simply compliance with law and ILO working conditions. The drafting in section 16 below assumes the latter as an investor will not normally expect an investee businesses to comply with these standards prior to investment.

But for follow-on investments, or investments in businesses where BII or other DFIs have already provided direct or indirect funding, it may be reasonable to expect warranties as to full compliance with the ESG Requirements (as defined below) prior to investment.

* 1. Drafting warranties

Section 16 of Part Two provides suggested wording for warranties. These may be adapted to local law and practice but we encourage you, where practicable, not make them too “local” (for example by referring solely to domestic bribery laws) and to consider the extent to which the business is international and therefore subject to legislation in other countries.

It is usually appropriate for warranties to be repeated on subsequent drawdowns. Caps and limitations to be negotiated although the objective is primarily disclosure rather than legal redress.

A ‘reasonable efforts’ or ‘best efforts’ basis for ESG warranties is generally not acceptable as it does not necessarily cover material issues, merely the efforts made by the giver.

The giver of the warranties, and the financial and other limitations, will depend on the circumstances of the transaction and local custom and practice. Provided that there is a meaningful incentive to disclose, we leave such matters to the judgement of investors and their counsel.

Ongoing ESG commitments

The compliance covenant in section 8 and the ESG schedule in section 19 contain suggested wording for the ongoing commitments. The covenants go beyond the standards required for the representations, warranties and indemnification. This is because the PRI goes beyond legal compliance in most jurisdictions and requires investee companies to move to international standards of good practice. In addition, the drafting incorporates a commitment from the company to operate management system to oversee its E&S and business integrity risks and opportunities. The investor may also require the formation of an ESG committee, depending on the nature of the business.

It is recommended that the fund manager sets expectations with potential investee companies from the outset and incorporates short-form ESG language in their letters of interest and term sheets. If ESG compliance and adoption of international standards are likely to be an issue for an investee company, it is better to establish this early on.

In addition, there are likely to be specific commitments, in the ESG action plan or elsewhere, to deal with issues raised in due diligence (e.g. addressing safety issues or adopting an anti-bribery policy). These matters are clearly fact-specific. As a matter of standard practice, the fund manager should prepare E&S and BI action plans (or a composite ESG action plan) and agree it with the investee company. The drafting in section 17 incorporates a requirement to implement this plan.

Interaction with other DFI/MFI requirements

Where IFC or other DFIs are leading the transaction, or have invested in a previous round, it is likely that many of the requirements in Part Two will already have been incorporated into the shareholder agreements. Commonly this is through reference to IFC Performance Standards. Therefore, not *all* the language in Part Two will necessarily be required. It may nevertheless be easier to insert a separate schedule rather than attempt to separate and only incorporate the specific additional requirements. However, should that be necessary, the main requirements in Part Two which are not incorporated into IFC’s standard drafting are:

business integrity covenants around management systems and procedures. The ‘Financial Malpractice’ concept substantially overlaps with IFC’s ‘Sanctionable Practices’ concept, but Part C of the ESG Schedule requires more supporting process to ensure compliance.

safeguarding and supply chain covenants

excluded fossil fuels activities

different exclusion lists. There is a lot of overlap in DFI/MFI exclusion lists. Usually the solution is a slightly longer list which incorporates all institutions’ prohibitions.

The fund manager’s ESG specialists should be able to assist in identifying the supplemental drafting that is needed.

Financial institutions

Additional options are included in Part Two for investments into financial institutions, which are generally in Parts F to H and *in italics*. Where an investor is investing in a financial institution, there are increased BI risks (for example money laundering). An investor should also expect a financial institution to operate systems to screen out potential borrowers (referred to as Clients in the drafting) in excluded sectors and manage ESG risks amongst those Clients. However, certain lower risk financial institutions are not subject to the fuller requirements. If the fund manager determines that that is the case, the drafting can potentially be simplified to remove references to higher risk clients (i.e. those clients where the application of IFC Performance Standards are triggered).

Fossil fuel policy

For businesses engaged power generation, fossil-fuel burning heavy industry or other adjacent sectors to fossil fuels (e.g. transport, logistics, infrastructure, relevant training, just transition, carbon capture and storage) or financial institutions which may lend to such businesses, you should use the longer form list of permitted exceptions in clause 7.3 (in the ESG schedule in section 19 of this guide). Sub-paragraphs (a) and (b) of that clause should be sufficient for investments outside these sectors.

ESG information rights

An investor will require certain reporting and access rights to monitor both ESG compliance and the achievement of development objectives. This takes the form of:

an annual ESG report, typically on a standard form scheduled to the agreement, with confirmations of compliance with ESG matters and reporting on developmental matters such as job creation, gender balance etc. If the fund manager requires a template, they can consult the BII ESG-I team;

incident reporting;

investigation and inspection rights; and

sharing of board and internal audit papers.

Where there is anticipated to be an extended period between signing and closing, you should discuss with the team whether there should be any reporting during this period, as well as the usual ‘gap controls’. As a minimum, the investor should expect to be notified of any serious ESG incidents during this period.

ESG breaches

The PRI requirements set out in Part Two are fundamental for many investors and it is therefore important that there are mechanisms to incentivise compliance, facilitate remedial action and provide meaningful sanctions for serious breaches.

In essence, the drafting seeks to define serious ESG breaches and then provides for:

rights enabling the investor to address the issue; and/or

rights for the investor to accelerate its exit.

Consequences should flow from material ESG breaches. Part Two has some suggested drafting around ‘materiality’. The drafting focuses on impact (i.e. a breach cannot trigger an exit right unless there is also an impact) as many ESG breaches are minor if they can remedied in time, but the consequences of failure to remedy can be serious.

If an ESG breach takes place, the initial response will be focused on investigation and remedy and the drafting reflects this, by giving the investor rights to investigate and appoint external experts (at the company’s expense). The company will be obliged to act in accordance with the recommendations of the experts.

If there is a material breach, it is normal to seek an effective exit right. What is achievable varies, depending on the commercial bargaining position, the nature of the instrument (debt, mezzanine or equity) and the broader deal context.

Examples might include:

a drag-along or other scheduled exit right becomes exercisable early,

any transfer restrictions are lifted, including on sales to competitors,

restrictions on further drawdowns until the breach is remedied,

a put option on other parties to buy shares, although these frequently have enforcement challenges – particularly on portfolio company buybacks,

repayment of loan instruments,

Responsible exit

* 1. Exits generally

Exits should be carried out with the aim of:

positioning the investee company towards sustaining and scaling development impact after their transfer to a different ownership; and

ensuring that the fund does no harm to people and planet as it invests, manages, divests, and returns capital to investors.

In terms of legal drafting, the fund manager will need to consider whether and how governance and exit terms can be structured to reduce impact risks or optimise impact prior to exit. Non-exhaustive considerations and examples include:

a partial exit to retain rights and ensure continuing impact;

embedding of future ESG commitments through board resolutions/policy documents;

ESG covenants linked to deferred consideration/escrow mechanisms;

use of conditions precedent to ensure that action plans are completed; and

forward-looking covenants regarding the continuation of ESG requirements, or at least any key initiatives, post-exit. Given the challenges with enforcing these covenants, the requests are likely to be specific and time limited.

* 1. IPOs

If an investee company undergoes an IPO, the fund manager should normally seek to ensure that the ESG requirements in this drafting guide continue post-IPO. Our experience is that this is possible, but market regulations may constrain the means in which this can be done. Typical options are:

the contractual covenants continue, but any remedies such as puts or drags fall away;

information rights fall away, but the company commits to publish similar annual ESG/DI reporting on its website; or

the contractual covenants fall away, but the company states in the prospectus that will adopt similar standards and relevant policies are adopted to take effect post-IPO.

You should discuss with your legal advisers on a case-by-case basis what options are available in the relevant market.

# Part Two – ESG drafting

Climate change exposures CP

Use the following for financial institutions where the ESG-I Team have advised that there are existing fossil fuel exposures

*the Investor[s] are satisfied that the Group is working towards aligning future activities and portfolios with the Paris Agreement on climate change;*

ESG representations and warranties

1. Environmental and social

See section 7 above for guidance on warranties.

* 1. Each Group Company has complied with E&S Laws and with the requirements set out in paragraph 3 of Part B of Schedule [X] (Working conditions and labour rights).

It is acceptable if the content of 2.2 is covered under more a general ‘no litigation/no claims’ warranty

* 1. No claim, proceeding or investigation by a person in respect of any breach or alleged breach of E&S Laws has been commenced or (to the best of its knowledge and belief) is threatened against any Group Company.
  2. No Safeguarding Violation has been committed by:
     1. a Group Company; or
     2. so far as the [Company is][Warrantors are] aware, any director, employee or other person acting on behalf of a Group Company.
  3. As far as the [Company is][Warrantors are] aware after making reasonable enquiry, any goods or materials supplied to or used by a Group Company have not at any stage in their production or supply (including prior stages of manufacture and/or obtaining raw materials, and whether by that person or prior suppliers or producers) involved Forced Labour or any other Safeguarding Violation.
  4. No written notice or other allegation has been received by, or brought to the attention of, any Group Company to the effect that a Group Company (or any of its directors, employees or agents) has breached any E&S Laws or committed or engaged in Forced Labour or any other Safeguarding Violation.

Financial institutions only - ‘knowledge’ or ‘awareness’ may be defined.

* 1. [*To the best of the Company’s knowledge, each Client complies with the Client E&S Standards that would be applicable to that Client*.]

Consider whether further warranties are needed, particularly in the case of financial institutions.

1. Business integrity
   1. Each Group Company has complied with Business Integrity Laws.

Unless specific risks have been identified, it is acceptable if the content of 3.2 is covered under more a general ‘no litigation/no claims’ warranty

* 1. No claim, proceeding or investigation, or freezing or confiscation of assets, by a person in respect of any breach or alleged breach of any Business Integrity Law has been commenced or (to the best of its knowledge and belief) is threatened against any Group Company.
  2. No written notice or other allegation has been received by, or brought to the attention of, any Group Company to the effect that a Group Company has breached any Business Integrity Laws.
  3. No Group Company has committed any Financial Malpractice.
  4. No Group Company has directed or knowingly permitted any person to commit any Financial Malpractice on its behalf.
  5. The Group has in place procedures designed to prevent Group Companies and those acting on their behalf from committing any Financial Malpractice.
  6. No Group Company is a Sanctioned Person.
  7. So far as [the Company is][the Warrantors are] aware, no director or shareholder of a Group Company is a Sanctioned Person.
  8. So far as [the Company is][the Warrantors are] aware, no Group Company has entered into any transaction:
     1. with or for the benefit of a Sanctioned Person; or
     2. related to any activity prohibited by a Sanctioning Body.
  9. So far as the [Company][Warrantors] are aware, no proceeds of any illegal act or act related to drug trafficking, human trafficking, corruption, bribery, Sanctions breaches, organised crime or terrorism have been received by any Group Company, directly or indirectly (including for the purchase of shares in any Group Company) or as a contribution to or otherwise to support the activities or business of any Group Company or the Group as a whole.

Financial institutions only

* 1. [*To the best of the Company’s knowledge, [after due inquiry,]:*
     1. *each Client has complied with all applicable Business Integrity Laws;*
     2. *no Client has committed any Financial Malpractice, or directed or knowingly permitted any person to commit any Financial Malpractice on its behalf; and*
     3. *no Client is a Sanctioned Person.*
  2. *The Group has in place Client acceptance and due diligence procedures designed to ensure that Group Company complies with Business Integrity Laws relating to anti-money laundering, terrorist financing and Sanctions*.]

1. Excluded activities

Delete ‘[or financed]’ for financial institutions as this is captured in Client E&S Standards.

No Group Company has carried on [or financed] any Excluded Activity or any Excluded Fossil Fuels Activity.

ESG covenant/incorporation of ESG schedule

The Company must, and must ensure that each other Group Company (whether acquired before or after the date of this Agreement) will:

* + 1. comply with the ESG Requirements, subject to any period permitted to achieve compliance with an ESG Requirement set out in the E&S Action Plan or the BI Action Plan; and
    2. take all reasonable steps in anticipation of known or expected future changes to the ESG Requirements.

ESG breach

The following drafting is suggested to help define an ESG Breach and those which are capable of remedy

1. Management of ESG breaches
   1. Where, under paragraph 21 of Part E of Schedule [X], it is notified by the Company or determined by an adviser appointed by the Investor[s] that an ESG Breach has occurred, the Company and the Investor[s] shall endeavour to agree the steps required to remedy the ESG Breach (irrespective of whether it has or might have a Material ESG Impact), having regard to any recommendations made by the advisers, and the defined period in which to remedy the ESG Breach (which shall not exceed six months without [BII’s][the Investors’] agreement).

Normally we would not trigger an ESG exit right for failure to report or if Clients of a financial institution are in breach, unless there is a failure of systems. Cross reference [Y] is to BII’s exit rights or a specifically drafted remedy – see section 13 above

* 1. A **Material ESG Breach** will have occurred [and clause [Y] shall apply] if an ESG Breach occurs in respect of any of the ESG Requirements in Parts B, C[,][ or] D[, *F or H*] of Schedule [X] (a **Substantive ESG Breach**) and that Substantive ESG Breach:
     1. is not remedied within the period referred to in clause 4; or
     2. results in a Material ESG Impact at any time.
  2. A **Material ESG Impact** means a Substantive ESG Breach which is one of the following, or where any of the following arises in respect of that Substantive ESG Breach (and the Material ESG Impact is deemed to occur at the time the relevant limb below is satisfied):
     1. Financial Malpractice by a Group Company where the Financial Malpractice or any payment in connection with the Financial Malpractice was authorised by one or more directors of a Group Company;
     2. a Group Company being fined more than US$[●];
     3. any employee or officer of any Group Company being fined more than US$[●] or imprisoned in relation to conduct in the course of their employment or office;
     4. the suspension or revocation of any concession, licence to operate or similar of a Group Company;
     5. the death of, or serious permanent personal injury to, a natural person;
     6. a natural person suffering from a Safeguarding Violation or any other form of abuse, discrimination, coercion, exploitation or harassment;
     7. significant adverse impacts on the Environment which are diverse, irreversible or unprecedented; or
     8. a liability to a Group Company, or costs or losses or damages suffered by third parties (including without limitation employees, neighbouring landowners, indigenous peoples and other stakeholders), of more than US$[5]m (including multiple smaller claims for the same or related events aggregating to that amount),

provided that a Substantive ESG Breach shall not be considered to give rise to a Material ESG Impact where:

(A) the Material ESG Impact was caused by the actions of any of the relevant Group Company’s employees, contractors or agents; and

(B) notwithstanding that a Substantive ESG Breach has occurred, the relevant Group Company had used best endeavours to procure compliance by those employees, contractors, and agents with the ESG Requirement, the breach of which constitutes the Substantive ESG Breach.

* 1. For the purposes of clause 4.3(B) above, it is recognised and agreed by the Parties that what constitutes best endeavours will vary depending on the subject matter of the Substantive ESG Breach concerned but, by way of example (and without limiting in any way what may otherwise constitute a failure to use best endeavours), the following are non-exhaustive examples of what constitutes failure to use best endeavours:
     1. inadequate or non-existent procedures;
     2. the absence of contractual commitments from relevant parties (such as contractors or agents);
     3. non-existent or insufficient employee or contractor training; and/or
     4. non-existent, inadequate or irregular monitoring and auditing of compliance.

ESG schedule

**SCHEDULE [X]**

**Environmental, social and governance**

Part A – ESG Definitions

In this Agreement:

The drafting assumes that definitions of ‘Group’ and ‘Group Company’ are in the SHA already

**BI Action Plan** means a business integrity and governance action plan in the Agreed Form defining actions, responsibilities, budgets, deliverables, compliance indicators, and a timeframe for the measures required to remedy any identified failure by a Group Company to comply with the requirements set out in Part C [and Part F3] of Schedule [X]; this plan may be amended with the approval of the Investor[s] from time to time;

**BI Management System** means the periodically reviewed management system of the Group, consistent with its business profile, that enables each member of the Group to identify and manage risks related to Business Integrity Laws, Financial Malpractice and Sanctions in respect of the Group’s operations [and incorporating the requirements of the BI Action Plan].

**Business Integrity Laws** means any law, rule or regulation relating to bribery, corruption, financial crime, anti-terrorism, terrorism financing, anti-money laundering, Sanctions, export controls, trade embargoes and travel bans applicable to any Group Company or to the Investor[s] including, without limitation, the economic sanctions and regulations of a Sanctioning Body, any European Union restrictive measure that has been implemented pursuant to any European Council or Commission Regulation or Decision adopted pursuant to a Common Position in furtherance of the European Union's Common Foreign and Security Policy;

Definitions in italics for financial institutions only

[***Client*** *means each customer, depositor or borrower of a Group Company (not being a natural person);*

***Client E&S Standards*** *has the meaning given in Part F1 of Schedule [X];*]

**E&S Action Plan** means [an environmental and social action plan in the Agreed Form][the part of the Action Plan] defining actions, responsibilities, budgets, deliverables, compliance indicators, and a timeframe for the measures required to remedy any identified failure by a Group Company to comply with the E&S Requirements, [including the establishment of an appropriate E&S Management System]; this plan may be amended with the approval of the Investor[s] from time to time;

Consider whether an E&S committee is required – it will be appropriate for businesses with greater environmental or social impact. Language should conform to the SHA. If used, changes to terms of reference of the E&S Committee should be a reserved matter and the formation of the committee should be a condition precedent to closing. Consider whether provision for audit and compliance committees will be required. This is usually covered within ‘standard’ SHA provisions

[**E&S Committee** means a committee of the Board comprising [three] directors of which [one] must be an [Investor Director] appointed by the Investor[s];]

**E&S Laws** means Environmental Law and Social Law and the terms of any permits, licenses, consents, approvals or other authorisations held by the person concerned under Environmental Law or Social Law;

**E&S Matters** means Social Matters and the Environment, including the E&S Requirements, IFC Performance Standards and the ILO Conventions;

Words in square brackets re Clients for financial institutions only

**E&S Management System** means the periodically reviewed management system, satisfactory to the Investor[s], that ensures a systematic approach to risk identification, assessment and management of E&S Matters (including the identification, assessment and management of climate-related risks and, where paragraph 0 of Part B of Schedule [X] applies, human rights risks) which is commensurate with the scale and significance of E&S Matters to the persons concerned; the management system should define policies and procedures which will apply to those persons and organisational arrangements to ensure effective implementation, monitoring and reporting[ *and which manages the risks of Clients in relation to E&S Matters and avoiding Excluded Activities and Excluded Fossil Fuel Activities in accordance with the requirements set out in Part F2 of Schedule [X]*];

**E&S Requirements** means the requirements set out in Part B of Schedule [X] [and the requirements set out in Part F2 of Schedule [X]], to the extent applicable;

**Environment** means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media:

1. air (including, without limitation, the climate, air within natural or man-made structures, whether above or below ground);
2. water (including, without limitation, territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
3. land (including, without limitation, land under water);

**Environmental Law** means any law, rule or regulation (including international treaty obligations) concerning the Environment and natural resource management applicable in each jurisdiction in which the person concerned carries on business;

See note on ESG Breaches in section 13 above. Cross reference the core ESG Requirements covenant, the E&S and BI Action Plans and the ESG Schedule

**ESG Breach** means a breach by any Group Company of any ESG Requirement;

**ESG Requirements** means the requirements set out in clause [17] and Schedule [X] to the extent applicable to any Group Company;

**Excluded Activities** means the activities listed in Part D of Schedule [X];

**Excluded Fossil Fuel Activities** has the meaning set out in paragraph 7.1 of Part C of Schedule [X];

**Financial Malpractice** means:

1. promising, offering or giving, or soliciting or accepting, directly or indirectly, anything of value, to induce any person to act improperly or to improperly refrain from acting in connection with any business or public function (or to reward them for improperly acting or refraining from acting) and includes any breach of anti-corruption law in the United Kingdom and any other jurisdiction applicable to [the/an] Investor or a Group Company;
2. any act or omission, including any misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a person to obtain a financial benefit or to avoid an obligation; or
3. materially impeding an investigation by a governmental or regulatory agency, lender, shareholder or third party into allegations of the matters referred to in paragraphs (a) or (b) of this definition, including deliberately destroying, falsifying, altering or concealing material evidence, making false statements, limiting access, or threatening, harassing or intimidating any person in order to stop them (i) disclosing their knowledge of matters relevant to such an investigation, or (ii) pursuing the investigation;

**Forced Labour** means any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty, including any kind of involuntary or compulsory labour;

**IFC Performance Standards** means the International Finance Corporation (IFC) 2012 Performance Standards on Social and Environmental Sustainability (including the technical reference documents known as World Bank Group Environmental, Health, and Safety (EHS) Guidelines) which may be downloaded from the IFC website:

1. IFC Performance Standards: http://www.ifc.org/PerformanceStandards; and
2. World Bank Group EHS Guidelines: http://www.ifc.org/EHSGuidelines;

**ILO Convention** means a convention of the International Labour Organisation (ILO), the tripartite United Nations agency, whose conventions may be downloaded from the ILO website: https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm;

**Irremediable ESG Breach** is defined in clause 4.1;

**KYC Checks** means obtaining information from a person to verify the identity and address (and, where applicable, ownership and control) of the person concerned (to the standard required by any law or regulation to which the Group Company or [BII is][the Investors are] subject) and to ensure that the person concerned is not a Prohibited Person;

**Prohibited Person** means:

1. any person or entity who at the relevant date is, or in the five years preceding such date was, listed on any Sanctions List;
2. any person who appears, or during such five-year period appeared, on the World Bank Listing of Ineligible Firms (see www.worldbank.org/debarr);
3. any person who has been convicted or, to the Group Company concerned’s knowledge, has been charged or is subject to an investigation in respect of an alleged breach of any Business Integrity Law;
4. any person Controlled (directly or indirectly) by any such person referred to in paragraphs (a) to (c) of this definition or who such person has (directly or indirectly) any interest in;

**Safeguarding Violation** means any action or series of actions undertaken by the person concerned, its directors, employees or other persons acting on that person’s behalf (or their respective directors, employees or agents) that:

1. involves Forced Labour;
2. contravenes ILO Convention 190 (Violence and Harassment) or otherwise involves the exploitation, abuse or harassment (being any form of unwanted verbal, non-verbal or physical conduct, whether by force or under unequal or coercive conditions) of any person that is directed at such person because of their perceived or real sex or gender, or that disproportionately affects people of a particular sex or gender; or
3. involves the exploitation or abuse of a child;

**Sanctioned Person** means a person that is:

1. listed on a Sanctions List, or directly or indirectly owned, or otherwise controlled, by any one or more persons listed on a Sanctions List;
2. located or resident in, or incorporated or organised under the laws of, a country, region or territory that is the subject of country-wide, region-wide or territory-wide Sanctions; or

otherwise a subject of Sanctions.

**Sanctioning Body** means any of the United Nations Security Council, the European Union, the United Kingdom (including Her Majesty’s Treasury) and OFAC.

**Sanctions** means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctioning Body.

**Sanctions List** means the 'Specially Designated Nationals and Blocked Persons' list maintained by OFAC, the Consolidated List of Financial Sanctions Targets maintained by Her Majesty’s Treasury and any similar list maintained by any Sanctioning Body.

**Social Law** means any law, rule or regulation (including international treaty obligations) applicable to the person concerned relating to Social Matters;

**Social Matters** means (i) labour, (ii) social security, (iii) the regulation of industrial relations (between government, employers and employees), (iv) the payment of wages which meet or exceed industry or legal national minima, (v) the protection of occupational as well as public health and safety, (vi) the prevention of Safeguarding Violations, (vii) the regulation of public participation, (viii) the protection and regulation of ownership of land rights (both formal and traditional), immovable goods and intellectual and cultural property rights, (ix) the protection and empowerment of indigenous peoples and ethnic groups, (x) the protection of cultural heritage, and (xi) all other laws, rules and regulations providing for the protection of employees and citizens;

References to governmental, supranational, or international bodies or their procedures, protocols or conventions (including IFC Performance Standards and ILO Conventions) or to treaties or to other rules, regulations issued by or deriving from them shall include those bodies, procedures, protocols, conventions, standards, treaties, rules, or regulations as they may be renamed, reorganised, replaced, amended, or superseded from time to time.

The expressions **include** and **including** shall be construed without limitation.

Part B - E&S Requirements

1. Compliance with law

Each Group Company must comply with E&S Laws.

1. E&S Action Plan

The Company must implement all actions set out in the E&S Action Plan by the dates specified for each action in that plan.

1. Working conditions and labour rights
   1. Each Group Company must:
      1. not employ or make use of Forced Labour, and must procure that none of the Group Company’s directors, employees or agents does so;
      2. not employ or make use of child labour in accordance with ILO Convention No. 138 (Minimum Age) and ILO Convention No. 182 (Worst Forms of Child Labour);
      3. pay wages which meet or exceed industry or legal national minima;
      4. not discriminate in terms of recruitment, progression, terms and conditions of work and representation, on the basis of personal characteristics unrelated to inherent job requirements, including gender, race, colour, caste, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, marital status, membership of workers’ organisations, legal migrants, or HIV status (unless positive discrimination is permitted by law and is intended to address a historical imbalance);
      5. adopt an open attitude towards workers’ organisations and respect the right of all workers to join or form workers’ organisations of their own choosing, to bargain collectively and to carry out their representative functions in the workplace in accordance with ILO Convention No. 87 (Freedom of Association and Right to Organise) and ILO Convention No. 98 (Right to Organise and Collective Bargaining); and
      6. provide reasonable working conditions including a safe and healthy work environment, working hours that are not excessive in accordance with ILO Convention No. 1 (Hours of Work (Industry)) and clearly documented terms of employment, respecting any collective bargaining agreements that are in place or (where these do not exist or do not address working conditions) or conditions established, by collective agreement or otherwise, for work in the trade or industry concerned in the area where the work is carried out.
   2. Each Group Company must [implement (in accordance with the timeline specified in the E&S Action Plan and] maintain a grievance mechanism that:
      1. is developed as part of an E&S Management System;
      2. is available to all workers and other third parties for the reporting of improper or illegal activities related to environmental, social, labour or health and safety matters;
      3. ensures all complaints are treated confidentially and are investigated;
      4. provides for investigations, including in relation to Safeguarding Violations, to be handled by appropriately trained employees or with guidance or support from appropriate external sources;
      5. where appropriate, allows for anonymous complaints to be raised and addressed;
      6. includes protection for, and appropriate disciplinary action for anyone found to harass, the reporter; and
      7. is overseen by a senior operational officer who reports regularly to senior management on the operation and effectiveness of the mechanism.
2. Safeguarding
   1. No Group Company shall engage in any Safeguarding Violation.
   2. Each Group Company must procure that none of its directors, employees nor persons acting on its behalf (and their respective directors, employees and agents) shall, in respect of their activities for or in connection with the Group Company, engage in any Safeguarding Violation.

Use words in square brackets if there are no current policies and it is not a CP to closing.

* 1. The Group must [institute (by the dates specified in the E&S Action Plan) and] maintain internal policies and procedures through its E&S Management System designed to:

Delete ‘[its contractors or subcontractors]’ for financial institutions – see Part F in terms of managing these restrictions for financial institutions.

* + 1. prevent each Group Company, [its contactors, subcontractors] and their respective directors, employees, agents and persons acting on their behalf from engaging in any Safeguarding Violation; and
    2. ensure the confidentiality and safety of any victim of, or witness to, any Safeguarding Violation.
    3. to ensure the confidentiality and safety of all persons involved, including any victim or survivor of, or witness to, any Safeguarding Violation.

1. Supply chains
   1. No Group Company may acquire, use or supply any goods where there has been any Forced Labour or any other form of exploitation involved in the production or supply of such goods (including prior stages of manufacture and/or obtaining raw materials).

Delete ‘[its contractors or subcontractors]’ for financial institutions.

* 1. The Company must [institute (in accordance with the time line specified in the E&S Action Plan) and] maintain through its E&S Management System policies and procedures designed to ensure that no Group Company, [its contractors or subcontractors,] nor any of its directors, employees or agents:
     1. employs or makes use of Forced Labour or engages in any Safeguarding Violations; and
     2. acquires, uses or supplies any goods where there has been any Forced Labour or any other form of exploitation involved in the production or supply of such goods (including prior stages of manufacture and/or obtaining raw materials).
  2. The Company must provide such evidence as the Investor[s] may require to demonstrate the Group’s compliance with this paragraph 5.

Delete ‘[or finance]’ for financial institutions – see Part F in terms of managing these restrictions for financial institutions.

1. Exclusion list
   1. The Company must not (and the Company must ensure that no other member of the Group will) carry on[ or finance] any Excluded Activity.

Consider whether it is appropriate to cover supply chains for broader excluded activities (e.g. providing power to an arms manufacturer). This will depend on the nature of the business and its ability to diligence its customers.

* 1. [The Company must not (and the Company must ensure that no other member of the Group will) carry on[ or finance] the production or provision of goods, services or other outputs (including advice, financial services and power) where the sole or principal purpose of those goods, services or outputs is to support, facilitate or enable a person to carry on the Excluded Activities.]

1. Fossil fuels
   1. For the purposes of this paragraph 7:

**CCUS** means carbon capture and storage and carbon capture, use, transport and storage;

**Excluded Fossil Fuel Activity** means any of:

* + 1. mining, prospecting or exploring for Fossil Fuels;
    2. producing, processing or refining Fossil Fuels or using the waste heat from the burning of Fossil Fuels, whether by a Group Company or a third party;
    3. generating power or heat using Fossil Fuels, storing or transmitting that power or heat or refurbishing or rehabilitating power generation plants that use Fossil Fuels;
    4. storing, transporting, distributing or trading in Fossil Fuels, or developing, acquiring, constructing, acquiring, operating or maintaining any infrastructure for the storage, transport, distribution or trading in Fossil Fuels;
    5. CCUS;
    6. Fossil Fuel Dependent Heavy Industry;
    7. the production and provision of goods, services or other outputs (including advisory or financial services and utilities) for exclusive use in connection with any activity referred to in (a) to (f) above; and
    8. the improvement of the efficiency, health and safety or environmental and social standards of any business engaged in any activity referred to in (a) to (f) above

but the activities listed in paragraph 7.3 below are not Excluded Fossil Fuel Activities

**Fossil Fuel** means any fossil fuel including coal, oil (including heavy fuel oil, light crude oil or diesel) or gas (including liquefied gas); and

**Fossil Fuel-Dependent** **Heavy Industry** means industrial processes that:

* + 1. need high temperatures that can only be achieved through burning Fossil Fuel (such as manufacturing cement, ceramics, glass and paper); or
    2. use Fossil Fuel as feedstock but that do not produce fuels (such as manufacturing steel, detergents, waxes, lubricants, white oils and paint).
  1. The Company must not (and the Company must ensure that no other member of the Group will) carry on or finance any Excluded Fossil Fuel Activity.

Fossil fuel exceptions – (a) and (b) should be sufficient for normal trading businesses. You will require one or more items from the longer list of exceptions for companies in the following sectors:

* power generation (or refurbishment/retrofitting of fossil fuel power plants),
* heavy industry which burn fossil fuels or uses them as a feedstock or
* other adjacent sectors to fossil fuels, e.g.:
* exploration, mining, storage, refining, processing or trading of fossil fuels,
* transport (including making, running or maintaining fleets of vehicles), logistics, infrastructure (including its acquisition, operation or maintenance),
* carbon capture and storage
* training, the improvement of efficiency or HSE standards in such businesses
* the production/ provision of goods, services or other outputs (including advisory or financial services and utilities) exclusively in relation to such businesses, or
* finance (e.g. banks and other commercial lenders) where typically the full list of exceptions will be required.
  1. Nothing in paragraph 7.2 shall prevent a Group Company from carrying out or financing any of the following:
     1. using standalone fossil fuel generators (other than coal-burning generators) in the normal course of the Group’s business where renewable-powered generators have been proven not to offer sufficient reliability or cost feasibility for the proposed use; [and]
     2. using liquefied petroleum gas (LPG) for cooking or heating[;/.]
     3. [generating power from a captive power plant the energy source of which is any Fossil Fuel (other than coal), whether in whole or in part, which uses the power it generates for an application to which it is directly connected and does not deliver its power to the transmission or distribution grid, but only if:
        1. the Fossil Fuel producing the lowest greenhouse gas emissions that can feasibly be used, has been used;
        2. the operator is transitioning to renewable power; and
        3. where the Group’s involvement is associated with an increase in energy use, that additional use will be met by renewable power, unless it is shown this would be technically or commercially unviable;
     4. refurbishment, retrofitting and rehabilitation of any captive power plant to which paragraph (c) applies, provided that it is fuelled by gas or liquefied gas and no other Fossil Fuel;
     5. power generation, storage and/or transmission from mini grids but only if they are:
        1. powered only by renewable power; or
        2. powered partly by Fossil Fuel (other than coal) and partly by renewable power and:
           1. a renewable-only powered mini grid has been proven not to offer sufficient reliability or cost feasibility in the context of the proposed application;
           2. a Fossil Fuel (other than coal) producing the lowest greenhouse gas emissions that can feasibly be used, has been used; and
           3. if an increase in capacity is proposed, that additional capacity will be provided by renewable power, unless it is shown this would be technically or commercially unviable
     6. generating power from, or refurbishment, retrofitting and rehabilitation of, any power plant which:
        1. is fuelled by gas or liquefied gas and no other Fossil Fuel;
        2. delivers its power to the transmission or distribution grid; and
        3. meets the requirements of British International Investment’s [Guidance on Natural Gas Power Plants](https://assets.bii.co.uk/wp-content/uploads/2020/12/12145227/CDC_GasGuidance_December2020.pdf).
     7. the development, construction, acquisition, operation or maintenance of transportation (but not import or export), storage and distribution infrastructure where the primary purpose of such infrastructure is to support power generation from a power plant which satisfies the requirements in paragraph (f) above;
     8. transportation by trains, ships, road vehicles and aircraft where less than 50 per cent of the handled tonnage of the vehicles (as a fleet) is Fossil Fuel;
     9. the development, manufacture, construction, acquisition, operation or maintenance of:
        1. transport infrastructure including airports, roads, railways, inland waterways and ports (sea and inland); and
        2. trains, ships, road vehicles and aircraft,

provided that in each case, less than 50 per cent of the handled tonnage of the infrastructure or the vehicles (as a fleet) is Fossil Fuel;

* + 1. CCUS, but only if:
       1. it is not used for enhanced oil, gas or coalbed methane recovery, or any equivalent technology;
       2. it is used in connection with gas-only fired power generation or for industrial processes that burn any Fossil Fuel (other than coal);
       3. it will significantly abate greenhouse gas emissions over the lifetime of the existing Fossil Fuel related assets; and
       4. it will not significantly extend the life of existing Fossil Fuel related assets;
    2. engaging in Fossil Fuel Dependent Heavy Industry but, where it involves the burning of Fossil Fuels, only if:
       1. a Fossil Fuel (other than coal) producing the lowest greenhouse gas emissions that can feasibly be used, has been used; and
       2. the operator is considering how to switch to lower-emission technologies (including CCUS);
    3. decommissioning of Fossil Fuel related infrastructure;
    4. use of metallurgical coal to initiate chemical reactions (e.g. when mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials and the generation of heat as a by-product;
    5. the development, construction, acquisition, operation or maintenance of electricity or heat (hot air or water) transmission and distribution grids, but not where the underlying electricity or heat is solely generated from coal or oil;
    6. blending ethanol and biofuels in petroleum products;

Paragraph (b) above may be deleted if you are using this long form LPG exception

* + 1. using liquefied petroleum gas (**LPG**) for cooking or heating or importing, exporting, transporting, storing, distributing and trading of LPG to be used primarily for cooking or heating and the development, construction, acquisition, operation or maintenance of associated facilities for the sourcing, transport, storage, bottling and distribution of LPG to be used primarily for cooking or heating;
    2. the conversion of any activity related to any Fossil Fuel into one which would not be an Excluded Fossil Fuel Activity on completion of the conversion;
    3. support to Fossil Fuel sectors to enable a just transition of workers and Fossil Fuel-dependent communities, limited to the just transition element of the investment only (for example, social dialogue, skills and retraining and bridging loans for the benefit of those workers and/or communities);
    4. methane detection and/or capture;
    5. health, safety and environment training;
    6. the use of hydrocarbons as alternatives to hydrofluorocarbons as refrigerant gases, foam blowing agents or for other uses, where it significantly reduces greenhouse gas emissions;
    7. the production and provision of goods, services or other outputs (including advisory or financial services and utilities) for use in connection with any activity permitted under this paragraph 7.3; and
    8. the improvement of the efficiency, health and safety or environmental and social standards of any business engaged in any activity permitted under this paragraph 7.3.]

1. E&S Management System
   1. The Company must appoint an appropriate qualified person satisfactory to the Investor[s] to be responsible for the implementation, operation and maintenance of the E&S Management System and must notify the Investor[s] in writing immediately of the removal or replacement (for whatever reason) of that person. More than one such person may be appointed to be responsible for different aspects of the E&S Management System.
   2. The Company must implement, maintain and continuously improve the E&S Management System, including deploying employees of sufficient expertise and seniority as is necessary for this purpose.
   3. The E&S Management System must be supervised by a named senior officer satisfactory to the Investor[s] who reports to the [Board/the E&S Committee]. the Investor[s] must approve any change to the officer.
   4. Supervision of the E&S Management System must include:
      1. overseeing implementation of the E&S Action Plan;
      2. quarterly reports to the Board on any material issues that have arisen from the operation of the E&S Management System since the last meeting and an explanation as to how they are being dealt with;
      3. ensuring that the Group has the systems and resources (including employees of sufficient expertise and seniority) to understand and determine the applicability of the E&S Requirements to the Group and monitor the underlying E&S Laws, IFC Performance Standards, ILO Conventions and international treaties, conventions and local laws relating to climate change for applicable changes;
      4. examining policies and procedures relating to the E&S Requirements and their implementation and making recommendations for their improvement to the Board;
      5. considering [quarterly] reports from management on the implementation of the E&S Action Plan;
      6. reviewing and approving the report to the Board and the Investors required under paragraph 19.1 of Part E of this Schedule [X];
      7. considering E&S and climate change impact assessment reports on new projects or acquisitions; [the E&S Committee may veto [transaction][project][contract] bids] where [the reports advise that][in the Investor[s’][s’] reasonable opinion] there is a material risk that the transaction, if consummated, would cause the Group to be in breach of the E&S Requirements and/or could affect its financial, reputational or development impact performance]; and
      8. appointing consultants to investigate alleged breaches of the E&S Requirements or the related policies and procedures of the Group.
   5. If there is any material change in the scope of the Group’s business activities, the Company must advise and consult with the Investor[s] regarding any material environmental, climate or social risk posed by the change and, if requested by the Investor[s], amend the E&S Management System to identify, assess and manage those risks.

Consider relevance of certain items to business in question. Not required for financial institutions. Conversely, if the business is known to conduct any of the activities in 9.2 then the introductory “If in an Investor’s judgement” language may be deleted so it is an absolute requirement.

1. [Activities with greater environmental or social impact
   1. If, in [the/an] Investor’s judgement, the activities of a Group Company involve or could be reasonably expected to involve any of the activities or matters listed in paragraph 9.2, then:
      1. the requirements of the relevant IFC Performance Standards should be met;
      2. an appropriate stakeholder engagement plan should be developed in line with the applicable IFC Performance Standard (including, as appropriate, the application of Free Prior Informed Consent as part of the investment process), and
      3. an effective and appropriate assessment of E&S Matters should be undertaken (depending on circumstances this may include an impact assessment, audit or other process) and an issue-specific action plan (e.g. a resettlement action plan) should be developed for the activities.

**Free Prior Informed Consent** means agreement, reached with affected communities of indigenous peoples established through good faith, which documents: (i) the mutually accepted process between the Group Company and the affected communities of indigenous peoples, and (ii) evidence of agreement between the parties as the outcome of the negotiations. This agreement does not necessarily require unanimity and may be achieved even when individuals or groups within the community explicitly disagree

* 1. The activities and matters to which paragraph 9.1 applies are:
     1. significant risks to the health and safety of workers;
     2. significant air emissions (including of greenhouse gases), use of water or generation of liquid effluents, generation of hazardous or other solid wastes; or resource use inefficiencies;
     3. adverse community health and safety impacts (including risks to health, welfare and economic opportunity);
     4. the acquisition or use of land that could affect the livelihoods and well-being of local communities (including as a result of increased food insecurity, bring about loss of access to natural resources (especially water) or traditional rights and practices) or result in economic displacement or involuntary resettlement;
     5. activities in conflict and post-conflict areas where the company’s presence or activities could exacerbate already sensitive local circumstances which might lead to further or renewed conflict;
     6. negative impacts on biodiversity, habitats or ecosystem services;
     7. impacts on indigenous peoples (or other marginalised and vulnerable groups);
     8. restricted opportunities for women and girls or otherwise increased gender inequality;
     9. impacts on cultural heritage;
     10. business activities in fragile or conflict affected areas;
     11. significant cumulative impacts or impacts that would be represented via supply chains; or
     12. other significant negative environmental or social impacts.

If the business is known to have human rights risks, the introductory “If in an Investor’s judgement” language may be deleted so it is an absolute requirement.

* 1. If, in [the/an] Investor’s judgement, the activities of any Group Company could reasonably be expected to involve human rights risks, then the Group must assess and manage those risks in accordance with Part II of the UN Guiding Principles on Business and Human Rights.]

Part C – Business integrity requirements

1. Compliance with law
   1. Each Group Company must comply with Business Integrity Laws.

The purpose of this clause is to avoid the Investor being obliged to make a payment which may be a breach of sanctions or anti-terrorism laws. External counsel should consider interrelation between this clause and the obligations to provide funding following a drawdown notice. If the Investor is entitled not to make any payment and none has been made to date, the Investor should have a right to terminate the investment. If payments are staged and the clause could be triggered after the initial closing then this will need further thought. This should be included in any document where the Investor is paying funds (i.e. SPA, subscription agreement etc), although the drafting below attempts to cover them.

* 1. Notwithstanding any other provision in this Agreement [or any other agreement between the parties], the Investor[s] shall not be obliged to make any payment or take any other action which, in their reasonable opinion, could cause [the][any] Investor to breach any Business Integrity Law.

1. BI Action Plan

The Company must implement all actions set out in the BI Action Plan by the dates specified for each action in that plan.

1. Avoiding Financial Malpractice
   1. The Company must not commit (and the Company must ensure that no other Group Company or any agent or delegate commits) any Financial Malpractice or direct or knowingly permit any person to commit any Financial Malpractice on its behalf.
   2. No Group Company may donate money or any other thing of value to any politician, political party or in support of a political cause.
2. BI management system
   1. The Company must (and must ensure that each Group Company must) implement and maintain the BI Management System.
   2. The Company must procure that the Group:
      1. adopts and implements policies and practical procedures to prevent extortion, fraud, bribery, corruption and financial crime in accordance with Business Integrity Laws and relevant internationally recognised practices, including:

Adoption of (or amendment of existing) anti-bribery and whistle-blowing policies should be a CP if there are no adequate procedures in place already. Additional requirements for financial institutions are covered in Part F

* + - 1. the [adoption and ]periodic review of an anti-bribery and corruption policy (including explanations and procedures) in the Agreed Form; and
      2. employee training programmes on the operation of the policies and procedures; and
    1. properly records, reports and reviews financial and tax information and adopt internationally recognised accounting standards satisfactory to the Investor[s].
  1. At least once every three years, the Company must undertake a review (by internal or external auditors) of the following and share the outcome of that review with the Investors:
     1. the assessment of the financial crime risks, including bribery, faced by the Group,
     2. the systems, policies and procedures for managing such risks, and
     3. the implementation and effectiveness of those policies and procedures.

1. Whistleblowing

The Company must procure that the Group [implements (in accordance with the timeline specified in the BI Action Plan) and] maintains a whistleblowing mechanism that:

* + 1. is developed as part of the BI Management System;
    2. is available to all workers and other third parties for the reporting of improper or illegal activities relating to Financial Malpractice, Sanctions or any other form of financial crime;
    3. ensures all complaints are treated confidentially and are investigated;
    4. provides for investigations, including in relation to Safeguarding Violations, to be handled by appropriately trained employees or with guidance or support from appropriate external sources;
    5. where appropriate, allows for anonymous complaints to be raised and addressed;
    6. includes protection for, and appropriate disciplinary action for anyone found to harass, the reporter; and
    7. is overseen by a senior operational officer of the Company who reports regularly to senior management on the operation and effectiveness of the mechanism.

Lawyers to consider interaction with other provisions of agreements. These clauses may be placed in the board appointments/share issue/share transfer sections of the SHA/articles if more convenient.

1. Integrity requirements for new shareholders and directors
   1. [Notwithstanding any other provision of this agreement or the Articles, no][No] Prohibited Person may, in relation to any Group Company, be:
      1. registered as a shareholder or member; or.
      2. appointed as director or officer (if applicable).
   2. The Company must carry out KYC Checks on any proposed shareholder, member, director or officer of a Group Company and send the information received for that purpose to the Investor[s].
2. Tax
   1. Each Group Company must meet all tax, filing, withholding, payment and other tax compliance obligations in all relevant jurisdictions.
   2. No Group Company may enter into a transaction with any person except on arm’s length terms and for full market value.
   3. No Group Company may be formed without the Investor[‘s][s’] prior written consent in any jurisdiction which is not:
      1. successfully participating in the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes and has passed its phase 1 review and been rated ‘Compliant’, ‘Provisionally Largely Compliant’ or ‘Largely Compliant’ following completion of its phase 2 review;
      2. committed to the implementation of the international standard of automatic exchange of tax information; and
      3. a member of the Inclusive Framework on BEPS, or is publicly committed to becoming a member of it or to implementing BEPS minimum standards.
   4. Each Group Company must remain resident in its jurisdiction of incorporation for tax purposes and satisfy any relevant regulatory or substance requirements.
   5. No changes to the Group’s corporate structure (including the acquisition or incorporation of new entities) may be made mainly or solely for the purpose of reducing taxes in the jurisdictions in which the Group operates.
3. Sanctions
   1. No Group Company may:
      1. enter into a transaction (i) with, or for the benefit of, any Sanctioned Person; or (ii) related to any activity prohibited by any Sanctioning Body;
      2. use, lend or otherwise make available, all or any part of the proceeds of the Investor[’s][s’] investment
         1. to fund, directly or indirectly, any trade, business or other activities involving or for the benefit of any Sanctioned Person
         2. in any other manner that could reasonably be expected to result in any Group Company or the Investor[s] being in breach of any Sanctions or becoming a Sanctioned Person.
      3. use any revenue or benefit derived from any activity or dealing with any Sanctioned Person to make any dividend, distribution or other payment to the Investor[s].
   2. The Company must procure that no Sanctioned Person will have any legal or beneficial interest in any funds paid by any Group Company to the Investor[s].
4. Data protection and privacy

The Company must [institute (within the period specified in the BI Action Plan) and] maintain through the BI Management System adequate and proportionate policies and procedures for the Group designed to protect the security of IT systems, personal data and the rights of individuals to privacy.

Part D – Excluded Activities

**Excluded Activities** means:

1. the production of, or trade in:
2. hazardous chemicals, pharmaceuticals, pesticides and wastes, as specified in the 2004 Stockholm Convention on Persistent Organic Pollutants; the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade; the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal and WHO Recommended Classification of Pesticides by Hazard Class 1a (extremely hazardous); or 1b (highly hazardous);
3. ozone depleting substances, as specified in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer;
4. endangered or protected wildlife or wildlife products, as specified in the 1975 Convention on International Trade in Endangered Species or Wild Flora and Fauna;
5. any other product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans as defined in global conventions and agreements;
6. arms (i.e. weapons, munitions or nuclear products, primarily designated for military purposes); or
7. radioactive materials (excluding medical equipment, quality control (measurement) equipment, civilian power generation and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded);
8. the production of, use of, or trade in unbonded asbestos fibres;
9. unsustainable fishing methods such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 kilometres in length; [or]
10. prostitution[.][; and]

Consider deleting the introductory wording re 10% for direct investments in non-financial institutions where the activities are not considered to be likely – in these cases an outright prohibition may be appropriate. In which case the preceding list would be continued and the remaining items renumbered.

1. [any of the following, to the extent that the activities represent more than 10% of the Group’s [consolidated balance sheet or earnings][underlying portfolio volumes]:]
2. gambling, gaming casinos and equivalent enterprises;
3. tobacco or tobacco related products (except where the Group proposes to cease such activities completely within a period agreed with the Investor[s]); or
4. pornography.

Part E – Reporting of ESG issues

1. ESG and development impact reporting

Financial Year or Financial Period may be a defined expression.

* 1. The Company must, as soon as it is available, but in any event no later than [90] days after the end of each [financial year], deliver to the Investor[s] one or more monitoring reports in the Agreed Form which address environmental, climate, social, business integrity and development impact matters.
  2. Without prejudice to paragraph 19.1, the Company must provide the Investor[s] with such assistance, access and information as the Investor[s] reasonably require[s] in order to monitor and evaluate the development impact of [its/their] investment.
  3. The Company must promptly inform the Investor[s] of any proposed change in the Directors, shareholders of the Company and (so far as the Company is aware) any ultimate beneficial owner of a shareholder holding indirectly more than 5% of the Company.

1. ESG breaches and claims
   1. The Company must notify the Investor[s] in writing immediately upon becoming aware of:
      1. any claim, proceeding or investigation by a person in respect of any E&S Laws or Business Integrity Laws being commenced or threatened against any Group Company or any facts or circumstances which will or are reasonably likely to result in such claim, proceeding or investigation being commenced;
      2. any breach by any Group Company of an ESG Requirement, including any written notice or other allegation received by, or brought to the attention of, any Group Company to that effect; and
      3. (without prejudice to the preceding two paragraphs) any enquires from government enforcement authorities concerning any act that may constitute a Financial Malpractice by or on behalf of any Group Company.
   2. If [the][any] Investor notifies the Company that it believes that there may have been a breach of the ESG Requirements by a Group Company or a director, employee or other person acting on behalf of a Group Company, the Company must cooperate in good faith with the Investor[s] in determining whether a breach has occurred. The Company must respond promptly and in reasonable detail to any request for information from the Investor[s] and provide documentary support for the response if requested.
2. E&S incident reporting

Words in italics and square brackets for financial institutions only

* 1. The Company must notify the Investor[s] of Serious Incidents promptly and in any event within 3 days after becoming aware of their occurrence. The Company must supply to the Investor[s] within 14 days of the Serious Incident a report in the form set out below incorporating, in each case, details of (1) the nature of the event and the on-site and off-site effects, and (2) any action the Group Company [*or the Client (as the case may be)*] proposes to take in order to remedy the effect of the Serious Incident. The Company must keep the Investor[s] informed about the progress of any remedial action and respond promptly to any request for further information.

|  |  |
| --- | --- |
| **REPORT on ESG ISSUES/INCIDENT in [Name of Company]** | |
| **Date of report** |  |
| **Company contact person** |  |
| **Description of issue** | 1. Date and time of incident. 2. Type of incident: environmental issue, climate-related issue, fatality, alleged fraud or other. 3. Name of person/s involved/injured/deceased, if applicable 4. Narrative and contextual information. 5. Whether incident was work or non-work related. 6. Causes of incident. 7. Status of investigation. 8. Listing of parties involved in investigation (witnesses and staff, unions, police, other authorities and other parties. 9. Publicity |
| **Follow-up by Company management** | 1. Company view of incident – degree of severity, possible uncertainties or disputed facts to be investigated. 2. Status of investigation. 3. Reports produced (and outstanding, if any). 4. Immediate actions taken by company and other parties. 5. Further actions to prevent re-occurrence of incident. 6. Monitoring/reporting arrangements to follow up on efficacy of actions taken. 7. Results to date of actions taken. |
| **Conclusion** | Next steps: whether to close the case, or proceed investigations, how to do so, and the rationale for it. |

* 1. A **Serious Incident** is one of the following which affects any employee, customer, supplier or other person who has dealings with, or is affected by the activities of, a Group Company *[or a Client*] or which occur on or nearby any site, plant, equipment or facility of any Group Company [*or Client*]:
     1. an incident resulting in death or permanent injury to any person;
     2. any other incident which has a material negative impact on the environment or the health, safety and security situation (including without limitation any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination);
     3. any incident of a social nature (including without limitation any strike, labour unrest or dispute with local communities);
     4. a Safeguarding Violation; or
     5. the occurrence of any indicator set out in the publication *ILO Indicators of Forced Labour* dated 1 October 2012, available at https://www.ilo.org/global/topics/forced-labour/publications/WCMS\_203832/lang--en/index.htm.

1. Retrenchment plans

The Company must notify the Investor[s] of any proposed termination, for economic or operational reasons, by one or more Group Companies of the employment of more than 10% of the total permanent workforce of the Group (taken as a whole) or more than [50] full time equivalent positions of the Group (taken as a whole) within a period of [6] months. (This excludes individual dismissals on grounds of capability or conduct). The notification must be made at least one month before the proposed terminations are implemented and must be accompanied by a draft retrenchment plan which sets out how the applicable IFC Performance Standards will be complied with.

Note: the following provisions may be merged with more general ‘access’ clauses - eg for default in providing financial information. This clause limits reimbursement to one inspection a year plus on allegations of default

1. Information and inspection
   1. Each Group Company must, promptly upon receipt of a request from the Investor[s], provide such information as the Investor[s] may reasonably require to demonstrate compliance with the ESG Requirements.
   2. The Company must permit the Investor[s], their accountants and their other advisers unrestricted access to each Group Company at all reasonable times and on reasonable notice to:
      1. meet with senior management of the Company to discuss any questions or issues in relation to ESG Requirements;
      2. investigate any failure to comply with or implement the ESG Requirements (including failure to implement any steps in a E&S Action Plan or BI Action Plan);
      3. inspect and to take copies and extracts from the books, accounts and records of each Group Company; and
      4. view the premises of each Group Company.
   3. The Company must reimburse the Investor[s] on demand for all costs and expenses (including consultancy costs and any travel expenses) incurred in connection with any meetings, investigations or inspections made under paragraph 23.2 provided that the reimbursement shall only be for:
      1. meetings, investigations or inspections which are prompted by suspicions or third party allegations (in each case based on reasonable grounds) of a material breach of the ESG Requirements, or where such a breach is revealed as a result of the meeting, investigation or inspection; and
      2. one other meeting, investigation or inspection in any financial year of the Company.

All other meetings, investigations or inspections shall be at the Investor[s’][s’] cost.

*Part F – ESG Requirements for financial institutions and Clients*

*Part F1 – Definitions*

1. *Definitions*

*In this Part F of Schedule [X]:*

***AML Matters*** *means anti-money laundering, terrorist financing, financial crime, Sanctions and Financial Malpractice*

***Basic Labour Standards*** *means the applicable requirements:*

1. *regarding wage, working hours, labour contracts and occupational health & safety issues, stemming from the following ILO Conventions: (i) working hours (Convention 1); (ii) weekly rest (Conventions 14 and 106); and (iii) health and safety (Convention 155), and including the requirement to provide workers with clearly documented terms of employment; and*
2. *of the ILO core labour standards, namely those stemming from the following ILO Conventions: (i) freedom of association and the right to collective bargaining (Conventions 87 and 98), (ii) the elimination of forced and compulsory labour (Conventions 29 and 105), (iii) the abolition of child labour (Conventions 138 and 182) and (iv) the elimination of discrimination in the workplace (Conventions 100 and 111);*

***Client E&S Standards*** *means:*

1. *not engaging in Excluded Activities or Excluded Fossil Fuel Activities, unless permitted under this Schedule;*
2. *compliance with E&S Laws and Basic Labour Standards;*
3. *not engaging in any Exploitative Procurement;*
4. *the applicable requirements of the E&S Management System; and*
5. *for IFC PS Triggered Transactions, IFC Performance Standards*

***Client E&S Action Plan*** *means the environmental and social action plan agreed upon between a Group Company and any Client for the remediation by the Client of any non-compliance with the Client E&S Standards, defining actions, responsibilities, budgets, deliverables / compliance indicators and a timeframe for the measures required to remedy the known non-compliances with the Client E&S Standards in the business activities of the Client and for any other measure agreed upon, as amended from time to time;*

***Coal Power and Mining*** *means:*

1. *power generation from any power plant which is fuelled, whether in whole or in part, by coal; and*
2. *coal mining;*

***Exploitative Procurement*** *means acquiring, using or supplying any goods or materials where the production or supply of those goods or materials has at any stage (including prior stages of manufacture and/or obtaining raw materials, and whether by the Client or by prior suppliers or producers) involved Forced Labour or any Safeguarding Violation;*

***IFC PS Triggered Transactions*** *means a transaction falling within any of the following scopes:*

*Scope 1:*

*Each Project Finance and Project Related Corporate Loan of a Group Company:*

*(i) with an amount equal to or higher than USD 5,000,000 or;*

*(ii) where the total project cost is equal to or higher than USD 10,000,000*

*provided that each loan/transaction under (a) and (b) has a tenor of 36 months or more*

*Scope 2:*

*Each corporate loan that is not a Project-Related Corporate Loan with an amount equal to or higher than USD 5,000,000 and which has a tenor of 36 months or more (including revolving facilities).*

Consider whether Scope 3 is required, and whether the scope should be limited in any way. Not expected to be required in most deals.

*[Scope 3:*

*Every equity investment of a Group Company]*

***Project*** *means a development in any sector at an identified location, which includes green field development, and/or expansion and/or upgrade of an existing operation. The location of the operations may change over time;*

***Project Finance*** *means a method of financing in which the lender looks primarily to the revenues generated by a single Project, both as the source of repayment and as security for the exposure;*

***Project Related Corporate Loan*** *means a corporate loan made to a business entity related to a single Project, either a new development or expansion (e.g. where there is an expanded footprint), where the majority of the proceeds of the loan is directed to the Project and where security exists in a form of a corporate or parent company guarantee; and*

*Part F2 – Environmental & Social*

1. *Expectations regarding Client E&S compliance*
   1. *The Company must use all reasonable endeavours to ensure that each Client complies with the applicable Client E&S Standards.*
   2. *Part G of this Schedule [X] provides a summary of the Client E&S Standards.*

At the minimum, financial institutions should not engage in Excluded Activities or Coal Power and Mining and should agree not to use investment proceeds for other Excluded Fossil Fuels Activities (option 2 below). Due to the fungibility of money, it would be preferable to prohibit all Excluded Fossil Fuel Activities, but this will depend on the factual situation as to whether a general prohibition (option 1) is appropriate or viable.

1. *Excluded activities and fossil fuels*

Option 1: absolute restriction

*[No Group Company shall provide any loan or other facility to any Client that is engaged in any Excluded Activity or Excluded Fossil Fuel Activity.]*

Option 2: ‘use of funds’ restriction on other fossil fuel activities and ring-fencing clause. There may be a defined expression for the investment proceeds.

* 1. *[No Group Company shall:*
     1. *make any loan or other facility to any Client that is engaged in any Excluded Activity or in Coal Power or Mining;*
     2. *use the proceeds of the Investor[s’][s’] investment in the Company to make any loan or other facility to any Client that is engaged in any other Excluded Fossil Fuel Activity.*
  2. *So far as practicable, the Company must ringfence the money received from the Investor[s] in respect of their investment to ensure that it is not provided to Clients who are carrying on, or propose to carry on, any Excluded Fossil Fuel Activities.]*

1. *E&S Management System to address Client risks* 
   1. *The E&S Management System must clearly articulate its scope of application and define the environmental and social requirements that each Group Company expects its Clients to comply with. These requirements and the scope of application must be at least as stringent as the Client E&S Standards.*
   2. *In addition to the requirements in paragraph 8 of Part B of this Schedule [X], the E&S Management System must:*
      1. *screen potential Clients against Excluded Activities and Excluded Fossil Fuel Activities;*
      2. *identify risks in relation to E&S Matters for all potential Clients, including Exploitative Procurement, and appropriately manage and monitor those risks (including the identification of climate change risks, and reporting on greenhouse gas emissions from high carbon intensity activities);*
      3. *classify Clients as low, medium or high risk from an environmental and social perspective;*
      4. *verify that each Client complies with the applicable Client E&S Standards;*
      5. *apply the IFC Performance Standards framework to IFC PS Triggered Transactions;*
      6. *in relation to IFC PS Triggered Transactions, develop a Client E&S Action Plan as required for the relevant Client;*
      7. *identify and record any serious incidents involving Clients that result in loss of life, severe permanent injury or severe permanent damage to health, a material adverse environmental or social impact, Safeguarding Violations or material breach of E&S Laws and promote appropriate corrective actions; and*
      8. *monitor, evaluate and report on the compliance of Clients with the Client E&S Standards and, if applicable, each Client E&S Action Plan and any other actions found to be necessary to reach compliance, including periodic meetings and/or site visits to Clients (as warranted by the risks of such business) and using technical experts where necessary.*

Add words in square brackets if you have taken option 2 above and limited the fossil fuels restriction to investments made using the investment proceeds. There may be a defined expression for the investment proceeds.

* 1. *The Company must use all reasonable endeavours to procure, through the inclusion of covenants in any loan or facility agreement with each Client in favour of a Group Company, that:*
     1. *each Client complies in all material respects with the applicable Client E&S Standards[, provided that the prohibition on Clients conducting Excluded Fossil Fuel Activities other than Coal Power and Mining shall only be applied if and to the extent that the Client is a recipient of the proceeds of the Investor[s’][s’] investment in the Company]; and*
     2. *where applicable, each Client complies with the requirements set out in the relevant Client E&S Action Plan.*
  2. *The Company must establish a public external communication and grievance procedure overseen by the Group’s senior management. The procedure must include methods to:*
     1. *receive and register external communications and grievances from the public;*
     2. *screen and assess the issues raised and determine how to address them;*
     3. *provide, track, and document responses, if any; and*
     4. *adjust the Group’s procedures and policies, as appropriate.*
  3. *The Group is encouraged to make publicly available periodic reports on its environmental and social sustainability.*
  4. *The Company must maintain a management information system, in a format satisfactory to the Investor[s], identifying and monitoring, as a minimum, each Group Company’s IFC PS Triggered Transactions. The Company must provide the Investor[s] with a copy of the reports generated by this system on request.*

Relevant to microfinance or retail banking institutions with low income customers.

1. *[Client protection* 
   1. *Each Group Company that deals with [retail customers] must adhere to the Customer Protection and Conduct Obligations set out in Part H of this Schedule [X].*
   2. *If, in [the/an] Investor’s judgement, the activities of a Group Company could reasonably be expected to involve microfinance, the Group Company must endorse and apply the SMART Campaign Client Protection Principles (see* [*www.smartcampaign.org*](http://www.smartcampaign.org)*).]*
2. *HR policies*

*The Group must implement and maintain human resources policies to ensure its and its contractors’ compliance with IFC Performance Standard 2 and the ILO Core Labour Standards*

1. *Client E&S performance improvement*

*Each Group Company must:*

* 1. *work with Clients continually to improve their performance on E&S Matters (including climate change risks); and*
  2. *assist Clients in the integration of management systems for E&S Matters into their business so that they continue after any loan is repaid or account closed.*

*Part F3 – Business Integrity*

1. *Business Integrity Management System – additional requirements*
   1. *The Company must:*
   2. *at all times employ an AML coordinator, being a senior operational officer of the Company or other appropriate personnel designated by the Company as being responsible for the implementation, operation and maintenance of the BI Management System (including the anti-bribery and corruption policies of the Company) and for reporting on its operation and effectiveness; and*
   3. *notify the Investor[s] no later than 30 days after the removal or replacement (for whatever reason) of the AML coordinator.*
   4. *The BI Management System must incorporate:* 
      1. *a Board approved policy on AML Matters;*
      2. *customer due diligence (including identification, verification and monitoring of customers including high risk customers such as politically exposed persons and the ultimate beneficial owners of customers);*
      3. *monitoring of customer activity for suspicious transactions and compliance by Clients with Business Integrity Laws;*
      4. *establishing and monitoring correspondent accounts, where applicable;*
      5. *record keeping;*
      6. *identification and internal reporting of suspicious transactions;*
      7. *reporting of suspicious transactions to authorities, where required;*
      8. *staff training on AML Matters;*
      9. *internal and/or external auditing of procedures relating to AML Matters; and*
      10. *regular reporting to the senior management of the Company on the effectiveness and implementation of such procedures.*
   5. *Each Group Company must:*
      1. *adopt and implement policies and procedures to prevent money laundering, terrorist financing and Sanctions breaches, including the adoption and periodic review of financial crime policies on a risk-basis; and*
      2. *have covenants in any loan or facility document entered into after the date of this Agreement prohibiting any Client from engaging in:* 
         1. *Financial Malpractice; and*
         2. *any breach of Sanctions.*

*Part F4 – Clients in breach*

1. *Breach of covenant by a Client*

*If a Group Company becomes aware that any Client has breached one of the covenants or obligations in favour of a Group Company required under this Part F, the Group Company must:*

* + 1. *promptly notify the Investor[s] of the breach and require the relevant Client to undertake as appropriate, in the Group Company’s reasonable judgement, corrective measures to remedy the breach; and*
    2. *if the relevant Client does not implement the corrective measures, use commercially reasonable efforts to accelerate or dispose of the Client’s loan on commercially reasonable terms, taking into account liquidity, market constraints and fiduciary responsibilities.*

Financial institutions only

*Part G – Summary of Client E&S Standards*

| ***Type of transaction*** | ***Total project cost/ Loan size*** | ***Tenor*** | ***Summary of Client E&S Standards*** |
| --- | --- | --- | --- |
| ***Project Finance / Project-related Corporate Loans*** | *Facility size ≥ USD 5 m* ***OR***  *Total Project cost ≥ USD 10 m*  *(Scope 1 – IFC PS Triggered Transactions)* | *≥ 36 months* | * *IFC Performance Standards* * *E&S Laws* * *Basic Labour Standards* * *Excluded Activities and Excluded Fossil Fuel Activities* * *Exploitative Procurement* * *Other requirements as set out in this Agreement* |
| *All other transactions* | | * *E&S Laws* * *Basic Labour Standards* * *Excluded Activities and Excluded Fossil Fuel Activities* * *Exploitative Procurement* * *Other requirements as set out in this Agreement* |
| ***Non-Project-related Corporate Loans (e.g. working capital / revolving facilities)*** | *Facility size ≥ USD 5 m*  *(Scope 2 – IFC PS Triggered Transactions)* | *≥ 36 months* | * *IFC Performance Standards (PS1 and PS2)* * *E&S Laws* * *Basic Labour Standards* * *Excluded Activities and Excluded Fossil Fuel Activities* * *Exploitative Procurement* * *Other requirements as set out in this Agreement* |
| *All other transactions* | | * *E&S Laws* * *Basic Labour Standards* * *Excluded Activities and Excluded Fossil Fuel Activities* * *Exploitative Procurement* * *Other requirements as set out in this Agreement* |
| ***Trade Finance*** | *Any amount* | *Any tenor* | * *E&S Laws* * *Basic Labour Standards* * *Excluded Activities and Excluded Fossil Fuel Activities* * *Exploitative Procurement* * *Other requirements as set out in this Agreement* |

Financial institutions only

*Part H - Customer Protection and Conduct Obligations*

*The Company must ensure that it is fully transparent in the pricing, terms and conditions of all financial products. The Company must employ respectful collection practices and adopt high ethical standards in the treatment of Clients.*

*The following customer protection and conduct obligations shall be the minimum standards that the Company will adhere to while providing financial services to Clients:*

### *Appropriate product design and delivery*

*The Group will take adequate care to design products and delivery channels in such a way that they do not cause harm to Clients. Products and delivery channels will be designed with Client characteristics taken into account.*

### *Prevention of over-indebtedness*

*The Group will take adequate care in all phases of their credit process to determine that clients have the capacity to repay without becoming over-indebted. In addition, the Group will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).*

### *Transparency*

*The Group will communicate clear, sufficient and timely information in a manner and language Clients can understand so Clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.*

### *Responsible pricing of products*

*Pricing, terms and conditions will be set in a way that is affordable, proportionate and competitive to clients while allowing for financial institutions to be sustainable. The Group will strive to provide positive real returns on deposits.*

### *Fair and respectful treatment of clients*

*The Group and its agents will treat their clients fairly and respectfully. They will not discriminate in provision of services and products. The Group will be proactive about a positive customer experience. The Group will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.*

|  |
| --- |
| Logo, company name  Description automatically generated |
| British International Investment  123 Victoria Street  London SW1E 6DE  United Kingdom  +44 20 7963 4700  bii.co.uk  linkedin.com/company/british-international-investment Twitter @BritishIntInv  British International Investment plc is authorised and regulated by the Financial Conduct Authority.  Registered address as above.  Registered in England No. 3877777 |